

The background features a stylized globe with a grid of latitude and longitude lines. Overlaid on this are numerous thin, curved lines in shades of orange and red, some ending in small circles, resembling a network or data flow. A prominent, thicker orange line curves across the globe from the top left towards the bottom right.

# Partner for New Possibilities

SK Telecom Annual Report 2015

## About This Report

As an Integrated Annual Report prepared for the purpose of reporting the annual performance to the investors and stakeholders, this Report comprises not only the financial performance records of SK Telecom, but also comprehensive information on value creation including non-financial performance, future prospects and efforts to improve company value (Value Creation Story). The BOD gave the final approval for this Report in July of 2016.

### Integrated Reporting under International Guidelines

The International Integrated Reporting Council provides the International Integrated Reporting <IR> Framework, a standard framework for the Integrated Reporting of both financial and non-financial performances. This Report was prepared in accordance with the guiding principles and report content suggested in the <IR> Framework, and the comprehensive requirements of the GRI G4 Guideline, a standards guideline for sustainability reports provided by the Global Reporting Initiative (GRI). As one of the UN Global Compact (UNGC) LEAD companies, SK Telecom has been undertaking management activities conforming to the 10 principles of UNGC, and this Report was prepared in accordance with the documentation principles prescribed in the Communication on Progress (COP) of UNGC.

### Scope and Boundary of the Report

In this Report, the terms, "SK Telecom" and "the company," refer to SK Telecom, excluding its subsidiaries that are subject to consolidated financial statements in accordance with the Korean International Financial Reporting Standards (K-IFRS). The financial data is based on consolidated financials, while the non-financial data on the environmental performance and fulfillment of the corporate social responsibility is based on a non-consolidated basis. The data presented in this Report exclude those for SK Telecom's overseas branches, subsidiaries and invested companies unless otherwise indicated in the general descriptions and information section. Such data, however, were included on a separate basis in cases in which they are likely to have a significant impact on the stakeholders' decisions, in consideration of SK Telecom's financial and operational control and the actual influence and effects of its business. As for the geographical boundaries, this Report covers data for the company's major places of business where 99% of revenue is generated, which is the Republic of Korea, while the temporal scope is between January 1 and December 31, 2015. This Report, however, may disclose a portion of the qualitative data generated until April 2016. In case of any changes in the previously reported data requiring attention, such data were re-calculated based on the 2015 data. The reporting period of this Report is one fiscal year, and the preceding report was the <SK Telecom Annual Report 2014> issued in July 2015.

### Third Party Assurance and Disclaimer

Financial data in this Report have been audited by an independent audit corporation, and non-financial data have been assured independently by a third-party entity to secure the credibility of the Report. Greenhouse gas data have been separately assured as well. This Report contains predictive statements regarding SK Telecom's and subsidiaries' financial conditions, operating and sales performances, and plans and goals of management. Despite external assurances, there might be gaps between the future performance specified or inferred through predictive statements and the company's actual performance due to political, economic, and circumstantial uncertainties surrounding business management.

SK Telecom became a member of the UN Global Compact (UNGC) in 2007, has participated as a LEAD company since 2011 and was listed in the Dow Jones Sustainability Indices (DJSI) World Index for eight consecutive years since 2008. In addition, SK Telecom has been participating in the Carbon Disclosure Project (CDP) and the business network program of the International Integrated Reporting Council (IIRC).

003

## Partner for New Possibilities

SK Telecom has changed the world by leading the communications industry through network evolution, and we are now preparing to launch into greater heights. We aim to grow from a wireless telecommunications company into a next-generation platform service provider that presents innovative values. By converging technology with life, we will be the first to achieve a brighter future.

# Tomorrow's network

## The fastest 5G mobile communications

SK Telecom aspires to open a new chapter in the history of mobile communications with 5G mobile technology. This will begin with the world's first commercialization of 2G CDMA 1X, followed by the first commercialization of 3G WCDMA and 4G LTE in South Korea. We are also preparing for the standardization of 5G technology, targeting a fast transmission speed of the minimum 1Gbps per second. When the full-fledged 5G commercialization service launches in 2020, brand new next-generation platform services will be made available. SK Telecom's three core platform services — the Lifestyle Enhancement Platform, Media Platform, and IoT Platform — will dramatically revolutionize communications with the ultra high-speed, and mass-storage 5G infrastructure environment. These platforms will make life happier, further develop industries, enrich the world with amazing convenience, and upgrade efficiency. SK Telecom will meet the challenge that will change the future for everyone with next-generation platform services and 5G networks.

### Transforming into a "Next-Generation Platform Provider"

#### Lifestyle Enhancement Platform

Making life happier by providing new values in all areas beyond communications services

#### Media Platform

Offering individuals optimized content anytime, anywhere, through seamless wired and wireless integrated media services

#### IoT Platform

Enhancing individual convenience and corporate efficiency by connecting all "Things" while analyzing collected data

### Leading the "5G Network"

5G is an innovative network technology that enables ultra-low latency and mass-storage data processing at an ultra-high speed of at least 1Gbps per second. SK Telecom will present new value and newfound excitement by offering unprecedented next-generation platform services based on fast and efficient 5G networks. These will include virtual and augmented realities (VR and AR), artificial intelligence (AI) robots, 3D holograms, smart homes, and driverless vehicles.

As the first to prepare for the 5G era, SK Telecom is carrying out key technology development and standardization activities through its 5G Global Innovation Center that was established in 2015. We also succeeded in demonstrating our 5G system with a 20.5Gbps data transmission speed in real time at the Mobile World Congress (MWC) 2016 in Barcelona, Spain. Through active technological development, we plan to commercialize our 5G services by 2020 for the first time in the world, following technological standardization in 2018.



**Lifestyle  
Enhancement  
Platform**

**Delivering new value  
in everyday life**

SK Telecom's Lifestyle Enhancement Platform can generate values that are endless. Protecting our children's safety, sharing information amongst those with similar interests, and making online and offline payments easier and simpler will be just the beginning.

Life is more convenient and pleasant when high-quality communications services are combined with new platform services. SK Telecom's Lifestyle Enhancement Platform will continue to increase happiness by offering differentiated benefits that meet the needs and lifestyles of our customers of all ages.



## Media Platform

### Offering a personalized content environment

SK Telecom's Media Platform, which includes both wired and wireless services, allows users to enjoy their personalized media content anytime, anywhere. Not only do we provide individuals with optimized content and services in the integrated media platform environment, but we are also preparing to launch next-generation media platform services, such as AR, VR, and 3D holograms, to be enjoyed freely. Our Media Platform will go beyond the limits of time and space and the restraints of devices, and present unforgettable experiences for all users.



Smart  
Home

## Connecting all “Things” beyond the mobile device

SK Telecom’s IoT Platform will achieve a smart life for everyone. The “Smart Home” will provide solutions for people that will enable them to operate their home appliances with an alarm or a remote control, save energy including electricity and water, and safely lock their doors through smart functions.

We will continue to achieve a smart life for everyone by activating the IoT ecosystem with our partners in different industries. Our IoT Platform will provide individuals and companies with valuable services by going beyond the mobile device and connecting all “Things” while analyzing collected data.

## IoT Platform

### Enhancing convenience and efficiency with innovation and connectivity

SK Telecom's IoT Platform that connects all "Things" is also leading in the development of infrastructures for driverless vehicles. These vehicles of the future start the engines on their own, self-drive in line with road situations, and are connected to relevant infrastructures in real time, and therefore require the integration of cutting-edge ICT technologies including 5G.

SK Telecom continues to implement innovations into cars of the future by leading the development of key infrastructures for driverless vehicles, including the Vehicle to Infrastructure (V2I) technology and the cordless electric vehicle charging technology. SK Telecom's advanced IoT platform will change the future by enhancing everyday convenience and the efficiency of industries.



# Pursuing sustainable growth for all

SK Telecom will secure full-fledged future growth potential by evolving into a next-generation platform service provider. In addition to this bold vision, we will continue to take into consideration the economic, social and environmental values while seeking harmonious growth with our stakeholders.

In particular, we will also focus our efforts on further creating shared corporate and social values. These efforts will involve: achieving a “creative economy” as a new growth engine for the national economy; supporting ICT conversion-type venture start-ups such as “BRAVO! Restart”; reducing social greenhouse gases to cope with global warming and climate change; and advancing into new energy infrastructure industries. This will allow us to bring a sustainable future for all as a next-generation platform company and a true intelligent partner in life.

KRW **4.1514** trillion

Ranked first among domestic service companies with a KRW 4.1514 brand value at the Best Korea Brands 2016 by Interbrand (ranked first among domestic telecommunications operators for the fourth consecutive year)

**8 years**

Included in the Dow Jones Sustainability Index (DJSI) World for the eighth consecutive year, a first among telecommunications operators in Asia

**NO. 1**

Ranked first in the Broadband LTE, LTE-A, 3G Mobile Communications categories at the 2015 Communications Service Quality Evaluation by the Ministry of Science, ICT and Future Planning

**19 years**

Ranked first in the National Customer Satisfaction Index (NCSI) survey by the Korea Productivity Center for nineteen straight years in 2016, ranking first for the longest period of time among domestic companies

**34** startup teams

“BRAVO! Restart” is an ICT-based start-up support program, targeting young adults and middle-aged participants. Unlike conventional startup support programs, it offers an integrated assistance system from the development of startups to their commercialization and growth stages. Through this program, we have developed and fostered 34 teams of startup ventures since 2013.



# 016

## About Us

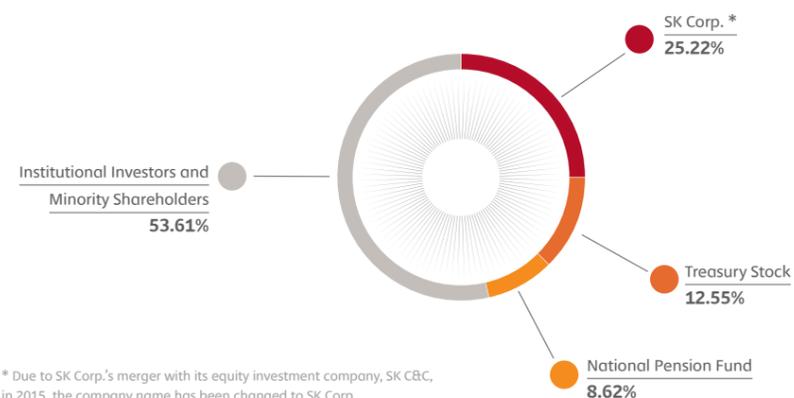
On its foundation as a South Korean mobile telecommunications service, SK Telecom is evolving into a Lifestyle Enhancement, Media, and IoT platform provider. SK Telecom, as of December 31, 2015, accounted for about 49.4% share of domestic subscribers and is leading South Korea's ICT ecosystem through the world's 'best' and 'first' technology and services.

### HIGHLIGHTS OF SK TELECOM (AS OF DECEMBER 31, 2015)

Date of Establishment	1984.03.29
Number of Subscribers	About 28.63 million*
Number of Executives & Employees	4,046
Number of Subsidiary Companies	37
Stock Exchange Registration Status	Korea Stock Exchange New York Stock Exchange London Stock Exchange

\* Based on subscriber statistics from the Ministry of Science, ICT and Future Planning

### SHAREHOLDER STATUS (UNIT : %)



\* Due to SK Corp.'s merger with its equity investment company, SK C&C, in 2015, the company name has been changed to SK Corp.

### SHAREHOLDERS RETURN (NON-CONSOLIDATED, UNIT : KRW)

Net Income	1,106.8 billion
Earnings per Share	13,707
Total Dividend	708.1 billion
Stock Buyback	489.3 billion
Dividend Payout Ratio	64%
Dividend per Share	10,000

# 017

## Inside This Year's Report

### 1 > Overview

LETTER TO STAKEHOLDERS	020
OUR BUSINESS MODEL	024
YEAR 2015 ACHIEVEMENTS	026
LONG-TERM MANAGEMENT ISSUES	034
PROGRESS ON MATERIAL ISSUES	038

### 2 > Business Cases

BUSINESS CASE 1. TRANSFORMING TO THE PLATFORM PROVIDER	042
BUSINESS CASE 2. SHARING THE INNOVATION	046
BUSINESS CASE 3. NEW CERTAINTY: PARIS AGREEMENT & CLIMATE CHANGE	049

### 3 > Governance

BOARD OF DIRECTORS	054
GOVERNANCE REPORT	056
RISK MANAGEMENT REPORT	064
TRANSPARENCY & INTEGRITY REPORT	068

### 4 > Financial & Non-Financial Statement

FINANCIAL STATEMENTS	072
FINANCIAL MD&A	080
NON-FINANCIAL STATEMENTS	089
NON-FINANCIAL MD&A	091
INDEPENDENT AUDITORS' REPORT	107
THIRD-PARTY ASSURANCE STATEMENT	108
GREENHOUSE GAS ASSURANCE STATEMENT	109

### 5 > Appendix

CEO HUMAN RIGHTS STATEMENT	116
HUMAN RIGHTS ASSESSMENT REPORT	118
SUPPLY CHAIN REPORT	121
GRI INDEX	126
SASB INDEX	134
UNGC INDEX	135
NON-CONSOLIDATED FINANCIAL STATEMENT	137
SK TELECOM GLOBAL NETWORK	143
INVESTOR INFORMATION	144



>  
**Overview**

LETTER TO STAKEHOLDERS	20
OUR BUSINESS MODEL	24
YEAR 2015 ACHIEVEMENTS	26
LONG-TERM MANAGEMENT ISSUES	34
PROGRESS ON MATERIAL ISSUES	38

## Letter to Stakeholders

### Distinguished Stakeholders,

**2015 was a year in which SK Telecom laid the groundwork for transformation not only as a mobile network operator (MNO), but also as a platform provider.**

The topics of interest in the telecommunications industry have moved beyond such quantitative competitions as LTE speed and acquiring subscribers, and are rapidly evolving to that of qualitative competition regarding products and services based upon high-quality data networks, which provide innovative value across individuals' daily lives as well as the industry. In 2015, while SK Telecom provided the highest levels of customer value in the business through innovative products and services and led the data-centered market, it has also built the foundation to transform into a three platform business centered on Lifestyle Enhancement, Media and IoT that is based upon the capabilities and assets of the telecommunications business. As a result of these efforts, SK Telecom demonstrated financial results of KRW 17,136.7 billion in revenue as well as KRW 1,708 billion in operating profit on a consolidated basis in 2015. In addition, SK Telecom received the highest levels of external assessments across all of its management activities, as demonstrated by its efforts as a United Nation Global Compact (UNGC) LEAD company, status as the first Asian telecommunications company to be included in the Dow Jones Sustainability Index (DJSI) World for the eighth consecutive year, maintenance of the highest possible grade of "Excellent" from the Win-Win Index for the third consecutive year, first place rank in the National Customer Satisfaction Index (NCSI) for 19 years in a row, and first place rank in the network quality assessment of the Ministry of Science, ICT and Future Planning.

### Laying the foundation to become a next-generation platform provider

Meanwhile, as SK Telecom innovates the structure of the Mobile Network Operator with a focus on efficiency and cements its position as the market leader, it is also focusing on the company's core capabilities centered on the three platform areas including the 'Lifestyle Enhancement Platform' that improves convenience and productivity by providing distinct value to customers that go beyond telecommunications services; the 'Media Platform' that provides customized content and a viewing experience optimized to the individual; and the 'IoT Platform' that provides valuable services by expanding the connectivity of all things.

In 2015, SK Telecom launched Lifestyle Enhancement Platform services in 2015 that satisfy segmented customer needs for a wide range of ages and lifestyles, some of which include the customized platform 'Club T Kids' for parents and children and 'Petween' for animal companions. The 'Lifestyle Enhancement Platform' service, which delivers unprecedented value on the foundation of the core assets of mobile telecommunications, is henceforth expected to contribute to customer base expansion in new business areas through enhanced service lineups and packages.

At the beginning of 2016 in the media area, the successful launch of the mobile media platform 'oksusu,' which combines 'B tv mobile' and 'hoppin,' was based upon increased wired IPTV subscribers and the growth of paid content revenue in 2015. SK Telecom is continuously



endeavoring to build a next-generation media platform delivery environment, as demonstrated by the 360° virtual reality service centered on 'oksusu,' release of exclusive content and the introduction of ultra-low delay broadcasting technology that reduces the real-time broadcast transmission speed up to three seconds.

In the IoT Platform area, while completing the IoT-exclusive network by building a national network for an IoT hybrid network, SK Telecom is leading the market by collaborating with various partners such as the city of Daegu, KEPCO and Korea University to expand open platform business models based upon the creation of IoT ecosystems in the areas of security-energy-automobiles-cities. Additionally, by driving the 'home' strategy that encompasses media and IoT, SK Telecom will continue to maximize the synergy and interconnectedness at the growth stage of each next-generation platform.

#### Strengthening market leadership through core competitiveness as a Mobile Network Operator

SK Telecom, which has avoided wasteful marketing competition and led the market by focusing on customer retention, took the lead in changing the mobile telecommunication market's competitive paradigm to one based upon the core competitiveness of products and services, as can be seen in the increase of the proportion of handset upgrade customers to over 50% among new and handset upgrade subscribers after the second quarter of 2015. The data-centered 'Band Data Rate Plan' that was introduced last May secured 7 million subscribers by the end of the year after its launch, and as it pioneered the structural change from products and services focused on voice calls to those focused on data, it drove the improvement of the effectiveness of data services. In addition, the success of the end-user device LUNA opened the way for the launch of a variety of affordable phones. The launch of a variety of products based on 2nd devices such as the Joon Kids Phone and T Pet led to an impressive 86.6% share (according to the Ministry of Science, ICT and Future Planning) of the wearables market by the end of 2015, attesting to SK Telecom's differentiated competitiveness.

#### Creating integrated social-corporate value through responsibility management

SK Telecom has supported the implementation of the 'Creative Economy,' which is the new growth driver of the national economy, and is promoting public-private cooperative businesses through the Sejong-Daejeon Center for Creative Economy and Innovation. The 'Creative Village,' which was jointly founded by SK Telecom and the Sejong Center for Creative Economy and Innovation, is considered an outstanding example of effectively increasing agricultural competitiveness and convenience through ICT technology and smart networks. The ICT convergence venture support project, known as the 'BRAVO! Restart' program, has both contributed to the discovery of new growth drivers for SK Telecom and is also an integrated value creation program that unites ICT capabilities and plays a role in solving social problems. By the end of 2015, a total of 34 teams received support from SK Telecom and their results were evidenced by product releases, patent applications and expansion into global markets, leading social innovation through ICT technology.

As international efforts to respond to climate change bore fruit with the signing of the Paris Agreement, it is anticipated that climate change and energy issues will go beyond general corporate social responsibility to become new areas of opportunity. SK Telecom exercises its environmental responsibility not only in terms of building low-power networks and reducing greenhouse gas (GHG) emissions in the course of business, but also by actualizing energy-related growth business models. In this regard, the 'SK Telecom-KEPCO Collaboration Center' in Naju, South Jeolla Province that was established through a long-term partnership with KEPCO for new energy businesses will serve as a valuable example. Beginning with the development of wireless charging facilities for the automobiles of the future and services to expand ICT infrastructure, SK Telecom will not only leverage eco-friendly ICT technology to reduce GHG and energy usage, but also has a vision to fuse such technology with the development of department stores, universities, and cities to discover growth opportunities in new dimensions.

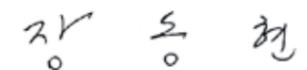
#### Corporate value innovation through business transformation and performance turnaround

In 2016, SK Telecom steadfastly built up the appropriate capabilities for the platform businesses in terms of talent, infrastructure, and services. By effecting structural changes and innovation in its business, and having a robust organizational culture marked by speed and skill, SK Telecom came to possess world-class efficiency and competitiveness, and is now pursuing its successful transformation into a platform provider.

SK Telecom, which has pioneered Korea's mobile telecommunications history thus far, possesses a sound competitive culture due to its core competitiveness and customer trust. Thereby, as the company leads the expansion of the ICT ecosystem and leads innovation that goes beyond competition, it will continue to advance and grow. SK Telecom will effectively deliver the highest values to customers through its successful transformation as a 'next-generation platform provider.' Furthermore, the company will innovate its corporate value by the momentum of the platform businesses' performance, while at the same time playing a pivotal role in the country's future ICT development.

I look forward to the unwavering interest and support of our customers, investors, and stakeholders.

Thank you.



**DONG-HYUN JANG**  
President and CEO SK Telecom

July 2016

## Our Business Model

### Expanding the Business Model to Lead the Platform Age

For the past thirty years, SK Telecom's network has connected individuals and evolved to meet a new future. SK Telecom, which has written the new history of mobile telecommunications for South Korea through unprecedented services and advanced technology, is now preparing to evolve into a next-generation platform provider.



#### Capital Input



#### Value Creation Activity

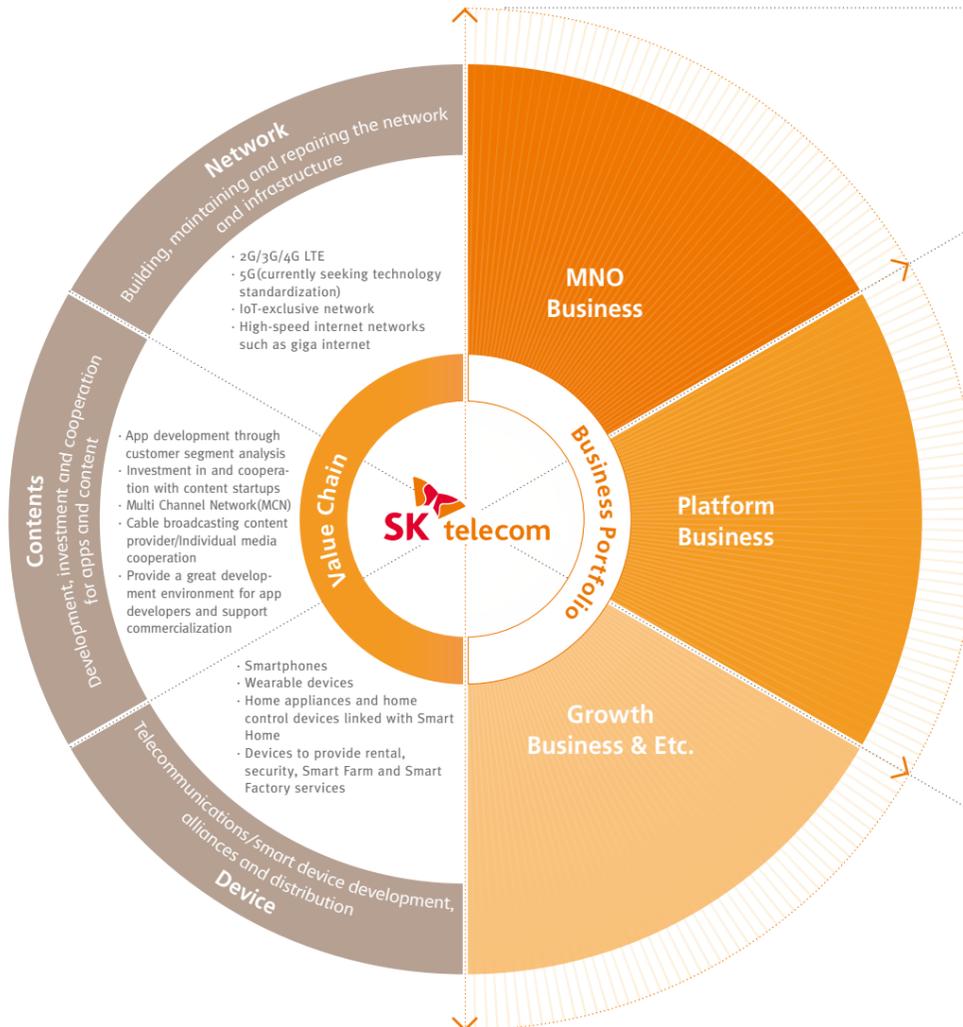


#### Output



#### Outcome

<b>Financial Capital</b>	SK Telecom is listed on the Korea Stock Exchange, New York Stock Exchange and London Stock Exchange. As SK Telecom's business relies upon the financial capital provided by shareholders and investors, it strives to maximize shareholder value through dividends and the shareholder return policy.
<b>Human Capital</b>	In recognition of the fact that human capital is a pivotal part of SK Telecom's business model and that competent individuals contribute to innovation and excellent business performance, policies are implemented to attract and retain excellent employees and due diligence is performed to respect and uphold the human rights in the business processes.
<b>Intellectual Capital</b>	SK Telecom recognizes the importance of patented technology in the course of business and considers it to be a significant type of capital. Policies to foster the ICT ecosystem including open innovation, big data hubs and open platforms are SK Telecom's approach to sharing its strengths and enhancing the value and efficiency of the use of joint intellectual properties of society.
<b>Manufactured Capital</b>	SK Telecom's businesses are dependent on physical infrastructural assets such as networks, the stability and sustainability of which are maintained through efficient investment.
<b>Social &amp; Network Capital</b>	While establishing cooperative relationships with various stakeholders including business partners and the government based on customer trust, SK Telecom is striving to earn more trust and respect by fulfilling its CSR and making efforts to contribute to society and create shared value.
<b>Natural Capital</b>	The operation of nationwide networks and data centers requires large amounts of electric power, and such use of energy leads to indirect GHG emissions. Accordingly, efforts are being made to improve the environmental capital through use of ICT solutions and research to reduce social GHG emissions.



#### MNO Business

##### Providing fixed and wireless voice and data services

- Providing voice and data services
- Fixed-line calls and international calls (SK Broadband, SK Telink)
- Internet and IPTV (SK Broadband)

#### Platform Business

##### Lifestyle Enhancement Platform Providing differentiated value that fulfills individuals' segmented needs across all lifestyles and ages

- Club T Kids - Customized platform for parents and children
- T Pay - Make payments and get discounts with one app

#### Media Platform

##### Provide customized content optimized to the individual and a next-generation media viewing experience

- oksusu - Individualized mobile media service, provides a differentiated viewing experience linked to AR/VR
- Evolve into a platform service for next-generation video through multi network channels

#### IoT Platform

##### Improved convenience and productivity with big data analysis and IoT

- IoT solution service, IoT-exclusive network and platform
- Expand the automobile, rental, energy, security, city infrastructure and data solution areas

#### Growth Business & Etc.

- Commerce businesses including 11th st, Syrup, Shopkick
- Healthcare businesses including non-invasive diagnostic devices and healthcare solutions
- Lifewear including high-end audio, smart beams, robots and app accessories

#### Products & Services

##### Unprecedented products and services

- High-quality audio and data services
- Service platforms for lifestyle enhancement through diverse needs
- Experience the highest level of media content
- Innovative IoT solutions

#### Customer & Consumer

##### Innovative customer experience

- Responsible marketing
- Personal information protection
- Content responsibility
- Promoting healthy ICT

#### Community & Society

##### Implementing social responsibility and promoting national growth

- Fostering and supporting the ICT ecosystem
- Mutual growth with partner companies
- Social innovation through ICT and promoting the creative economy

#### Financial Capital

- Creating profit and returns
- Shareholder returns
- Contributing to GDP growth (indirect economic value)

#### Human Capital

- Direct and indirect job creation
- Fostering ICT talents and improving human capital

#### Intellectual Capital

- Technological development through innovative ICT technology, products, services and solutions
- Contribution to a social innovative technology

#### Manufactured Capital

- IT infrastructure that contributes to personal lives and business productivity (LTE- & IoT-exclusive networks)

#### Social & Network Capital

- Improving social capital through increasing access to internet
- Enhancing lifestyle value through communication

#### Natural Capital

- Reducing social GHG through ICT
- Contribution to the climate change response and adaptation through technology

\* The six capitals and business model concepts of the International Integrated Reporting Council (IIRC) have been applied

## Business Transformation and Performance Turnaround

**SK Telecom is on a journey to become a next-generation platform company from the firm foundation of its telecommunications capabilities.**

### 2015 KEY PERFORMANCE

#### Laying the Groundwork for Change in Platforms, Not Just Mobile Telecommunications

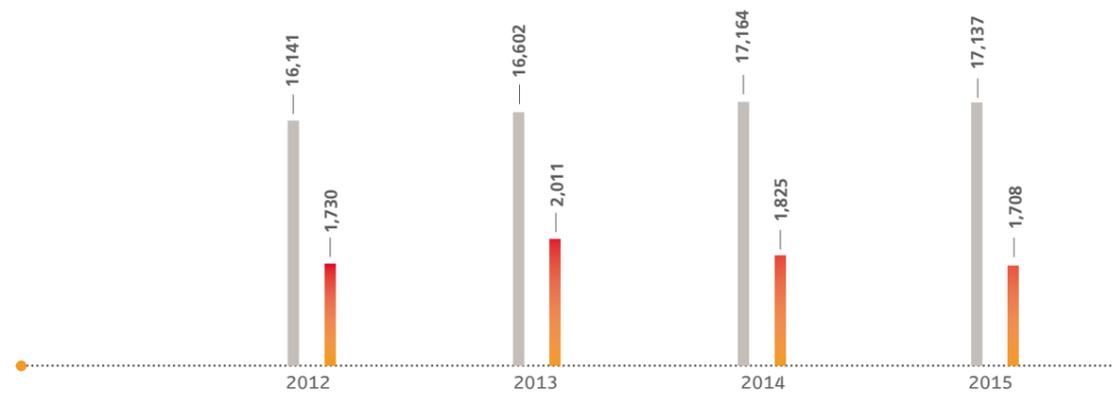
In 2015, SK Telecom provided the framework for change not only in terms of MNO, but also in platforms. SK Telecom reported an average monthly churn rate of 1.5% as of the end of 2015, notable for being the lowest since the introduction of the mobile number portability system in 2004. Since the second quarter of 2015, SK Telecom successfully changed the telecommunication industry's competitive paradigm to one focused on customer retention, as demonstrated by the rate of handset upgrade subscribers increasing to over 50% among all new subscribers.

The data-centered Band Data Rate Plan, which was released in May 2015 and added industry-leading data capacity and benefits along with unlimited wireless and fixed-line voice calls, had a record 7 million subscribers by year-end and drove an increase in data usage. The success of the end-user device LUNA, which inspired a variety of subsequent low-cost devices, was a prime example of targeting niche markets. In this way, SK Telecom has further burnished its reputation as a market leader while innovating the primary structure of its MNO business.

#### PERFORMANCE BASED ON CONSOLIDATED FINANCIAL STATEMENTS

(Unit: KRW billion)

Operating Revenue  
Operating Profit



Also, along with strengthening the Life style Enhancement Platform that increases new experiences and value for customers across their daily lives, SK Telecom is making mid- to long-term moves to demonstrate results in the three platform areas that it has emphasized since last year. This includes the company's concentration in media capabilities in order to make the leap as a next-generation media platform provider and the Smart Home service based on IoT.

#### Looking for Turnaround: Overcoming Growth Limits in the Telecommunications Market

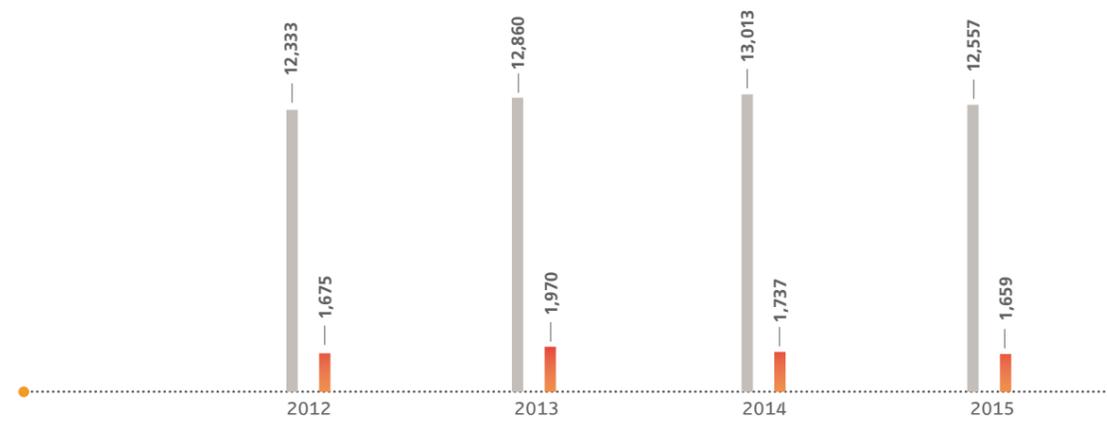
In 2015, SK Telecom achieved KRW 17.1367 trillion in annual revenue and KRW 1.708 trillion in operating profit according to the consolidated financial statements of the Korean International Financial Reporting Standards (K-IFRS). Despite growth limits in the domestic telecommunications market, SK Telecom maintained revenue volume at last year's level, but operating profit decreased 6.4% compared to last year due to increased personnel expenses and the rising expenses of subsidiaries' business activities. An annual net profit of KRW 1.5159 trillion was recorded, a 15.8% decrease compared to last year due to influences such as a decrease in profits in the equity method company SK Hynix.

SK Telecom made KRW 1.8913 trillion in capital expenditures (CAPEX) on a non-consolidated basis, a reduction of more than KRW 100 billion compared to guidance criteria. In terms of CAPEX, SK Telecom seeks to maintain stabilization in the mid- to long-term, following efforts to improve network operating technology advancement and investment efficiency.

#### PERFORMANCE BASED ON NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unit: KRW billion)

Operating Revenue  
Operating Profit



**2016 FUTURE PLANS AND OUTLOOK**

Maximizing corporate value is a top priority of SK Telecom and to this end the company will strengthen the fundamentals of the mobile telecommunications market as well as develop a variety of platform businesses for future growth. In 2016, SK Telecom plans to achieve a goal of KRW 17.6 trillion in revenue, a 2.7% growth compared to last year through business transformation and performance turnaround.

- Set a goal of achieving KRW 17.6 trillion in revenue through a net increase in subscribers by providing new value, enhancing the core competitiveness of products and services and business growth
- Product differentiation through media content and strengthening of platform services that are in close contact with one's lifestyle, which utilize MNO assets
- Ensuring network quality competitiveness by acquiring optimal frequencies that comprehensively consider demand and cost efficiency
- Present tangible results from the three major platform businesses, lifestyle enhancement, media and IoT

**Strengthening the Fundamentals through Core Competitiveness**

Although there were factors, such as contract discounts, that caused declining revenue in the mobile telecommunications sector in 2016, SK Telecom plans to realize revenue growth through the launch of new products and services to increase the value of data usage. In order to strengthen competitiveness in the mobile telecommunications market, SK Telecom will solidify market leadership through the launch of special offer products, such as end-user devices, rate plans, and alliances and bundled services, according to customer needs from the first quarter. Market competition stabilized after the introduction of the Handset Distribution Act and SK Telecom took the lead in launching key products and services in this new environment. The company will reinforce the fundamentals of its telecommunications business by growing the proportion of LTE subscribers and promoting data usage.

**Transformation through Platform Businesses**

While SK Telecom will initiate a turnaround by improving its core competitiveness in mobile telecommunications together with the cost reduction, it is a challenge to continue meaningful growth in a saturated market. Considering this situation, the company seeks to overcome the current growth limits in the market through its transformation into a platform provider.

SK Telecom is initiating three platform businesses centered on lifestyle enhancement, media and IoT, as they are areas of future opportunities. Each platform business is expected to increase mutual connectivity in the growth stage. For instance, as the home-based competitiveness is gained through enhanced media, synergy will be maximized by expanding this competitiveness to the IoT and lifestyle enhancement platforms.

**Building the Foundation for the Three Platform Businesses**

Through the Lifestyle Enhancement Platform, SK Telecom will provide unprecedented value to customers and prepare for monetization with a diverse service lineup that leverages the strengths of the mobile telecommunications market such as rates, devices and affiliated services. The Lifestyle Enhancement Platform enhances the competitiveness of the mobile telecommunications business while simultaneously aiming to reach a level of competitiveness at which it is possible for the platform service to scale up and generate profits on its own. The company seeks to create future value by providing content, community and commerce features as well as differentiated benefits that suit the needs that subscriber segments have in common.

In the Media Platform area, SK Telecom secured a total of 7.56 million wireless TV subscribers including 4.08 million B tv mobile subscribers by year end. In 2016, SK Telecom will emerge as a total media platform provider by expanding its media outward and developing new business models, a prime example of which is the recent success of the integrated mobile channel.

During the period that SK Telecom focused on extending an open-source ecosystem in the IoT Platform area, it has initiated market entry in the core areas of manufacturing, public services and smartphones.

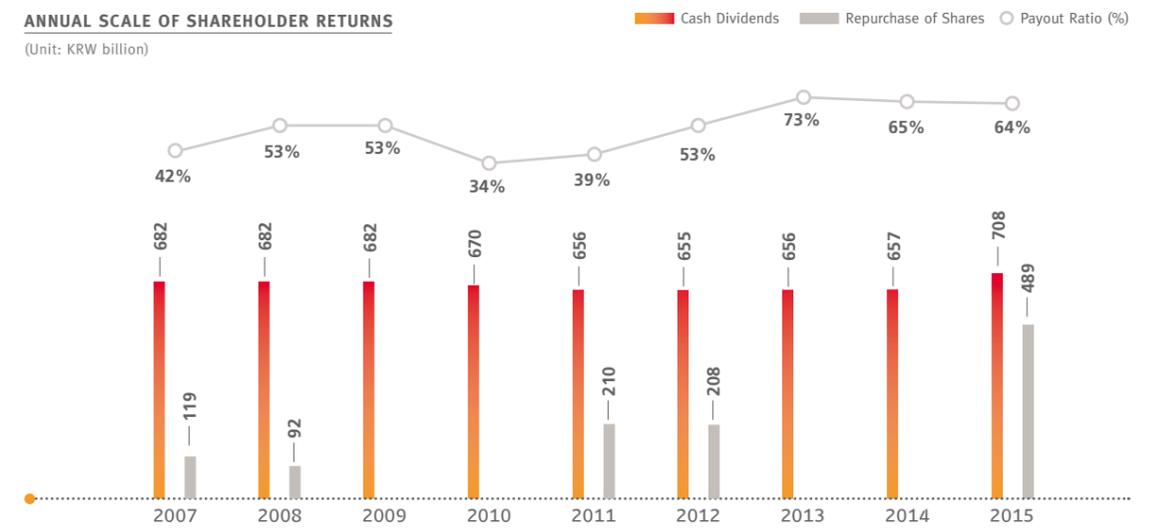
In particular, the Smart Home service was commercialized in May 2015 and formed 50 alliances and 70 linked products, with expectations to lead the IoT market by continually expanding that foundation. By integrating the home appliance category through more alliances, SK Telecom will analyze customers' lifestyle patterns and offer them new value. By completing the exclusive networks with an IoT Hybrid network along with alliances with more partners in the automobile, energy, security and city infrastructure businesses, SK Telecom plans to fuse IoT technology to expand the ecosystem and pioneer a new market.

In terms of SK Planet, SK Telecom has implemented structural reorganization that divides the business into areas such as Commerce and Platform so that each area can have a structure that is flexible for success. First, on the basis of its steady success in the domestic market, the Commerce company has plans to further solidify its position in global operations in countries such as Turkey, Indonesia and Malaysia. SK Planet will strengthen its existing competitive services such as Syrup and OK Cashbag, further solidifying the foundation of Next Commerce, both domestically and internationally.

In 2015, SK Telecom strengthened its core competitiveness in the mobile telecommunications service and platform business divisions with innovative products and services, once again demonstrating its sustainable growth potential. Indeed, in 2016, SK Telecom will build leadership that pioneers the data age through differentiated network competitiveness and customer value-oriented services while developing into a next-generation platform provider that fulfills customers' in-depth needs and provides new value.

**Active Shareholder Return Policy**

SK Telecom made company innovation a top priority in 2015 and strove to improve shareholder value. Indirect shareholder return was achieved through the repurchase of shares on five occasions in the past 9 years. In 2015, SK Telecom raised annual dividends to KRW 10,000 dividend per shares (DPS) including an interim dividend of KRW 1000. Efforts will be made to increase corporate value by maintaining a balance between investment and shareholder returns.

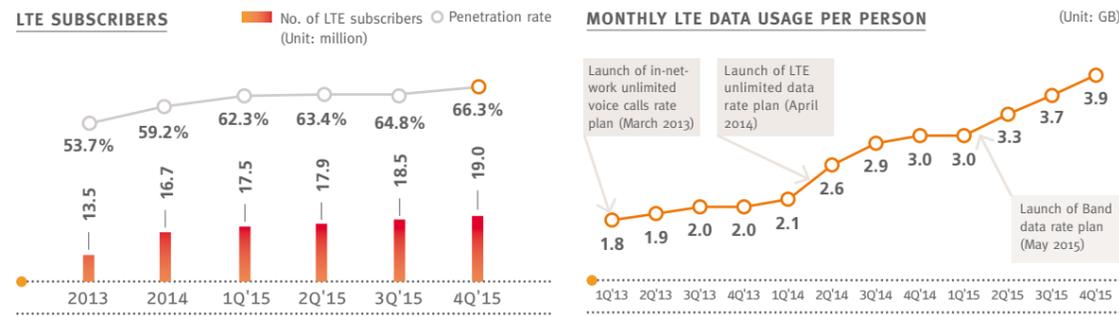


030

OPERATIONAL REVIEW

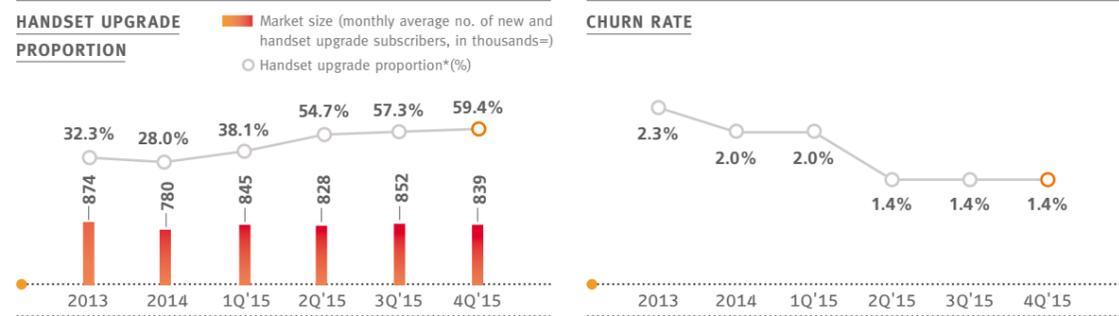
LTE Subscribers and Data Usage per Person

Due to SK Telecom's differentiated services and core competitiveness, the number of LTE subscribers and monthly LTE data usage per person has increased. Accordingly, the billing-based ARPU has increased 1.3% (YOY) to KRW 36,582. (Please refer to the billing ARPU on p.84).



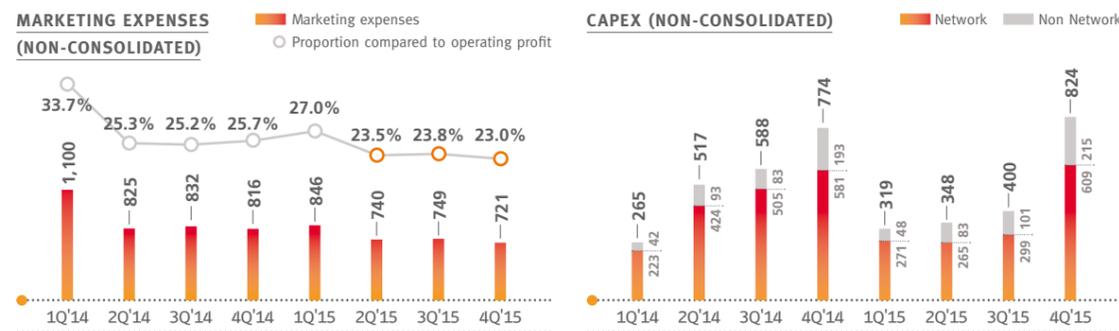
Handset Upgrade Proportion and Churn Rate

The stabilization of the market and a change to a paradigm focused on handset upgrades have emerged and accordingly, the churn rate has been maintained at the lowest level since the start of mobile number portability.



Marketing Expenses and CAPEX

At 23%, marketing expenses are on a downward trend compared to revenue due to the easing of the overheated competition after market stabilization. Furthermore, the CAPEX has been reduced compared to guidance.



031

Creating ICT Synergy Through Network, Hardware and Platform



SK Hynix

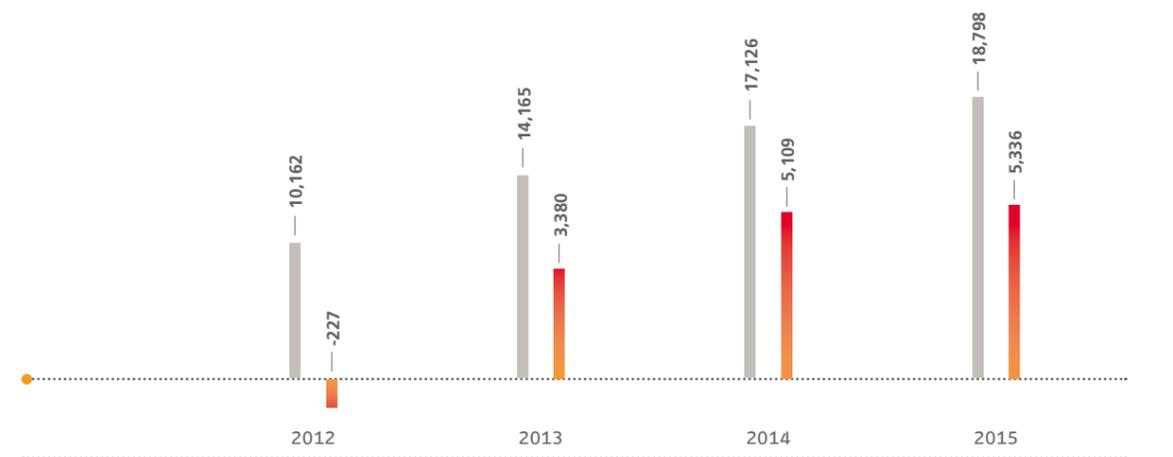
SK Telecom is discovering new growth opportunities through the convergence of telecommunications and other industries due to SK Hynix, its global semiconductor subsidiary. Following the acquisition, SK Hynix recorded KRW 18,798 trillion in revenue (9.7% year-over-year growth) and KRW 5,336 trillion in operating profit (4.4% growth year-over-year growth, 28.4% increase in operating margin) during 2015, again achieving the highest performance since its establishment for three consecutive years.

In the terms of DRAM, a main revenue source, the storage capacity per device was increased and following the product expansion of DDR4 (Double Data Rate 4th Generation SD RAM), a 20% annual increase in demand is expected. Despite a slowdown in demand for mobile products, the demand for Nand Flash is forecast to grow about 30% owing to the strength of the SSD (Solid State Disk) market's expansion.

On the one hand, as SK Hynix mass-produces the early-class 20 Nano DRAM, its course of action is to strengthen its competitiveness by focusing on the development of the 10 Nano-class DRAM. In addition, it plans to improve profitability by operating a flexible product portfolio that is responsive to market demand. In order to overcome anticipated difficulties in the semiconductor industry such as slowed demand growth and intensifying competition, SK Hynix will become more competitive by making about KRW 6 trillion in investments in 2016 as well as pushing to improve cost competitiveness, investment efficiency and intensively reducing costs.

SK HYNIX PERFORMANCE

(Unit: KRW billion)



\*K-IFRS Consolidated Basis



**SK Planet**

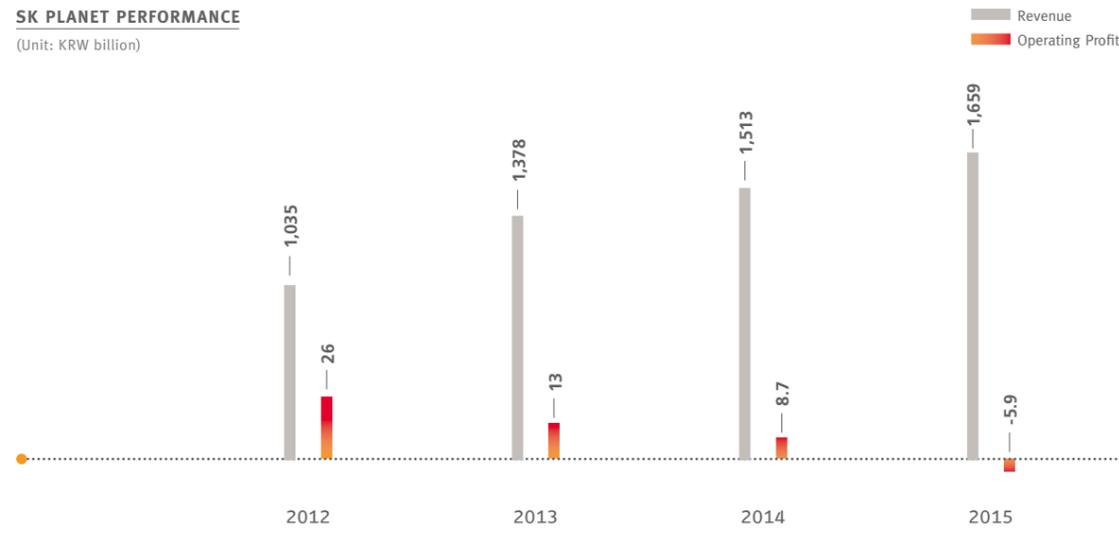
SK Planet is a company that specializes in integrated & personalized commerce, seeking to bring more delight and convenience to customers' lives through innovative and creative services. It connects the online and offline worlds and opens up new possibilities in mobile.

SK Planet provides diverse O2O (Online to Offline) services that deliver an optimized mobile commerce experience for the digital age and surpasses the competition in marketplace services and on-offline shopping as it leads the next commerce age. In 2015, SK Planet enhanced its market influence through the continuous growth of the mobile-focused 11th st, and strengthening existing services OK Cashbag and Syrup as well as expanding the vertical service. SK Planet also demonstrated tangible results through 11th st's global expansion in Turkey, Indonesia and Malaysia.

In February 2016, the commerce and platform businesses were restructured into commerce-centered business. In order to gain market leadership in e-Commerce and create new growth drivers, SK Planet acquired Commerce Planet and is in the process of creating business synergies. SK Planet's platform business was established as a separate corporation and as a growth driver for SK Telecom's Lifestyle Enhancement Platform, it is expected to enhance synergy.

**SK PLANET PERFORMANCE**

(Unit: KRW billion)



\*K-IFRS consolidated basis, Increments stemming from the merger with SK M&C in Feb. 2013 have been added



**SK Broadband**

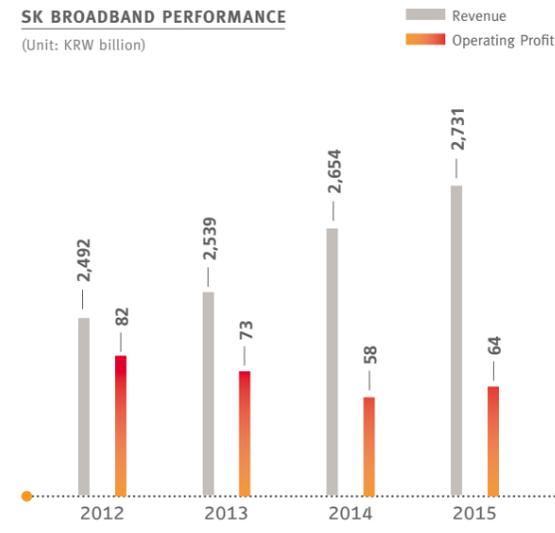
As the company that commercialized services such as the world's first ADSL service, first domestic high-speed wireless internet service and first domestic Pre-IPTV service, SK Broadband is writing South Korea's high-speed internet and IPTV history. SK Broadband seeks to become a company specializing in media and B2B that offers new value and delight in the media and B2B sectors.

SK Broadband secured 5.04 million B Internet subscribers by the end of 2015 due to the expansion of the IPTV subscriber base and broadband's continuous growth. Although the usage and subscribers of home phone lines are continuously decreasing due to the substitution effect, IPTV subscribers are continuously increasing, and 3.48 million users were secured, a year-over-year growth of 23.5%.

SK Broadband will play a major role in improving quality and service through efforts such as providing differentiated services as well as enhancing the convenience of subscribing through an expanded sales network, thus evolving the subsidy-focused competition for customers to a quality-focused competition.

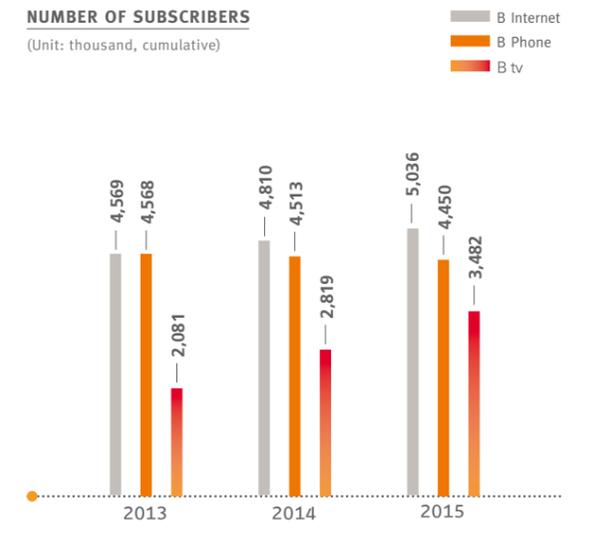
**SK BROADBAND PERFORMANCE**

(Unit: KRW billion)



**NUMBER OF SUBSCRIBERS**

(Unit: thousand, cumulative)



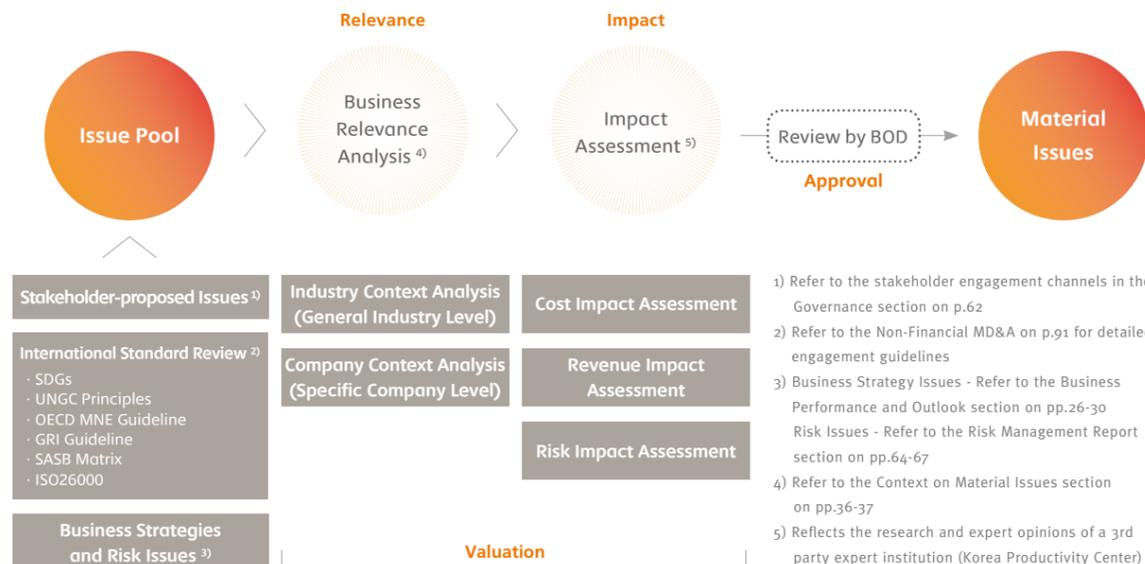
034

# Material Issue Management for Mid- to Long-term Value Creation

SK Telecom considers the diverse economic, environmental and social changes that may impact future value creation and sustainability to discern material issues. The company discloses its responses and performance regarding each issue on an annual basis.

SK Telecom considers a wide range of economic, social and environmental issues, identifies the material issues that may impact the company's mid- to long-term development, and ensures that they are reflected in management decisions. By material issues, SK Telecom refers to those issues that are relevant to the impact on the business and stakeholders as well as the actual level of impact that it has on the company's ability to create sustainable value. After the material issues have gone through the technical analysis process, SK Telecom's Corporate Citizenship Committee under the Board decides upon the priority of the issues.

The economic, environmental and social issues refer to global political-social issues including the UN Sustainable Development Goals (SDGs), global regulations, mid- to long-term social trends, issues raised by international organizations and non-governmental organizations (NGOs) as well as externalities that became known in the company's business process. These issues are managed in an issue pool and on the basis of the annual stakeholder participation process, the results of the relevance assessment and results of assessing the financial impact from the cost, revenue and risk perspectives are integrated through the industry level (analysis of similar businesses) and individual company level (collection of internal opinions) and the priorities are identified. In 2015, SK Telecom selected nine material issues and among these, the company discloses the management methods, results and goals regarding ICT Convergence, Customer Retention & Responsible Marketing, Social & Business Innovation, Climate Change & Paris Agreement in Part 2 'Business Cases,' and regarding the remaining material issues in Part 4 'Non-Financial Statements.' Please refer to the next page for information regarding the material issue assessment and background.



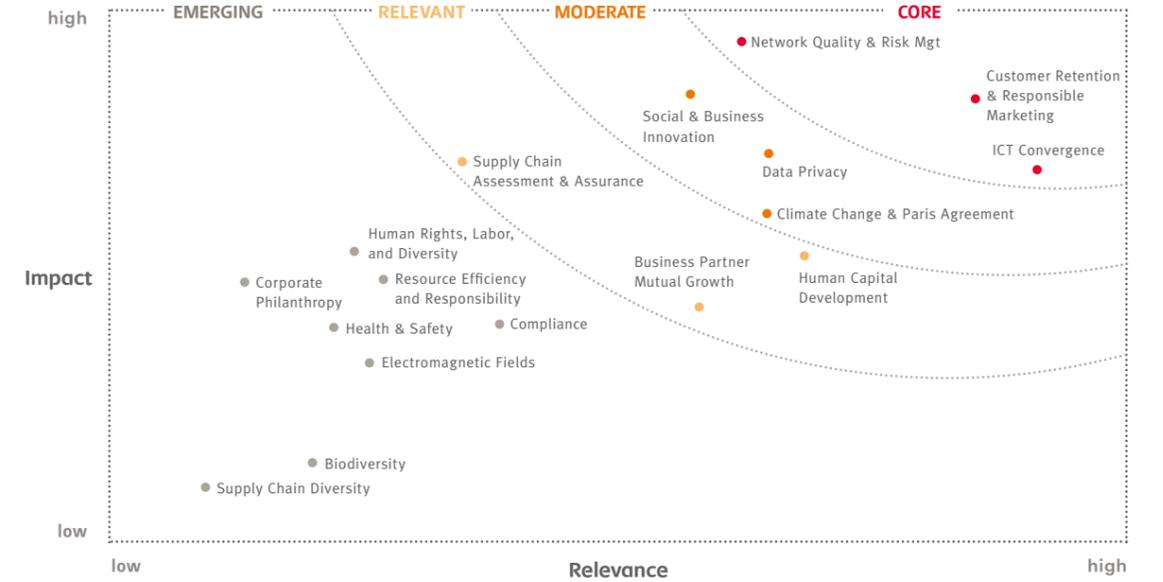
1) Refer to the stakeholder engagement channels in the Governance section on p.62  
 2) Refer to the Non-Financial MD&A on p.91 for detailed engagement guidelines  
 3) Business Strategy Issues - Refer to the Business Performance and Outlook section on pp.26-30  
 Risk Issues - Refer to the Risk Management Report section on pp.64-67  
 4) Refer to the Context on Material Issues section on pp.36-37  
 5) Reflects the research and expert opinions of a 3rd party expert institution (Korea Productivity Center)

035

## MATERIAL ISSUES

The material issues that SK Telecom selected in 2015 are as follows.

### MATERIALITY ASSESSMENT



### MATERIAL ISSUES

Level	Material Issues	GRI Aspect	Relevance	Impact			Page
				Cost	Revenue	Risk	
Core	ICT Convergence	Economic Performance	High	○	●	○	pp.42-44
	Network Quality & Risk Mgt	Non-GRI	High	○	○	●	pp.97-98
	Customer Retention & Responsible Marketing	Marketing Communications	High	●	○	○	p.45
	Marketing	Product & Service Labeling					
Moderate	Social & Business Innovation	Indirect Economic Impact	Moderate	○	●	○	pp.46-48
	Climate Change & Paris Agreement	Energy / Emissions	Moderate	●	○	○	pp.49-51
	Data Privacy	Customer Privacy	High	○	○	●	pp.98-99
Relevant	Supply Chain Assessment & Assurance	Supplier Assessment	Relevant	○	○	●	pp.121-125
	Business Partner Mutual Growth	Non-GRI	Relevant				p.99
	Human Capital Development	Employment	Relevant	○	○	●	pp.94-95
		Training & Education		○	●	○	

**CONTEXT ON MATERIAL ISSUES**



**ICT Convergence**

The acceleration of second devices, wearable devices and IoT has led to the emergence of new hardware that have merged with services and a rapidly increasing volume of data production and consumption. These developments will soon connect with ICT convergence, which will bring about revolutionary changes across the industry. Long-term trends such as these are connected to changes in SK Telecom's mid- to long-term business model and value creation model, and will also lead to extensive economic and social impacts stemming from ICT technology. SK Telecom is approaching this issue through the next generation Lifestyle Enhancement Platform, Media Platform and the IoT Platform strategies. Please refer to pp.42-44 for a more detailed business case, performance and outlook.



**Quality Network Infrastructure**

SK Telecom's core service competitiveness rests on its telecommunications infrastructure and quality including the completion of the 5G mobile telecommunications network that followed the 4G network. Furthermore, considering that network infrastructure failures may lead to the collapse of economic and social systems, this constitutes business continuity risks for individual companies. According to higher frequency and scale of natural disasters resulting from climate change, it is expected that SK Telecom will face more physical threats to its network infrastructure. If it fails to build reliable and resilient infrastructure, it may encounter effects such as declining revenue resulting from large-scale network failures and unexpected capital expenses for repairs. While SK Telecom is continually investing to build a next-generation network infrastructure and network quality, it also has a systematic risk management system to respond to telecommunications failures and technical risks. Please refer to pp.98-99 for a more detailed business case, performance and outlook.



**Competitive Paradigm Focused on Customer Retention**

In October 2014, the Handset Distribution Act came into effect in order to resolve the overheated subsidy competition in the mobile telecommunications market and establish transparent and orderly distribution. The Handset Distribution Act prohibits subsidy discrimination and introduced strengthened regulation of details with the aim of creating a sound distribution structure. As such, market competition is changing through the expansion of user protection, a more transparent distribution structure and a change to the competitive structure based on handset upgrades. SK Telecom rose above the wasteful marketing competition over subscribers and has instead improved customer value on the strength of its products and services. Through its core competitiveness, the company has shifted to a retention-centered policy and is striving to enhance marketing efficiency. As a result, in 2015, SK Telecom continued the trend in reducing the average churn rate achieved a monthly churn rate of 1.5%, the lowest recorded since the mobile number portability policy began. Please refer to p.45 for a more detailed business case, performance and outlook.



**Social & Business Innovation**

ICT enables economic actors to connect with one another and it leads the sharing of knowledge and technology, paving the way for greater cooperation in society and business. In contrast with research and development, which require large investments, ICT plays a meaningful role in both the implementation of creative ideas as well as commercialization and entrepreneurship. ICT can also serve as a springboard for the implementation of the Creative Economy, which is based on innovation and creativity, not growth dependent on labor and capital. In order to become a contact point between the implementation of the Creative Economy, which is the government's priority, and the economic value of ICT, SK Telecom has been making efforts to create open innovation by enhancing the ICT ecosystem and creating shared values between the company and society. Please refer to pp.46-48 for a more detailed business case, performance and outlook.



**Climate Change and Paris Agreement**

In contrast with the Kyoto Protocol, by which only developed countries were obliged to reduce greenhouse gases, the Paris Agreement that was reached in 2015 is considered a new climate regime as it is the first binding agreement that 195 countries must uphold. South Korea, where SK Telecom's main business is located, presented a 37% reduction goal compared to business as usual (BAU) by 2030. Prior to this, South Korea had implemented the Emissions Trading System (ETS). The ETS, as a regulation that responds to climate change by regulating the total quantity of emissions rights, allocated emissions rights to target companies and is a system that allows companies to freely trade with one another through market mechanisms. The increasing cost of complying with the increased energy and environmental regulations stemming from climate change may have a financial impact on SK Telecom, which relies on power production in order to maintain the reliability of networks and data centers. As the sources of energy consumption shift to clean and renewable energy sources across industries and society, SK Telecom may also be able to reap new business opportunities. Please refer to pp.49-51 for a more detailed business case, performance and outlook.



**Data Privacy**

As the use of mobile phones, internet and email services grow, customer privacy issues are being highlighted as an area of keen interest. The need for strong policy guidelines to safeguard information and the implementation of privacy protection measures has never been greater. In particular, the importance of issues related to the specific information that telecommunications companies save, such as location based services (LBS) and demographical statistical data that are utilized by third-parties and directly linked to revenue, is expected to rise. Along with data privacy, the use of personal information that uses ICT technology is evolving into a human rights problem. SK Telecom is endeavoring to prevent data privacy violations across all services through the human rights due diligence process based upon the companywide human rights policy. Please refer to pp.98-99 for a more detailed business case, performance and outlook.

## Progress on Material Issues



### ICT CONVERGENCE

#### Lifestyle Enhancement Platform

Progress	Number of 2nd Device Users	Long-term Target
The Lifestyle Enhancement Platform is expanding the business model by 1) creating more value with a platform that meets segmented needs with a focus on existing subscribers and 2nd device subscribers, and 2) developing a new platform that offers new lifestyle enhancement in the OTT area.	In 2015, the number of 2nd device (T Outdoor, T Kids, T Pocket-Fi, T Pet) subscribers stood at 599,000. The share of 'wearable device' subscribers according to the Ministry of Science, ITC and Future Planning was 86.6%. <b>'15</b> — 599,000	- Securing 1.4 million cumulative 2nd device subscribers (by 2016). - Securing 10 million Lifestyle Enhancement Platform service subscribers and services that provide direct value to customer's lives in the future (by 2018).

#### Media Platform

Progress	Number of B tv + B tv mobile Subscribers (cumulative)	Long-term Target
The Media Platform seeks to secure a variety of platforms including wired IPTV and wireless OTT, evolve into a total media platform that breaks away from the limits of time and space to establish itself as Korea's number one media business.	<b>'13</b> — 2.89 million <b>'14</b> — 5.19 million <b>'15</b> — 7.56 million	- Expand the subscriber base and content competitiveness, secure 15 million Media Platform subscribers and KRW 1.2 trillion in annual revenue by enhancing the value chain with the oksusu service (by 2018).

#### IoT Platform

Progress	IoT Platform Area Revenue*	Long-term Target
The IoT Platform is expanding linked devices and the alliance ecosystem with a focus on the LPWA (Low Power Wide Area) based network and is developing services that are competitive in the B2B/B2C area.	The IoT area revenue consists of the line charges and platform usage fee in the data rate plan as well as revenue from area-specific devices, and equipment payment solutions. <b>'15</b> — KRW 733.3 billion	- Continually expand the IoT Platform business model and achieve KRW 1.1 trillion in revenue (by 2018). <b>'16</b> — KRW 828.4 billion <b>'18</b> — KRW 1.1 trillion

\* Sum of revenues from line charges and solutions including Core Solution Business (CSB: retail, energy, smart work, big data and IoT).

### CHANGING THE MARKET PARADIGM TO CUSTOMER RETENTION-FOCUSED COMMUNICATIONS

#### Expanding Customer Value Through Core Service Competitiveness

Progress	Average Monthly Churn Rate	Long-term Target
SK Telecom has continuously reduced the average monthly churn rate through policies focused on active maintenance and service differentiation.	<b>'13</b> — 2.3% <b>'14</b> — 2.0% <b>'15</b> — 1.5%	- Continue the change to a customer retention-focused telecommunications market paradigm by achieving a monthly average churn rate at the 1% level (by 2018).

## QUALITY NETWORK INFRASTRUCTURE

### Quality through Investment and Operational Risk Management

Progress	Significant cases of 'service failures'*	Long-term Target
SK Telecom maintains a higher quality of data and voice calls compared to other companies, as can be seen in its selection as the provider of the fastest LTE service in the Ministry of Science, ICT and Future Planning's Telecommunications Service Quality Assessment in 2015.	<b>'13</b> — 1 case <b>'14</b> — 1 case <b>'15</b> — 1 case	- Achieving zero (0) network failures and losses by carrying out long-term investment and operational risk management (by 2018).

\* According to the number of large-scale failures submitted to the Ministry of Science, ICT and Future Planning

### CLIMATE CHANGE AND PARIS AGREEMENT

#### Expand Energy/GHG Operational Efficiency

Progress	GHG Intensity	Long-term Target
The GHG intensity rose slightly after the acceleration of the LTE and 5G networks, but by integrating network equipment such as base stations and relay stations in addition to reducing energy use at company buildings, GHG intensity decreased. SK Telecom will strive to lower GHG intensity through carbon offsetting, switching to renewable energy and introducing low-power networks.	<b>'13</b> — 55.05 tCO <sub>2</sub> e / KRW billion <b>'14</b> — 57.09 tCO <sub>2</sub> e / KRW billion <b>'15</b> — 54.64 tCO <sub>2</sub> e / KRW billion	- Reach a 2% annual GHG intensity reduction* (by 2020). <b>'18</b> — 54.48 tCO <sub>2</sub> e / KRW billion <b>'19</b> — 53.39 tCO <sub>2</sub> e / KRW billion <b>'20</b> — 52.32 tCO <sub>2</sub> e / KRW billion

\* Based on the average GHG intensity from 2013-2015

### SOCIAL & BUSINESS INNOVATION

#### BRAVO! Restart

Progress	Number of Startups Supported by BRAVO! Restart (cumulative)	Long-term Target
As the representative entrepreneurial program that a large company has initiated, while BRAVO! Restart supports startups through a substantial support system, it is also strengthening its role as a platform that discovers growth business models.	<b>'13</b> — 10 teams <b>'14</b> — 23 teams <b>'15</b> — 34 teams	- Supporting the development of 65 startup teams through the startup support program (by 2018).

### DATA PRIVACY

#### Protecting Customer Information and Privacy

Progress	Auditing Distribution Networks' Customer Information Protection	Long-term Target
SK Telecom has implemented on-site surveys at field organizations, business partners and distribution networks for customer information protection and has discovered, taken measures, and taken actions regarding key privacy issues.	<b>'13</b> — N/A <b>'14</b> — 1,800 stores (41.9%) <b>'15</b> — 4,700 stores (100%)	- Maintaining serious customer information leakages at zero (0), and maintaining the rate of annual on-site audits for distribution network at 100% (all stores) (by 2018).

# 2

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**Business Cases**

<b>BUSINESS CASE 1. TRANSFORMING TO THE PLATFORM PROVIDER</b>	<b>42</b>
<b>BUSINESS CASE 2. SHARING THE INNOVATION</b>	<b>46</b>
<b>BUSINESS CASE 3. NEW CERTAINTY: PARIS AGREEMENT &amp; CLIMATE CHANGE</b>	<b>49</b>

# 042

## Transforming to the Platform Provider

### Becoming a Platform Provider for Future Growth

SK Telecom will overcome the mobile telecommunications industry's limitations by becoming a platform provider that offers innovative value and services that surpass customer expectations and also ensures future growth potential.

With the spread of diverse mobile devices, companies such as SK Telecom that provide robust platforms are emerging as leaders in the ICT market. Due to the quantitative and qualitative growth of data, the importance of differentiated competitiveness by creating platforms based on big data is being highlighted. As an intermediary that promotes business between diverse customer groups and creates new value on the platform, SK Telecom is forming an ecosystem that attracts and locks-in subscribers and users. The platforms exist in diverse forms such as technological operating standards (iOS, Android OS, etc.), subscriber-based service systems (Facebook, Twitter, etc.) and markets (Amazon, Google Store, etc.) and as platforms expand globally through increasing openness, their form and scale are further evolving.



\*Petween,\* a customized Lifestyle Enhancement Platform for animal companions.

Considering that platform businesses can be linked to a variety of adjoining services and are expanding into global markets, such businesses possess very high growth potential. Platform businesses also have databases with which purchasing behaviors and pattern recognition data can be analyzed across the entire range of consumer life. The creation of a big-data platform that leverages such databases and which can provide differentiated services is emerging as a major competitive factor for the future.

Following the evolution of the network through LTE, there exist diverse opportunities in the platform business such as mass storage multimedia streaming including personal broadcasting as well as high-definition location-based services including the cloud-based N-Screen service. Considering the nature of the platform business, which realizes profit by connecting advertising and commerce after first building a subscriber base and traffic, it can be determined that the recent growth trends of the commerce and advertisement markets will bring about new opportunities for platform businesses.

SK Telecom is becoming a platform provider in order to surpass the limits of the mobile telecommunications market and sufficiently prepare for and respond to the new possibilities and opportunities of the future. As a representative ICT provider, SK Telecom plans to foster openness and cooperation to overcome competition between industries and boldly develop a portfolio of growth businesses. In particular, through the three platforms, Lifestyle Enhancement, Media and IoT, SK Telecom plans to overcome the growth limitations of telecommunications by maximizing synergy between each business. Also, by driving the 'home' strategy that encompasses media and IoT, SK Telecom will continue to maximize the synergy and interconnectedness at the growth stage of each platform. SK Telecom is connecting the three platforms with the earlier growth businesses of healthcare and solutions while continuing to seek out business opportunities with inherent growth potential.

As SK Telecom makes considerations from the user's perspective rather than that of the provider, it will become a platform provider

#### What are the issues?

- Following the acceleration of communications technology and networks, as well as the convergence of ICT technology, innovative changes are emerging across society, leading to changes in SK Telecom's business model and value creation model
- Response necessary for the extensive social-economical influences of ICT technology

#### What is SK Telecom's strategic approach?

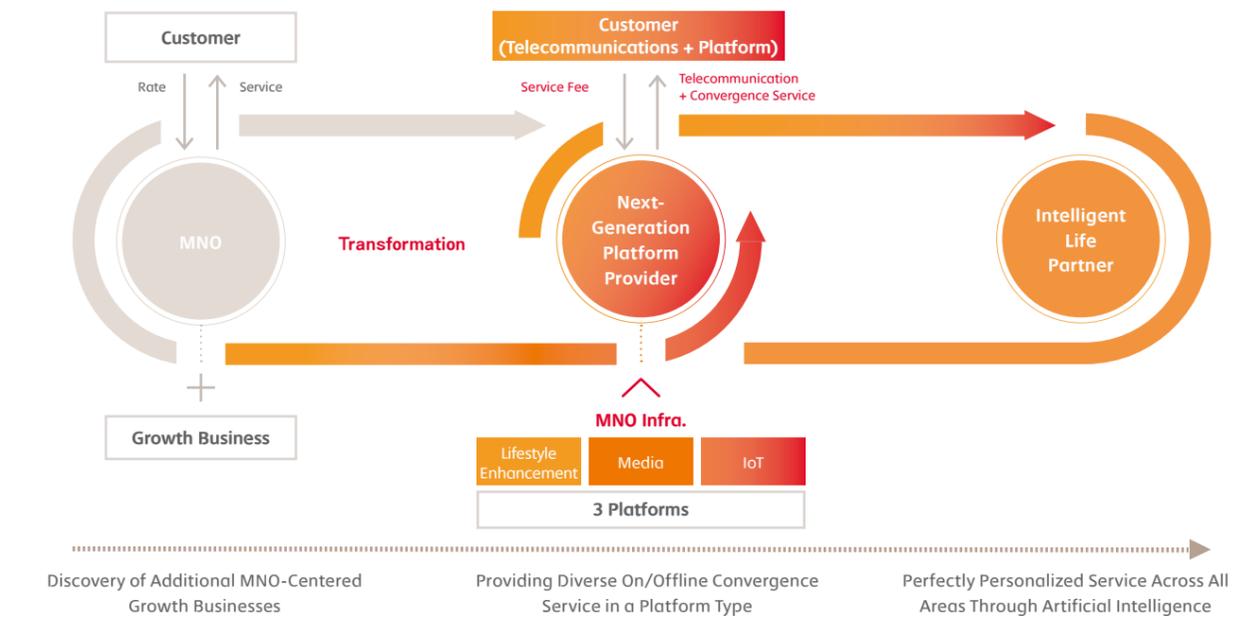
- On the basis of MNO infrastructure and subscribers, provide the three next-generation platform services, Lifestyle Enhancement Platform, Media Platform, IoT Platform and change the business model to an integrated platform service
- Lead value innovation across society on the basis of platform services

#### How is success measured?

- Launch 50 services and secure 10 million subscribers on the Lifestyle Enhancement Platform by 2018
- Achieve 15 million Media Platform subscribers and annual sales of KRW 1.2 trillion by 2018
- Achieve revenues of KRW 1.1 trillion from the IoT Platform by 2018

# 043

## NEXT GENERATION PLATFORMS STRATEGY



that cooperates with diverse partners such as startups and SMEs without reservations and upon the principles of openness and sharing.

#### Lifestyle Enhancement Platform – Providing New Value in Customers' Daily Lives beyond Telecommunications

SK Telecom's first next-generation innovation strategy is to develop a Lifestyle Enhancement Platform that provides unprecedented new value to customers throughout their daily lives. The Lifestyle Enhancement Platform is a platform business that offers diverse value and enhances convenience and productivity, going beyond a telecommunications service for customers in every area of inconvenience and inefficiency in daily life. On the Lifestyle Enhancement Platform, there are plans to discover a new micro seg-

ment market based on existing MNO competitiveness including subscriber-based, big data, rate plans, devices, alliances and memberships, and for it to consist of a diverse service portfolio that delivers new value. SK Telecom seeks to provide customized content, community and commerce features for each segment by analyzing life cycles and lifestyles, and create a business model by service characteristic including fixed monthly charges, commerce, advertisements and fees. To this end, SK Telecom launched products associated with 2nd devices such as T Kids, T Outdoor and T Pet. Henceforth, while it builds a product portfolio with potential to evolve into a platform, it is in the process of executing a two-track field for securing new customers through OTT-area products that go beyond the subscriber base. Going forward, the company will expand the num-

ber of subscribers as well as services that provide direct value to customers' lives, and has a goal of securing approximately 50 services and 10 million subscribers by 2018, and on this basis it plans to create meaningful results.

#### Media Platform – Providing Customized Content Optimized to the Individual

The second next-generation platform strategy is the 'Media Platform.' While continuing its wireless media competitiveness that maximizes customers' ease of use, SK Telecom seeks to provide a media platform that offers a seamless integrated experience. The Media Platform provides customized content and a viewing experience optimized to the individual based on customer analysis that allows the enjoyment of desired content anytime and anywhere. SK Telecom seeks to es-

# 044



1. The T kids phone that can be used without regard to the parents' mobile carrier.  
2. The T Care Service for the safety of individuals with Alzheimer's Disease who are vulnerable to the risk of becoming missing.

establish itself as a global media provider by securing multi-channels including wired IPTV and wireless OTT as well as evolving into a total media platform that sheds the constraints of time and space.

## IoT Platform – Going Beyond Mobile Devices to Connect All Objects

SK Telecom's third next-generation platform strategy is fostering the IoT Platform. SK Telecom will enhance the competitiveness of its ecosystem by spreading the open IoT platform and cooperating with other providers, with plans to henceforth transform its business model through operating solutions and subscription services. The IoT Platform offers valuable services to individual and corporate customers alike by connecting all objects and collecting and analyzing the data produced in the process. Through the IoT-exclusive network including the IoT Hybrid network, SK Telecom has undertaken cooperative projects to bring Smart City to the cities

of Busan and Daegu, Smart Campus to Korea University and to co-develop driverless car infrastructure in the Naju Energy Valley with KEPCO. Henceforth, SK Telecom plans to build the ecosystem through not only home appliances and goods, but continued alliances with other industries such as construction, energy, security, automobiles and city infrastructure. Through this, it will complete the highest-level IoT Platform ecosystem by 2018 and on this basis, enter global markets through efforts such as cooperation with overseas providers.

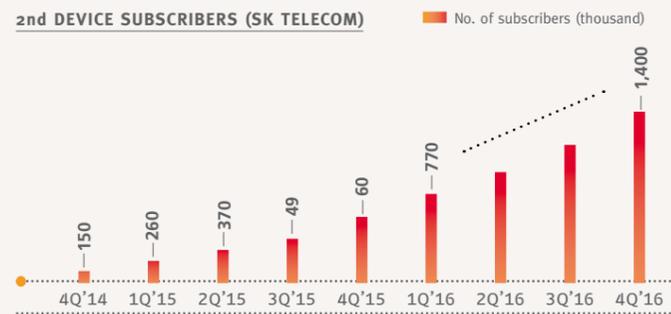
### LINK TO FINANCIAL MATERIALITY 1

## Creating Long-Term Profit by Leading the 2nd Device Market

As diverse products such as smartwatches and smartbands emerged, 2015 was the first year that 2nd devices gained wide popularity. SK Telecom is successfully expanding the subscriber base in the 2nd device market, as can be seen in the high market share of 86.6% with about 363,000 domestic subscribers in wearable device market that was recorded by the end of 2015 according to the Ministry of Science. According to forecasts by the International Data Corporation (IDC), shipments of wearable devices worldwide will increase by 42.6% on average annually until 2019.

SK Telecom is leading the 2nd device market's growth with a focus on its Lifestyle Enhancement Platform services such as T Kids, T Outdoor, T Pet and T Pocket-Fi. The Lifestyle Enhancement Platform will go beyond launching device linked products to henceforth select target segments with lifestyle focuses and high growth possibilities and expand services.

SK Telecom plans to secure 1.4 million 2nd device subscribers by the end of 2016. With 1.4 million 2nd device subscribers and their ARPU at KRW 10,308, it is estimated that this will lead to calculated annual revenue of about KRW 173.2 billion.



**2016 Target for 2nd Device Subscribers**

About **1.4 million**

**Projected Annual Revenue When Target Met**

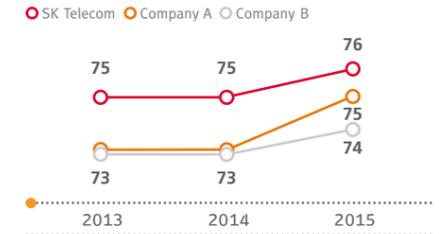
About **173.2 KRW billion**

\* Estimate based on SK Telecom's monthly ARPU of 2nd device subscribers at KRW 10,308 (weighted average of T Outdoor, T Kids, T Pocket-Fi and T Pet), as of the end of 2015.

# 045

## CASE: SK TELECOM NAMED NO. 1 IN CUSTOMER SATISFACTION FOR 19 YEARS BY THE NATIONAL CUSTOMER SATISFACTION INDEX (NCSI)

### INTERNAL CUSTOMER SATISFACTION INDEX (CSI) SURVEY RESULTS\*



\* Results are the average of internal surveys conducted twice annually (in the first & second half of the year)

### EXTERNAL CUSTOMER SATISFACTION INDEX (CSI) SURVEY RESULTS

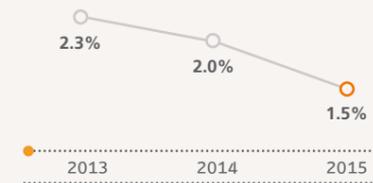
Supervising Organization	2015
NCSI Korea Productivity Center (No. 1 for 19 consecutive years, as of 2016)	76
KCSI Korea Management Association (No. 1 for 18 consecutive years)	75.7
KS-SQI Korean Standards Association (No. 1 for 16 consecutive years)	74.5

With its Customer Experience Management (CEM) processes, SK Telecom seeks to make decisions that will provide the best experience for customers and demonstrate empathy with them. During the monthly customer-oriented management meeting, the company's executives, including the CEO, gather to listen to the 'voice of customers' and determine the company's direction. Accordingly, as the company's leaders carry out decision-making from the perspective of the customer, they set the example and tone for the entire company. SK Telecom has been consistently recognized as the longest-running No. 1 company for customer satisfaction in Korea's three major customer satisfaction surveys (NCSI, KCSI, KS-SQI).

### LINK TO FINANCIAL MATERIALITY 2

## The Financial Impact of Focusing on Customer Retention

### MONTHLY CHURN RATE



\*Excluding involuntary one-time cancellations

**Customers retained due to a lower churn rate**

About **1.55 million people**

**Savings realized due to reduced subscriber acquisition costs**

About KRW **379.2 billion**

The overheated competition from the mobile number portability system has led to accelerated subscriber churn and long-term customer churn, which may have a negative impact on SK Telecom's profit structure. Following the introduction of the Handset Distribution Act, the size of the wasteful mobile number portability market decreased and stabilization centered on handset upgrades became the trend.

SK Telecom has escaped the constraints of the competition to win new subscribers with wasteful subsidies and it is changing the marketing paradigm in the mid- to long-term to be oriented toward core product and service competition. In addition, by sustaining the handset upgrade-centered trend it has maintained cost effective market operations. Market operations focused on handset upgrades contributes to improved customer loyalty in the mid- to long-term and helps to prevent customer churn, which is expected to help maintain a stable customer base and qual-

itative improvements. Henceforth, a stable subscriber base will also play a pivotal role in the successful growth of new businesses such as the Lifestyle Enhancement Platform.

As a result of such efforts, SK Telecom's performance demonstrates a high level of customer retention. In terms of the churn rate, a key indicator, the total monthly average churn rate declined 0.5% compared to last year to 1.5%, the lowest churn rate recorded since 2004. SK Telecom's marketing costs for new subscriber acquisition in 2015 was at the level of KRW 1.1708 trillion, according to the acquisition fee, and the acquisition cost per new subscriber was KRW 244,000. In 2015, the 0.5% decline in the monthly churn rate can be converted to more than 1.55 million customers retained, and this can be converted into a reduction of approximately KRW 379.2 billion in subscriber retention costs.

## Sharing the Innovation

### The Present and Future of ICT-based Social Innovation

SK Telecom will lead transformation through ICT technology while promoting societal change with open innovation that engages diverse entities.



'Braille Smartwatch' for the blind.

#### What are the issues?

- As a technology that connects economic agents, leads the sharing of knowledge and technology and stimulates cooperation, ICT technology has a significant impact on entrepreneurship and job creation
- SK Telecom seeks to increase its social role through its telecommunications technology and the assets of an ICT company's value chain.

#### What is SK Telecom's strategic approach?

- Expanding social innovation through ICT with the 'BRAVO! Restart' program
- Building an ICT-exclusive network and ecosystem, and creating infrastructure for social-business innovation such as open data centers
- Scale innovation through global business alliances

#### How is success measured?

- Revitalize the startup ecosystem by supporting the founding of more than 65 startups (cumulative) by 2018
- Continue to lead the ICT innovation platform with global participatory IT companies by 2020
- Succeed in commercializing 5G as an international standard and launching a pilot service by 2020

#### The Centers for Creative Economy and Innovation

To help foster the creative economy, the new growth driver of the national economy, SK Telecom has engaged in cooperative projects through public-private collaboration with a focus on the Sejong and Daejeon Centers for Creative Economy and Innovation. In particular, SK Telecom collaborated with the Sejong Center for Creative Economy and Innovation to create a 'Creative Village,' whereby ICT was introduced to a rural area with smart networks, improving agricultural competitiveness and convenience through an unattended sales system for agricultural products and processed goods, cold storage monitoring and Smart Farm. As an ICT-type role model for farming villages, the 'Creative Village' has been opened in three locations in December 2015 including Gyecheon Village in Pyeongchang (unmanned stalls), the Mungyeong Omija Zone (Smart Farm) and Nokhyang Wolchon in Gangjin (tourism information), and starting in 2016 there are plans to expand nationwide.

#### Leading technological social innovation with 'BRAVO! Restart'

'BRAVO! Restart' combines SK Telecom's differentiated ICT capabilities with existing startup support systems to discover startups and support commercialization through the program's integrated support system that extends to growth support. The program also fosters ICT startups, which is an integral aspect of the creative economy. The most significant achievement from the 3rd class of BRAVO! Restart is that some participating businesses expanded to the global stage. JD Sound and VisualCamp succeeded in global expansion and attracting overseas investors and in 2015 MagnaLAB's application was recommended in Google Play's recommended apps worldwide. 2015 was also an excellent year for the startup DOT, which experienced the honor of winning the ITU Telecom World Entrepreneurship Award at the 'ITU Telecom World 2015' in Budapest, Hungary in October. Since 2013, a total of 34 teams participated in BRAVO! Restart, and as befitting its status as the highest-level startup support program in South Korea's ICT sector, 759 teams participated in the contest for the 4th class.

#### 'Braille Smartwatch' for the blind

DOT, a member of BRAVO! Restart's 3rd class, first debuted its finished product the braille 'smartwatch' at the Mobile World Congress (MWC). Through BRAVO! Restart, SK Telecom supported DOT over the course of one year with plan consulting, development funds and office space so that it could complete its product, and also introduced the company at MWC as a representative company of the creative economy, lending its wholehearted support. DOT's braille smartwatch, with a total of 30 small built-in pins, is the world's first wearable device for the blind. This device expresses text from smartphone texts and social media into braille by transforming the shape of the built-in pins in the smartwatch. Currently, because the text-to-speech (TTS) service that blind individuals mainly use converts text into sound, there are concerns of privacy exposure in public places. However, the braille smartwatch is

considered an innovative idea because only the customer wearing the device can check the content with a finger.

#### Building the world's first IoT-exclusive national network

As a member company of the LoRa Alliance, an IoT telecommunications technology alliance, SK Telecom commercialized the LTE-M national network in March 2016 and went on to build Korea's first LoRa national network in the first half of 2016. With the completion of the LTE-M + LoRa Hybrid type IoT national network, and through a completely different approach from the existing telecommunications industry's direction, the company is planning bold investments that will provide a new turning point to the IoT industry's development together with ventures and startups. Consequently, along with an administrative notice to increase the 900MHz band IoT frequency output standard, it is expected to bring a fresh wind to new IoT businesses in Korea.

In contrast with existing networks, which assure fast speeds but have high expenses, SK Telecom will build an IoT-exclusive national network that employs low-capacity, low-power technology. This will also enable a wide variety of future IoT devices to be used in an efficient manner. Secondly, in order to find and nurture promising IoT ventures and startups and enable them to be principal IoT services, the company plans to create and operate an 'IoT Service Vitalization Support Fund.' A characteristic of IoT services is that due to low customer willingness to spend, it is difficult to operate alone on a business model (BM) in which a network is offered and a monthly fee is collected. In order to provide a service that is innovative and creative in both daily life and across the industry, SK Telecom will provide a 'Playground' where ideas from ventures and startups can be implemented. By thinking beyond a simple monthly payment model and enabling ventures and startups to choose

diverse business models, such as a new business model in which suppliers such as device manufacturers and service providers can receive fees, benefits will flow to users and suppliers. Thus, it is anticipated that ventures and startups will enjoy a greater likelihood of success.

SK Telecom's efforts to create the IoT eco-system go beyond the fragmentary approaches that the telecommunications industry of the past took towards home IoT and healthcare IoT encompassing content that includes exclusive networks, devices and platform. These efforts are expected to bring about great changes to not only the existing mobile telecommunications competitive structure, but also the entire industry's related technology, services, ventures and startups.

#### The global telecommunications-mobile service alliance 'TIP' with Facebook

In 2016, SK Telecom jointly established the global alliance Telecom Infra Project (TIP) for infrastructure acceleration and mobile service innovation. TIP includes SK Telecom and major telecommunications companies from various countries such as Germany's Deutsche Telekom and global IT companies such as Facebook, Nokia and Intel. TIP members plan to build a hotline between providers, share key telecommunications infrastructure technology and take part in joint research & development.

TIP was established with the goal of spurring the development of services for emerging markets and developing 5G technology for advanced markets. Since last January, SK Telecom has already been participating as a main member of the 'OCP Teleco Project,' which is part of the data processing system innovation project that Facebook established, the Open Compute Project (OCP). TIP continues to revitalize the ecosystem and it is configured to reflect the requirements of companies that are researching and developing telecommunications infrastructure.



1



2

1. SK Telecom received the 'Wi-fi Industry Award' in the best network infrastructure category.
2. SK Telecom co-developed a group communications technology with Nokia that enables real-time sharing of the disaster area situation through public broadcasting channels when large-scale disasters occur.

# 048

Through TIP and OCP, SK Telecom plans to share research development results with global mobile telecommunications companies and contribute to the creation of the 5G ecosystem.

## Imagining a 5G future at the Global Innovation Center

In order to build up 5G-related technical competence, which is a cross-national agenda, and to enhance its tech leadership, SK Telecom founded the 5G Tech Lab, affiliated with the Institute of Technology, in 2015, and it is in the process of co-developing key 5G technology with the manufacturers of major equipment as well as carrying out standardization activities. In addition, as the chair company of Korea's 5G forum, along with leading the domestic 5G ecosystem, through the Institute of Technology's 5G Test-Bed, it is providing an experiential environment to SMEs and new startups, and is co-developing new services.

In October of 2015, SK Telecom built a 5G innovation center that includes a test bed and a virtual experience space for experiencing future services in which global IT companies leading the 5G technological innovation such as Samsung Electronics, Ericsson, Nokia, Intel and Rohde & Schwarz, can jointly participate. SK Telecom made the 5G Global Innovation Center an advance base and plans to standardize the technology by 2018 as well as be the first to start a 5G commercial service in 2020. Through a fast transmission speed of a minimum 1Gbps per second, 5G is a service based on high-capacity data and it is expected to deliver unprecedented value and innovation in people's lives. Henceforth, the 5G Innovation Center will play a key infrastructure role in connecting and evolving the services that will be actualized in the near future such as autonomous cars, artificial intelligence, video/gesture recognition, drones, robots and VR/AR.



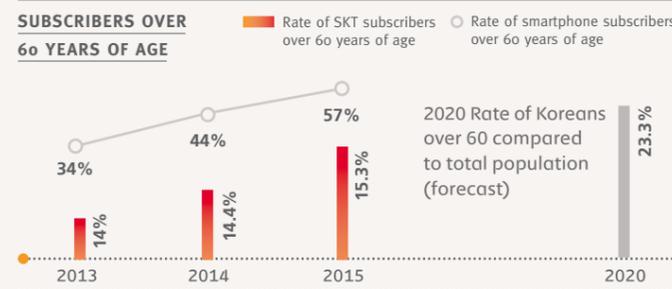
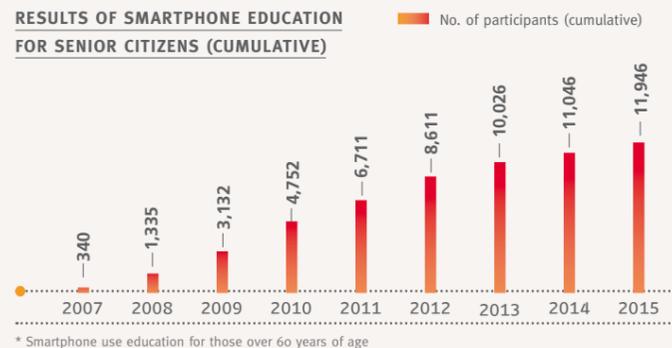
The Global Innovation Center for the 5G revolution.

### LINK TO FINANCIAL MATERIALITY 3

## Seeking Long-Term Growth through Digital Inclusion for Senior Citizens

According to findings of the domestically conducted Digital Divide Survey (2015), the digital inclusion of Korean senior citizens stood at a very low rate of 56.3%. Not only do senior citizens experience a low rate of digital inclusion, but they are also particularly vulnerable to crimes such as voice phishing. For those senior citizens who have difficulty accessing the silver rate plan and using smartphones, SK Telecom has provided a variety of services to increase digital inclusion including the T Silver service. At the same time, the company offers smartphone education for senior citizens and is proactively responding to the digital divide issue. Such digital inclusion efforts have indirectly led to an increased rate of customers over the age of 60 (a 1.3% increase over three years) as well as a long-term increase in the rate of smartphone subscribers (a 23% increase over three years).

SK Telecom's digital inclusion efforts for senior citizens not only helps to resolve the social issue of the digital divide, they will also contribute to expanding long-term profits and the growth base as senior citizen customers switch over to smartphones and increase their data usage. As a result of SK Telecom's efforts, after 2013 the proportion of smartphone subscribers over 60 years of age has been increasing 11.5%p annually on average. If this trend continues, it is estimated that the proportion of smartphone customers over 60 years of age will exceed 90%. Accordingly, at least 1.2 million feature phone users will switch to smartphones and this is predicted to lead to an estimated KRW 194.4 billion profit increase annually.



# 049

## The Paris Agreement on Climate Change and Response to the New Climate Regime

SK Telecom is actively joining in the climate change agreement that is emerging as a main global agenda and it will create innovative new opportunities through efforts to prevent climate change with ICT technology platforms.

## New Certainty: Paris Agreement & Climate Change

### The establishment of a new climate regime following the Paris Agreement

There was consistent controversy regarding the practicality of the Kyoto Protocol that was adopted at the 1997 3rd Conference of the Parties (COP3) due to reasons including that the obligation to reduce GHG was limited to some developed nations and that China and the United States, which emitted more than 40% of the world's GHG emissions did not have reduction obligations. Hence, the Paris Agreement focused on leading the comprehensive participation of developed and developing nations alike and achieved the participation of a total of 195 nations and EU that are responsible for about 90% of the world's GHG emissions.

According to the Paris Agreement, each participating country will take the Intended Nationally Determined Contributions (INDC), increase the reduction target every five years and submit it, and to improve the realization and transparency of the new climate change regime, a global stocktaking regarding the implementation of the Paris Agreement will take place every 5 years starting in 2023.

The top seven GHG emitting countries globally have received global pressure to reduce GHG and in June 2015 they submitted an INDC of a high level that commits them to reducing 37% of emissions compared to business-as-usual (BAU) levels by 2030. Currently, close to 70% of Korea's power generation relies on fossil fuels and in order to achieve the country's emissions target amount, the low-carbonization of the structure of the energy industry must be promoted and indeed following the strengthening of the regulation of companies' GHG emissions, henceforth it is expected to have a major influence on companies' business environment.

### Implementing a domestic Emissions Trading System

ETS, which began in 2015, is a climate change response regulation that trades emission rights by regulating the total amount, during

the third round of the planning period it allocated paid and unpaid emissions rights until 2025, companies can transact with each other through market mechanisms, and seeks to achieve optimal social and environmental efficiency. Korea enacted the Low Carbon Green Growth Act in 2010, implemented the GHG and Energy Target Management Scheme (TMS) in 2011, and through the enactment of laws for the allocation and transaction of GHG emissions rights in 2012, it has consistently carried out legislation, and in January of 2015, ETS opened in earnest.

The way emissions rights are traded in Korea is that Korean Allowance Units (KAU) are allocated annually to companies by the government, an outside reduction agency approves the KAUs, and through outside reduction agency investments, companies can directly trade 'credits' for future anticipated emissions with one another. If there is non-compliance, a fine of up to three times the market price of the emissions right can be levied.

### SK Telecom and ETS

In SK Telecom's case, during the implementation period of the first stage of the ETS (2015 to 2017), its expected cumulative emissions is 2.343 million tons, the government allocation amount is 1.991 million tons, and it is expected to lack about 352,000 tons of GHG emissions rights. In addition, when the companies participating in ETS after 2016 begin purchasing emissions rights in earnest, prices are expected to rise. In order to respond efficiently to the regulations and market environment resulting from the adoption of ETS, SK Telecom has established the creation of an amicable ETS environment, effective response to ETS and building an eco-friendly management system as its three strategic measures.

To create an amicable ETS environment, securing emissions rights through eco-friendly ICT solutions is recognized as a priority

#### What are the issues?

- The 2015 Paris Agreement is the first influential climate change response agreement between countries, with 195 countries having adopted the Agreement
- South Korea has submitted a 37% reduction target compared to BAU by 2030

#### What is SK Telecom's strategic approach?

- Create an amicable emissions trading system (ETS) environment through active engagement in governmental policies
- Effective ETS response
- Enhancing eco-friendly management maintenance system

#### How is success measured?

- Reach a 2% annual GHG intensity reduction by 2020 (Based on the average GHG intensity from 2013~2015)
- Achieve 2.40 million tCO<sub>2</sub>e in ICT solution-based GHG reductions by 2018

050

task. The telecommunications industry is one in which the measurement, reporting and verification of the reduced GHG amounts are possible, and the company will create opportunities to secure emissions rights in the telecommunications industry through the revitalization of GHG reduction research for ICT solutions such as UN-ITU and business expansion. Along with this, SK Telecom will implement joint private-public research regarding the characteristics of the telecommunications business's emissions and potential reductions that consider such differences, creating a discussion about the telecommunications business's optimal level of GHG emissions.

To respond effectively to ETS, SK Telecom will discover an internal GHG reduction business in the GHG network and company building management and also achieve its GHG emissions allocation targets through diverse methods of purchasing GHG emissions rights and carbon credits. In terms of networks, a GHG reduction goal of 3% annually by 2017 has been set and a variety of reduction plans such as increasing the efficiency of relay bases, extended application of natural air-conditioning and integrating the WCDMA network with the 2.1G LTE network are being considered. In terms of company building management, it is expected that GHG emissions can be reduced 1.2% annually by making existing equipment high efficiency, decreasing the lamp load and changing the air conditioning and heating. Regarding the emission reductions that were not satisfied through internal reduction activities, the company plans to secure emissions rights through multi-faceted transaction methods.

In addition, in order to build an eco-friendly management system by enhancing internal operational capacity, the company is strengthening the system for collecting, calculating and reporting internal GHG emissions as well as building a response system for ETS. While SK Telecom is improving the features such as changing the calculation factors, algorithms and data log management to enable the GHG inventory, which is centered around the GHG and Energy TMS, to be applied in the GHG ETS. It is also planning to further strengthen internal capabilities by

training for individuals in charge of collecting and calculating GHG emissions quantities and recruiting talent with climate change expertise.

**New ICT convergence energy businesses**

Following the Paris Agreement, in order to fulfill the national task of reducing GHG emissions by 37% by 2030, the Korean government is actively promoting new energy businesses with the goal of creating a KRW 100 trillion new market by 2030. To satisfy the government's policy to foster new energy businesses, SK Telecom concluded a Memorandum of Understanding (MOU) with KEPCO (Korean Electric Power Corporation) for cooperating in the area of new energy businesses. SK Telecom and KEPCO will concentrate an investment of a total of KRW 500 billion (SK Telecom KRW 200 billion, KEPCO KRW 300 billion) in new energy businesses by 2020 and seek to show tangible success early on. It plans to actively develop business models in the area of energy business where electric power and ICT technology have converged, strengthening of investment cooperation as well as expansion into overseas markets.

In order to develop technology related to new energy businesses and business models in earnest, the 'SK Telecom-KEPCO Collabo-

SK Telecom and K-water signed an Smart Water management MOU.



1



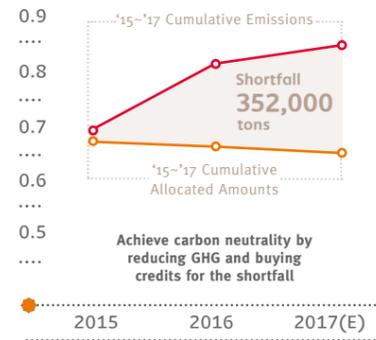
2

1. Development of a smart energy management service for unmanned stores.
2. The Smart Home service, which creates a home that is safe and also saves energy.

051

**CARBON NEUTRALITY PLAN**

(Unit: tCO<sub>2</sub>e million) ● GHG Emissions ○ Credit



ration Center' was opened in the Naju Bitgaram Energy Valley last April with a focus on developing businesses for smart grids, cars of the future and electric charging infrastructure.

In terms of smart grid, with a goal of reducing GHG and improving energy efficiency through the convergence of cutting edge electric power and ICT technology, SK Telecom and KEPCO will first build an IoT-exclusive network and are propelling the telecommunications building business that develops related services and performance verification of the Advanced Metering Infrastructure (AMI) that uses the IoT-exclusive network.

In terms of the cars of the future, SK Telecom and KEPCO will develop Vehicle to Infrastructure (V2I) technology that recognizes unexpected situations in advance by

receiving information about transportation, road and weather conditions from road facilities and communicate them to cars. The companies will also develop electric car wireless charging technology that automatically charges the car without a charging cable when it parks in the charging location.

In terms of electric charging infrastructure, SK Telecom and KEPCO plan to discover related business models in the future through the development of electric car charging technology and test operations such as the development of travel route recommendations that reflect electric car charging station information including T map charging station locations, types of chargers and rates and the development of connection technology between the electric car charging system and accounting system.

**LINK TO FINANCIAL MATERIALITY 4**

**New Energy Business for Future Corporate Value**

**2015 Energy Solution\* Revenue**

About KRW **34** billion

\* Energy Solution: Includes BEMS, FEMS, TEMS, Smart Grid and Advanced Metering Infrastructure (AMI) solutions

SK Telecom's representative energy efficiency solution, the 'Energy Management System (EMS),' is a business that identifies facility management improvements and optimized management directions for buildings, factories, public institutions, vehicles and facilities. SK Telecom identifies the optimal energy reduction measures for a building or factory's characteristics, and SK Telecom provides a business model in which after it invests in advance and builds the EMS solution and high-efficiency equipment, it assures the reduction results and during the length of the contract, the company collects operation expenses based on the amount saved. SK Telecom's Cloud EMS is a solution that collects the energy usage status of large buildings, department stores and hospitals in real-time, and enables the analyzed data to be checked and managed at any time and any location through smartphones and tablets.

The companies that use SK Telecom's EMS solution have demonstrated energy saving results including about KRW 170 million at the Hyundai Department Store in Ulsan and KRW 160 million at the Jeju Halla Hospital.

In 2016, SK Telecom has plans to oversee the sophistication of the energy solutions business through the improvement of the competitiveness of EMS products by analyzing energy optimized data, launch of new EMS products in freezing and cooling logistics category as well as promoting demand management administration. In the Smart Grid area, it plans to initiate businesses for the spread of Smart Grids at a scale of KRW 49 billion in Jeju Island, Changwon and Busan, and it plans to implement the businesses in earnest on the basis of the business regions. In addition, it plans to launch new products for energy efficiency businesses in the area of transportation.

# 3

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**Governance**

BOARD OF DIRECTORS	54
GOVERNANCE REPORT	56
RISK MANAGEMENT REPORT	64
TRANSPARENCY & INTEGRITY REPORT	68

## Board of Directors



**Jay-Young Chung**

**Chairman of the Board  
Independent Director  
(March 2008)**

Honorary professor at Sungkyunkwan University  
(2010-present)  
Chairman of Asia Pacific Economic Association  
(2013-2014)  
Vice President of Sungkyunkwan University  
Humanities & Social Science Campus  
(2003-2006)  
MEMBER OF THE CORPORATE CITIZENSHIP COMMITTEE  
MEMBER OF THE COMPENSATION COMMITTEE  
MEMBER OF THE INDEPENDENT DIRECTOR  
RECOMMENDATION COMMITTEE  
MEMBER OF THE CAPEX REVIEW COMMITTEE



**Dong-Hyun Jang**

**President & CEO  
(March 2015)**

President & CEO of SK Telecom (2015-present)  
COO of SK Planet (2013-2014)  
CMO of SK Telecom (2011-2013)  
MEMBER OF THE INDEPENDENT DIRECTOR  
RECOMMENDATION COMMITTEE



**Dae-Shick Oh**

**Independent Director  
(March 2013)**

President of Jeil T&M (2016-present)  
Advisor for BKL LLC (2008-2016)  
Commissioner of the Seoul Regional Tax Office  
(2007-2008)  
MEMBER OF THE AUDIT COMMITTEE  
MEMBER OF THE COMPENSATION COMMITTEE  
MEMBER OF THE INDEPENDENT DIRECTOR  
RECOMMENDATION COMMITTEE  
MEMBER OF THE CAPEX REVIEW COMMITTEE



**Jae-Hoon Lee**

**Independent Director  
(March 2014)**

President of Korea Polytechnic University  
(2014-present)  
Second Vice Minister of Knowledge Economy  
(2008-2009)  
Second Vice Minister of Trade, Industry & Energy  
(2007-2008)  
MEMBER OF THE AUDIT COMMITTEE  
MEMBER OF THE CORPORATE CITIZENSHIP COMMITTEE  
MEMBER OF THE CAPEX REVIEW COMMITTEE



**Jae-Hyeon Ahn**

**Independent Director  
(March 2014)**

Head of KAIST Advanced Innovation  
Management Program (2015-present)  
Dean of the External Affairs Dept. at KAIST  
College of Business (2013-2015)  
Dean of KAIST Graduate School of Information &  
Media Management (2011-2013)  
MEMBER OF THE AUDIT COMMITTEE  
MEMBER OF CORPORATE CITIZENSHIP COMMITTEE  
MEMBER OF THE COMPENSATION COMMITTEE  
MEMBER OF THE CAPEX REVIEW COMMITTEE



**Dae-Sik Cho**

**Executive Director  
(March 2013)**

President & CEO of SK Holdings (2013-present)  
Head of Business Support Division and Autono-  
mous Responsible Management Support Team  
at SK Holdings (2011-2012)  
Head of LNG Business TF at SK Holdings (2011)

To secure transparency in the decision-making process and achieve efficiency in everyday business operations via checks and balances, SK Telecom has established an independent corporate governance structure. SK Telecom's Board of Directors (BOD) consists of two executive directors and four independent directors for a total of six directors. All independent directors satisfy SK Telecom's requirements for 'independence and expertise.' To achieve transparency in management decisions, the positions of the Chairman of the Board and the CEO are assumed by different individuals.

\* The date in parentheses indicates the date of appointment for each BOD member.

## Establishment of a Governance Model based on Independence, Transparency and Expertise

### Independence and Expertise of the Board

Since 2009, SK Telecom has separated the Chairman of the Board and CEO positions to strengthen the independence of the governance structure and since in 2012, an independent director that satisfies all independence requirements has assumed the responsibility of Chairman of the Board. The statement for the independence of independent directors is in accordance with the Korean Commercial Act, Fair Trade Law and other laws as stipulated in the Board's Articles of Incorporation. In addition, in order to prevent conflicts of interest, directors are restricted from engaging in transactions pertaining to the company's business interests without prior approval or becoming a general partner or director of a company within the industry. In the nomination and selection process for directors, SK Telecom has an election process in which the Board can reflect opinions from diverse perspectives includ-

ing the level of independence and expertise such as industry experience & tenure in the industry, as well as educational background and gender. Through this, along with the candidate's individual competence, SK Telecom focuses on securing skill balance & diversity in the Board. In terms of the requirements for electing directors, SK Telecom nominates and elects director candidates who have expertise and deep experience in the areas of economics, management, accounting, law and telecommunications, and must contribute to the company's development, risk management and protection of the rights and interests of shareholders through accurate decision-making on this basis. This is stipulated through SK Telecom's corporate Articles of Incorporation, and the company is nominating and electing director candidates, those who are experts who can meet the skill gap in comparison with the company's goals for the Board's expertise.

### Independence and Conflict of Interest Statement of SK Telecom

<b>Disqualification Criteria</b>	<ol style="list-style-type: none"> <li>1. Current executives, executive officers and employees involved in the business affairs of criteria the company, or former executives, executive officers and employees who were involved in the business affairs of the company in the past 2 years</li> <li>2. The largest shareholder of the company, and his/her spouse and lineal descendants and ascendants</li> <li>3. In case the largest shareholder is a corporate body, its directors, auditors, executive officers and employees</li> <li>4. Spouses and lineal descendants and ascendants of the directors, auditors and executive officers of the company</li> <li>5. The directors, auditors, executive officers and employees of the parent company or subsidiaries</li> <li>6. The directors, auditors, executive officers and employees of corporate bodies that are major stakeholders</li> <li>7. The directors, auditors, executive officers and employees of other companies at which a director, executive officer or employee of the company is serving as a director or executive officer</li> </ol>
<b>Conflict of Interest</b>	<ol style="list-style-type: none"> <li>1. Person who controls a company having competitive relationship with the Company, as of interest specified in the Monopoly Regulation and Fair Trade Law(FTL) or any person relating to such a person</li> <li>2. Person who is, or has been within last two years, an officer or an employee of a company having competitive relationship with the Company, or a company which belongs to the same enterprise group as such competitor under the Fair Trade Law(FTL)</li> <li>3. Person who is, or has been within last two years, an officer or an employee of a corporation which is the largest Shareholder or the 2nd largest Shareholder of a company having competitive relationship with the Company, or a company which belongs to the same enterprise group as such corporation under the Fair Trade Law(FTL)</li> </ol>

### Director Election Process



### The Board's Efficiency and Committees

SK Telecom enhanced the operational efficiency of the Board and in order to strengthen the transparency of the independent director-focused Board's operation, through the General Shareholders' Meeting in March 2015, it was voted to reduce the Board size from 8 members (5 independent directors and 3 executive directors) to 6 members (4 independent directors and 2 executive directors), increasing the percentage of independent directors. Currently, the percentage of independent directors is 66.7%, which is higher than that of the listed large corporations on average (49.5%; Fair Trade Commission data reported in Dec. 2015). In addition, independent directors and auditors are limited to holding only two concurrent positions. In 2015, a total of 13 Board meetings were held, and the attendance rate was 99%. SK Telecom operates five committees: the Independent Director Recommendation Committee, Audit Committee, Compensation Committee, CAPEX Review Committee and Corporate Citizenship Committee. To ensure fairness and transparency, all of the committees, except for the Independent Director Recommendation Committee, are entirely comprised of independent directors.

### Independence of the Audit Committee

At SK Telecom, the organization, operation, authority and responsibility of the Audit Committee, comprised entirely of independent directors, conform to the Commercial Act, other applicable laws related to capital market and financial investment, and the Articles of Incorporation of SK Telecom. The Audit Committee oversees accounting and audits the financial statements and supplementary schedules (the procedure and results of the audits performed by independent accounting firms), reviews company's major issues and the operating status of the company's internal ac-

counting system as reported by an internal accounting manager and an external auditor.

### The Board's Responsibility and Role in Risk Management

The SK Telecom Board mediates diverse stakeholders including shareholders, approves management decisions and holds the responsibility and role as the highest decision-making body. As such, the Board undertakes the deliberation and approval of matters such as of conflicts of interest including those related the company's investment plans and internal transactions as well as transparent compensation, and it also reviews and undertakes responsibility for the company's risk management including tax risks, financial risks and environmental and social risks. In particular, in order to protect long-term corporate value, the Board holds responsibility for independently reviewing the positive and negative impacts that the company's decisions may have on its stakeholders.

### Board Activities and Evaluation

SK Telecom evaluates the directors' long-term performance and evaluations are considered during re-nomination after the end of his/her term, and the remuneration and severance pay for directors is determined by vote at a General Shareholders' Meeting and paid in a fair, transparent manner. This evaluation of directors covers their expertise in the company's businesses and technologies, responsibilities and roles on the Board and an evaluation of their Board activities and the results are discussed at a Board meeting. In addition, when a director is re-nominated by the Independent Director Recommendation Committee after the end of his/her term, his/her previous performance as a Board member is considered.

### Composition and Responsibilities of the Committees within the Board

Committee	Composition	Authority and Responsibility
Independent Director Recommendation Committee	Executive director 1 Independent directors 2	Recommend candidates for independent directors for the General Shareholders' Meeting for appointment purposes
Audit Committee	Independent directors 3	<ul style="list-style-type: none"> <li>· Inspect and audit the directors' job execution, work performance, and financial status</li> <li>· Investigation of the Board, injunction of violated actions, and convene an Extraordinary Shareholders' Meeting in accordance with the Commercial Act</li> <li>· Review and approve the transactions of affiliates including private contracts for transactions that are above a certain amount</li> </ul>
Compensation Committee	Independent directors 3	Review the remuneration system and level for the CEO
CAPEX Review Committee	Independent directors 4	<ul style="list-style-type: none"> <li>· Review the CAPEX plan for the following year and review the business plan CAPEX plan when comprehensively changing the business plan for the current year</li> <li>· Change the major CAPEX (exceeding 10% of CAPEX) / Review the quarterly or semi-annual CAPEX execution performance</li> </ul>
Corporate Citizenship Committee	Independent directors 3	<ul style="list-style-type: none"> <li>· Set and review the CSR initiative direction / Report CSR initiatives to the Board</li> <li>· Handle stakeholder communication and resolve their difficulties</li> <li>· Comprehensive review of the company's social and environmental risks</li> </ul>

\* The CAPEX Review Committee and the Corporate Citizenship Committee began to be entirely comprised of independent directors in 2015.

**Board Activities (2015)**

Session	Date	Main Agendas	Director Attendance Rate
371 <sup>st</sup>	Feb. 5, 2015	31 <sup>st</sup> fiscal year financial statements / 31 <sup>st</sup> fiscal year business report Bond issuance Namsan Office Building Sublease Deal with SK Broadband Operating status of the internal accounting management system 2014 Q4 follow-up report	87.5%
372 <sup>nd</sup>	Feb. 24, 2015	Convoing the 31 <sup>st</sup> General Shareholders' Meeting Results of evaluating the operating status of the internal accounting management system	100%
373 <sup>rd</sup>	March 20, 2015	Appointment of the CEO / Appointment of the Chairman of the Board Re-appointment of the committee members Fund management deal with the affiliated financial firm, SK Securities Comprehensive stock exchange with SK Broadband / Selling treasury stock	100%
374 <sup>th</sup>	April 23, 2015	Investment to promote growth at Neos Networks Appointment of the compliance officer Payment for the operating expenses of the SUPEX Pursuance Association for 2015 / 2015 Q1 follow-up report	100%
375 <sup>th</sup>	May 6, 2015	Approval of stock exchange with SK Broadband	100%
376 <sup>th</sup>	May 29, 2015	SK Broadband stock purchase Report related to the SK Planet and Cloud Streaming business equity spinoff	100%
377 <sup>th</sup>	June 25, 2015	2015 Q3 transaction with SK C&C / 2015 Q3 transaction with Infosec Bond issuance / Company bond transactions with the affiliated financial firm, SK Securities Fund management deal with the affiliated financial firm, SK Securities	100%
378 <sup>th</sup>	July 23, 2015	Service deal with SK China Investment Management Company Limited Investment to promote growth at Intrix / Promote Korea IT Fund (KIT) extension of expiry Promote SK Telecom CVC extension	100%
379 <sup>th</sup>	Sept. 24, 2015	Promote next-generation IT / 2015 Q4 transaction with Infosec 2015 Q4 transaction with SK / Securities transaction with SK Planet Acquire treasury stock Company bond transactions with the affiliated financial firm, SK Securities Fund management deal with the affiliated financial firm, SK Securities Plan to participate in internet specialty bank consortium	100%
380 <sup>th</sup>	Oct. 19, 2015	Bond issuance / 2015 Q3 follow-up report	100%
381 <sup>st</sup>	Nov. 2, 2015	CJ HelloVision equity acquisition	100%
382 <sup>nd</sup>	Nov. 26, 2015	Transaction with SK Forest for 2016 2016 business aircraft co-management agreement Approval of short-term electronic bond issuance limits Maintenance and repair service for base stations in 2016 Results of law-abidance and effectiveness evaluation	100%
383 <sup>rd</sup>	Dec. 18, 2015	2016 Management Plan 2016 Q1 transaction with SK 2016 transaction with Infosec 2016 re-sale of cable product with SK Broadband Company bond transactions with the affiliated financial firm, SK Securities Fund management deal with the affiliated financial firm, SK Securities 2016 purchase of PS&M customer terminal bonds 2016 operation service of customer contact channels	100%

**Activities of Independent Director Recommendation Committee (2015)**

Committee	Members	Date	Main Agendas	Director Attendance Rate
Independent Director Recommendation Committee	Dong-Hyun Jang Jae-Hoon Lee Jae-Hyeon Ahn	April 23, 2015	Chairman appointment – Dong-Hyun Jang	100%

**Activities of CAPEX Review Committee (2015)**

Committee	Members	Date	Main Agendas	Director Attendance Rate
CAPEX Review Committee	Jay-Young Chung Dae-Shick Oh Jae-Hoon Lee Jae-Hyeon Ahn	April 22, 2015 Sept. 23, 2015 Nov. 25, 2015 Dec. 17, 2015	Chairman appointment – Jae-Hoon Lee Report on the status of major investee companies Report on the status of major investee companies 2016 CAPEX plan	100%

**Activities of Audit Committee (2015)**

Committee	Members	Date	Main Agendas	Director Attendance Rate
Audit Committee	Dae-Shick Oh Hyun-Chin Lim Jae-Hyeon Ahn	Feb. 4, 2015	· Evaluation of the operating status of the internal accounting management system · 2014 second-half management diagnosis and audit results/2015 management diagnosis and audit plan · Auditor's opinion on the internal monitoring system · SKTCH service agreement · 2016 Q1 transaction with Infosec · Nomination of outside auditors from 2015 ~ 2017	100%
		Feb. 23, 2015	· Results of the accounting audit for the 2014 fiscal year · Results of reviewing the internal accounting management system for the 2014 fiscal year · Evaluation of the operating status of the internal accounting management system · Confirmation of the bill for the 31 <sup>st</sup> General Shareholders' Meeting and the opinion on the document examination · 31 <sup>st</sup> audit report · Construction of fixed and wireless communications network in 2015 · 2015 contract for customer gift provision	
		March 19, 2015	· 2015 Q2 transaction with SK C&C · 2015 Q2 transaction with Infosec · 2015 Transaction for SK Planet's VIP program	
		April 22, 2015	· Appointment of the Chairman of the Committee · Purchase of consumable materials from Happynarae · Remuneration for outside auditors in 2015 · Comprehensive approval of service provision by outside auditors in 2015 · 2015 accounting audit plan	
		May 29, 2015	· Construction of fixed and wireless communications network in 2015	
		July 22, 2015	· Increase in remuneration for outside auditors in 2015 · Results of the half-yearly review of outside auditors for the 2015 fiscal year · 2015 first-half management diagnosis and audit results, and plan for the second-half of the year	
		Nov. 25, 2015	· 2016 exchanger maintenance service · 2016 transmission equipment/optical cable maintenance service · Lease transaction for electrical communication equipment for 2016 · Commissioned fixed-line communication services for 2016	
		Dec. 17, 2015	· Construction of fixed and wireless communications network in 2015 · 2016 accounts receivables collection delegation · Service transaction with SKY Wyverns in 2016	

**Activities of Compensation Committee (2015)**

Committee	Members	Date	Main Agendas	Director Attendance Rate
Compensation Committee	Jay-Young Chung Dae-Shick Oh Jae-Hoon Lee	April 22, 2015	Chairman appointment – Jay-Young Chung	100%

**Activities of Corporate Citizenship Committee (2015)**

Committee	Members	Date	Main Agendas	Director Attendance Rate
Corporate Citizenship Committee	Jay-Young Chung Dae-Shick Oh Jae-Hyeon Ahn	April 22, 2015	Chairman appointment – Jay-Hyeon Ahn Measures to reinforce performance and promote "BRAVO! Start Up"	100%
		June 24, 2015	Material issues of the 2014 Annual Report (Integrated Report)	
		Sept. 23, 2015	Ethical management initiative performance / plan in 2015 2015 mutual growth initiative plan and key performance Customer empathy CEM initiative activities	
		Nov. 25, 2015	Corresponding measures for emissions trading plan	

060

**Remuneration Payments**

Since 2014, in the case of directors and auditors whose remunerations were above KRW 500 million, SK Telecom has disclosed their individual remunerations in the business reports. The salaries for directors are calculated according to the value of their duties, and the salary must be within the limits set at the General Shareholders' Meeting. Performance-based compensation of up to 200% of the annual salary is determined by a comprehensive evaluation of measurable indices such as financial performances including revenue, operating profit and EVA and the non-measurable indices such as leadership, achievement of strategic goals, expertise, and contribution to the company's management performance. For the management, external perception indices including the 3 major customer satisfaction survey results and DJSI evaluation results along with environmental and social indices including reduction in greenhouse gas emissions, revenue from environmental solutions and corporate revenue from social contribution solutions are reflected in the performance evaluation.

**The Ratio of the Highest Remuneration to the Mean Employee Remuneration**

CEO Remuneration (total)*	Employee Remuneration (mean)*	Ratio	YOY Increase Rate
KRW 716 million	KRW 101 million	7.09	-50.4%*

\*The calculated value of the increased ratio of 7.09 based on the 2014 ratio of 14.29

**Remuneration Payments for Directors**

	Number of Directors	Total Payment (KRW million)	Average Remuneration (KRW million)
Executive director	4	2,266	567
Independent director	2	132	66
Audit committee member or auditor	3	199	-
Total	9	2,598	-

\* Includes the directors/auditors who retired in 2016  
 \* As of the 2016 reporting date, the total number of people is 6 (2 executive directors, 4 independent directors and 3 Audit Committee members or auditors among the independent directors)

**Individual Remuneration Payments for Directors/Executives**

	Position	Total Payment Amount	Remuneration Calculation Standard and Method
Seong-min Ha	Executive Director	KRW 716 million	<ul style="list-style-type: none"> <li>Remuneration that is not included in the total remuneration amount: Retirement benefits</li> <li>The total remuneration amount of KRW 716 million is the sum of earned income, other income and retirement income                             <ul style="list-style-type: none"> <li>Earned income: Consists of the pay of KRW 163 million (2015 salary. Determined according to the Position Grade that reflects the value of the work within the range of director remuneration limits. One-twelfth of the total amount of annual pay was paid equally each month and the KRW 163 million is the calculated working amount that reflects the tenure as director), incentive pay of KRW 553 million (the management incentive for the 2014 performance was paid at the start of 2015 and consists of the target incentive and profit sharing. The payment of the director's performance-based compensation of 0~200% of the annual salary is determined by a comprehensive evaluation of measurable indices such as financial performances including revenue and operating profit and the non-measurable indices such as leadership, achievement of strategic goals, expertise, and contribution to the company's management performance. With an operating revenue of KRW 17.16 trillion in 2014 and operating profit of KRW 1.825 trillion [consolidated basis], the results were achieved from the measurable indices perspective, and despite the overheated market, through the strengthening of core competitiveness, Market Leadership was solidified [No. 1 in NCSI for 17 consecutive years, world's first commercialization of L2, etc.] and considering that long-term sustainability was strengthened by providing the basis for creating results in growth businesses such as strengthening the Solution, ICTV and Healthcare business foundations, the performance-based pay of KRW 553 million was paid.)</li> <li>No remarks regarding other income and retirement income</li> </ul> </li> </ul>
Dong-Seob Jee	Executive Director	KRW 527 million	<ul style="list-style-type: none"> <li>Remuneration that is not included in the total remuneration amount: Retirement benefits</li> <li>The total remuneration amount of KRW 527 million is the sum of earned income, other income and retirement income                             <ul style="list-style-type: none"> <li>Earned income: Consists of the pay of KRW 82 million (2015 salary. Determined according to the Position Grade that reflects the value of the work within the range of director remuneration limits. One-twelfth of the total amount of annual pay was paid equally each month and the KRW 82 million is the calculated working amount that reflects the tenure as director), incentive pay of KRW 441 million (the management incentive for the 2014 performance was paid at the start of 2015 and consists of the target incentive and profit sharing. The payment of the director's performance-based compensation of 0~200% of the annual salary is determined by a comprehensive evaluation of measurable indices such as financial performances including revenue and operating profit and the non-measurable indices such as leadership, achievement of strategic goals, expertise, and contribution to the company's management performance. In 2014 as the Head of the Strategic Planning Division, he contributed to the results were achieved from the measurable indices perspective including an operating revenue of KRW 17.16 trillion in 2014 and operating profit of KRW 1.825 trillion [consolidated basis], and despite the overheated market, and considering the contributions made to lead the increase in corporate value by changing SKT's market perception into a positive one, the performance-based pay of KRW 441 million was paid.)</li> <li>Other income: KRW 4 million (about KRW 4 million was paid according to the company medical expenses and educational expenses support criteria)</li> <li>No remarks regarding retirement income</li> </ul> </li> </ul>

\* According to the directors/executives whose remunerations were above KRW 500 million in 2015, includes the directors/executives who retired

061

**Board-Centered Responsibility Management and Propelling Stakeholder Engagement**

**Corporate Sustainability Governance**

In order to fulfill its social responsibility as a global company, SK Telecom established and began to operate the Corporate Citizenship Committee in May 2008 with the aim of making it a part of core management activities. As the top decision-making body for responsibility management under the Board, the Corporate Citizenship Committee sets forth the mid- to long-term implementation strategies for SK Telecom's responsibility management activities and evaluates the outcomes thereof. The Corporate Citizenship Committee consists of 3 independent directors, whose roles include setting the direction of implementation in the 5 major sustainable management areas including customer-centered management, mutual growth, CSV and social contribution, transparent ethical management and eco-friendly management as well as advising on CSR and CSV initiative activities and monitoring the key issues and outcomes.

In accordance with the continuously increasing demand to strengthen the top decision-making body's role and participation regarding corporate sustainability management by the GRI Guidelines (GRI G4), UN Global Compact (UNGC) and Communication on Progress (COP), SK Telecom is further strengthening the role of the Corporate Citizenship Committee including through the operation of a consultative body that can support the Corporate Citizenship Committee's activities, and expanded the Board's sustainability management responsibility and role. Furthermore, in order to enhance the expertise of the Board, SK Telecom implemented CSR education for the Board including the implementation of a UNGC LEAD Board program for the Corporate Citizenship Committee.

SK Telecom will continuously implement activities to strengthen the CSR competency of the company's highest decision-making body through efforts such as providing CSR education to the Corporate Citizenship Committee and performance evaluations.

**Stakeholder Engagement Policy**

SK Telecom has operated distinct communication channels for 6 different types of stakeholders, which include customers, business partners, employees, local communities, NGOs, shareholders and the government and is implementing communication-oriented management practices. SK Telecom is making efforts to understand and meet the expectations and needs of diverse stakeholders, so that the company's subsistence and development can be a foundation for value creation for stakeholders, the development of society and the economy as well as for the happiness of mankind.

In 2013, SK Telecom established and disclosed its stakeholder engagement policies and revealed its commitment regarding its stakeholder engagement policies internally and externally. Based upon this, the company further improved the transparency and efficiency of its management through stakeholder engagement and seeks to acquire stakeholders' support and trust. SK Telecom's stakeholder engagement policies define the minimum requirements for internal and external stakeholders to participate in all of SK Telecom's management activities, provide guidelines from the companywide perspective related to stakeholder communication to the related company organizations, and these policies apply to all of SK Telecom's management activities including overseas operations.

**SK Telecom Sustainability System**



**Stakeholder Communication**

In order for individual departments to be able to manage and process each of SK Telecom's stakeholder communication channels according to the stakeholder management policy, the responsible organization and individuals in charge are designated and operate according to a responsibility system. Of the feedback and complaints received through each stakeholder communication channel, those that are deemed to have a substantial impact or are considered important are reported to the Corporate Citizenship Committee under the Board.

**Customer Grievances and Complaints**

Regarding the social responsibility promises that SK Telecom made to stakeholders, if there are opinions, cases of going against social responsibility in the business process, or grievances and complaints about damage cases, SK Telecom seeks to understand the grievances and complaints and actively resolve CSR issues. SK Telecom operates an integrated channel on the company's website that collects stakeholders' CSR complaints and grievances related to labor, human rights, environmental and ethical management practices. After verifying the content

**Stakeholder Engagement and Communication Channels**



**CSR Grievances / Complaints Channel**

The resolution process of grievances/complaints on human rights, labor, social and environmental, customer information protection issues.



of the feedback and grievances received through the CSR grievance channel, SK Telecom actively resolves them through the operating department's monitoring and due diligence. In addition, the content and handling process of CSR issue-related cases that were judged and acted upon as critical issues are reported to the Corporate Citizenship Committee under the Board, and actively reflected in management activities and improvement efforts are being developed to prevent similar cases from occurring.

**UN Global Compact**

As the first among Korea's top four companies to join the UN Global Compact (UNGC) in 2007, SK Telecom participated as a founding member and Steering Committee member of UNGC Korea, a local association of UNGC, undertaking a variety of activities in an effort to solve domestic and international social issues and to spread global CSR trends. SK Telecom is adhering to the 10 principles in 4 sectors including human rights, environment, labor and anti-corruption, and advocating for a wide range of the UN's development plans including the Sustainable Development Goals, and it became the first Korean company to be designated as a UNGC LEAD in Janu-

ary 2011. As Korea's first company to participate in LEAD, SK Telecom has offered the Board Program (a CSR education program for board members) to the Corporate Citizenship Committee and took the initiative to apply the global CSR best practices to Korea. In particular, SK Telecom declared its support for the Universal Declaration of Human Rights and the human rights principles in the UN Guiding Principles on Business and Human Rights: Ruggie Framework, and SK Telecom's CEO affirmed that the company would fulfill its responsibility related to respect for human rights.

**Participation in Sustainability Initiatives**

SK Telecom is actively participating in diverse global initiatives for the improvement of sustainability. The company complies with ISO 26000, the standard for corporate social responsibility management system, and also participates in the Carbon Disclosure Project (CDP) and the Integrated Reporting (IR) Business Network. Gaining recognition for its efforts to improve sustainability at home and abroad, SK Telecom has been included in the Dow Jones Sustainability Indices (DJSI) World Index for eight consecutive years since 2008.

**CREATION AND DISTRIBUTION OF ECONOMIC VALUE**

In 2015, SK Telecom has generated a total economic value of KRW 18.478 trillion, consisting of financial investment returns that includes operating revenues of KRW 17.137 trillion, revenue from asset disposals and other revenue. Among the total value created, KRW 17.847 trillion has been distributed reasonably to stakeholders, considering the future value of the company and investment efficiency, and after the distribution, the total retained economic value of KRW 631 billion has been added to the total equity. On the other hand, a total of KRW 27 billion in governmental tax deductions were received in 2015 for investing in the development of research personnel, productivity improvement and energy saving.

**Economic Value Distributed**

(Unit: KRW billion)

**Economic Value Retained**



**KRW 631 billion**

**Distribution to Business Partners and Other Operating Expenses:** Economic value distribution to business partners and other operating expenses such as cost of goods sold, commissions paid, R&D and network investment.

**Distribution to Executives and Employees:** Executive and employee wages, benefits and welfare as well as the reserve for retirement allowances.

**Distribution to Shareholders and Investors:** Dividends and in interest payments.

**Distribution to the Government:** Payment of corporate taxes among other taxes and frequency usage fees applied.

**Distribution to the Local Communities:** Pure donations to local communities, not including indirect impact resulting from business investments and infrastructure support.

## Operation of a Specialized Risk Management Governance

### Independent Risk Management Governance

SK Telecom's Board defines the companywide risk profile and threshold levels by risk and holds the top responsibility for overall risk management decision-making. In the decision-making process for management issues by major issue, the Board conducts decision-making regarding potential risks by issue and risk management. Namely, the Board recognizes the risks that the company may face and conducts the ultimate decision-making regarding the company's tolerance to exposure and response strategy regarding all of the risks including strategic risk, financial risk, investment risk, operational risk and reputational risk. Monitoring of and response to companywide risks occurs centrally through the Management Support Office, which is directly under the CEO. The Management Support Office is in charge of managing the risk profile, mapping the responsible department regarding key risks, defining the response by risk, and implementing moni-

toring, the spread of risk awareness and responses according to the defined risk levels through close cooperation with the business departments. If an urgent risk occurs, the Management Support Office reports to the CEO and has the authority to summon the personnel of the Companywide Crisis Response Situation Room, supervised by the relevant COO, to take the necessary response measures

### Managed Risks

The range of SK Telecom's companywide risk management covers financial and non-financial risks including the business risk area such as strategic risks, financial risks (market, interest rates, foreign exchange, taxation) and regulatory risks; business operation risks such as large-scale customer complaints, customer information leakages and network failures; and reputational (social responsibility) risks that can impact the company's reputation such as unfair trade, bribery and treats.

### Risk Management Areas and Factors

<b>Business Risks</b>	<ul style="list-style-type: none"> <li>Strategy – Predict customer needs and demands, business decision-making, changes in technology and industry environment</li> <li>Regulation risk – Sudden changes in related systems and policies</li> <li>Financial – Exchange rate, changes in interest rate, liquidity, credit, assets, debt management</li> <li>Operation process – Appropriateness of organization design, performing incorrect processes</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Individual corruption – Leaking company information, financial dealings with employees and stakeholders, illicit profits/usage, embezzlement of public funds, violation of prohibition on concurrent positions/outside work</li> <li>Sexual ethics – Sexual harassment, gender discrimination</li> <li>Employee conflict – Conflicts between employees, leaders, or the company</li> <li>Employee incidents/accidents – Death from negligence or serious injuries from accidents, job-related accidents, public criticism (e.g. assault)</li> <li>Company losses due to job-related negligence – Neglectful sales, asset management</li> </ul>
<b>Customer Values</b>	<ul style="list-style-type: none"> <li>(Collective) customer actions</li> <li>Large customer complaints – Service failures, computational errors</li> <li>Customer information leaks – Leak of subscribers' personal data, leak of terminal information and call records</li> <li>Spread of negative press through media press and social media</li> </ul>
<b>Business Partner</b>	<ul style="list-style-type: none"> <li>Unfair transactions – Transaction with relatives/paper company, unfair transactions, giving a favor to a specific enterprise or overlooking faults</li> <li>Giving/receiving money and valuables or special treatment</li> <li>Business partners violating data privacy – Business partners leaking trade secrets externally, business partners wrongfully using company information</li> <li>Business partners' illegal actions – Customer fraud at authorized dealerships/stores</li> </ul>
<b>Governance Relationship</b>	<ul style="list-style-type: none"> <li>Fair trade violations – Illegal subsidies, violation of Protection of Communications Secret Act, collusion</li> <li>Inappropriate entertainment – Offering bribes/other special treatment</li> <li>Accounting fraud – Creating slush funds, fraudulent accounting, disclosure violations</li> <li>Search/Investigation by state institutions – Violation of laws, search/investigations such as investigation of the company's business policies</li> </ul>

### Crisis Response Process

Since 2014, SK Telecom has been strengthening its risk management system to operate a companywide crisis response center to respond promptly to serious crisis situations. The Companywide Crisis Response Situation Room is called upon during serious crisis situations necessitating urgent responses such as when the risk may affect various organizations within the company or may have a serious impact on business operations, including a dramatic increase or spread of traditional and social media reports of a certain situation and drastic increases in reports of the same type of customer complaints (e.g. Voice of Customer complaints) in a short period of time. Such companywide crisis situations include a nationwide network failure (incl. failures caused by natural disasters), leakage of customer information, as well as investigations and media coverage of unethical behaviors of executives and employees of the company.

### Expanding the Scope of Risk Awareness and Strengthening Standards

In 2015, SK Telecom strengthened risk awareness and risk awareness dissemination systems so that when a risk occurs, the relevant business department can respond promptly. In particular, the internal risk awareness standard related to network failures was strengthened, and while compared to the past even a low number of customer VoCs received will be recognized as a risk situation and it will be preemptively dealt with, the awareness level of things such as the malfunction of important equipment, checking whether there are real-time trending searches on the main portals, online articles and issues spreading on SNS has been expanded on a national level.

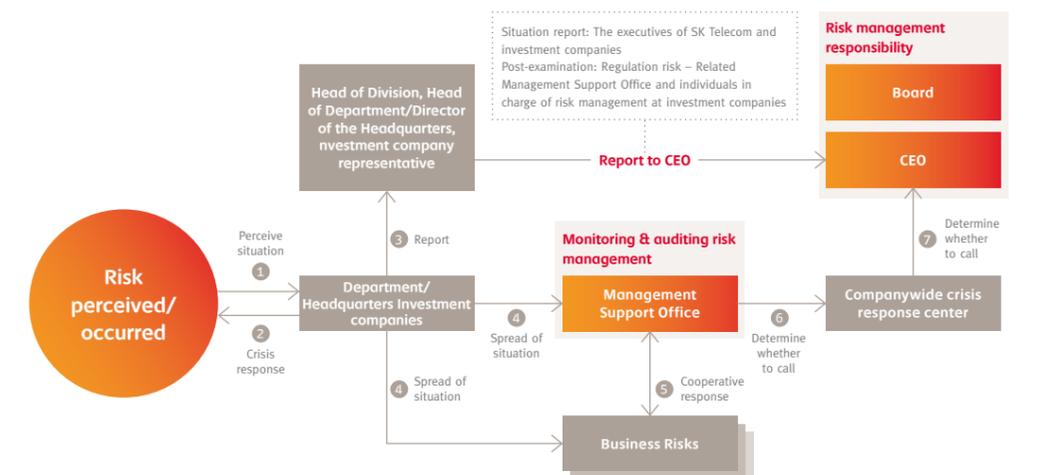
The management standard has been strengthened so that the company can respond promptly to the awareness standards of information security, business risks, reputational risks as well as customers' and the public's awareness level by monitoring the trend of public opinion through the main portals and terrestrial broadcasting, daily newspaper reports, online and SNS. The strengthening of risk awareness standards such as these are also applied to invested companies. In the first half of 2016, autonomous risk management systems by area were established and each business area's autonomous risk response systems were strengthened, thus solidifying the advance checking systems by business area regarding potential risks.

### Support the Risk Management Systems of Subsidiaries

SK Telecom has built a companywide risk management system that includes primary subsidiaries. The company has clarified the inter-company situation reporting standards for each major risk type, and has established an organic risk responding system for subsidiaries to share information in the event of unexpected emergency situations and to cope with crises through prompt decision-making.

In particular, in order to enhance the management stability within the even more organic cooperative system, SK Telecom is operating a companywide risk management working group, and has also formalized risk management meetings, in which subsidiaries are to participate, in order to continually seek out potential risks going forward. In the future, SK Telecom will continue to ensure the stability of business operates through thorough oversight of its risk management system.

### Risk management responsibility



Long-term Risks & Opportunities

Risk	Context
 <p><b>Intensification of competition in a mature market</b></p>	<ul style="list-style-type: none"> <li>There exists a possibility that competition between companies may erupt due to the trend of policies for market overheating prevention and stabilization including governmental subsidy regulations and the Handset Distribution Act, or due to the limits of the market size.</li> </ul>
 <p><b>Securing network competence and response to technology evolution</b></p>	<ul style="list-style-type: none"> <li>There is a need to secure and maintain frequencies and network capacity following the surge in data traffic.</li> <li>Failure to respond to the development and introduction of new telecommunications networks and network technology can lead to a long-term drop in competitiveness.</li> </ul>
 <p><b>Data privacy and human rights</b></p>	<ul style="list-style-type: none"> <li>As telecommunications companies' networks are public goods by nature, personal information protection of telecommunication companies is not only the foundation of customer trust, but also a fundamental obligation of an operator.</li> <li>Personal information protection is part of basic rights and is protected by laws such as the Protection of Communications Secrets Act, however, it can also be restricted for the public interest in cases of certain criminal suspects as well as terror and national security.</li> </ul>
 <p><b>Changes in climate change regulations and regimes</b></p>	<ul style="list-style-type: none"> <li>Risks associated with climate change have emerged as a major agenda in global governance: as a result, related regulations such as GHG target management and emissions trading systems, etc. have been changing with increasing uncertainty.</li> <li>The Korean government began to implement the Emissions Trading System in January of 2015, and following the completion of the post-Kyoto Protocol at the COP21 (Paris Agreement) at the end of 2015, the government set a national target of reducing GHG emissions by 37% compared to BAU by 2030, and is strengthening market and non-market regulations.</li> </ul>

By thoroughly analyzing the newly emerging risks in the company's management environment and categorizing risks and initiating strategic responses according to short-, mid- to long-term impacts, SK Telecom is implementing a strengthened risk management that considers the company's future risks.

Potential Impacts on SK Telecom	What are we doing about it?
<ul style="list-style-type: none"> <li>There are 40 million smartphone users in Korea, which is a mobile penetration rate of over 110%, and in the mature market there is a possibility that subscriber growth may experience long-term stagnation. 87% of SK Telecom's operating profit depends on the mobile telecommunications revenue, so it is possible that limits to market expansion may lead to limits to growth.</li> <li>It is necessary to discover new revenue sources by delivering new added value such as data- and media-centered services, IoT services and wearable devices.</li> </ul>	<ul style="list-style-type: none"> <li>Along with efforts to improve profits through improved retention and strengthened market efficiency through core competitiveness, and in the saturated market, the company is seeking to raise the net increase of new subscribers such as 2nd device users, young targets and foreigners.</li> <li>The company is establishing mid- to long-term strategies and reorganizing the business structure to go from being a traditional mobile telecommunications company to a next-generation platform provider in order to deliver new value to customers and create new profits based on value.</li> <li>Using SK Telecom's subscriber-based, big data assets in its existing telecommunications business, the company will overcome the growth limits of telecommunications by maximizing synergy between businesses on the three platforms of Lifestyle Enhancement, Media and IoT, and discover a new business portfolio for new profit creation.</li> </ul>
<ul style="list-style-type: none"> <li>The wireless telecommunications business depends upon the continuous development of technology. After the successful commercialization of the LTE-A service through the introduction of carrier aggregation (CA) technology in 2013, the securing of the best network competitiveness through the preemptive introduction of technology related to network investment, such as the commercialization of 3-Band LTE-A in 2014 and achievement of over 50% regional coverage for 3-Band LTE-A in 2015, is recognized as the long-term core competitiveness of the MNO business. Network quality competitiveness has a significant impact on securing the customer base and a competitive advantage in the market, financial performance such as revenue, public recognition, and securing a technological base for future growth businesses.</li> <li>If the development and execution of next-generation network technology such as 5G is not successfully achieved, SK Telecom's long-term competitiveness may be negatively impacted.</li> <li>Securing optimal frequencies, continually investing in networks and developing technology requires a high level of capital expenditures, and this may have mid- to long-term financial impacts.</li> </ul>	<ul style="list-style-type: none"> <li>Alongside making appropriate investments to develop leading network technology in order to secure competitiveness to provide the best quality, efforts are being made for continuous technological development in order to increase network efficiency.</li> <li>While SK Telecom is making efforts to minimize the expense of securing optimal frequencies by establishing plans to secure optimal frequencies through efforts such as subscriber analysis and forecasting data network demand and operating auction strategies, it is also doing its best to operate cost-effective networks by executing CAPEX at a reasonable level annually.</li> <li>While SK Telecom is leading participation in domestic and international 5G technological standardization initiatives in order to secure 5G technology leadership, it is also providing a 5G testing environment for small and medium equipment developers and startups in order to create the ecosystem as well as initiating co-development of new services.</li> <li>In addition, the company is operating a contingency plan in order to prevent serious network breakdowns such as from natural disasters as well as network failures.</li> </ul>
<ul style="list-style-type: none"> <li>If a personal information leakage occurs, an MNO may face serious financial risk from subscriber churn, fines and orders to temporarily suspend operations levied by governmental and regulatory agencies</li> <li>Mobile telecommunications companies have an obligation to not only prevent tangible damage to subscribers including hacking, viruses and spam, but also to protect equal information access rights to the internet and protect secrets regarding personal telecommunication information. Accordingly, they must establish clear and balanced positions and policies between requests from the government or the political sphere to provide personal information and customers' protection.</li> <li>The three largest Korean telecommunications companies according to mobile phones received about 86,000 requests for communication verification documents from national organizations in the first half of 2014, 104,000 requests in the first half of 2015, and received about 370,000 requests for communications documents in the first half of 2014, and this increased to about 440,000 documents requests in the first half of 2015, leading to expectations that the importance of the use of personal information including for public safety and crimes will further increase.</li> </ul>	<ul style="list-style-type: none"> <li>Along with publicly supporting the 'Universal Declaration of Human Rights' and the UN Human Rights Committee's 'Guiding Principles on Business and Human Rights,' SK Telecom established human rights principles regarding freedom of expression and misuse of technology through a formalized corporate human rights policy, and is doing its best to protect users' rights and interests as well as human rights.</li> <li>Cooperation regarding 'communications documents,' 'communications verification documents,' and 'communications restrictions' are carried out according to the strict procedures and limitations specified in current law, and along with continuous diagnostic activities to check for elements of potential violations of users' rights, the company provides only the minimum practical information through customer data segmentation and big data analysis if necessary for the public interest, thereby doing its best to protect human rights.</li> <li>Along with SK Telecom's pursuit of the achievement of its goal of zero (0) cases of customer information leakages by providing customer information protection using ICT technology, infringement blocking technology and safety services centered around the Information Protection Planning Team, it is also making efforts to improve customer satisfaction.</li> </ul>
<ul style="list-style-type: none"> <li>In order for SK Telecom to secure the best network quality through network acceleration, a large amount of electric power is consumed by the operation of data centers and networks, so there is a limit to the reduction of GHG emissions for business operations. According to the introduction of the Emissions Trading System and national GHG emission reduction targets, there is an increasing need to manage the financial impact of GHG emissions.</li> <li>In particular, along with SK Telecom's financial burden including a lower allocation of GHG emission rights compared to forecasted GHG emissions, long-term uncertainty in the emissions trading market and the occurrence of environmental debt, it is judged that there will be a negative impact on future business operations.</li> </ul>	<ul style="list-style-type: none"> <li>The amount of energy consumption and GHG emissions are managed as major indicators and efforts to reduce GHG through the development of high-efficiency telecommunications equipment such as low-power relay bases and increase of application are included in business planning.</li> <li>The GHG emissions reduction calculation method using T map Navigation was recognized as an international standard, and this resulted from the company's efforts to conduct research on reducing social GHG emissions using ICT and providing infrastructure to minimize risks in the future.</li> </ul>

## Building a Culture for Ethical and Transparent Company Management

### SK Telecom's Code of Conduct Framework

Employees	Employees	Employees	Employees	Business Partners
<b>Code of Ethics</b>	<b>HR Policy</b>	<b>Customer Information Protection Policy</b>	<b>Autonomous Fair Trade Compliance Guidelines</b>	<b>Fair Trade Consent Form and CSR Guidelines for Partners</b>
<ul style="list-style-type: none"> <li>Code of Ethics</li> <li>Practice guidelines</li> <li>Ethical management practice guide</li> <li>Practice pledge</li> </ul>	<ul style="list-style-type: none"> <li>Employment, evaluation and compensation regulations</li> <li>Detailed regulations on anti-discrimination</li> </ul>	<ul style="list-style-type: none"> <li>Detailed pledge for customer information protection and practice guidelines</li> <li>Personal Information Protection Policy</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of money laundering and insider trading</li> <li>Anti-monopoly and anti-competition behavior prevention</li> </ul>	<ul style="list-style-type: none"> <li>Anti-bribery and customer information protection</li> <li>Compliance with SK Telecom's standard social and environmental responsibilities</li> </ul>

SK Telecom CEO Human Rights Statement (2013)

Universal Declaration of Human Rights (2004)

UNGC 10 Principles (2008)

Ruggie Guiding Principles on Business & Human Rights (2012)

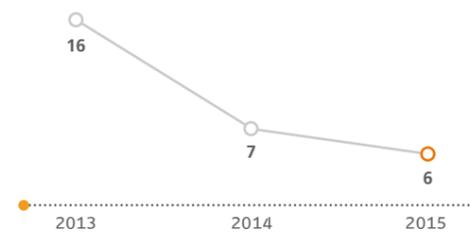
### Enhancing Prevention

SK Telecom is practicing ethical management on the basis of Prevention – Detection – Response. In particular, the company placed a priority on enhancing the area of prevention in 2015. SK Telecom examined the practical diagnostic topic of SKMS, SK Group's management system, and created new topics including ethics awareness, measures to take in the event of occurrence and reporting obligations, and confirmed potential ethical management risks by implementing an internal survey. The 2015 survey results showed that the main ethical management risks included information protection ethics regarding company information leak risks, male/female sexual harassment and internal/external abusive practices. Through prevention inspections and education regarding the assessed potential risks, SK Telecom is implementing proactive prevention and employee protection activities regarding case occurrences, such as the implementation of the Code of Ethics Practice Pledge and ethical education for all employees.

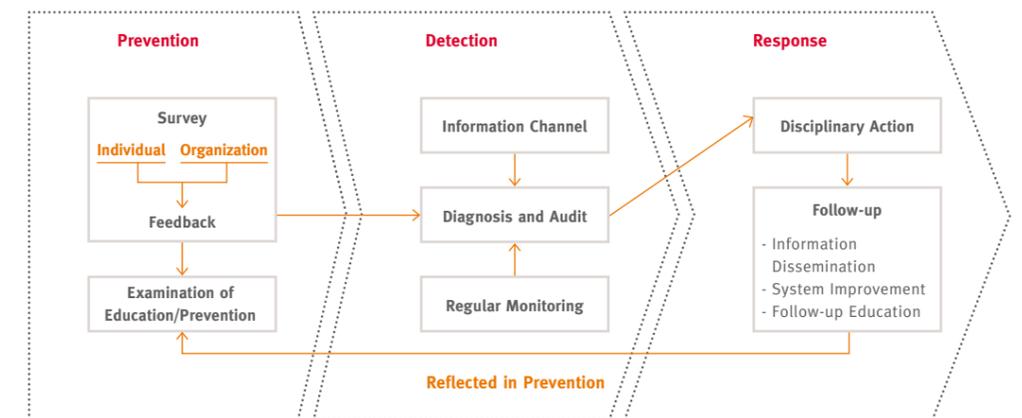
### Efforts to Internalize Ethical Management Practice among Employees

In order to instill ethical awareness among employees and business partners and to promote the internalization of ethical management practice, SK Telecom conducts ethical management education annually on a long-term basis. In addition, in order to promote and ethical management culture, SK Telecom has expanded the scope of targets for ethical management education to business partners and the distribution network, and is providing ethical management education at the same level as the ethical management education conducted for SK Telecom's employees.

### Number of Actions Taken Against Violations of the Code of Ethics



### Ethical Management Prevention – Detection – Response Process



### Code of Conduct and Practice Guidelines

Through the Code of Conduct, SK Telecom declared its responsibility to stakeholders including employees, partner companies, customers, shareholders and the local community, and clearly presented a direction regarding the company's comprehensive ethical management such as the application standards and attitude of the Code of Ethics that employees must keep, and is applying a Zero-Tolerance Policy regarding compliance with the Code of Ethics. Based on the standards in the Code of Conduct, the detailed ethical implementation status was established in the Code of Ethics and Practice Guidelines,

in order to prevent any confusion that may arise from discrepant interpretation from individual to individual regarding SK Telecom's Code of Conduct and ethical standards.

In addition, in order to present understanding of and response standards regarding diverse situations in which ethical issues may occur, the Practice Guidelines for Code of Ethics (FAQ) is provided to employees, as SK Telecom seeks to further increase the guideline's concreteness and adherence through a revision of the Practice Guidelines for Code of Ethics (FAQ) in 2015.

### Actions Taken Against Violations of the Code of Ethics in 2015

Type	Cases	Action
Entertainment and other special treatment	2	Dismissal / Pay Cut
False reporting and budget abuse	0	
Misappropriation of company money	0	
Reputation damage	0	
Excessive loans	0	
Sexual harassment	4	Dismissal / Suspension / Pay Cut / Reprimand
Violation of the work policy	0	
Management responsibility	0	
Breaches on Antitrust Policy	0	
<b>Total</b>	<b>6</b>	

**Ethics Counseling and Reporting**

SK Telecom operates an Ethics Counseling Center to enable regular reporting of ethical management issues and counseling. SK Telecom has opened channels such as the corporate website, interviews and mail correspondence to make ethics counseling and reporting services freely available to all stakeholders including employees, customers and business partners. These channels not only enable reporting of wrongful conduct and corruption, but also consultation on diverse ethical issues that stakeholders may face. The counseling and reporter protection program is operated in conjunction with these channels in order to protect the identities of service users and consulted matters; the related content is kept confidential to prevent it from becoming public against the service users' wishes.

Additionally, SK Telecom operates diverse internal ethics counseling and reporting channels for employees. If direct reporting is desired, there is a direct reporting channel connected to the Chairman of the Audit Committee with efforts being made to support internal employees' ethics and grievance consulting and resolution including through multifaceted methods such as 'My Counselor,' 'Letter to the HR,' the availability of female counselors for sexual harassment cases as well as the Intranet.

**Strengthened Protection of Internal Reporters**

Since September 2015, SK Telecom strengthened the policy of protecting internal reporters and stipulated a provision for protecting the internal reporter's identity and content of the counseling and reporting, and introduced a disciplinary action system regarding the leakage of the reporter's identity.

**Fair Competition, Transparent Transaction Culture**

In order to improve the practice of fair competition and transparent transactions among its business partners, SK Telecom is conducting the Autonomous Fair Trade Compliance Program and included a fair and transparent trade category in the Ethics Practice Pledge and making fair trade compliance mandatory. The fair trade compliance standards for business partners are applied equally without regard to country or region, and compliance to the standard are firmly carried out including the fact that failure to provide consent or comply with matters will result in non-approval for registration or termination of existing contracts.

**Anti-Trust Compliance**

SK Group, which SK Telecom is part of, enacted the 'SK Compliance System Guidelines' starting in 2008 and is strengthening fair trade systems by disseminating these guidelines.

In 2015, SK Telecom was not involved in any anti-trust investigations, nor did it pay any fines for violations related to fair trade. SK Telecom was not involved in any anti-trust investigations or paid a fine for a violation related to fair trade in 2014. SK Telecom will continue to endeavor to spread the fair trade culture while simultaneously leading ICT industry growth through collaboration with its partners.

**Public Policy Cooperation**

SK Telecom abides by Korea's Political Fund Act, which prohibits companies from making political contributions. The company is also in full cooperation with the public policies implemented by the government such as job creation, gender equality and creative economy and attempts to meet the social demands such as anti-corruption and fair competition.

**Ethics Counseling Center Operation** (Unit: %)



> **Financial & Non Financial Statements**

FINANCIAL STATEMENTS	72
FINANCIAL MD&A	80
NON-FINANCIAL STATEMENTS	89
NON-FINANCIAL MD&A	91
INDEPENDENT AUDITORS' REPORT	107
THIRD-PARTY ASSURANCE STATEMENT	109
GREENHOUSE GAS ASSURANCE STATEMENT	113

072

## Financial Statements

The 32<sup>nd</sup> As of 2015.12.31  
The 31<sup>st</sup> As of 2014.12.31  
The 30<sup>th</sup> As of 2013.12.31

<b>Consolidated Statements of Financial Position</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
<b>Assets</b>			
Current Assets	5,160,242	5,083,148	5,123,415
Cash and cash equivalents	768,922	834,429	1,398,639
Short-term financial instruments	691,090	313,068	311,474
Short-term investment securities	92,262	280,161	106,068
Accounts receivable—trade, net	2,344,867	2,392,150	2,257,316
Short-term loans, net	53,895	74,512	79,395
Accounts receivable—other, net	673,739	690,527	643,603
Accrued revenue	10,753	10,134	11,941
Advance payment	96,570	70,772	20,966
Prepaid expenses	151,978	134,404	108,909
Derivative financial assets	0	0	10
Inventories, net	273,556	267,667	177,120
Advanced payments and other	0	10,510	3,667
Assets classified as held for sale	2,610	4,814	4,307
Non-current Assets	23,421,145	22,858,085	21,453,100
Long-term financial instruments	10,623	631	8,142
Long-term investment securities	1,207,226	956,280	968,527
Investments in associates and joint ventures	6,896,293	6,298,088	5,325,297
Property and equipment, net	10,371,256	10,567,701	10,196,607
Investment property, net	15,071	14,997	15,811
Goodwill	1,908,590	1,917,595	1,733,261
Intangible assets, net	2,304,784	2,483,994	2,750,782
Long-term loans, net	62,454	55,728	57,442
Long-term account receivable	2,420	3,596	0
Long-term prepaid expenses	76,034	51,961	32,008
Guarantee deposits	297,281	285,144	249,600
Long-term derivative financial assets	166,399	70,035	41,712
Deferred tax assets	17,257	25,083	26,322
Other non-current assets	85,457	127,252	47,589
<b>Total Assets</b>	<b>28,581,387</b>	<b>27,941,233</b>	<b>26,576,515</b>

073

<b>Consolidated Statements of Financial Position</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
<b>Liabilities and Equity</b>			
Current Liabilities	5,256,493	5,420,310	6,069,220
Accounts payable—trade	279,782	275,495	214,716
Accrued payables—other	1,323,434	1,381,850	1,864,024
Unearned revenue	136,844	129,255	102,931
Withholdings	865,327	1,053,063	728,936
Accrued expenses	920,739	952,418	988,193
Income tax payable	381,794	99,236	112,316
Unearned income	224,233	327,003	441,731
Derivative financial liabilities	0	0	21,171
Current liabilities	40,988	51,075	66,775
Short-term borrowings	260,000	366,600	260,000
Current portion of bonds payable and long-term borrowings	703,087	590,714	1,042,276
Current portion of capital lease Liabilities	26	3,804	19,351
Long-term non-trade payable	120,185	189,389	206,800
Other current liabilities	0	408	0
Liabilities classified as held for sale	54	0	0
Non-current liabilities	7,950,798	7,272,653	6,340,738
Debentures	6,439,147	5,649,158	4,905,579
Long-term borrowings	121,553	149,720	104,808
Long-term payables—other	581,697	684,567	838,585
Long-term unearned revenue	2,842	19,659	50,894
Finance lease liabilities	0	26	3,867
Defined benefit obligations	98,856	91,587	74,201
Derivative financial liabilities	89,296	130,889	103,168
Other non-current liabilities	29,217	36,013	28,106
Deferred tax liabilities	538,114	444,211	168,825
Other non-current liabilities	50,076	66,823	62,705
<b>Total Liabilities</b>	<b>13,207,291</b>	<b>12,692,963</b>	<b>12,409,958</b>
<b>Equity</b>			
Equity attributable to owners of the Parent Company	15,251,079	14,506,739	13,452,372
Share capital	44,639	44,639	44,639
Other paid up capital	189,510	277,998	317,508
Retained earnings	15,007,627	14,188,591	13,102,495
Reserves	9,303	(4,489)	(12,270)
Non-controlling interests	123,017	741,531	714,185
<b>Total Equity</b>	<b>15,374,096</b>	<b>15,248,270</b>	<b>14,166,557</b>
<b>Total Liabilities and Equity</b>	<b>28,581,387</b>	<b>27,941,233</b>	<b>26,576,515</b>

074

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31  
 The 31<sup>st</sup> 2014.01.01 to 2014.12.31  
 The 30<sup>th</sup> 2013.01.01 to 2013.12.31

<b>Consolidated Statements of Income</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Operating revenue	17,136,734	17,163,798	16,602,054
Revenue	17,136,734	17,163,798	16,602,054
Operating expense	(15,428,728)	(15,338,693)	(14,590,945)
Labor cost	1,893,745	1,659,777	1,561,358
Commissions paid	5,206,951	5,692,680	5,498,695
Depreciation and amortization	2,845,295	2,714,730	2,661,623
Network interconnection	957,605	997,319	1,043,733
Leased line	389,819	399,014	448,833
Advertising	405,005	415,857	394,066
Rent	493,586	460,309	443,639
Cost of products that have been resold	1,955,861	1,680,110	1,300,375
Other operating expense	1,280,861	1,318,897	1,238,623
Operating income	1,708,006	1,825,105	2,011,109
Finance income	103,900	126,337	113,392
Finance cost	350,100	386,673	571,203
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	786,140	906,338	706,509
Other non-operating income	30,910	56,279	74,467
Other non-operating expense	243,491	273,558	507,173
Profit before income tax	2,035,365	2,253,828	1,827,101
Income tax expense from continuing operations	519,480	454,508	400,797
Profit from continuing operations	1,515,885	1,799,320	1,426,304
Discontinued operation income	0	0	183,245
Net of income continued operations	1,515,885	1,799,320	1,609,549
Attributable to			
Owners of the Parent Company	1,518,604	1,801,178	1,638,964
Non-controlling interests	(2,719)	(1,858)	(29,415)
Earnings per share			
Basic earnings per share (in won)	20,988	25,154	23,211
Diluted earnings per share (in won)	20,988	25,154	23,211

075

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31  
 The 31<sup>st</sup> 2014.01.01 to 2014.12.31  
 The 30<sup>th</sup> 2013.01.01 to 2013.12.31

<b>Consolidated Statements of Comprehensive Income</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Net of income continued operations	1,515,885	1,799,320	1,609,549
Other continued comprehensive income	1,835	(28,486)	18,497
Items that will not be reclassified to profit or loss:	(14,489)	(32,942)	5,946
Remeasurement of defined benefit obligations after income tax	(14,489)	(32,942)	5,946
Items that maybe be reclassified to profit or loss:	16,324	4,456	12,551
Net change in unrealized fair value of available-for-sale financial assets	(3,661)	27,267	2,009
Net change in other comprehensive income of investments in associates and joint ventures	(5,709)	8,187	3,034
Net change in unrealized fair value or derivatives	(1,271)	(45,942)	11,222
Foreign currency translation differences for foreign operations	26,965	14,944	(3,714)
Total comprehensive income	1,517,720	1,770,834	1,628,046
Total comprehensive income attributable to			
Owners of the Parent Company	1,522,280	1,777,519	1,655,570
Non-controlling interests	(4,560)	(6,685)	(27,524)

076

**Consolidated Statements of Changes in Equity**

(Unit: KRW million)

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31The 31<sup>st</sup> 2014.01.01 to 2014.12.31The 30<sup>th</sup> 2013.01.01 to 2013.12.31

		Equity						
		Controlling Interest of Parent Company				Elements of Parent Company	Non-controlling Interest	Total Equity
		Share Capital	Other Paid up Capital	Retained Earning	Reserves			
2013.01.01 (Basic Capital)		44,639	(288,883)	12,124,657	(25,636)	11,854,777	1,000,005	12,854,782
Total Comprehensive profit	Net of income continued operations	0	0	1,638,964	0	1,638,964	(29,415)	1,609,549
	Other continued comprehensive income	0	0	3,240	13,366	16,606	1,891	18,497
Dividends paid		0	0	(655,946)	0	(655,946)	(2,242)	(658,188)
Issuance of hybrid bond		0	398,518	0	0	398,518	0	398,518
Interest on hybrid bond		0	0	(8,420)	0	(8,420)	0	(8,420)
Acquisition of treasury stock		0	0	0	0	0	0	0
Proceeds from treasury stock		0	271,536	0	0	271,536	0	271,536
Changes in the scope of consolidation		0	0	0	0	0	0	0
Business combination under common control		0	(61,854)	0	0	(61,854)	0	(61,854)
Changes in equity of subsidiaries		0	(1,809)	0	0	(1,809)	(256,054)	(257,863)
2013.12.31 (End of term capital)		44,639	317,508	13,102,495	(12,270)	13,452,372	714,185	14,166,557
2014.01.01 (Basic Capital)		44,639	317,508	13,102,495	(12,270)	13,452,372	714,185	14,166,557
Total Comprehensive profit	Net of income continued operations	0	0	1,801,178	0	1,801,178	(1,858)	1,799,320
	Other continued comprehensive income	0	0	(31,440)	7,781	(23,659)	(4,827)	(28,486)
Dividends paid		0	0	(666,802)	0	(666,802)	(170)	(666,972)
Issuance of hybrid bond		0	0	0	0	0	0	0
Interest on hybrid bond		0	0	(16,840)	0	(16,840)	0	(16,840)
Acquisition of treasury stock		0	0	0	0	0	0	0
Proceeds from treasury stock		0	0	0	0	0	0	0
Changes in the scope of consolidation		0	0	0	0	0	23,667	23,667
Business combination under common control		0	(28,641)	0	0	(28,641)	0	(28,641)
Changes in equity of subsidiaries		0	(10,869)	0	0	(10,869)	10,534	(335)
2014.12.31 (End of term capital)		44,639	277,998	14,188,591	(4,489)	14,506,739	741,531	15,248,270

077

		Equity						
		Controlling Interest of Parent Company				Elements of Parent Company	Non-controlling Interest	Total Equity
		Share Capital	Other Paid up Capital	Retained Earning	Reserves			
2015.01.01 (Basic Capital)		44,639	277,998	14,188,591	(4,489)	14,506,739	741,531	15,248,270
Total Comprehensive profit	Net of income continued operations	0	0	1,518,604	0	1,518,604	(2,719)	1,515,885
	Other continued comprehensive income	0	0	(13,402)	17,078	3,676	(1,841)	1,835
Dividends paid		0	0	(668,494)	0	(668,494)	(143)	(668,637)
Issuance of hybrid bond		0	0	0	0	0	0	0
Interest on hybrid bond		0	0	(16,840)	0	(16,840)	0	(16,840)
Acquisition of treasury stock		0	(490,192)	0	0	(490,192)	0	(490,192)
Proceeds from treasury stock		0	425,744	0	0	425,744	0	425,744
Changes in the scope of consolidation		0	0	0	0	0	(5,226)	(5,226)
Business combination under common control		0	0	0	0	0	0	0
Changes in equity of subsidiaries		0	(24,040)	(832)	(3,286)	(28,158)	(608,585)	(636,743)
2015.12.31 (End of term capital)		44,639	189,510	15,007,627	9,303	15,251,079	123,017	15,374,096

078

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31The 31<sup>st</sup> 2014.01.01 to 2014.12.31The 30<sup>th</sup> 2013.01.01 to 2013.12.31**Consolidated Statements of Cash Flows**

(Unit: KRW million)

	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Cash flows from operating activities	3,778,129	3,677,385	3,558,570
Cash generated from operating activities	4,080,294	4,070,982	3,915,055
Net income of continued operation	1,515,885	1,799,320	1,609,549
Adjustment for income and expenses	3,250,143	2,978,995	3,275,376
Changes in assets and liabilities related to operating activities	(685,734)	(707,333)	(969,870)
Interest received	43,400	56,706	64,078
Dividends received	62,973	13,048	10,197
Interest paid	(275,796)	(280,847)	(300,104)
Income tax paid	(132,742)	(182,504)	(130,656)
Cash flows from investing activities	(2,880,499)	(3,683,165)	(2,506,477)
Cash inflows from investing activities	914,542	341,387	1,251,786
Decrease in short-term financial instruments, net	0	5,627	186,425
Decrease in short-term investment securities, net	105,158	0	0
Collection of short-term loans	398,308	207,439	290,856
Decrease in long-term financial instruments	7,424	2,535	16
Proceeds from disposal of long-term investment securities	149,310	65,287	287,777
Proceeds from disposal of investments in associates and joint ventures	185,094	7,333	43,249
Proceeds from disposal of property and equipment	36,586	25,143	12,579
Proceeds from disposal of intangible assets	3,769	10,917	2,256
Net proceeds from the disposition of non-current assets held for sale	1,009	3,667	190,393
Collection of long-term loans	2,132	4,454	13,104
Decrease of deposits	14,635	8,891	8,509
Proceeds from disposal of other non-current assets	607	94	683
Increase in cash due to acquisition of a subsidiary	10,355	0	0
Proceeds from disposal of subsidiaries	155	0	215,939
Cash outflows for investing activities	(3,795,041)	(4,024,552)	(3,758,263)
Increase in short-term loans	385,612	0	0
Increase in short-term investment securities, net	0	174,209	45,032
Increase in short-term loans	370,378	202,501	279,926
Increase in long-term loans	16,701	4,341	4,050
Increase in long-term financial instruments	10,008	2,522	7,510
Acquisition of long-term investment securities	312,261	41,305	22,141
Acquisition of investments in associates and joint ventures	65,080	60,020	97,366
Acquisition of property and equipment	2,478,778	3,008,026	2,879,126
Acquisition of intangible assets	127,948	130,667	243,163
Increase in assets held for sale	0	552	0
Increase in deposits	12,536	6,903	83,314
Increase in other non-current assets	2,542	18,233	1,830
Cash outflows due to business overtake	13,197	124,486	0
Acquisition of subsidiary business, net of cash acquired	0	250,787	94,805

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	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Cash flows from financing activities	(964,583)	(559,399)	(573,157)
Cash inflows from financing activities	1,375,206	1,421,088	1,852,237
Proceeds from short-term borrowings	0	102,868	0
Issuance of debentures	1,375,031	1,255,468	1,328,694
Proceeds from long-term borrowings	0	62,552	105,055
Issuance of hybrid bond	0	0	398,518
Cash inflows from derivative transactions	175	200	19,970
Cash outflows for financing activities	(2,339,789)	(1,980,487)	(2,425,394)
Repayment in short-term borrowings, net	106,600	0	340,245
Repayment of long-term non-trade payables	191,436	207,791	161,575
Repayment of debentures	620,000	1,039,938	771,976
Repayment of long-term borrowings	21,924	23,284	467,217
Cash outflows from derivative transactions	655	6,444	0
Decrease in finance lease liabilities	3,206	19,388	20,342
Payment of dividends	668,494	666,802	655,946
Interest on hybrid bond	16,840	16,840	0
Acquisition of treasury stock	490,192	0	0
Decrease in cash from the consolidated capital transaction	220,442	0	8,093
Net increase (decrease) in cash and cash equivalents	(66,953)	(565,179)	478,936
Cash and cash equivalent at beginning of the year	834,429	1,398,639	920,125
Effects of exchange rate changes on cash and cash equivalents	1,446	969	(422)
Cash and cash equivalents at end of the year	768,922	834,429	1,398,639

## Financial MD&A (Management Discussion & Analysis)

### Financial MD&A

This Management Discussion & Analysis (MD&A) is provided to enable readers to assess our results of operations and financial condition for the fiscal year ended December 31, 2015, compared to the preceding year. This MD&A section should be read in conjunction with our audited consolidated financial statements included in this annual report. Unless otherwise specified, all amounts are presented on a consolidated basis and are based on our audited consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by Korea. All amounts are in Korean Won (KRW). All references to “we,” “us” or “our” shall mean SK Telecom Co., Ltd. and, unless the context otherwise requires, its consolidated subsidiaries. References to “SK Telecom” shall mean SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries.

This MD&A section contains “forward-looking statements,” as defined in the U.S. Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about us and our industry. The forward-looking statements are subject to various risks and uncertainties. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Risks and uncertainties associated with our business are more fully described in our latest annual report on Form 20-F and other filings with the U.S. Securities and Exchange Commission. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

### 1. 2015 Overview

In the midst of an industry environment defined by fast-paced changes centered around LTE network-based data in the wireless telecommunications industry, we have strengthened the competitiveness of its telecommunications business and pursued a shift in the competitive paradigm by launching innovative products and services. As part of this effort, we enhanced customer value by launching new services to meet the needs of its customers by introducing, among others, “Band Data” plans, which are data-centric rate plans, the Luna phone. We are also further developing its three next-generation growth platforms, IoT, Lifestyle Enhancement and Media. Our operations are reported in three segments: (1) cellular services, (2) fixed-line telecommunication services and (3) other businesses.

#### Cellular Services

We offer wireless voice and data transmission services, sell wireless devices and provide IoT and lifestyle enhancement platform services through our cellular services segment. Our wireless voice and data transmission services are offered through our backbone networks that collectively can be accessed by approximately 99.0% of the Korean population. We maintained our leadership position in the wireless business in 2015 with 28.6 million subscribers (including subscribers of mobile virtual network operators (MVNOs) that lease our networks) as of December 31, 2015, of which 19.0 million subscribed to our LTE service and 20.6 million used smartphones. Our share of the Korean wireless market based on the number of subscribers (including subscribers of MVNOs) was approximately 49.4% as of December 31, 2015 compared to 50.0% as of December 31, 2014, a 0.6% decrease.

The Korean wireless telecommunication industry is considered to have reached its maturation stage with more than a 100% penetration rate. However, with continued advancements in network-related technology, we are able to increase the quality of cellular services we provide to our subscribers. By continuing to be innovative in developing core com-

petencies, we have firmly established our position as the market leader in wireless telecommunications.

We developed various rate plans that are tailored to meet our customers’ needs according to the trend of increased data usage. In 2015, we developed the “Brand Play Pack” plan, which offers exclusive access to the mobile IPTV service “oksusu” that was created for the video content age. We also offered “T Data Coupons,” through which subscribers can make data calls up to the fixed amount of data. We continue to endeavor to strengthen our customer relationships by engaging our subscribers to integrate our service offerings in various aspects of their daily lives such as “T map,” our interactive navigation service which we provide to our wireless subscribers free of charge, “Club T Kids,” and “Smart Home,” a home monitoring service platform for residential customers. In addition, we developed the Luna phone, a high-quality device with convenient features at a reasonable price point that runs exclusively on our networks.

In 2015, our cellular services segment revenue was KRW 13.27 trillion, representing 77.4% of our consolidated operating revenue.

#### Fixed-line Telecommunication Services

We offer fixed-line telephone, broadband Internet and media platform services (including IPTV) and business communications services through our fixed-line telecommunication services segment. Our fixed-line telecommunication services are provided by our subsidiaries, SK Broadband and SK Telink. As of December 31, 2015, we had approximately 4.45 million fixed-line telephone subscribers (including subscribers to VoIP services of SK Broadband and SK Telink), approximately 5.03 million broadband Internet access subscribers and approximately 3.48 million IPTV subscribers, with market shares of 16.2%, 25.1% and 12.1%, respectively, based on the number of subscribers.

As part of our initiative to be the leading next-generation platform provider, we aim to provide an media platform with various media content and service offerings. We currently offer IPTV services under the brand name “B tv” with access to more than 130 live high definition channels as well as video-on-demand service providing a wide range of media content, including recent box office movie releases, popular U.S. and other foreign TV shows and various children’s TV programs. We also offer “B tv UHD,” which is an ultra-high definition IPTV service and has a resolution that is four times as high as the standard high definition broadcasting service in the IPTV industry.

Further, we provide mobile IPTV services through “oksusu,” that is a combination of the services we previously provided as “B tv mobile” and “hoppin” and provides subscribers access to a wide variety of media contents, including various television programs, movies and other video contents that can be downloaded to wireless devices. Subscribers of “oksusu” have access to more than 100 live TV channels, a wide range of sports contents and popular U.S. and other foreign TV shows, among other contents.

In 2015, our fixed-line telecommunication services segment revenue was KRW 2.49 trillion, representing 14.6% of our consolidated operating revenue.

**Other Businesses**

We strive to continually diversify our products and services and develop new growth engines that we believe are complementary to our existing products and services, such as our commerce business and our hardware business, which we include in our others segment.

Our key platform in the commerce business is “11th st” which is an online marketplace that offers a wide range of products through an online and mobile interface. As of December 31, 2015, the mobile version of 11th st was the leading mobile commerce platform in Korea in terms of unique visitors according to Korean Click. The mobile version of 11th st is continuing to grow, with an increase in the percentage of annual gross merchandise volume, which represents the total annual monetary value of customer purchases of goods and services, net of estimated refunds, to 41% in 2015 from 28% in 2014. We have also expanded our online open marketplace business globally to Turkey, Indonesia and Malaysia. We have also further expanded the scope of our online-to-offline (“O2O”) commerce businesses provided under the “Syrup” brand name.

In our hardware business, we manufacture projection display devices, high-end audio devices and intelligent agent machines. We believe the IoT business is one of the main features of the changing ICT business environment and with the development of our hardware business, we believe we have established a strong foundation to further engage in the smart device business and develop products which leverage our expertise in telecommunications and technology.

In 2015, our others segment revenue was KRW 1.37 trillion, representing 8.0% of our consolidated operating revenue.

**2. Executive summary**

In our cellular services segment, we earn revenue principally from our wireless voice and data transmission services through monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services and value-added service fees paid by our wireless subscribers as well as interconnection fees paid to us by other telecommunications operators for use of our wireless network by their customers and subscribers. We also derive revenue from sales of wireless devices by our subsidiary, PS&Marketing.

In our fixed-line telecommunication services segment, we earn revenue principally from our fixed-line telephone services and broadband Internet services and media platform services (including IPTV) through monthly plan-based fees and usage charges as well as interconnection fees paid to us by other telecommunications operators for use of our fixed-line network by their customers and subscribers.

In our others segment, we earn revenue principally from our commerce business through third-party seller fees earned (including commissions) for transactions in which we act as a selling agent to the “mini malls” on 11th st, our online open marketplace platform, as well as advertising revenue from 11th st and our O2O commerce solutions. We also earn revenue from our hardware businesses through sales of projection display devices, high-end audio devices and intelligent agent machines.

The following selected consolidated financial information has been derived from, and should be read in conjunction with, the audited consolidated financial statements included in this annual report.

- (1) EBITDA = Operating income + Depreciation and amortization + R&D-related depreciation within R&D expense  
 (2) Cash & marketable securities = Cash & cash equivalents + Marketable securities + Short-term financial instruments  
 (3) Interest-bearing financial debt = Short-term borrowings + Current portion of long-term debt + Debentures + Long-term borrowings  
 (4) Debt-to-equity ratio = Interest-bearing financial debt/Total equity

**Selected Financial Information (Consolidated basis)**

(Unit: KRW billion)

	2015	2014	Change
<b>Statement of Income Data</b>			
Operating revenue	17,137	17,164	-0.2%
EBITDA <sup>(1)</sup>	4,701	4,717	-0.3%
Operating expense	15,429	15,339	0.6%
Operating income	1,708	1,825	-6.4%
Profit for the year	1,516	1,799	-15.7%
<b>Statement of Financial Position Data</b>			
Total assets	28,581	27,941	2.3%
Cash & marketable securities <sup>(2)</sup>	1,505	1,298	15.9%
Total liabilities	13,207	12,693	4.0%
Interest-bearing financial debt <sup>(3)</sup>	7,557	6,792	11.3%
Total equity	15,374	15,248	0.8%
<b>Financial Ratios (%)</b>			
EBITDA margin	27.4	27.5	-0.1%p
Operating margin	10.0	10.6	-0.6%p
Net margin	8.8	10.5	-1.7%p
Debt-to-equity ratio <sup>(4)</sup>	49.2	44.5	4.7%p

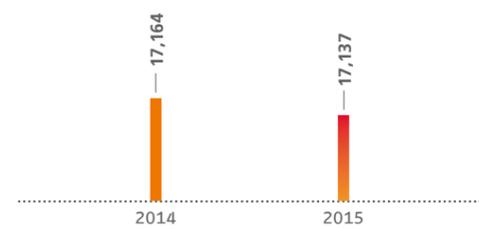
Our operating revenue decreased by 0.2% to KRW 17.14 trillion in 2015 from KRW 17.16 trillion in 2014 due to decreases in interconnection revenue and initial subscription fees, among other reasons. Our operating expense in 2015 increased by 0.6% to KRW 15.43 trillion from 15.34 trillion in 2014, primarily due to increases in cost of products that have been resold, labor cost and depreciation and amortization. As our operating revenue decreased and operating expense increased in 2015, our operating income decreased by 6.4% to KRW 1.71 trillion in 2015 from KRW 1.83 trillion in 2014 and our operating margin decreased by 0.6%p to 10.0% in 2015 and EBITDA margin decreased by 0.1%p to 27.4% in 2015. Our profit for the year decreased by 15.7% to KRW 1.52 trillion in 2015 from KRW 1.80 trillion in 2014.

Our total assets increased by 2.3% to KRW 28.58 trillion as of December 31, 2015 from KRW 27.94 trillion as of December 31, 2014, primarily due to an increase in investments in associates resulting from an increase in the carrying amount of our 20.1% stake in SK Hynix. Total liabilities increased by 4.0% to KRW 13.21 trillion as of December 31, 2015 from KRW 12.69 trillion as of December 31, 2014, primarily due to an increase in debentures issued during 2015. Total equity increased by 0.8% to KRW 15.37 trillion as of December 31, 2015 from KRW 15.25 trillion as of December 31, 2014, primarily due to an increase in retained earnings. Our debt-to-equity ratio as of December 31, 2015 was 49.2%, compared to 44.5% as of December 31, 2014.

### 3. Revenue

Our operating revenue in 2015 decreased 0.2% to KRW 17.14 trillion from KRW 17.16 trillion in 2014. This decrease was primarily attributable to a decrease in interconnection revenue from decreases in interconnection rates and land-to-mobile call volume and a decrease in initial subscription fees which we ceased charging beginning November 2014.

Consolidated Operating Revenue (Unit: KRW billion)



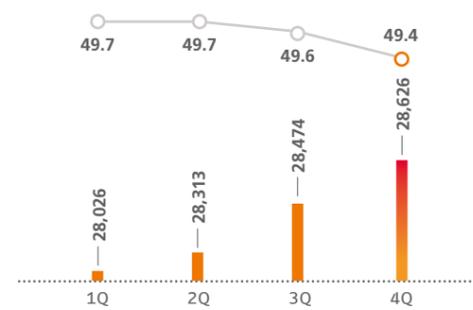
#### Subscribers & Market Share

The total number of wireless subscribers in Korea was approximately 57.9 million as of December 31, 2015 with a wireless telecommunications service penetration rate of 112.4%. Despite the saturated wireless market in Korea, SK Telecom continued to add new subscribers throughout the year, and ended the year 2015 with approximately 28.6 million subscribers (including subscribers of MVNOs that lease SK Telecom's networks). SK Telecom's wireless market share based on the number of subscribers (including subscribers of MVNOs) slightly decreased by 0.8%p to 49.4% as of December 31, 2015 from 50.2% as of December 31, 2014.

The number of SK Telecom's LTE subscribers increased to 19.0 million as of December 31, 2015 from 16.7 million as of December 31, 2014.

Subscribers & Market Share in 2015

(Unit: thousand, %) M/S Subscriber



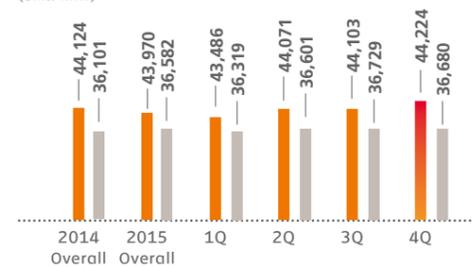
#### ARPU

SK Telecom's billing average monthly revenue per subscriber (billing ARPU) increased by 1.3% to Won 36,582 in 2015 from KRW 36,101 in 2014. This increase was primarily due to the increase in LTE subscribers who subscribe to data plans with higher monthly basic charges than our other wireless telecommunications services and greater data service usage attributable to increases in the number of smartphone users.

SK Telecom's total average monthly revenue per subscriber (total ARPU) decreased by 0.3% to KRW 43,970 in 2015 from KRW 44,124 in 2014. This decrease was primarily due to decreases in initial subscription fees which we ceased charging beginning November 2014 and interconnection revenue.

ARPU in 2015

(Unit: KRW)



### Subsidiaries

The consolidated revenue of SK Broadband, which is mostly generated from its fixed-line telecommunication services, increased by 2.9% to KRW 2.73 trillion in 2015 from KRW 2.65 trillion in 2014, primarily as a result of an increase in revenue from IPTV services attributable to an increase in the number of IPTV subscribers.

PS&Marketing's revenue, which is mostly derived from sales of handsets, increased by [10.1%] to KRW 1.79 trillion in 2015 from KRW 1.63 trillion in 2014,

primarily due to the reflection of the full year impact of the acquisition by PS&Marketing in April 2014 of the retail distribution business of SK Networks in 2015 compared to 2014 in which the acquisition only impacted revenue for part of the year.

SK Planet's revenue, which is mostly derived from 11th st and its O2O businesses, increased by [7.4%] to KRW 1.66 trillion in 2015 from KRW 1.51 trillion in 2014, primarily due to an increase in the annual gross merchandise volume of 11th st through its mobile version.

### 4. Profitability

Statement of Income Data (Consolidated Basis)

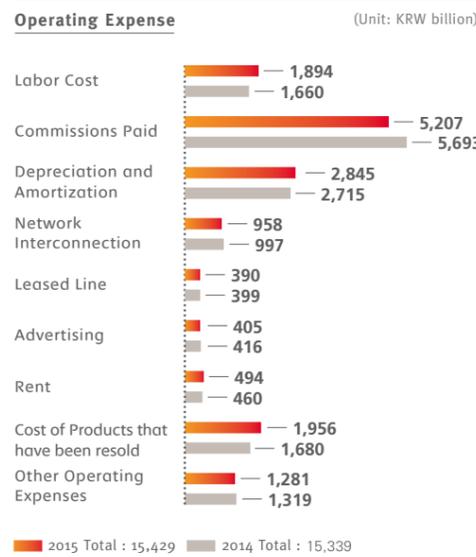
(Unit: KRW billion)

	2015	% of Revenue	2014	% of Revenue
<b>Continuing operations</b>				
Operating revenue	17,137	100.0%	17,164	100.0%
Operating expense	15,429	90.0%	15,339	89.4%
Labor cost <sup>(1)</sup>	1,894	11.1%	1,660	9.7%
Commissions paid <sup>(2)</sup>	5,207	30.4%	5,693	33.2%
Depreciation and amortization <sup>(3)</sup>	2,845	16.6%	2,715	15.8%
Network interconnection	958	6.2%	997	6.5%
Leased line	390	2.3%	399	2.3%
Advertising	405	2.4%	416	2.4%
Rent	494	2.9%	460	2.7%
Cost of products that have been resold	1,956	11.4%	1,680	9.8%
Other operating expenses	1,281	7.5%	1,319	7.7%
<b>Operating income</b>	<b>1,708</b>	<b>10.0%</b>	<b>1,825</b>	<b>10.6%</b>
Finance income	104	0.6%	126	0.7%
Finance costs	(350)	(2.0%)	(387)	(2.3%)
Gain (losses) related to investments in subsidiaries and associates, net	786	4.6%	906	5.3%
Other non-operating income	31	0.2%	56	0.3%
Other non-operating expenses	(243)	(1.4%)	(274)	(1.6%)
<b>Profit before income tax</b>	<b>2,035</b>	<b>11.9%</b>	<b>2,254</b>	<b>13.1%</b>
Income tax expense from continuing operations	519	3.0%	455	2.6%
<b>Profit from continuing operations</b>	<b>1,516</b>	<b>8.8%</b>	<b>1,799</b>	<b>10.5%</b>
<b>Discontinued operations</b>	-	-	-	-
<b>Profit (loss) from discontinued operations, net of income taxes</b>	-	-	-	-
<b>Profit for the year</b>	<b>1,516</b>	<b>8.8%</b>	<b>1,799</b>	<b>10.5%</b>
<b>EBITDA<sup>(4)</sup></b>	<b>4,701</b>	<b>27.4%</b>	<b>4,717</b>	<b>27.5%</b>

- (1) Labor cost = Salaries + Provisions for defined benefit liabilities
- (2) Includes marketing commissions and other commissions
- (3) Excludes R&D-related depreciation
- (4) EBITDA = Operating income + Depreciation and amortization + R&D-related depreciation within R&D expense

**Operating Expense**

Our operating expense for 2015 amounted to KRW 15.43 trillion, representing a 0.6% increase from KRW 15.34 trillion in 2014. The increase in operating expense was primarily due to a 16.4% increase in cost of products that have been resold, a 14.1% increase in labor cost and a 4.8% increase in depreciation and amortization.



The increase in cost of products that have been resold was primarily due to the reflection of the full year impact of the acquisition by PS&Marketing in April 2014 of the retail distribution business of SK Networks in 2015 compared to 2014 in which the acquisition only impacted associated costs for part of the year and an increase in high-end wireless device sales. The increase in labor cost was primarily due to one-time severance payments in connection with our early retirement program and the increase in the number of employees at SK Broadband to further expand our media platform service business and in connection with several acquisitions in 2014, including the acquisition by PS&Marketing of the retail distribution business of SK Networks in April 2014 and the acquisition by SK Planet of Shopkick

in October 2014. The increase in depreciation and amortization was primarily due to increased capital investments to upgrade our LTE network and broadband Internet fixed-line network and the increase in amortization of software.

**Operating Income and EBITDA**

Our operating income decreased by 6.4% to KRW 1.71 trillion from KRW 1.83 trillion in 2014 and our operating margin decreased to 10.0% in 2015 from 10.6% in 2014 as our operating revenue decreased and our operating expense increased. Our EBITDA decreased by 0.3% to KRW 4.70 trillion in 2015 from KRW 4.72 trillion in 2014.

**Non-Operating Income and Expenses**

Our finance income decreased by 17.8% to KRW 104 billion in 2015 from KRW 126 billion in 2014, primarily due to a decrease in interest income and a decrease in gain on valuation of derivatives. Our finance costs decreased by 9.5% to KRW 350 billion in 2015 from KRW 387 billion in 2014 primarily due to a decrease in interest expense and a decrease in loss relating to financial liability at fair value through profit or loss. Gains related to investments in subsidiaries and associates decreased 13.3% to KRW 786 billion in 2015 from KRW 906 billion in 2014, primarily due to a decrease in share of profits of SK Hynix, in which we have a 20.1% interest. Our other non-operating income decreased by 45.1% to KRW 31 billion in 2015 from KRW 56 billion in 2014, partially due to a decrease in value-added tax refunds. Our other non-operating expenses decreased by 11.0% to KRW 243 billion from KRW 274 billion in 2014, primarily due to decreases in impairment loss on property and equipment and intangible assets and loss on disposal of property and equipment and intangible assets.

**Income Tax**

Income tax expense from continuing operations increased by 14.3% to KRW 519 billion in 2015 from KRW 455 billion in 2014 notwithstanding a 9.7% decrease in profit before income tax, primarily due to changes in unrealizable deferred taxes mainly related to the dividend in kind made by SK Planet of

SK Communication's common shares to SK Telecom. Our effective tax rate in 2015 increased by 5.3%p to 25.5% in 2015 from 20.2% in 2014.

**Profit for the Year**

Principally as a result of the factors discussed above, our profit for the year decreased by 15.7% to KRW 1.52 trillion in 2015 from KRW 1.80 trillion in 2014. Net margin was 8.8% in 2015 compared to 10.5% in 2014

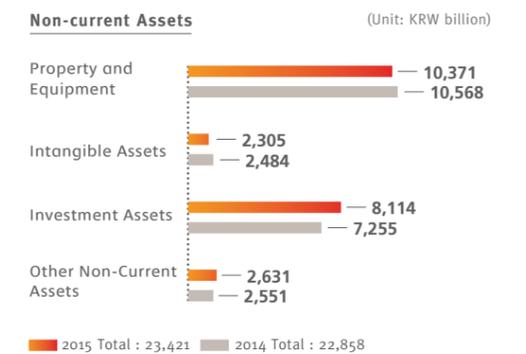
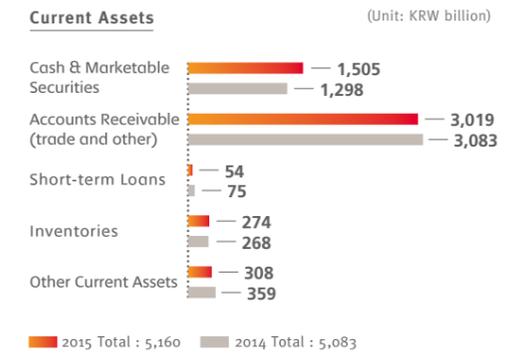
**5. FINANCIAL STRUCTURE**

**Current Assets**

We had current assets of KRW 5.16 trillion as of December 31, 2015, a 1.5% increase from KRW 5.08 trillion as of December 31, 2014. Our cash and marketable securities (including short-term financial instruments) increased by 15.9% to KRW 1.51 trillion as of December 31, 2015 from 1.30 trillion as of December 31, 2014, primarily due to an increase in cash and cash equivalents from increased borrowings.

**Non-current Assets**

We had non-current assets of KRW 23.42 trillion as of December 31, 2015, a 2.5% increase from KRW 22.86 trillion as of December 31, 2014. Our investment assets, consisting of long-term financial instruments, long-term investment securities and investments in associates and joint ventures, increased by 11.8% to KRW 8.11 trillion as of December 31, 2015 from KRW 7.26 trillion as of December 31, 2014. This increase was mainly attributable to an increase in the carrying amount of our 20.1% stake in SK Hynix. Our property and equipment decreased by 1.9% to KRW 10.37 trillion as of December 31, 2015 from KRW 10.57 trillion as of December 31, 2014, primarily due to decrease in acquisition of LTE related equipment.

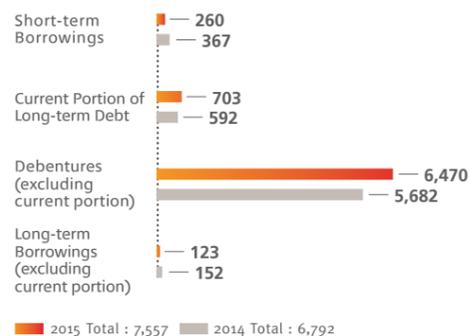


**Liabilities**

We had KRW 13.21 trillion of total liabilities as of December 31, 2015, a 4.0% increase from KRW 12.69 trillion as of December 31, 2014, mainly due an increase in debentures issued during 2015 to acquire treasury stock. Our total interest-bearing financial debt increased by 11.3% to KRW 7.56 trillion as of December 31, 2015 from KRW 6.79 trillion as of December 31, 2014. Our debt-to-equity ratio as of December 31, 2015 was 49.2%, compared to 44.5% as of December 31, 2014.

**Interest-Bearing Financial Debt**

(Unit: KRW billion)

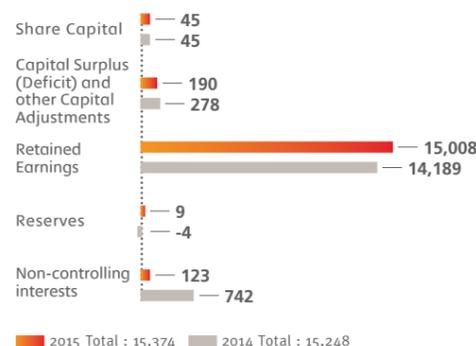


**Equity**

Our total equity as of December 31, 2015 amounted to KRW 15.37 trillion, representing an increase of 0.8% from KRW 15.25 trillion as of December 31, 2014. This increase was primarily attributable to an increase in retained earnings to KRW 15.01 trillion as of December 31, 2015 from KRW 14.19 trillion as of December 31, 2014.

**Equity**

(Unit: KRW billion)



**6. CAPITAL EXPENDITURES (SEPARATE BASIS)**

SK Telecom spent approximately KRW 1.89 trillion for capital expenditures in 2015 compared to KRW 2.15 trillion for capital expenditures in 2014, each on a separate basis. Of the amount spent in 2015, we spent approximately KRW 1.02 trillion, or 54.1%, on capital expenditures related to expanding and enhancing the quality of our LTE network and KRW 0.45 trillion on other non-network related capital expenditures primarily related to developing new products and maintenance and upgrades to our information technology systems.

**Non-Financial Statements**

**Section 1. Human Capital**

MD&A	2013	2014	2015
1.1	Total Employment		
	4,203	4,253	4,046
	Special Employment and Minority		
	200	215	188
	Overseas Employees		
	103	99	79
1.2	Recruitment and Turnover		
	Total New Employees		
	418	396	563
	Total Number of Turnover Employees		
	238	265	681
1.3	Maternity and Parental Leave		
	Employees on Maternity Leave		
	161 (male: 124)	146 (male: 110)	173 (male: 133)
	Employees on Parental Leave		
	25 (male: 2)	71 (male: 9)	77 (male: 7)
1.4	Human Capital Improvement		
	Annual Training Hours per Employee		
	83.7	91	82
	Rate of Employees Subject to Performance Evaluation (%)		
	96	96	96
1.5	Labor Practices, Safety, and Welfare		
	Labor Union Membership Rate (%)		
	84.2	83.4	85.0
	Occupational Accident Rate (%)		
	0.02	0	0

**Section 2. Social Capital**

MD&A	2013	2014	2015
2.1	Access to Service		
	LTE Subscribers Rate (%)		
	57.0	58.5	66.3
	Average Monthly Churn Rate		
	2.3	2.0	1.5
	Number of Participants in the ICT Education Program		
	1,121	1,353	1,404
	Amount of Rate Reductions for the Disadvantaged Groups (KRW million)		
	211,617	196,806	188,453
2.2	Network Quality and Risk Management		
	Annual Data Traffic Processed (GB)		
	355,885	550,329	779,201
	Wireless Communication Production Capacity (wireless lines in thousands)		
	35,980	33,120	36,160
	Cases of Serious Network Failures		
	1	1	1
2.3	Data Privacy		
	Customer Information Leakages		
	0	0	0
	Rate of Micropayment Fraud VoC (%)		
	0.12	0.10	0.03

**Section 2. Social Capital**

MD&A		2013	2014	2015
2.4	Mutual Growth with Partners			
	Mutual Growth Agreements	205	291	325
2.5	Sustainability of Supply Chain			
	Total Number of Newly Registered Partners	346	712	706
	Number of Human Rights, Environment, Ethics, and Social Issues Assessments	346	712	706
2.6	Investment into Local Communities			
	Cumulative Donations Collected on GiveU (KRW million)	740	890	1,030
	Cumulative Volunteer Cases Registered on WithU	-	40,755	67,529

**Section 3. Natural Capital**

MD&A		2013	2014	2015
3.1	Greenhouse Gas Emissions			
	Total Emissions (tCO <sub>2</sub> e)	707,963	742,884	686,118
	Intensity (tCO <sub>2</sub> e/KRW billion)	55.05	57.09	54.64
3.2	Energy Consumption			
	Total Energy Consumption (TJ)	14,589	15,271	14,081
	Total Electricity Saved (MWh)	46,487	45,729	44,731
	New Renewable Energy Generation Facilities (MWh)	2,729	2,729	2,729
	Intensity (TJ/KRW billion)	1.13	1.17	1.12
3.3	Water Consumption			
	Annual Water Consumption (m <sup>3</sup> )	683,387	695,725	757,658
	Intensity (m <sup>3</sup> /KRW billion)	53.14	53.46	60.34
3.4	Waste and Recycling			
	Total Waste (Ton)	1,646	1,763	1,928
	Intensity (Ton/KRW billion)	0.126	0.135	0.154
3.5	Resources			
	Rate of New Electronic Bill Subscribers (%)	69.4	77.0	83.9
	Device Retrieval Rate (%)	8.0	4.5	3.6
	Mobile Card Issuance (case)	987,848	2,831,082	2,894,971
3.6	Social GHG Reduction			
	Annual Social GHG Reduction(tCO <sub>2</sub> e million)	-	-	1.31
-	Biodiversity			
	Base Stations within Protected Areas	91	650	947
	Relay Stations within Protected Areas	184	5,105	6,051
3.7	Environmental Investment and Cost			
	Total (excl. Green Purchase) (KRW million)	521	475	709
	Green Purchase Cost (KRW million)	6,084	7,368	8,9125
3.8	Electromagnetic Fields			
	Number of Measurements Conducted at Base Stations	18,928	30,606	37,504

# Non-Financial MD&A (Management Discussion and Analysis)

## Basis of Preparation

### Reporting Standards and Principles

This Non-Financial Management Discussion & Analysis is prepared to present our management's analytical opinions on the key non-financial performances of the company in the areas of human rights, labor, environment and anti-corruption among others. SK Telecom is participating in the UN Global Compact (UNGC), a voluntary policy initiative implemented by UN organizations and businesses for the purpose of improving the internal environment and social ethical practices, and is also participating in GC LEAD, a group for leading UNGC companies, which was made to develop and spread excellent cases that correspond with the UNGC Blueprint for Corporate Sustainability Leadership. As a member of the UN Global Compact, we submit a Communication on Progress (COP), highlighting our business performance in line with the Ten Principles every year, and the social and environmental performance tables included in the Non-Financial Statement of Social & Environmental Performances meets GC Advanced Level of COP requirements. In addition, this Non-Financial MD&A complies with international reporting principles as follows:

### 01 \_ International Integrated Reporting Framework (<IR> Framework)

The <IR> Framework of the International Integrated Reporting Council (IIRC) requires a concise report on how an organization's strategies, governance, performance and future outlook are connected to its short-, mid-, and long-term value creation in the economic, social, and environmental context. Please refer to pp.22-26 for the capital model implemented to adhere to the integrated reporting principles of IIRC, and pp.34-35 for the assessment of importance to define key subjects according to the impact on value creation.

### 02 \_ Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines G4

The GRI provides information on the aspects and indicators of reporting from economic, social and environmental perspectives so that stakeholders can discern the organization's performance. It defines the subject according to the correlation of each

aspect from the impact on stakeholders and from economic, social and environmental perspectives. Please refer to pp.34-35 for the results of the Materiality Assessment conducted in accordance with the GRI requirements.

### 03 \_ Accountability AA1000

The AA1000 series identifies and prioritizes sustainability issues in relation to the organization and defines its framework and principles. The information in this report is verified by third parties according to the Assurance Standard (AA1000AS). Please refer to pp.109-112 for the result of the third-party assurance performed by an independent institute.

### References

#### 01 \_ UNGC COP (UN Global Compact Communication on Progress)

A guideline for reporting compliance to the Ten Principles of UNGC by a member of UNGC

#### 02 \_ ISO26000

An international social responsibility standard presented in November 2010 by ISO (International Standard Institution)

#### 03 \_ SASB (Sustainability Accounting Standard Board) - Telecommunication Standards

Core issues and key performance indicators in the telecommunications industry released in April 2014 by the U.S. SASB

### Scope of Data

The scope of the Non-Financial Statement of Social & Environmental Performances is limited to the data of SK Telecom without the inclusion of the data of its subsidiaries and supply chain, unless stated otherwise. This coincides with the scope of unclassified sales of SK Telecom, which is a holding company according to K-IFRS. The environmental data on energy, greenhouse gas (GHG), waste, and water is estimated based on 26 domestic business sites\* (including networks and data centers). More than 95% of SK Telecom's sales are generated in South Korea, and accordingly, the data coverage meets the 95% requirement against the sales.

\*26 business sites: T-Tower, Namsan, Guro, Jangan, Seoul National University, FMI, Yongin, Boramae, Seongsu, Suyu, Incheon, Bundang, Dunsan (Old & New), Busan, Cheongju, Wonju, Taepyeong, Bolli, Sincheon, Buam, Data Center, Anrak, Wusan, Song-jeong, Jeonju, Jeju

**Section 1. Human Capital**

**1.1 Total Employment**

The total number of employees includes those who are permanent employees, who have signed employment contracts directly with SK Telecom, and temporary (contract-based) employees, and this figure does not include the employees and executives of its subsidiaries. The total number of employees was 4,046 as of the end of 2015. In 2015, the company supported the voluntary retirement of some of the employees that contributed to the company's growth and development in accordance with their personal wishes, and the size of the workforce was reduced by 4.8%.

The percentage of female employees decreased by 0.5%p compared to last year to 13.4%, and a similar percentage is being maintained. In terms of age group, the percentage of employees in their 20s to 30s increased 3.5% to 40.3% compared to 36.8% last year, recovering the 2013 level of 40%.

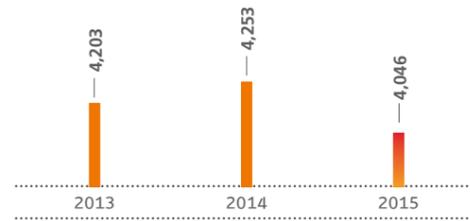
The total number of overseas personnel including expatriate employees and local employees is 79, a level that is not high compared to the total workforce. The percentage of local managers at overseas business locations is 33.3%, and after rising above 30% in 2014, the increasing trend is being sustained.

The company plans to continue recruiting the necessary personnel for SK Telecom's successful evolution as a platform company. While maintaining the appropriate staffing level necessary for business development, the company plans to secure diversity in employment and develop a competitive human capital structure.

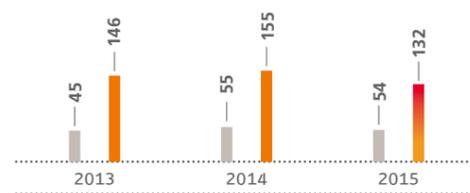
**Total Number of Employment**

		2013	2014	2015
Employment Type	Permanent	4,081	4,147	3,925
	Temporary	122	106	121
Gender	Male	3,616	3,662	3,504
	Female	587	591	542
Age	20s	328	290	326
	30s	1,340	1,277	1,304
	40s	2,372	2,450	2,229
	50s and older	163	236	187
Total Number of Employees		4,203	4,253	4,046

**Total Number of Employees**



**Special Employment and Minority**



\*Due to changes in the internal criteria for calculating special employment of handicapped individuals, this report reflects the amended information. (2014: calculated 2 severely handicapped individuals according to national reporting recommendation criteria; 2015: calculated according to simply the number of people)

**Overseas Employment**

	2013	2014	2015
Expatriates Employees	31	26	20
Local Employees	72	73	59
Total Number of Overseas Employees	103	99	79
Total Number of Managers Overseas	28	19	15
Total Number of Local Managers	5	6	5
Percentage of Local Managers	17.9	31.6	33.3

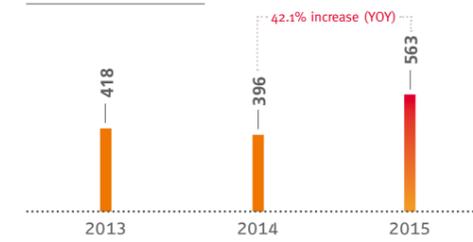
**1.2. Recruitment and Turnover**

The total number of new employees was 563, an increase of 42.2% compared to last year. In particular, regarding employment, a national priority, policies to expand diversity were considered, and the percentage of female employees among the new employees was expanded to 25.2%. The number of employees in their 20s who were hired, in contribution to solving the youth unemployment problem, was 296 (a 34.5% increase compared to last year), with the company achieving a continuous trend in increasing youth employment over the past 3 years. In terms of turnover, a temporary rise in turnover occurred in 2015 following voluntary retirements and the transfer of work to subsidiaries and investment companies.

**New Employees**

		2013	2014	2015
Gender	Male	317	302	421
	Female	101	94	142
Age	20s	189	220	296
	30s	161	97	187
	40s	64	66	72
	50s and older	4	13	8
Total Number of Employees		418	396	563

**Total New Employees**



**Turnover**

		2013	2014	2015
Gender	Male	141	181	467
	Female	97	84	213
Age	20s	116	157	180
	30s	57	62	121
	40s	52	37	230
	50s and older	13	9	149
Involuntary Turnover (Dismissal)		6	2	1
Total number of employees		238	265	681

**1.3. Maternity and Parental Leave**

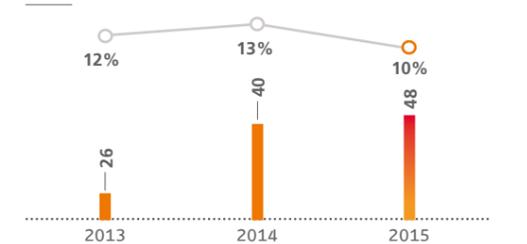
The number of individuals using maternity and paternal leave, which are among the key indicators related to women's access to work, has been rising trend. The number of individuals using paternal leave is 48 people, a large increase compared to the 26 people two years ago, and the rate of male employees using paternal leave is at 10%. Due to voluntary retirements, the rate of turnover after returning from paternal leave temporarily increased in 2015, but SK Telecom is continuously implementing supportive maternity and childcare policies to reduce employees' maternity and childcare burdens. Along with maternity support systems such as lounges for women, nursing rooms, congratulatory allowances for childbirth, maternity leave systems and the removal of disadvantages in evaluations of individuals who used maternity and paternal leave, the company is implementing a variety of childcare support programs as part of supporting the raising and educating of employees' children. These programs include financial assistance for personal development, scholarships for children, operation of

**Maternity Leave and Paternal Leave**

	2013	2014	2015
Employees on Maternity Leave (M)	138	126	133
Employees on Maternity Leave (F)	38	35	37
Rate of Return (%)	100	100	100
Employees on Parental Leave (M)	3	5	5
Employees on Parental Leave (F)	23	35	43
Rate of Return (%)	96	98	79
Rate of Retirement within 12 Months after Return (%)	6	4	31

\*Due to changes in the criteria for calculating maternity and paternal leaves and a discovery of a data error in last year's report, this report reflects the amended information.

**Paternal Leave**



an in-house daycare center, flexible time system and camps for children. Maternity leaves are paid (for up to 90 days), and five days of paid leave are given to male employees upon childbirth. The option to take parental leave is available for both the female and male employees for a maximum of 1 year per child.

#### 1.4. Human Capital Improvement

Through a strategy of attracting and fostering talent that focuses on the results of investing in those individuals, SK Telecom is improving its human capital and building up its future growth drivers. In 2015, the total number of training hours invested per employee was 82 hours, and the training expense per employee was KRW 2.84 million. The average annual training hours per employee decreased by 9 hours, with 2013 levels being maintained. The training expense per person decreased by 18%, but this was a result of improving training results and efficiency by using more in-house instructors and deepening the training's connection with actual work.

As one of the central results of 2015, the team leaders' ability to execute changes and leadership capacity were strengthened in order to support the value creation of the organizational units. In addition, in order to improve the skills of the team leaders who will advance the company's future growth, education was newly implemented and the key talents who are candidates for future leadership candidates were fostered in a consistent and systematic manner.

SK Telecom seeks to both enhance its employees' skills and the competitiveness of the MNO business by focusing on the essentials. The company also aims to help employees become market leaders so that they are able to respond with promptness and accuracy. Based on this, the MNO area has intensively fostered skills by organization and improved the training system by department. The training system was also built and implemented to allow growth areas to help employees gain the skills that are also required by the company in advance. In addition, the company is encouraging employees' voluntary participation in training through the independent development plans (IDP).

In terms of training on employee values, the company is helping employees to internalize SK values and carry out necessary changes. Furthermore, programs to energize new employees (entry-level and recruited managers) and help them to settle in promptly as well as organizational revitalization programs to improve team vitality were implemented. During the first half of the year, change practice workshops were held and in the second half of the year, a total of 109 teams participated in organizational revitalization program workshops.

#### Status of Employee Training

	2013	2014	2015
Average Annual Training Hours per Employee (hours)	83.7	91	82
Training Expense per Employee (KRW million)	3.38	3.46	2.84

In order to measure the level of improvement of human capital from the ROI perspective, SK Telecom is using HR EVA as a ratio. The training expense ROI is displayed as the Economic Value Added (EVA) according to inherent operating activity compared to the main HR capital inputs such as employees' salary, benefits and training expense. In this category, the HR EVA is the cost calculated by subtracting the capital costs from the after-tax operating profit and divided into the employee expenses. In 2015, the HR EVA ratio was 75.10 and it increased by about 28.5% compared to last year. Whereas the increased amount of EVA was maintained at the same level as last year, following efforts focused on developing key skills including the use of in-house instructors and skills training by each organization's needs, the main cause of the increase in HR EVA was the increased effectiveness of the training investment.

Through employee performance evaluations based on regular performance management, SK Telecom provides support so that organizational results can be achieved and employees' skills can be improved. In 2016, the system has been improved to enable the improvement of the performance and compensation systems at the companywide level and to carry out optimized performance evaluations by area. In particular, besides profit sharing in the area of in-

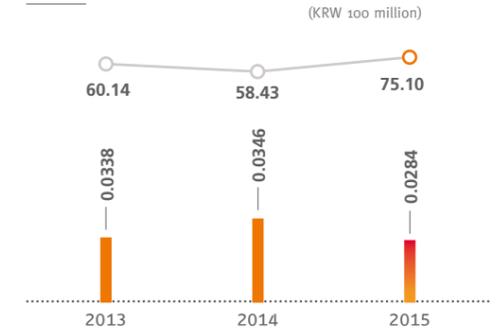
centives, the appropriate performance systems are applied in the areas such as long-term incentives, target incentives and betting, and they are differentiated and adopted by area. The company keeps annual performance evaluation results in order to add points toward promotion and reflect them in incentives in the long-term.

#### HR EVA

	2013	2014	2015
Economic Value Added (EVA) (KRW 100 million)	8,544	8,601	8,629
EVA per person (KRW 100 million / Person)	2.033	2.022	2.133
Training expense per person (KRW 100 million)	0.0338	0.0346	0.0284
HR EVA (Ratio)	60.14	58.43	75.10

\* HR EVA = Financial Capital Gain / Human Capital Input

#### HR EVA



#### Rate of Conducting Performance Evaluations

	2013	2014	2015
Rate of Employees Subject to Performance Evaluation (%)	96	96	96

#### 1.5. Labor Practices, Safety and Welfare

SK Telecom actively protects employees' freedom of association based on ILO Convention 87 and 98 as well as Korean labor laws. In accordance with freedom of association, SK Telecom's employees have voluntarily formed a labor union and join the labor union according to each individual's free will. The

labor union membership rate is the ratio of current members of the labor union to total number of members eligible for membership.

For the purpose of desirable labor-management relations, SK Telecom is making efforts to promote a mutually beneficial labor-management culture and improve employees' working conditions. To this end, it resolved the regular wage issue, introduced the wage peak system, reached an agreement to extend the retirement age in 2014, and introduced the pension support system in 2015. To prepare for international labor conventions, SK Telecom is continuously monitoring domestic business sites' business areas to check if there are any in which potential human rights risks exist, and up to the present, none have been found to have human rights-related risks at a level that require special attention.

#### Labor Union Membership

	2013	2014	2015
Number of Employees Eligible for Labor Union Membership (Person)	2,513	2,497	2,316
Labor Union Members (Person)	2,118	2,082	1,968
Labor Union Membership Rate (%)	84.2	83.4	85.0

SK Telecom carried out disaster and emergency response training such as regular fire drills, CPR, fire extinguisher and gas mask usage practices and is maintaining a low accident rate. In 2014 as well as 2015, there were no cases of occupational accidents.

#### Occupational Accidents

	2013	2014	2015
Number of Occupational Accidents (Person)	1	0	0
Occupational Accident Rate (%)	0.02	0	0

**Section 2. Social Capital**

**2.1 Access to Service**

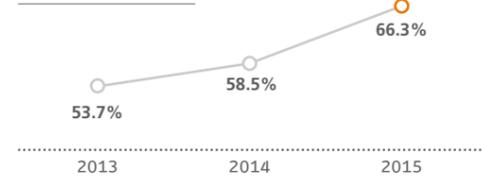
SK Telecom's expansion of service accessibility lays the groundwork for providing even more convenient mobile telecommunications services by securing and maintaining the absolute number of subscribers and expanding telecommunications devices. It consists of promoting digital inclusion for disadvantaged 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.

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 a 86% share (according to the Ministry of Science, ICT and Future Planning) of the wearable device market by the end of 2015.

**LTE Subscribers**

	2013	2014	2015
Total Subscribers (in thousands)	25,130	28,610	28,626
LTE Subscribers (in thousands)	13,490	16,740	18,980
LTE Subscribers Rate (%)	53.7	58.5%	66.3%

**LTE Subscribers Rate**



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.

**Rate Reduction**

(Unit: KRW million)

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

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 youth are being carried out, and the number of participants increased 3.8% to 1,404 people compared to last year.

**ICT Education**

	2013	2014	2015
Total Number of Participants in the ICT Education Program	1,121	1,353	1,404
Smartphone Usage Education for Multicultural Families (person)	47	169	334
Smartphone Usage Education for Senior Citizens (person)	905	1,020	906
Mobile Phone Usage Education for North Korean Defectors (person)	48	32	50
IT Challenge (person)	121	132	114

**Total Participants in the ICT Education Program**



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.

**Strategy for Remote Areas**

	2013	2014	2015
Universal Loss of Service Compensation (KRW billion)	16.9	17.9	18.1

**2.2 Network Quality and Risk Management**

To telecommunications companies, network infrastructure failures may become business continuity risks, and if failures continue to occur, they may even cause a temporary collapse of economic and social systems. Providing a high-quality network is SK Telecom's fundamental asset in terms of its core competitiveness.

In 2015, the company's annual wireless telecommunications wireless network capacity was 36.16 million lines and the total number of subscribers was 28.62 million, so it has 126% of retention capacity.

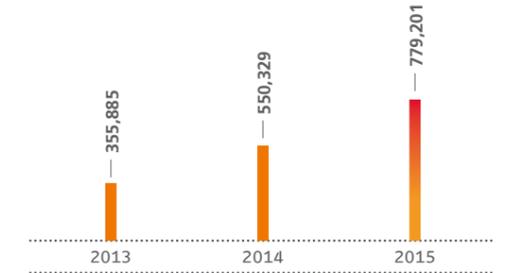
The data traffic processed annually increased at a high level, with increases of 63.8% in 2014 and 41.6% in 2015 compared to the previous year, and this trend is expected to continue in the long-term. Minimizing the service failure rate while appropriately assimilating the increased data traffic at a high level and maintaining quality, is a major challenge for those in the

**Wireless Network Capacity and Data Traffic Processed Annually**

	2013	2014	2015
Wireless Network Capacity (wireless lines in thousands)	35,980	33,120	36,160
Annual Data Traffic Processed (GB)	335,885	550,329	779,201

**Annual Data Traffic Processed**

(Unit: GB)



**Network Failures**

	2013	2014	2015
Number of Network Failure Cases	1	1	1

\* According to the number of large-scale failures submitted to the Ministry of Science, ICT and Future Planning

telecommunications industry including SK Telecom. In 2015, in order to prevent service failures, SK Telecom focused on three areas including investment in data equipment expansion, development of preventative solutions and strengthening of response capability, thereby mitigating risk. In addition, the operational organization that had been dispersed to each region was reorganized into a focused operational system and by strengthening the cooperative system, the response capability towards failures has greatly improved.

Efforts to strengthen the network infrastructure base through R&D have continued. With a focus on preemptively securing the network's primary competitive differentiation technology and finding technology-based future growth drivers, investment was expanded in evolving technology areas such as storage, big data, artificial intelligence, quantum, video cloud, IoT, LTE-A and 5G, and a base was created for new growth businesses.

Due to the promotion of LTE enhancement, strengthening IT infrastructure and next-generation infrastructure evolution, as well as investment in new technology development in growth businesses such as flash storage and big data, R&D investment expenditures increased 17% since 2014 to KRW 641 billion. In par-

particular, 7.2% of the R&D expenses, KRW 46 billion, was invested in building next-generation IT infrastructure.

The dispersed R&D organization was integrated into a technology institute, synergy between diverse R&D areas was created and technology-based growth was accelerated. In 2015, the scale of the R&D personnel increased by 1% compared to last year and there are now a total of 1,165 individuals.

**R&D Investment**

	2013	2014	2015
Total R&D Expenditure (KRW billion)	435	526	614
R&D Personnel (person)	1,094	1,153	1,165

**Total R&D Expenditure** (Unit: KRW billion)



**CAPEX**

(Unit: KRW billion)

	2013	2014	2015
CAPEX (SK Telecom non-consolidated)	2,316	2,145	1,895

**2.3 Data Privacy**

SK Telecom recognizes customer information protection as a key management issue and is paying special attention and care to identify and remove potential risks in advance, strengthen and give training regarding information protection systems, and enhance inspections of stores and subsidiaries. As a result of making efforts to maintain a high level of customer information protection, there was not a single case of customer information leakage from events such as hacking at SK Telecom since 2011.

**Customer Information Leakage**

	2013	2014	2015
Customer Information Leakages	0	0	0

The rate of micropayment fraud VoC, which is an indicator of customer safety, is the ratio of the number of micropayment fraud complaint VoC to the number of received consultations. This indicator has been managed since 2013, and it is maintained at a low rate of less than 1%. In particular, in order to provide a safe communications environment for customers, the company is continuously strengthening customer safety services centered on four goals including preventing bill shock, personal information protection, children's safety as well as eradicating illegal fraudulent messages like spamming and phishing. Accordingly, the rate of it was markedly reduced and recorded at 0.03% in 2015, a 70% decrease since last year.

SK Telecom implemented personal information protection assessments of approximately 4,700 stores (100% compliance) in the marketing and solutions areas and remotely implemented regular assessments of 20,000 distribution network PCs related to

**Customer Safety Indicator**

(Unit: %)

	2013	2014	2015
Rate of Micropayment Fraud VoC	0.12	0.10	0.03

information leakage annually. 224 audits (100%) of information protection based on products/services have been implemented. From 2015 and into 2016, the company plans to perform customer information protection assessments and audits across 100% of the distribution network and products/services.

**Distribution Network Customer Information Protection**

	2014	2015
Number of Store Assessments on Customer Information Protection in Distribution Network	1,800	4,700
Rate of Assessments Conducted Among Total Stores (%)	41.9	100
Number of Audits on Products/Services Information Protection Management	-	224
Rate of Audits Conducted Among Total Products/Services (%)	-	100

**2.4 Mutual Growth with Partners**

SK Telecom is contributing to the growth of a healthy invigorated ICT industry by establishing mutual growth partnerships. In 2015, SK Telecom

strengthened its outreach efforts to SMEs by being the first company to conclude an agreement with KOTRA to create 'Global Branch Support,' which allows KOTRA's trade centers to be utilized as overseas branches. SK Telecom has also partnered with the Center for Creative Economy and Innovation (CCEI) to assist SMEs in various Fair Trade Commission (FTC) practices (contract conclusion, partner selection and management, internal review board establishment and management and written records issuance and retention) by providing SMEs with funds, increasing their revenue potential, as well as offering technical, educational and HR support.

SK Telecom has been commended for its commitment to mutual growth with its partners, obtaining the Top Excellence grade in the Win-Win Index Assessment (mutual growth agreement by the Korean Commission for Corporate Partnership) for three consecutive years, and was selected as a top honors company.

**Major Performances of the Mutual Growth Agreements in 2015**

Type	Execution	Achievement Rate
Adjustment of unit cost	Increased the unit cost upon being requested (due to changes in prices of raw materials and other costs) - 100% reflection of the requests	100%
Support for partners to generate revenue	Scale of transactions with partners increased by 1.6% - Supported revenue increase in 250 cases (exhibition support and pioneering of sales channels)	100%
Funding (financing)	Directly invested in private-government technology R&D program, operated a network loan system, and created a Mutual Growth fund of KRW 167.5 billion - More than KRW 3.7 bil. invested into the private-government technology R&D program and a deposit of KRW 78.1 bil. in the Mutual Growth fund (increase of KRW 100 mil. compared to the previous year), etc.	100%
Improvement of payment method and date	100% cash payments and payments are made within 10 days - 100% cash payment policy (continuous) and payment date is within 10 days of delivery (SME payment priority program)	100%
Technical support and protection	Active implementation of technical support and protection - Technology transfers, joint R&D, open collaboration, infrastructure support, creative economy innovation center, technical data loans, patent application and registration assistance, etc.	100%
Education/training and HR/recruitment support	A total of 10,000 entrusted people for education and training - Training at the SK Win-Win Growth Academy, seminars and MBA courses for partner companies' CEOs, differentiated class-based training, dispatch of specialists, and support recruitment of specialized high school graduates, etc.	100%
Other support	KPI allocated to organization specializing in Mutual Growth, entrusted information notification system, continuous ethical management activities, autonomous fair trade compliance program, etc.	100%
Other voluntary practices	Direct/indirect support related to management of partners - Support the welfare of partners, private contracts with excellent partners, management consulting, green purchases, etc.	100%

## 2.5 Sustainability of Supply Chain

SK Telecom defines the main risks that occur in the supply chain perspective and reflects this in the supply chain responsibility assurance process. The risk factors identified are formalized in the official 'Supply Chain CSR Guidelines' and 'Fair Trade/Transparent Transactions CSR Practice Agreement' and partners are notified. While SK Telecom requires compliance with these principles in the contract process, through a long-term monitoring process, it takes diverse measures such as requiring corrective measures and terminating business relationships. Please refer to pp.121-125 for SK Telecom's supply

chain principles and information related to responsibility assurance contained in the Supply Chain Report.

In 2015, of the 2,346 partner companies registered 1,270 companies (54.1%) were subject to a written audit with 212 companies (9.5%) subject to an on-site audit. Furthermore, in 2015, additional 100 partners that were candidates for mutual growth cooperation participated in a third-party external review conducted by the Korean Commission on Cooperative Partnership.

### Supply Chain Risk Assessment (Screening)

(Unit: Company)

	2013	2014	2015	2016 Target	Notes
Total Number of Newly Registered Partners	346	712	706	710	
Number of Human Rights-Environment Ethics Social Assessments	346	712	706	710	* Service/Construction/Equipment/Goods partners
Rate of Advance Assessments	100%	100%	100%	100%	

### Supply Chain Risk Assessment (Audit)

(Unit: Company)

	2013	2014	2015	2016 Target	Notes
Total Number of Registered Partners	1,496	1,510	2,346	2,567	
Number of Partners Surveyed in Writing (Audit)	974	815	1,270	More than 1,200	
Number of Partners Surveyed On-Site (Audit)	162	205	212	250	* Includes separate discussions with Construction/Equipment Partners and 1-on-1 meetings
Number of Partners Surveyed by 3rd Parties	-	-	100	100	* Partner experience survey conducted by the Korean Commission for Corporate Partnership

### Supply Chain ESG Performance Management Indicators

	2013	2014	2015	2016 Target	Notes
Average Number of Days to Pay Sub-Suppliers	8.7	7.1	8.7	8.7	
Number of Suppliers that Improved the Management Environment through Mutual Growth Partnerships	201	291	323	204	

### Risk-related Corrective Measures for Partners

	2013	2014	2015	Notes
Suppliers who Received Corrective Measures	2	2	2	Reviewed by the Procurement Review Committee
Banned Temporarily	1	1	0	2 year suspension
Banned Permanently	1	1	2	Permanent suspension

## 2.6 Community Investment

SK Telecom's community investment strategy prioritizes 1) Creating ICT-based sharing value, 2) Providing technology-based platforms for communities, and 3) Minimizing the digital divide.

SK Telecom creates ICT-based sharing value through the Center for Creative Economy and Innovation and fostering of ICT social business and startups in the BRAVO! Restart program, through which the company supported 34 startups to date (an increase of 11 startups since last year).

In order to serve communities by creating technology-based platforms, a public interest platform was built with mobile technology and a mobile donation

program was operated starting in 2004, providing users with an easy way to donate and is helping to spread the donation and sharing culture. The donation platform 'GiveU' and volunteer matching platform 'WithU' programs are being developed and operated and by the end of 2015, a cumulative KRW 1.03 billion was collected and a cumulative 67,529 cases of registered work were recorded, an increase of 15.7% and 65.6% respectively since last year.

In terms of digital inclusion, the company is involved in investment activities to increase access to service for individuals vulnerable to the information divide such as the disabled and senior citizens. Please refer to the 2.1 Access to Service category for detailed information on performance.

### Donation Platform Status

	2013	2014	2015
Cumulative donations collected on GiveU(KRW million)	740	890	1,030
Cumulative volunteer cases registered on WithU	-	40,755	67,529

### List of Main Beneficiaries of SK Telecom

Organization	Program
Korea Differently Abled Federation	Hosted the Disabled Youth IT Challenge
Korea Blind Union	Operated audio book application "Happy Library", an app for the visually impaired
KJChoi Foundation	Scholarships for college/univ. students from low-income families
SK Happiness	Provided meals (Happy Dosirak) for malnourished children during school vacations, invigorate the social company ecosystem and foster social entrepreneurs
SESNET	Operation of a pro bono volunteer team and management system
Busrugi: Leftover Love Sharing Community	Support for English learning at regional children's centers (Challenge! English Up!)
Korea Association of Senior Welfare Centers	Guide senior citizens on how to use a mobile phone
Motion and Sound 4 All	Cultural art education for developmentally disabled youth
Korea Handball Federation	Support the reinforcement of trainer and athlete competency and provided training for the Olympic Games
UN Global Compact	UNGC LEAD annual membership fee payment and assistance in the Global CSR Conference
Korea Institute of Startup & Entrepreneurship Development	Promoting SK youth businesses
Korean Federation of Science and Technology Societies	Science and technology silvertown construction business
Korea Fencing Federation	Support the reinforcement of trainer and athlete competency and provided training for the Olympic Games
Smile Microcredit Bank	Support the business operation of the SK Smile Microcredit Bank
Korean e-Sports Association	Support the Korean e-Sports Association
International e-Sports Federation	Support the International e-Sports Federation
Barun ICT Research Center	Support research related to the building of a healthy ICT culture

\*Subsidiaries and affiliated companies are not included in this list of the main beneficiaries of SK Telecom.

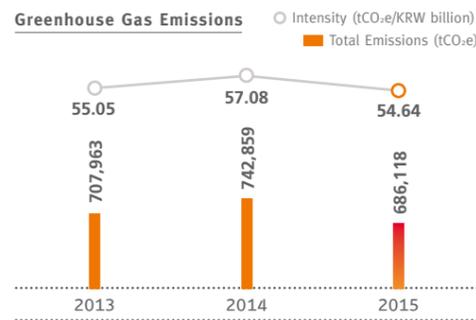
Section 3. Natural Capital

3.1 Greenhouse Gas (GHG) Emissions

GHG emissions are estimated based on SK Telecom's 26 company buildings including data centers and the guidelines on preparing and managing the statements for the emissions trading system. The scope of this estimation includes emissions from all of the network facilities (base stations and equipment), but it does not include emissions from subsidiaries and supply chains. Greenhouse gas intensity, on the other hand, is calculated by dividing the total emissions of greenhouse gas by SK Telecom's parent-only revenues (data coverage).

In 2015, total GHG emissions of SK Telecom were 686,000 tons, a 7.6% decrease from the previous year, due to diverse GHG emissions reduction activities. The main cause of the decrease in GHG emissions, in the case of networks, was the integration of equipment such as base stations and replacement of worn-out air conditioners, and in company buildings, it was due to the energy reduction efforts including the adjustment of air-conditioning and heating. In the future, there are plans to discover and implement independent reduction activities such as the use of high-efficiency relay stations and integrating the management of base stations. In addition, by securing carbon offsets through cooperation with partners and SMEs, SK Telecom will actively participate in the emissions trading scheme and achieve its targets. SK Telecom plans to achieve a 2% annual average reduction in GHG emissions compared to the current intensity and achieve 52.32 tCO<sub>2</sub>e per KRW billion in revenue by 2020.

Greenhouse Gas Emissions			
	2013	2014	2015
Direct Emissions	7,375	7,124	8,431
Stationary Combustion	5,236	4,877	5,650
Mobile Combustion	2,139	2,248	2,781
Indirect Emissions	700,588	735,750	677,687
Electricity	700,484	735,664	677,585
Steam	104	86	102
Total Emissions	707,963	742,859	686,118
Intensity (tCO <sub>2</sub> e/KRW billion)	55.05	57.08	54.64

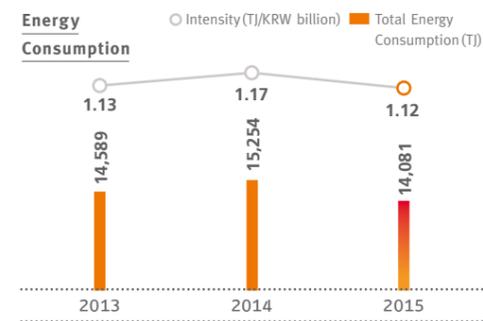


3.2 Energy Consumption

SK Telecom's energy consumption is managed in compliance with guidelines on preparing and managing the statements for the Emissions Trading System, and the numerical figures are aggregated by entering billing invoices from energy suppliers into the system. The intensity of energy consumption is calculated by dividing the total energy consumption by SK Telecom's parent-only revenues (data coverage). Regarding energy reduction results due to the use of natural air-conditioning and renewable energy development, the estimated value measured data from the previous year (2012~2013) has been equally applied to 2015.

Total energy consumption in 2015 was 14,081 TJ, was a 7.7% decrease from the previous year, and the target of consuming less than 15,318 TJ was achieved. The use of energy sources for the heating and cooling systems of company buildings was reduced and energy consumption was further reduced through the integration of network equipment such as relay stations and base stations as well as the replacement of worn-out air conditioners. For SK Telecom, indirect energy consumption resulting from the use of electricity accounts for 99.1% of the total consumption. Accordingly, SK Telecom is endeavoring to achieve improved energy efficiency by managing company buildings with a focus on replacing low-efficiency and old equipment and generating electricity through renewable energy facilities. SK Telecom plans to achieve a 2% annual average energy reduction compared to the current intensity and achieve 1.17 TJ per KRW billion in revenue by 2020.

Energy Consumption			
	2013	2014	2015
Direct Consumption (TJ)	163	121	146
Natural gas (Nm <sup>3</sup> )	1,610,880	1,561,961	1,912,250
Diesel (Liter)	116,984	66,000	279,084
Kerosene (Liter)	509,323	439,182	495,790
Indirect Consumption (TJ)	14,426	15,150	13,954
Electricity (MWh)	1,502,377	1,577,830	1,453,265
Steam Consumption (Gj)	3,318	3,192	2,692
Total Energy Consumption (TJ)	14,589	15,254	14,081
Building Management (Mh)	3,901	3,143	2,145
Natural Air-conditioning System (MWh)	39,857	39,857	39,857
Total Power Consumption	46,487	45,729	44,731
Reduction (MWh)			
New Renewable Energy Generation Facilities (MWh)	2,729	2,729	2,729
Intensity (TJ/KRW billion)	1.13	1.17	1.12

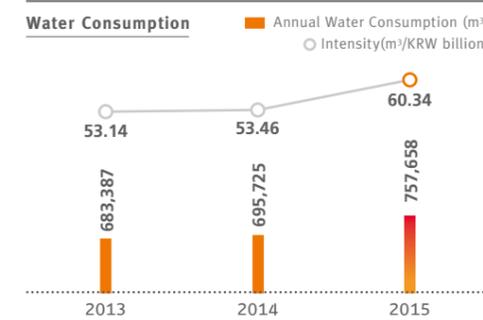


3.3 Water Consumption

Water consumption is estimated based on SK Telecom's 26 company buildings, according to invoices for water usage, and does not include consumption by subsidiaries and supply chains. The intensity of water consumption is calculated by dividing the total water consumption by SK Telecom's parent-only revenues (data coverage).

Following business expansion, there was an increase in drinking water consumption, including from trainees and customer center employees, and also following the increase of the air-conditioning cooling load from the rise in telecommunications use, there was an increase in cooling tower supplementary water, and therefore water consumption in 2015 was 757,658m<sup>3</sup>, a 8.9% increase from the previous year.

Water Consumption			
	2013	2014	2015
Waterworks Usage	623,429	632,304	687,087
Groundwater Usage	59,908	63,421	70,571
Annual Water Consumption	683,387	695,725	757,658
Intensity (m <sup>3</sup> /KRW billion)	53.14	53.46	60.34



3.4 Waste and Recycling

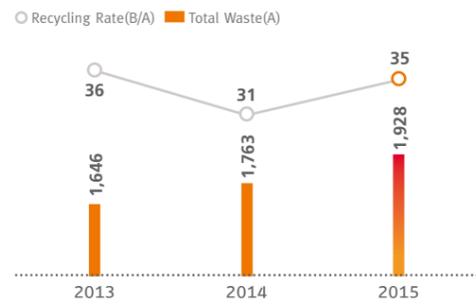
Waste discharge volume is estimated based on SK Telecom's 26 company buildings, and does not include consumption by subsidiaries and supply chains. The intensity of waste discharge is calculated by dividing the total waste discharge volume by SK Telecom's parent-only revenues (data coverage). As of 2013, waste production is classified into domestic, food, large-size, recyclable and designated wastes.

In 2015, the waste discharge volume was recorded at 1,763 tons, a 9.4% increase compared to the previous year. Large-scale and domestic waste increased due to office and warehouse organization, and in the case of food waste, due to an increase in drinking water consumption and in-house dining at some company buildings, the amount of waste increased.

**Waste Volume** (Unit: Ton)

	2013	2014	2015
Domestic Waste	556	685	648
Large-sized Waste	85	79	91
Recyclable Waste (B)	583	548	666
Food Waste	373	416	505
Designated Waste	29	33	18
Total Waste (A)	1,646	1,763	1,928
Recycling Rate (B/A) (%)	36	31	35
Intensity (Ton / KRW billion)	0.126	0.135	0.154

**Waste Volume and Rate of Recycling** (Unit: Ton)



**3.5 Resources**

The total number of electronic bill subscribers includes customers who receive their bills via smart phone, email or MMS. The rate of new subscription indicates customers who subscribe to the electronic billing service.

Since the introduction of the smart billing service in 2010, the number of subscribers to the electronic billing service has increased at a steady pace. By the end of 2015, the total number of electronic bill subscribers reached approximately 21.32 million, an 8.8% increase from 2014. The electronic billing service has the benefits of improved security of personal information and reduced usage of resources such as paper. For these reasons, the number of electronic bill subscribers has been steadily increasing over the years. The new electronic bill subscription rate has also been increasing continually and it was recorded at 83.9% in 2015, a 6.9%p increase compared to last year.

**Electronic Billing Service Subscription Trend**

	2013	2014	2015
Total Electronic Bill Subscribers (in thousands)	17,861	19,604	21,328
Rate of Subscription (%)	69.4	77.0	83.9

The device retrieval rate was calculated by dividing the number of devices sold by the total annual devices retrieved. In 2015, the device retrieval rate was 3.6%, a reduction of 0.9%p compared to 2014. The main reason for the decrease was that the operation of SK Telecom's discarded phone recycling business was turned over from 'Happy Eco-Phone' to the SK Group.

**Device Retrieval Rate**

	2013	2014	2015
Devices Sold (in thousands)	9,838	8,133	9,063
Devices Retrieved (in thousands)	785	370	326
Device Retrieval Rate (%)	8.0	4.5	3.6

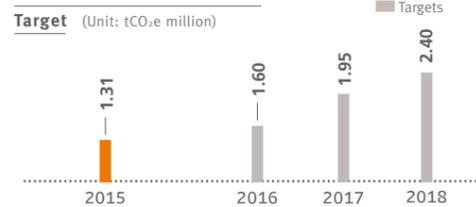
**3.7 Social GHG Reduction**

In terms of reducing social GHGs, SK Telecom refers to using ICT services to reduce the GHG emissions that result from daily life. SK Telecom's T map navigation service contributes to the reduction of fuel use and GHG emissions by informing drivers of optimal routes that take into account the distance and real-time road conditions between the user's current location and destination. The amount of social GHGs that SK Telecom reduced in 2015 are estimated to be 1.31 million tons, and the company is setting mid-term goals for 1.60 in 2016, 1.95 in 2017 and 2.40 in 2018.

**Social GHG Reduction**

	2013	2014	2015
Annual Social GHG Reduction (tCO <sub>2</sub> e million)	-	-	1.31

**Annual Social GHG Reduction Target** (Unit: tCO<sub>2</sub>e million)



**3.7 Environmental Investment and Cost**

The environmental investment and cost is estimated on SK Telecom's parent-only basis. Green purchase cost refers to the cost of purchasing products with an energy efficiency grade, high-efficiency energy certification, high-quality recycled product certification, environmental mark certification, environmental product declaration, etc.

In 2015, the total environmental cost, excluding green purchases, has increased. The main reasons for the higher environmental cost include increases in education/training expenses, charges for facilities environmental improvements such as company building and network equipment as well as expenses for responding climate change. Due to the expansion of green certification centered on high-price equipment purchases, green purchases increased 12.1 times compared to last year.

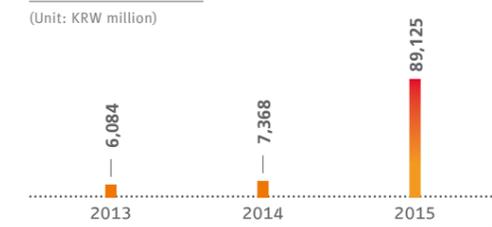
**Total Environmental Cost (Excl. Green Purchases)**

(Unit: KRW million)

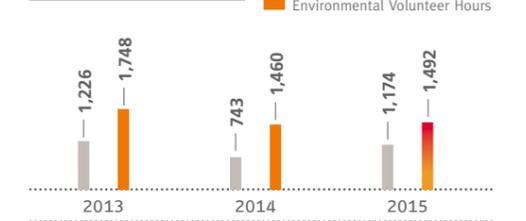
	2013	2014	2015
Waste Disposal Service	94	101	95
Education & Training Cost	35	13	24
Miscellaneous	0	0	0
Recycling Service	29	24	20
External Nature Conservation	18	7	0
Cost			
Charges & Taxes	148	123	328
Energy Saving and Climate	197	207	242
Change Response Cost			
Total Environmental Unit Cost (excl. Green Purchases)	521	475	709

\* Beginning with this year's report, following a change in the calculation of the environmental cost (including energy saving and climate change response), the data from the past year's report has been correctly written together.

**Green Purchase Cost**



**Environmental Volunteers**

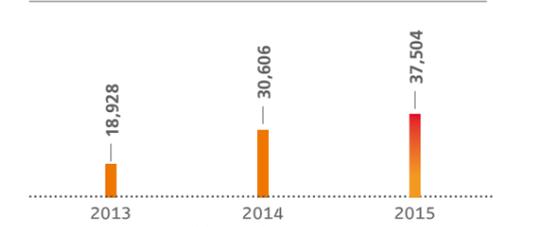


**3.8 Electromagnetic Fields**

In terms of electromagnetic fields, following the implementation of mandatory electromagnetic fields measurements since June 2007 until the present, SK Telecom has been fulfilling this regulation, and in 2015, a total of 37,504 cases of electromagnetic fields at wireless stations have been measured. The measurement results show that the actual measurement of SK Telecom's wireless stations is less than merely 1/10 of the standard for human protection, and more than 99.9% of the measured wireless stations have received a judgment of a level one standard in the electromagnetic field rating system, and since the implementation of the system (since Aug. 2014), almost all of the wireless stations have been recorded at the safest level, level one.

Along with this, SK Telecom has been supporting the five-year research project on electromagnetic fields' human impact conducted by the Korean Institute of Electromagnetic Engineering and Science since August 2014. The project is currently in its second year and the company is bearing 50% of the KRW 1.5 billion won total cost.

**Number of Measurements Conducted at Base Stations**



**Other Disclosures**

SK Telecom is committed to complying with regulations of the supervising agencies including the Fair Trade Commission (FTC), Korea Communications Commission (KCC) and Ministry of Science, ICT and Future Planning (MSIP), and undertakes management activities, while actively reflecting demands made by stakeholders and the government, which expect fair market competition. Despite these efforts, however, SK Telecom was subject to the following sanctions from KCC in 2015, and corrective actions were taken accordingly.

**List of Sanctions and Corrective Measures**

<b>Date of Sanction</b>	March 12, 2015
Sanctions and Corrective Measures	Fine of KRW 934 million and corrective action order in relation to the "Case of correction in relation to the violation of the Handset Distribution Act related to the 'Used Phone Prior Compensation System' " by KCC. Paid the fine and reported the corrective measures to KCC by April 2015
<b>Date of Sanction</b>	March 26, 2015
Sanctions and Corrective Measures	Fine of KRW 23.5 billion and corrective action order in relation to the "Case of correction in relation to the violation of the Handset Distribution Act" and a 7-day new subscription suspension by KCC. Paid the fine and reported the corrective measures to KCC by May 2015. Carried out the 7-day new subscription suspension in October 2015 (October 1st to 7th, for seven days)
<b>Date of Sanction</b>	May 28, 2015
Sanctions and Corrective Measures	Fine of KRW 350 million and corrective action order in relation to the "Cases of correction in relation to acts reducing user benefits regarding false/exaggerated advertising of bundled products" by KCC. Paid the fine by August 2015. Reported the result of the corrective measures to KCC by October 2015
<b>Date of Sanction</b>	December 10, 2015
Sanctions and Corrective Measures	Fine of KRW 560 million and corrective action order in relation to the "Cases of correction in relation to acts reducing user benefits regarding false/exaggerated advertising of bundled products" by KCC. Paid the fine and reported the corrective measures to KCC by February 2016

**Independent Auditors' Report****To The Board of Directors and Shareholders  
SK Telecom Co., Ltd.:**

We have audited the accompanying consolidated financial statement of SK Telecom Co., Ltd. and its subsidiaries (the "Group"). Which comprise the consolidated statement of the financial position as at December 31, 2015 and 2014, the consolidated statement of income, comprehensive income, changes in equity and cash flows for the years then ended, and note, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015 and 2014 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

**Other Matter**

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

*KPMG Samjong Accounting Corp.*

Seoul, Korea  
February 23, 2015

.....  
**KPMG Samjong Accounting Corp.**

.....  
This report is effective as of February 23, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## Third-Party Assurance Statement

**Introduction**

SK Telecom Inc. (hereinafter referred to as "SK Telecom") commissioned DNV GL Business Assurance Korea Ltd. (hereinafter referred to as "DNV GL"), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2015 (the "Report").

The directors of SK Telecom have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of SK Telecom in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

**Scope of Assurance**

The scope of assurance included a review of sustainability activities and performance data over the reporting period 1st January to 31st December 2015. This included:

- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard (APS) 2008 with Type 2, moderate level of assurance as stated in AA1000 Assurance Standard (AS) 2008.
- Verification of disclosures to check the Report is prepared 'In accordance' with the GRI Guidelines G4 (Comprehensive option) (Aggregated level of data from the period between January and December in 2015).
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

**Basis of our opinion**

We performed our work using AA1000AS(2008) and DNV GL's assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice. We applied the moderate level of assurance with Type 2. The audit was carried out in May and June 2016. The site visits were made to SK Telecom Head office in Korea. We undertook the following activities as part of the assurance process:

- Challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- Interviewed representatives from the various departments;
- Conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system and associated reporting systems as they relate to selected content and performance data;
- Reviewed the outcomes of stakeholder consultation report and the materiality assessment report.

#### Limitations

The engagement excludes the sustainability management, performance and reporting practices of SK Telecom's subsidiaries, associated companies, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as SK Telecom's website (<http://www.sktelecom.com>).

These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

#### Opinion and Observation

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the AA1000 AccountAbility Principles in AA1000APS(2008) nor is prepared 'in accordance' with GRI G4 Comprehensive option. Further opinions with regards to the adherence to the following Principles, as set forth in the AA1000APS (2008) are made below;

#### The Foundation Principle of Inclusivity

SK Telecom has identified stakeholder groups such as Customers, Suppliers, Employees, Local communities · NGOs, Shareholders and Governments. The Stakeholder engagement policy and process have been established and is clearly described in the Report. Various channels are used to engage stakeholders by respective business units and material issues are reported to the Corporate Citizenship Committee under the Board of Directors.

#### Materiality

The report presents the materiality assessment process. The relevant issue pool was formed by analysing key issues from various information sources and material issues were determined based on the relevance and impact of projects and stakeholders. The audit team has not noted that the material information is intentionally omitted that may influence the decision making process of stakeholders during the engagement. The audit team has judged that nine material issues are properly identified and prioritized based on the stakeholder's concerns and expectation through the materiality assessment process.

#### Responsiveness

Material issues selected through the materiality assessment process covers economic, environment and social impacts of sustainability and the report is prepared to properly respond to the views, interests and expectations of stakeholders. Contexts of material issues provide the background information to understand the business strategy and performance of SK Telecom and 3 years quantified data help to understand the trend of sustainability performance.

#### Accuracy and Reliability

Any errors and misstatements identified during the engagement were corrected prior to the Report being published. Data and information contained in the report has been described as an accurate and reliable way on the basis of sample checked, other reported information and other available evidence.

#### Findings in relation to specific sustainability performance information:

DNV GL has evaluated the nature and extent of SK Telecom's adherence to the AA1000 Accountability Principles as described above. In addition, the reliability of data and information is evaluated for Type 2 Assurance. DNV GL has interviewed the personnel responsible for the data and information in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. Especially the in-depth review is conducted on the reliability of data and information with regard to Water consumption, Waste generation, Accident rate and Ethics & Compliance for Type 2 Assurance.

The reporting of the management performance presented in the Report make it possible to understand the company's impact in economic, social and environmental areas, as well as the company's achievements in those regards. SK Telecom has developed an effective methodology for gathering the specific information and data respectively for reporting. The data owners interviewed are able to demonstrate to trace the origin and the data source of the specific data and information are identifiable. From our analysis of the data and information, and SK Telecom's processes, we conclude that the data and information included in the Report are the results of stable and repeatable activities.

**Competence and Independence**

DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assurance specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL's competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

13 June 2016  
Seoul, Republic of Korea



DNV GL BUSINESS ASSURANCE KOREA LTD.  
Country Representative IN KYOON AHN



# Greenhouse Gas Assurance Statement

**Terms of Engagement**

This Assurance Statement has been prepared for SK Telecom.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by SK Telecom to assure its GHG Inventory Report for the calendar year 2015 (hereafter referred to as "the Report") and the GHG data summarised in Table 1 below. The Report has been prepared in accordance with GHG Target Management Scheme for quantification and reporting of GHG emissions in Korea. The Report relates to direct GHG emissions and energy indirect GHG emissions.

**Management Responsibility**

The management of SK Telecom is responsible for preparing the Report and for maintaining effective internal controls over all the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with SK Telecom.

Ultimately, the Report has been approved by, and remains the responsibility of SK Telecom.

**LRQA's Approach**

Our verification has been conducted in accordance with GHG Target Management Scheme in Korea: Specification with guidance for verification of greenhouse gas assertions to reasonable level of assurance.

In order to form our conclusions we have:

- Visited sites and reviewed processes to control the data and records regarding GHG emissions and energy uses.
- Interviewed the relevant persons responsible for managing and maintaining raw and consolidated data.
- Verified the historical data and information back to source for the calendar year 2015.

**Level of Assurance & Materiality**

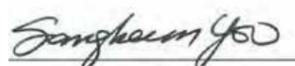
The opinion expressed in this Assurance Statement has been formed on the basis of a reasonable level of assurance and at a 2.5% level of materiality.

**LRQA's Opinion**

Based on LRQA's approach we have found that the GHG and energy data presented in the Report are materially correct, subject to the following qualifications:

- The GHG emissions from some small devices of which electricity consumptions have not been monitored have been estimated using data from similar devices. Those GHG emissions are so small that don't affect our conclusions. It is noted that the number of small devices of which GHG emissions have been estimated is not reported here according to SK Telecom's request for confidentiality.

31 March 2016  
ON BEHALF OF LLOYD'S REGISTER  
QUALITY ASSURANCE LTD.  
.....  
**SANG-KEUN YOO**



17th Floor, Singsong Building, 67 Yeouinaru-ro,  
Yeongdeungpo-gu, Seoul, 07327, Korea



.....  
LRQA Reference: SEO 601712

**Tables. GHG emissions reported in the Report**

Scope (as defined within GHG Target Management Scheme in Korea)	Year 2015
Direct GHG Emissions	8,431
Energy Indirect GHG Emissions	677,687
Total GHG Emissions	686,118

Data is presented in tonnes of CO<sub>2</sub> equivalent.

**This document is subject to the provision below:**

This Assurance Statement is only valid when published with the Report to which it refers.

Lloyd's Register Quality Assurance Limited, its affiliates and subsidiaries and their respective officers, employees or agents are, individually and collectively, referred to in this clause as the 'Lloyd's Register Group'. The Lloyd's Register Group assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant Lloyd's Register Group entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

Because of the inherent limitations in any internal control it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The Korean version of this statement is the only valid version. The Lloyd's Register Group assumes no responsibility for versions translated into other languages.

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**Appendix**

CEO HUMAN RIGHTS STATEMENT	116
HUMAN RIGHTS ASSESSMENT REPORT	118
SUPPLY CHAIN REPORT	121
GRI INDEX	126
SASB INDEX	134
UNGC INDEX	135
NON-CONSOLIDATED FINANCIAL STATEMENTS	137
SK TELECOM GLOBAL NETWORK	143
INVESTOR INFORMATION	144

## CEO Human Rights Statement

Under the SKMS principle, “For the company’s continuous development, the company creates value for customers, employees, and shareholders, fulfills a key role in social and economic development, and makes contributions to the happiness of mankind,” SK Telecom aims to accomplish its business goals while fulfilling its social responsibilities and codes of conduct. The company’s social responsibilities defines its human rights duties towards customers, employees, partner companies, and the community.

SK Telecom, as a company that practices a high level of awareness of global citizenship, respects the basic rights of all stakeholders that it encounters through products, services, contracts, purchases, and other business activities.

SK Telecom declares its support for the human rights principles stated in the UN Universal Declaration Human Rights and the UN Guiding Principles on Business and Human Rights, and the Ruggie Framework and pledges to fulfill its human rights responsibilities. SK Telecom will make every effort to prevent human rights abuses involving business and avoid complicity in such abuses. Furthermore, the company will ensure governance with integrity to take measures and provide communication regarding an organization responsible, under the UNGC Human Rights / Labor Principles, the operating structure, the monitoring process, and incidents. SK Telecom will exercise due diligence to assure compliance with the policy within the whole supply chain as well as SK Telecom and its subsidiaries.

Specifically, SK Telecom, as an ICT provider, is aware of potential human rights risks in the following aspects and will do its utmost to prevent any problems that may occur:

### 01) Human Rights of Employees and Partner Companies (Human Rights in the Workplace)

- Fundamental prevention of wrong labor practices, such as child and forced labor
- Prevention of discrimination by gender, ethnicity, religion, disability, and race
- Political, religious, and physical freedom, and respect for civil rights
- Other labor principles recommended by the International Labour Organization (ILO) and endorsed by the government: safety/health, working hours, etc.

### 02) Human Rights in Privacy Policies

- Demanding minimum personal information, recording and saving to comply with laws
- Notification prior to saving information, fiduciary duty, and ability to freely delete information
- Optimal security system for preventing leaks, including data encryption
- Limited and responsible use of personal information for service/marketing purposes

### 03) Human Rights in Access to Information & Freedom of Expression

- Obligation to ensure equality of access to services regardless of class/ disabilities
- Efforts to bridge the digital/smart divide: education, rate plans, and systems
- Responsibility for distributed information to protect minors, including children and adolescents
- Fundamental support for freedom of expression

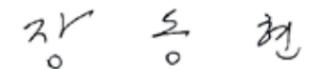
### 04) Prevention of Misuse of Technologies, Services, and Data (Human Rights in Technology)

- Refusal to use technologies, electronic devices, and data for dual purposes
- Prevention of misuse of technologies, such as wiretapping, signal interference, or hacking

SK Telecom always keeps the channels of stakeholder communication open to prevent any human rights violations. If you have witnessed or experienced incidents of such violations, please inform the company through the appropriate channel. ([http://sktelecom.com/en/sktelecom/csr/csr04\\_02.jsp](http://sktelecom.com/en/sktelecom/csr/csr04_02.jsp))

SK Telecom is committed to fulfilling its social responsibilities and pursuing the happiness of stakeholders and pledges to take the lead in advocating and complying with the Human Rights principles.

May 2016



DONG-HYUN JANG  
SK Telecom President and CEO

# Human Rights Assessment Report

## Compliance with Human Rights Due Diligence

SK Telecom upholds the utmost respect of all individuals' basic human rights in its managerial and business operations. 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.

### 1. Applying the UN Guiding Principles on Business and Human Rights

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. In order to implement a company-centered approach to human rights, SK Telecom established its own Human Rights Policy following a Gap Analysis with the UN's Guiding Principles, in order to determine essential rights relevant to SK Telecom's business model. Among those selected include 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 as central elements of the company's human rights value system.

Furthermore, as human rights issues become further integrated with the due diligence process, a comprehensive analysis is also required to determine the current status of human rights within new mar-

ket expansion projects as well as implementation of new products and services. From 2015 to 2016, SK Telecom carried out company-wide human rights monitoring operations to evaluate compliance and strengthened relevant company policies set in place to protect the rights of employees, partners and customers.

### 2. Human Rights Due Diligence and Analysis Results

#### 2-1. The Human Rights of SK Telecom Employees and Business Partners

SK Telecom values the rights of all its company employees (both directly employed and indirectly employed through the supply chain) and ensures the protection of all employees' universal human rights. The company's Code of Ethics and Practice Guidelines assert SK Telecom's respect for employees as individuals and its promise to respect their human rights. SK Telecom has a zero-tolerance policy on any kind of discrimination towards or amongst workers.

As dependence on global suppliers rises, the risk of growing human rights violations or unsuitable work and labor conditions within the supply chain subsequently increases. To encourage fair/transparent trade and actualize CSR engagement through sustainable management principles, SK Telecom has enforced mandatory levels of compliance in relation to work and labor rights protection as well as safety and health standards in communication with its subsidiaries including through the CSR Practice Agreement. Please refer to the "Supply Chain Report" on pp.121-125 for further information on supply chain sustainability and compliance monitoring.

#### Supply Chain Risk Assessment (Screening)

(Unit: Company)

	2013	2014	2015	Notes
Number of Newly Registered Suppliers	346	712	706	
Number of Registered Partners screened for Human Rights, Ethics, and Social Issues	346	235	706	* Service/Construction/Equipment/Goods partners
Rate of Assessment	100%	100%	100%	

## 2-2. Personal Information and Privacy Protection

Over the course of its business processes, SK Telecom has handled the personal information of over 22 million people, including resident registration numbers, addresses and phone numbers, as well as call logs and histories. The company keeps and manages such information on servers, and at contact points with customers such as online and offline channels, the information is managed through store personnel. In order to prevent personal information and privacy violations, all of SK Telecom's distribution partners undergo regular audits and receive corrective measures in the case of leakages. In 2015, SK Telecom implemented inspections and audits of about 4,700 stores (100% of the total number of stores) in marketing and solutions. SK Telecom also remotely implemented regular audits related to information leakage of 20,000 store PCs annually, gave professional development training to auditors (once monthly) and enhanced relevant guidance through regular information protection training activities for stores (once per quarter). Not only this, but because SK Telecom carried out activities to enhance customer information protection at stores in advance, the company maintained zero (0) cases of personal information leakages. SK Telecom sought to install personal information detection solutions on the computers of individuals handling personal information, enabling the company to prevent the risk of personal information leakages in advance.

#### Customer Information Protection in Stores

	2014	2015
Number of Store Assessments on Customer Information Protection in Distribution Network	1,800	4,700
Rate of Assessments Conducted Among Total Stores (%)	41.9	100

#### Audits on Products/Services Information Protection Management

	2014	2015
Number of Audits on Products/Services Information Protection Management	-	224
Rate of Audits Conducted Among Total Products/Services (%)	-	100
Number of Security Violations Found	-	502
Number of Cases - Short-term Measures Completed	-	194

Furthermore, 100% of products and services have undergone audits regarding information protection in 2015. As a result, SK Telecom has discovered 322 cases that call for security improvement and has completed taking measures for them at the appropriate time. Through efforts such as this, the company is doing its utmost to prevent the occurrence of human rights violations stemming from personal information leakages.

### 2-3. The Right to Access Information

Inability to exercise one's right to access the internet or information is an infringement of one's social and political rights. SK Telecom believes that the right to equally access information is a crucial human right in the modern world and works diligently to improve people's access to information. The company has taken steps to improve information access by bolstering 1) Access through Affordability 2) Access through Education and 3) Access through Technology, by taking steps to enhance infrastructure of outdated networks and increase technological access to information. Please refer to "Access to Service" on pp.96-97 to see what efforts are being taken and what progress has been made to enhance people's right to access information

Children's rights are an invaluable part of human rights. SK Telecom supports general laws and regulations (restriction to adult material, illegal content) implemented to keep children safe as they access internet content. Therefore, SK Telecom has enacted a policy related to children's internet access and safety. Various steps have been taken in order to supply responsible content and ensure the safety in internet browsing. The company has integrated a self-regulating monitoring system to scan for illegal or potentially illicit content, and the "T Teenager Safety Service" is also provided to block harmful content at its source.

### 2-4. Prevention of Technology, Service and Data Abuse

SK Telecom principally opposes the abuse of technology for criminal use, citing criminal acts as a hindrance to overall progress and wellbeing of society. In 2015, there were no reported company cases of technology abuse that resulted in the need for comprehensive oversight.

**3. Additional Human Rights Issues that May Require Attention**

**3-1. Land Use**

Violations of land, property and indigenous rights can occur, if not monitored, when expanding the scope of a business site or entering a new market. For telecommunications companies, who regularly conduct construction and infrastructure expansion activities, the risk of violating indigenous land rights can become a problem. SK Telecom has assessed that latent risk of violating indigenous rights abroad in overseas markets currently remains low, as 95% of the company's revenue originated in the Republic of Korea. The company is diligently working to prevent violation of citizens' human rights when expanding business or network infrastructure by conducting preventative assessments, and also processing and handling customer grievances through existing channels such as the customer center while continuing operation of the CSR opinion collection channel.

**3-2. e-Waste**

According to UN data, developed countries collect tremendous amounts of technological waste such as mobile phones, laptops, tablets and cameras, which they then dispose of in developing nations. The majority of e-waste contains toxic materials such as mercury, lead and cadmium, all requiring intensive oversight in their process and handling, and end up negatively impacting the environment, air quality,

and the human rights of citizens in developing nations. SK Telecom is working to legally and safely handle waste materials through programs such as "Happy Eco-Phone," a collection service for used cellphones. However, additional research is needed to provide insight into the way SK Telecom may be impacting developing nations and cooperative effort and attention is needed from the telecommunications industry to address this widespread problem.

**3-3. Conflict Mineral**

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. According to the 2015 origin report, no additional need for conflict mineral due diligence was found within SK Telecom's supply chain.

**Human Rights Risk Assessment and Due Diligence**

	Related Group	Risk Level	Assessment and Due Diligence	Notes
Employees' and Business Partners' Human Rights	General, Child, Migrant Labor	Moderate	100%	
Personal Information and Privacy Protection	General	High	100%	
Access to Information Rights	General, Child	Moderate	100%	
Technology, Service and Data Abuses	General	Low	-	Specific grievances are received and assessed through grievance resolution channels

**Supply Chain Report**

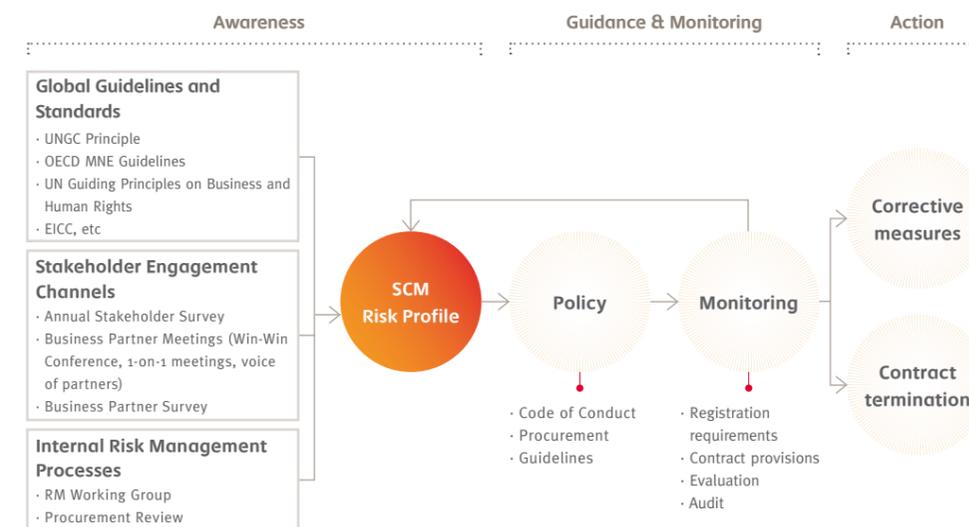
**Competitiveness through a responsible value chain**

**1. Context**

This Report discloses SK Telecom's supply chain sustainability management policies and processes, and has been written to provide information to stakeholders related to responsibility and assurance for

the products and services value chain. In the process of its business operation, SK Telecom depends upon a variety of suppliers for the development and spread of network devices, building and operating the network infrastructure as well as providing and developing platform content. This Report contains information regarding SK Telecom's efforts to review and resolve significant risk factors of suppliers in the supply chain as well as support enhancement of the ability to discover possible opportunities.

**Processes for Responsible Supply Chain Management at SK Telecom**



**2. Analysis of Supply Chain Risk Exposure**

SK Telecom has identified the core supply chain through the task of procurement analysis, and analyzed the key supply chain risks. The areas analyzed have been categorized into procurement categories that include equipment (network and infrastructure), services (software and solution development), goods, and construction partners, which account for 100% of the amount of procurement. SK Telecom has designated a 'critical supplier' group having comprehensively considered the impact on the compa-

ny's continued operations as well as the degree to which the company depends upon the transactions.

SK Telecom's critical suppliers are comprehensively considered, categorized and managed according to their 1) relevance to the company's core businesses and reliability, 2) high level of transaction amounts, 3) possession of proprietary technology for which substitution is not possible. Accordingly, as of 2015, 325 companies are categorized into the critical supplier group out of a total 2,346 registered partners.

### 3. Identification of Key Supply Chain Risks

SK Telecom comprehensively reflects the risk factors discovered through internal risk processes including business partner surveys such as the biannual Win-Win Growth Satisfaction Survey, partner company meetings, listening to the voice of partners and risk management working groups, and reviews

Supply Chain Risk Identification (2015)

Risks	Main Risk Factors	Risk Level	Sourcing Group	Rate of Tier 1 Suppliers Risk Exposure
Economic Risks	Ethical and Anti-Corruption Principle Violations in the Contract Process	High	All Suppliers	100%
	Collusion or Other Unfair Trade Practices	High	All Suppliers	100%
	Delayed Payment to Subcontractors	High	All Suppliers	100%
	Unsound Financial Structure (low credit rating)	High	All Suppliers	100%
Social Risks	Violation of ILO Labor Regulations and Reasonable Labor Practices (compliance with work hours, wage payment, and other labor rights)	Moderate	Service Partners Construction Partners	95%
	Conflict Minerals	Low	Equipment Partners	23%
Environmental Risks	Violation of Environmental Regulations	Moderate	Equipment Partners	23%
	High GHG Emissions	Moderate	Equipment Partners	23%
	Failure to Adopt an Environmental Management System	Low	Construction Partners Equipment Partners	40%

### 4. Policy and Engagement

The identified risk factors have been formalized in the 'Supply Chain ESG Policy' and 'CSR Practice Agreement for Fair Trade' and apply to 100% of SK Telecom's registered suppliers. While SK Telecom requires compliance with these principles in the contract process, it also takes a variety of steps including requesting corrective measures and contract termination through the long-term monitoring process.

#### 4.1 Policy

SK Telecom's Supply Chain ESG policy is composed of three parts including scope, risk management process and policy. The Supply Chain ESG policy applies to all business partners that have contract relationships with SK Telecom. All business partners are requested to apply the principles to their subcontractors as well. SK Telecom further requests its partner companies to ensure that suppliers and busi-

ness partners are also in compliance with the agreed upon principles. Items that compose the Supply Chain ESG Policy, including 1) anti-corruption, 2) fair trade compliance, 3) data privacy and protection, 4) financial transparency, 5) appropriate participation in public policies, 6) respect for customer value, 7) environmental protection, 8) employees' welfare and safety, 9) community involvement, and 10) human rights, are disclosed through SK Telecom's homepage (<http://www.sktelecom.com/supplychain>).

#### 4.2 Screening

The CSR Practice Agreement for Fair Trade is an official document that requests compliance and agreement with the Supply Chain ESG Policy. SK Telecom requests that all partner companies comply with such policies across the contract process through the CSR Practice Agreement for Fair Trade on the Open2U System (an online contract system) regarding the company's supply chain policies.

### 4.3 Reflection in Contracts

SK Telecom's contracts with partners all reflect principles of compliance with the official supply chain policy. Furthermore, the company is also extending compliance with SK Telecom's Code of Conduct to partners' transactions with sub-suppliers and within their overall business practice.

### 4.4 Cooperative Initiatives with NGOs such as 3rd Parties and International Organizations

As a representative company of UNGC LEAD, SK Telecom reflects the UNGC principles in its supply chain guidelines, on the foundation of its UNGC LEAD activities. SK Telecom's supply chain guidelines refer to the global e-sustainability initiative e-Gesi's JAC (Joint Audit Cooperation) Guidelines.

### 5. Risk Assessment and Evaluation, Monitoring and Measures

#### 5.1 Advance Monitoring

In 2015, 100% of newly registered partner companies were screened according to the CSR Practice Agreement for Fair Trade through Open2U, SK Telecom's electronic contract system.

#### 5.2 Ongoing Monitoring, Diagnostics and Assessments

SK Telecom's is confirming the key diagnostic and assessment activity indicators of the proportion of registered partners that have undergone written surveys and on-site surveys. In 2015, among the 2,346 tier 1 suppliers, 1,270 have done written surveys, 212 have undergone on-site surveys (includes separate visits and meetings with partners and 1-on-1 meetings). Among these, the partners that were judged to be exposed to 'high risk' in the risk identification process were given 100% risk assessments to prevent risks in advance. In 2015, additional 100 partners that were candidates for mutual growth cooperation participated in a third-party external review conducted by the Korean Commission on Cooperative Partnership. The company is also currently applying its supply chain policy and performance indicators to both domestic and international suppliers. Due to the majority of SK Telecom's total procurement amount (KRW 4.38 trillion) being

made up of domestic suppliers, with international procurement making up roughly 0.46% at 18.5 billion KRW, performance indicators are also managed with a focus on Korea.

#### 5.3 Incentives, Support, Corrective Measures

Every year, based on the results of diagnostics and assessments, programs for capability improvement and various incentive programs are implemented for exemplary partners. Programs to improve capabilities include technological support such as technology transfer and Open Collaboration as well as security activities, and also include the SK Win-Win Academy, where partners can engage in CEO seminars, MBA courses and training support for risk reduction. Risk reduction training includes topics such as mutual growth partnerships and includes training regarding procurement policies and policy compliance. For outstanding partners, the details of the incentive and support programs include unit price adjustment, funding (financial) assistance, technology and training support, and welfare.

In the event of a partner company failing to meet SK Telecom evaluation standards, SK Telecom creates a plan for corrective measures and requests that partner companies make effort to improve their ESG performance. Despite these efforts, in 2015, a total of 2 companies received corrective measures according to the diagnosis and assessment results, and due to the seriousness of their policy violations including fair trade violations, and occurrence of unethical issues, a permanent suspension of transactions was implemented against the two companies.

Supply Chain Risk Assessment (Screening) <span style="float: right;">(Unit: Company)</span>					
	2013	2014	2015	2016 Target	Notes
Total Number of Newly Registered Partners	346	712	706	710	
Number of Human Rights-Environment · Ethics · Social Assessments	346	712	706	710	* Service/Construction/Equipment/Goods partners
Rate of Advance Assessments	100%	100%	100%	100%	

Supply Chain Risk Assessment (Audit) <span style="float: right;">(Unit: Company)</span>					
	2013	2014	2015	2016 Target	Notes
Total Number of Registered Partners	1,496	1,510	2,346	2,567	
Number of Partners Surveyed in Writing (Audit)	974	815	1,270	More than 1,200	
Number of Partners Surveyed On-Site (Audit)	162	205	212	250	* Includes separate discussions with Construction/Equipment Partners and 1-on-1 meetings
Number of Partners Surveyed by Third-Parties	-	-	100	100	* Partner experience survey conducted by the Korean Commission for Corporate Partnership

**Supply Chain ESG Performance Management Indicators**

	2013	2014	2015	2016 Target	Notes
Average Number of Days to Pay Sub-Suppliers	8.7	7.1	8.7	8.7	
Number of Suppliers that Improved the Management Environment through Mutual Growth Partnerships	201	291	323	204	

**Risk-related Corrective Measures for Partners**

	2013	2014	2015	Notes
Suppliers who Received Corrective Measures	2	2	2	Reviewed by the Procurement Review Committee
Banned Temporarily	1	1	0	2 year suspension
Banned Permanently	1	1	2	Permanent suspension

**6. Case Study- Procurement Strategy and Supply Chain Sustainability**

The priorities of SK Telecom's procurement strategy are 1) gaining competitiveness by improving the procurement structure through TCO (Total Cost Ownership), 2) revitalizing strategic integrated procurement through a 'procurement synergy consultative group' with SK subsidiaries and invested companies, 3) improving cost efficiency by checking the production cost structure from the zero-base perspective, 4) optimizing and enhancing business-friendly procurement processes, and 5) creating an environment for advance procurement risk management and fair trade compliance. Through this strategy, SK Telecom ensures that its partners and the company maximize their creation of resources, while removing any inefficient practices, formalities or procedures from the procurement processes. Next, the following business case will explain how responsible supply chain risk management can manifest itself to create strategic procurement achievements for the company.

**Business Case 1. Cost Reduction Through Re-use/cycle of Unused Antennas**

In 2015, SK Telecom implemented recycling projects involving its unused antennas by melting down and selling aluminum and plastic modules, and reusing brackets when installing new antennas in an effort called the 'SCM Re-Use/Cycle Initiative,' effectively lowering costs. Quantitative achievements added up to a 30% profit for partner suppliers, raw material conservation of up to 8% for antenna suppliers, and a 30% recorded improvement in cost efficiency for SK Telecom's sales and procurement departments. In terms of qualitative achievements, partner suppliers were able to improve their eco-friendly image by supporting and participating in environmental initiatives that utilized government-approved technology and superior recycled materials.

**Business Case 2. Executing Competitive Procurement by Improving TCO**

As SK Telecom's procurement expenses are not one-time transaction expenses, the company is pursuing

risk management and cost efficiency through a mid-to long-term procurement expense analysis including pre/post investigation, maintenance and compensation expenses. In particular, regarding companywide integrated expense efficiency, the company has carried out supply chain expense analyses in 2015 and has reduced expenses (KRW 300 million) by simplifying the donor development for the high-capacity repeater (MiBos) and also reduced new investment expenses (KRW 7.6 billion) by recycling idle repeaters and products in warehouse storage.

In addition, SK Telecom has integrated affiliated businesses such as electricity, air-conditioning, fire extinguishing systems, rectifiers, uninterruptible power supply (UPS) generators with the main business and reduced maintenance expenses (KRW 2

billion) by carrying out batch ordering from multiple small businesses, and achieved a total annual expense reduction of KRW 11 billion from efforts including the reduction of KRW 500 million through signing annual integrated contracts for 15 repeat-purchase items such as distribution network visual merchandisers.

In terms of qualitative results, SK Telecom has improved business relationships by building supply chain relationships on the basis of long-term cooperation such as batch ordering/integrated ordering for exemplary businesses. It has also contributed to an efficient procurement process by discovering potential suppliers as well as reducing time and expenses for maintenance and compensation.

**CSR PRACTICE AGREEMENT FOR FAIR TRADE / TRANSPARENT TRANSACTIONS (2015)**

As a party to a transaction with SK Telecom, we, the undersigned hereby agree to actively cooperate with SK Telecom's CSR Practice Agreement (corporate social responsibility), which includes ethical management, and to enable a fair and transparent transaction culture to take root, we agree to the following.

- Regarding transactions with SK Telecom, we will not offer any bribes, entertainment or conveniences either directly or through a third-party in order to influence transactions including to influence the transaction's establishment or to set favorable transaction conditions.
- In the case that an SK Telecom employee requests offers such as bribes, entertainment or convenience during transactions, we will promptly report it to SK Telecom's Ethical Counseling Center (<http://www.sktelecom.com>, Tel.080-801-6262, Fax. 080-801-6272).
- Regarding SK Telecom's management information including subscriber information made known to us during transactions with SK Telecom, we will not use such information for transactions with other businesses without prior consent, nor share the information with any third-parties.
- We will not engage in unfair trade practices including collusion practices.
- We will actively participate in practicing CSR in transactions with SK Telecom.
  - We will prohibit wrongful labor practices including forced/compulsory labor and child labor.
  - We will prohibit discrimination on the basis of sex, race, religion, disability and maternity.
  - We will respect political, religious, physical freedom as well as civil rights.
  - We will recognize our responsibility regarding environmental protection and pursue the development of eco-friendly technology.
  - We will cooperate in enabling fair and transparent trade and the spread of mutual growth.
  - We will comply with all labor principles that the International Labour Organization (ILO) recommends and that which the government ratifies regarding safety, welfare and work hours.
- In the case that we violate this agreement, we agree to accept responsibility for the measures SK Telecom may take, including limiting the volume of transactions and contract termination, according to the degree of the violation and internal standards.

# GRI(Global Reporting Initiative) Index

## GRI G4 General Standard Disclosures

● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
<b>Strategy and Analysis</b>				
G4-1	CEO Message	●	pp.20-23	✓
G4-2	Key Impacts, risks and opportunities	●	pp.20-23, pp.66-67	✓
<b>Organizational Profile</b>				
G4-3	Name of the organization	●	SK Telecom Co., Ltd.	✓
G4-4	Primary brands, products, and services	●	pp.24-25	✓
G4-5	Location of the headquarters	●	SK-T Tower, 65, Eulji-ro, Jung-gu, Seoul	✓
G4-6	Number and name of countries the organization operates	●	pp.24-25, 143	✓
G4-7	Nature of ownership and legal form	●	p.144, Corporation	✓
G4-8	Markets served (geographic breakdown, sectors served, and types of customer and beneficiaries)	●	pp.24-25	✓
G4-9	Scale of the organization	●	pp.24-33, 92	✓
G4-10	Total number of employees	●	p.92	✓
G4-11	Percentage of total employees covered by collective bargaining agreements	●	p.95, As stated in Article 35 in the Labor Union & Labor Relations Act, 100% of the target for the collective bargaining agreement is covered with 50% of labor union membership)	✓
G4-12	Organization's supply chain	●	p.121	✓
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	●	pp.26-33	✓
G4-14	Whether and how the precautionary approach is addressed	●	pp.20-23, SKT supports precautionary principles, and responds to large risks through UNGC LEAD activities, although climate change is unpredictable	✓
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes	●	p.63	✓
G4-16	Memberships of associations	●	Inside front cover	✓
<b>Identified Material Aspects and Boundaries</b>				
G4-17	Entities included in the organization's consolidated financial statements, and whether any entity is not covered by the report	●	pp.31-33, The entities list is included on p.6 of the 2015 Business Report	✓
G4-18	Process for defining the report content and the Aspect Boundaries and the application of reporting principles on the process	●	pp.34-37	✓
G4-19	List of all material aspects identified in the process	●	pp.34-37	✓
G4-20	Aspect Boundary within the organization limitation related to the Aspect Boundary within the organization	●	pp.34-37	✓
G4-21	Aspect Boundary outside the organization limitation related to the Aspect Boundary outside the organization	●	pp.34-37	✓
G4-22	Any restatements of information provided in previous reports, and the reasons	●	Specific attention indicated as notes if necessary	✓
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	Specific attention indicated as notes if necessary	✓

● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
<b>Stakeholder Engagement</b>				
G4-24	Stakeholder groups engaged	●	pp.61-62	✓
G4-25	Basis for identification and selection of stakeholders	●	pp.61-62	✓
G4-26	Approach to stakeholder engagement	●	pp.34, 61-62	✓
G4-27	Key topics and concerns raised by stakeholders, and how the organization has responded to those topics	●	pp.34, 61-62	✓
<b>Report Profile</b>				
G4-28	Reporting period	●	Inside front cover	✓
G4-29	Date of most recent previous report	●	Inside front cover	✓
G4-30	Reporting cycle (Annual, biennial)	●	Inside front cover	✓
G4-31	Contact point	●	p.142	✓
G4-32	'In accordance' option	●	Inside front cover	✓
G4-33	Policy and current practice with external assurance	●	Inside front cover	✓
<b>Governance</b>				
G4-34	Governance Structure of organization including the highest governance body and its committee	●	pp.54-57	✓
G4-35	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	●	pp.56-59	✓
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics	●	pp.56-59	✓
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	●	p.61	✓
G4-38	Composition of the highest governance body and its committee	●	p.57-59	✓
G4-39	Whether the Chair of the highest governance body is also an executive officer	●	p.56	✓
G4-40	Nomination and selection processes for the highest governance body and its committees	●	pp.56-57	✓
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	●	pp.56	✓
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating the organization's purpose, value or mission statements, strategies, policies and goals to economic, environmental and social impacts	●	pp.57, 61	✓
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	●	pp.61	✓
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	●	pp.57	✓

● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	●	p.57	✓
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management process	●	pp.57, 61	✓
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	●	pp.57, 61	✓
G4-48	Highest committee or position that formally reviews and approves the sustainability report	●	p.61	✓
G4-49	Process for communicating critical concerns to the highest governance body	●	pp.58-59, 61	✓
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body, and policy to resolve the concerns	●	pp.58-59	✓
G4-51	Remuneration policies for the highest governance body and senior executives and remuneration policy performance criteria and highest governance body and senior executives' relevance to economic, environmental and social goals	●	pp.57, 60	✓
G4-52	The process for determining remuneration (Participation of remuneration advisory committee, independent management performance, relationship of remuneration advisory committee with organization)	●	pp.57, 60	✓
G4-53	How stakeholder's view and sought and taken into account regarding remuneration (Includes vote result and suggestion for remuneration policy)	●	pp.57, 60	✓
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excludes the highest- paid individual)	●	p.60	✓
G4-55	Ratio of the percentage in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excludes the highest- paid individual)	●	p.60	✓
<b>Ethics and Integrity</b>				
G4-56	Values, principles, standards and norms of behavior such as codes of conduct	●	p.68	✓
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	●	p.70	✓
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior (System report, whistle blow system, hotline etc.)	●	p.70	✓

**\* SK Telecom GRI G4 material aspects :** economic performance, indirect economic impacts, energy, emissions, supplier environmental assessment, employment, training and education, supplier assessment for labor practices, supplier human rights assessment, supplier assessment for impacts on society, product and service labeling, marketing communications, and customer privacy

**GRI G4 Specific Standard Disclosures** ● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
<b>Economic</b>				
<b>Economic Performance</b>				
G4-DMA	Disclosures on Management Approach	●	p.36	✓
G4-EC1	Direct economic value generated and distributed	●	p.63	✓
G4-EC2	Financial implications and other risks and opportunities due to climate change	●	pp.37, 49-51, 66-67	✓
G4-EC3	Coverage of the organization's defined benefit plan obligations	●	Applied to all full-time employees as Defined Constructions or Defined Benefits	✓
G4-EC4	Financial assistance received from government	●	p.63	✓
<b>Market Presence</b>				
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage	●	SK Telecom provides entry level wages higher than the local minimum wage in all regions and operations, and there is no discrimination due to employee's gender. However, details were not disclosed due to internal information policies.	✓
G4-EC6	Proportion of senior management hired from the local community	●		✓
<b>Indirect Economic Impacts</b>				
G4-DMA	Disclosures on Management Approach	●	pp.37, 46-48	✓
G4-EC7	Development and impact of infrastructure investments and services supported	●	pp.46-48	✓
G4-EC8	Significant indirect economic impacts	●	pp.39, 46-48	✓
<b>Environmental</b>				
<b>Energy</b>				
G4-DMA	Disclosures on Management Approach	●	pp.37, 49-51	✓
G4-EN3	Energy consumption within the organization	●	p.103	✓
G4-EN4	Energy consumption outside of the organization	●	pp.50-51	✓
G4-EN5	Energy intensity	●	p.103	✓
G4-EN6	Reduction of energy consumption	●	p.103	✓
G4-EN7	Reductions in energy requirements of products and services	●	pp.50-51, 66-67	✓
<b>Water</b>				
G4-EN8	Total water withdrawal by source	●	p.103	✓

● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
<b>Emissions</b>				
G4-DMA	Disclosures on Management Approach	●	pp.37, 49-51	✓
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	●	p.102	✓
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	●	p.102	✓
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	●	pp.50-51,104. SKT reduces social GHG with ICT technology (T map, EMS and Smart City)	✓
G4-EN18	Greenhouse gas (GHG) emissions intensity	●	p.102	✓
G4-EN19	Reduction of greenhouse gas (GHG) emissions	●	p.102	✓
G4-EN20	Emissions of ozone depleting substances (ODS)	○	Not applicable	✓
G4-EN21	NOX, SOX, and other significant air emissions	○	Not applicable	✓
<b>Effluents and Waste</b>				
G4-EN23	Total weight of waste by type and disposal method	●	pp.103-104	✓
<b>Products and Services</b>				
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	●	pp.51, 66-67	✓
<b>Compliance</b>				
G4-EN29	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with environmental laws and regulations	●	0 cases, no fine or penalty paid	✓
<b>Overall</b>				
G4-EN31	Total environmental protection expenditures and investments by type	●	p.105	✓
<b>Supplier Environmental Assessment</b>				
G4-DMA	Disclosures on Management Approach	●	pp.121-125	✓
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	●	pp.122-124	✓
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	●	pp.122-124	✓
<b>Environmental Grievance Mechanisms</b>				
G4-EN34	Number of grievances about environmental impacts led, addressed, and resolved through formal grievance mechanisms	●	p.62	✓
<b>Social - Labor Practices and Decent Work</b>				
<b>Employment</b>				
G4-DMA	Disclosures on Management Approach	●	pp.92-93	✓
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	p.93	✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	●	p.93	✓
G4-LA3	Return to work and retention rates after parental leave, by gender	●	p.93	✓

● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
<b>Occupational Health and Safety</b>				
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	●	p.95	✓
<b>Training and Education</b>				
G4-DMA	Disclosures on Management Approach	●	pp.94-95	✓
G4-LA9	Average hours of training per year per employee by gender, and by employee category	●	pp.94	✓
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	p.94	✓
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	●	p.95	✓
<b>Diversity and Equal Opportunity</b>				
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	●	pp.54-55, 92	✓
<b>Supplier Assessment for Labor Practices</b>				
G4-DMA	Disclosures on Management Approach	●	pp.121-125	✓
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	●	pp.122-124	✓
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	●	pp.122-124	✓
<b>Labor Practices Grievance Mechanisms</b>				
G4-LA16	Number of grievances about labor practices led, addressed, and resolved through formal grievance mechanisms	●	p.62	✓
<b>Social - Human Rights</b>				
<b>Child Labor</b>				
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	●	pp.116-120	✓
<b>Forced or Compulsory Labor</b>				
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	●	pp.116-120	✓

● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
<b>Assessment</b>				
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	●	pp.118-120	✓
<b>Supplier Human Rights Assessment</b>				
G4-DMA	Disclosures on Management Approach	●	pp.121-125	✓
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	●	pp.122-124	✓
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	●	pp.122-124	✓
<b>Labor Practices Grievance Mechanisms</b>				
G4-HR16	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	●	p.62	✓
<b>Social - Society</b>				
<b>Local Communities</b>				
G4-SO1	Percentage of operations with implemented local community engagement, impact assessment, and development programs	●	Community engagement was focused on Korea, where over 95% of the revenues are generated, and SKT did impact assessments and development programs	✓
G4-SO2	Operations with significant actual and potential negative impacts on local communities	●	No significant potential/actual/negative impacts on local communities found	✓
<b>Anti-corruption</b>				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	●	p.68, There is a companywide ethical management diagnosis process; the corresponding number and percentage is not applicable	✓
G4-SO4	Communication and training on anticorruption policies and procedures	●	p.69	✓
G4-SO5	Conformed incidents of corruption and actions taken	●		✓
<b>Public Policy</b>				
G4-SO6	Total value of political contributions by country and recipient/ beneficiary	●	p.70, No donations to political parties or politicians	✓
<b>Anti-competitive Behavior</b>				
G4-SO7	Total number of legal actions for anticompetitive behavior, antitrust, and monopoly practices and their outcomes	●	p.106	✓
<b>Compliance</b>				
G4-SO8	Monetary value of significant fines and total number of nonmonetary sanctions for noncompliance with laws and regulations	●	p.106	✓

● Reported / ○ Not Reported

Indicator	Description	Reported	Cross Reference/ Direct Answer/Omission	3rd Party Assurance
<b>Supplier Assessment for Impacts on Society</b>				
G4-DMA	Disclosures on Management Approach	●	pp.121-125	✓
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	●	pp.122-124	✓
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	●	pp.122-124	✓
<b>Grievance Mechanisms for Impacts on Society</b>				
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	●	p.62	✓
<b>Social - Product Responsibility</b>				
<b>Product and Service Labeling</b>				
G4-DMA	Disclosures on Management Approach	●	pp.36, 45	✓
G4-PR3	Type of product and service information required by the organization's procedures for product and service information labeling	●	pp.98-99	✓
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information labeling	●	p.106	✓
G4-PR5	Results of surveys measuring customer satisfaction	●	p.45	✓
<b>Marketing Communications</b>				
G4-DMA	Disclosures on Management Approach	●	pp.36, 45	✓
G4-PR6	Sale of banned or disputed products	●	0 cases. SK Telecom does not sell any banned or disputed product	✓
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	●	p.106	✓
<b>Customer Privacy</b>				
G4-DMA	Disclosures on Management Approach	●	p.36, 45	✓
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	●	p.98	✓
<b>Compliance</b>				
G4-PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	●	p.106	✓

## SASB(Sustainability Accounting Standards Board) Index - Telecommunication Standards

### Activity Metric

Accounting Metric	Code	Page
Wireless Subscribers	TC0301-A	p.30
Wireline Subscribers	TC0301-B	p.33
Broadband Subscribers	TC0301-C	p.33
Network traffic, percentage on cellular network, and percentage on fixed network	TC0301-D	p.97
Network bandwidth capacity, percentage leased	TC0301-E	pp. 47-48, SK Telecom directly owns the networks in the domestic mobile telecom business; it rents lines to MVNO businesses as required by the Telecommunications Business Act

### Disclosure Metric

Topic	Accounting Metric	Code	Page
Environmental Foot-print of Operations	Total energy consumed, percentage grid electricity, percentage renewable energy; amount of energy consumed by (a) cellular and (b) fixed networks	TC0301-01	pp.102-103
Data Privacy	Discussion of policies and practices relating to collection, usage, and retention of customer information and personally identifiable information	TC0301-02	pp.98-99
	Percentage of users whose customer information is collected for secondary purpose, percentage who have opted-in	TC0301-03	-
	Amount of legal and regulatory fines and settlements associated with customer privacy	TC0301-04	No data privacy fines
Data Security	Number of government or law enforcement requests for customer information, percentage resulting in disclosure	TC0301-05	No data privacy fines
	Number of data security breaches and percentage involving customers' personally identifiable information	TC0301-06	No information security violations
	Discussion of management approach to identifying and addressing data security risks	TC0301-07	p.98
Product End-of-Life Management	Materials recovered through take back programs, percentage of recovered materials that are (a) reused, (b) recycled, and (c) landfilled	TC0301-08	pp.103-104
Managing Systemic Risks from Technology Disruptions	Average interruption frequency and average interruption duration	TC0301-09	p.39
	Description of systems to provide unimpeded service during service interruptions	TC0301-10	p.65
Fair Competition	Amount of legal and regulatory fines and settlements associated with anti-competitive practices	TC0301-11	p.106

## UNGC Index

As the first among Korea's top four companies to join the UN Global Compact (UNGC) in 2007, SK Telecom participated as a founding member and Steering Committee member of UNGC Korea, a local association of UNGC, undertaking a variety of activities in an effort to solve domestic and international social issues and to spread global CSR trends.

SK Telecom is adhering to the 10 principles in 4 sectors including human rights, environment, labor and anti-corruption, and advocating for a wide range of the UN's development plans including the Sustainable Development Goals, and it became the first Korean company to be designated as a UNGC LEAD in January 2011. As Korea's first company to participate in LEAD, SK Telecom has offered the Board Program (a CSR education program for board members) to the Corporate Citizenship Committee and took the initiative to apply the global CSR best practices to Korea. In 2014, SK Telecom actively participated in major events hosted by the UNGC Korea such as the Y-CSR Conference and Korea-China-Japan Round Table Talks. By undertaking such diverse activities, SK Telecom is gaining recognition as a leading company in CSR.

In particular, SK Telecom declared its support for the Universal Declaration of Human Rights and the human rights principles in the UN Guiding Principles on Business and Human Rights: Ruggie Framework, and SK Telecom's CEO affirmed that the company would fulfill its responsibility related to respect for human rights.

### UNGC Activities

Associations / Initiatives	Joining date	Purpose / Remarks
UNGC Headquarters	May 2007	Involvement in the global CSR initiative activities helped advance the
UNGC Korea	Sept. 2007	internal CSR system and gain a better reputation in CSR at home and abroad
UNGC LEAD	Jan. 2011	

### UN Global Compact Advanced Criteria Index

UNGC Advanced Criteria	Cross Reference / Direct Answer
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### Fulfillment of the UNGC 10 Principles in Strategy and Operation

Criterion 1	Commitment to integrate the UNGC 10 principles into business function and units	pp.20-23, 63
Criterion 2	Practicing the UNGC 10 principles across the value chain	pp.63, 116-117, 121

### Definite Human Rights Policy and Procedure

Criterion 3	Human rights commitment, strategy, and policy	pp.116-117
Criterion 4	Effective management system to incorporate the human rights principles into business and management procedures	pp.118-120
Criterion 5	Monitoring and evaluation mechanism to ensure compliance with the human right principles in the business and management procedures	pp.118-1120

UNGC Advanced Criteria		Cross Reference / Direct Answer
<b>Definite Labor Policy and Procedure</b>		
Criterion 6	Labor commitment, strategy, and policy	p.95
Criterion 7	Effective management system to incorporate the labor principles into business and management procedures	p.95, Through the trade union and collective bargaining, the labor principles are integrated and the Labor Management Council holds regular meetings
Criterion 8	Monitoring and evaluation mechanism to ensure compliance with the labor principles in the business and management procedures	pp.62, 95, The Labor-Management Council holds regular meetings and operates the grievance channel for employees
<b>Definite Environmental Policy and Procedure</b>		
Criterion 9	Environment commitment, strategy, and policy	pp.20-23, 49-51
Criterion 10	Effective management system to incorporate the environmental principles Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures	pp.49-51, 102-105
Criterion 11	Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures	pp.49-51, 102-105
<b>Definite Ethics and Compliance Policy and Procedure</b>		
Criterion 12	Ethics commitment, strategy, and policy	pp.68-70
Criterion 13	Effective management system to incorporate the ethical principles into business and management procedures	pp.68-70
Criterion 14	Monitoring and evaluation mechanism to ensure compliance with the ethical principles in the business and management procedures	pp.68-70
<b>Activities to Support the More Broad and Comprehensive UN Objectives and Goals</b>		
Criterion 15	Contribution through key businesses to help achieve the UN objectives and goals	pp.46-51
Criterion 16	Strategic community investment and charity work to help achieve the UN objectives and goals	pp.46-51, 101
Criterion 17	Public engagement and communication to help achieve the UN objectives and goals	pp.46-51, 63
Criterion 18	Partnerships and outside initiatives to help achieve the UN objectives and goals	p.63
<b>Governance and Leadership for Sustainability</b>		
Criterion 19	CEO's sustainability commitment and leadership	pp.20-23
Criterion 20	The Board of Directors' selection and oversight of sustainability agenda items	pp.58-59, 63
Criterion 21	Stakeholder engagement	pp.61-62

## Non-Consolidated Financial Statements

The 32<sup>nd</sup> As of 2015.12.31  
The 31<sup>st</sup> As of 2014.12.31  
The 30<sup>th</sup> As of 2013.12.31

<b>Non-Consolidated Statements of Financial Position</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
<b>Assets</b>			
Current Assets	2,713,529	2,689,913	2,817,782
Cash and cash equivalents	431,666	248,311	448,459
Short-term financial instruments	121,500	143,000	166,000
Short-term investment securities	92,262	197,161	102,042
Accounts receivable - trade, net	1,528,751	1,559,281	1,513,138
Short-term loans, net	47,741	67,989	72,198
Accounts receivable—other, net	264,741	305,990	388,475
Accrued revenue	7,505	6,354	5,682
Advance payment	80,926	51,619	9,112
Prepaid expenses	92,220	86,070	82,837
Inventories, net	45,991	23,694	24,596
Advanced payments and other	226	444	1,576
Assets classified as held for sale	0	0	3,667
Non-current Assets	20,433,411	20,022,549	20,009,637
Long-term financial instruments	10,062	69	7,569
Long-term investment securities	726,505	608,797	729,703
Investments in associates and joint ventures	8,810,548	8,181,769	8,010,121
Property and equipment, net	7,442,280	7,705,906	7,459,986
Goodwill	1,306,236	1,306,236	1,306,236
Intangible assets, net	1,766,069	1,928,169	2,239,167
Long-term loans, net	35,080	38,457	39,925
Long-term prepaid expenses	29,802	28,551	23,007
Guarantee deposits	166,656	156,807	152,057
Long-term derivative financial assets	139,923	67,728	41,712
Other non-current assets	250	60	154
<b>Total Assets</b>	<b>23,146,940</b>	<b>22,712,462</b>	<b>22,827,419</b>

The 32<sup>nd</sup> As of 2015.12.31  
The 31<sup>st</sup> As of 2014.12.31  
The 30<sup>th</sup> As of 2013.12.31

<b>Non-Consolidated Statements of Financial Position</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
<b>Liabilities and Equity</b>			
Current Liabilities	3,491,306	3,378,046	4,288,073
Accrued payables—other	927,170	1,086,485	1,556,201
Unearned revenue	50,100	39,148	43,599
Withholdings	607,690	801,119	574,166
Accrued expenses	540,770	615,488	653,742
Income tax payable	375,189	91,315	104,564
Prepaid income	10,014	92,783	178,569
Unearned income	0	0	21,170
Derivative financial liabilities	37,551	50,456	66,559
Current liabilities	230,000	200,000	260,000
Short-term borrowings	592,637	211,863	622,703
Current long-term borrowings	120,185	189,389	206,800
Non-current liabilities	5,876,174	5,792,195	5,223,938
Debentures	5,033,495	4,655,137	4,014,777
Long-term borrowings	72,554	80,147	85,125
Long-term payables-other	550,964	657,001	828,721
Long-term unearned revenue	2,768	19,544	50,894
Defined benefit obligations	4,006	15,555	22,886
Derivative financial liabilities	89,296	130,889	100,210
Other non-current liabilities	20,055	27,676	19,537
Deferred tax liabilities	56,274	144,876	44,601
Other non-current liabilities	46,762	61,370	57,187
<b>Total Liabilities</b>	<b>9,367,480</b>	<b>9,170,241</b>	<b>9,512,011</b>
<b>Equity</b>			
Share capital	44,639	44,639	44,639
Other paid up capital	369,446	433,894	433,894
Retained earnings	13,418,603	12,996,790	12,665,699
Reserves	(53,228)	66,898	171,176
<b>Total Equity</b>	<b>13,779,460</b>	<b>13,542,221</b>	<b>13,315,408</b>
<b>Total Liabilities and Equity</b>	<b>23,146,940</b>	<b>22,712,462</b>	<b>22,827,419</b>

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31  
The 31<sup>st</sup> 2014.01.01 to 2014.12.31  
The 30<sup>th</sup> 2013.01.01 to 2013.12.31

<b>Non-Consolidated Income Statement</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Operating revenue	12,556,979	13,012,644	12,860,379
Revenue	12,556,979	13,012,644	12,860,379
Operating expense	10,898,203	11,275,484	10,890,695
Labor cost	694,666	588,635	598,885
Commissions paid	5,102,723	5,591,245	5,333,869
Depreciation and amortization	2,155,531	2,095,702	2,006,896
Network interconnection	720,879	771,786	770,125
Leased line	358,031	370,549	412,217
Advertising	175,776	213,605	237,291
Rent	403,317	377,112	362,659
Cost of products that have been resold	462,256	457,049	399,810
Other operating expense	825,024	809,801	768,943
Operating income	1,658,776	1,737,160	1,969,684
Finance income	246,394	82,276	81,196
Finance cost	314,191	293,338	422,764
Other non-operating income	15,277	37,422	47,618
Other non-operating expense	132,993	184,177	417,252
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net 57,593 37,685	3,819	57,593	37,685
Profit before income tax	1,469,444	1,321,750	1,220,797
Corporate tax	362,683	293,209	310,640
Net profit for the term	1,106,761	1,028,541	910,157
Earnings per share			
Basic earnings per share (in won)	15,233	14,262	12,837
Diluted earnings per share (in won)	15,233	14,262	12,837

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31  
The 31<sup>st</sup> 2014.01.01 to 2014.12.31  
The 30<sup>th</sup> 2013.01.01 to 2013.12.31

<b>Non-Consolidated Statements of Income</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Net profit for the term	1,106,761	1,028,541	910,157
Other inclusive gains and losses	(119,740)	(118,086)	22,515
Items not reclassified as a profit or loss during the follow-up period	386	(13,808)	5,927
Remeasurement factors of defined benefit systems	386	(13,808)	5,927
Items reclassified as a profit or loss during the follow-up period	(120,126)	(104,278)	16,588
Gain or loss from appreciation of tradable financial assets	(121,528)	(66,103)	4,795
Gain or loss from appreciation of derivative products	1,402	(38,175)	11,793
Total inclusive gains and losses for the term	987,021	910,455	932,672

## Statements of Changes in Equity

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31  
The 31<sup>st</sup> 2014.01.01 to 2014.12.31  
The 30<sup>th</sup> 2013.01.01 to 2013.12.31

	Equity										
	Share Capital	Other Paid up Capital					Retained Earnings	Reserves	Total Equity		
		Capital Excess of Par Value	Treasury Stock	Loss on Disposal of Treasury Stock	Hybrid Bond	Other				Total Other Paid Up Capital	
2013.01.01 (Basic Capital)	44,639	2,915,887	(2,410,451)	(18,855)	0	(722,741)	(236,160)	12,413,981	154,588	12,377,048	
Payment of dividends	0	0	0	0	0	0	0	(655,946)	0	(655,946)	
Changes in other capital	0	0	0	0	0	0	0	0	0	0	
Issuance of hybrid bond	0	0	0	0	398,518	0	398,518	0	0	398,518	
Interest on hybrid bond	0	0	0	0	0	0	0	(8,420)	0	(8,420)	
Acquisition of treasury stock	0	0	0	0	0	0	0	0	0	0	
Proceeds from treasury stock	0	0	270,768	768	0	0	271,536	0	0	271,536	
Total income											
Net of income continued operations	0	0	0	0	0	0	0	910,157	0	910,157	
Other continued comprehensive income	0	0	0	0	0	0	0	5,927	16,588	22,515	
2013.12.31 (End of term capital)	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	433,894	12,665,699	171,176	13,315,408	
2014.01.01 (Basic Capital)	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	433,894	12,665,699	171,176	13,315,408	
Payment of dividends	0	0	0	0	0	0	0	(666,802)	0	(666,802)	
Changes in other capital	0	0	0	0	0	0	0	0	0	0	
Issuance of hybrid bond	0	0	0	0	0	0	0	0	0	0	
Interest on hybrid bond	0	0	0	0	0	0	0	(16,840)	0	(16,840)	
Acquisition of treasury stock	0	0	0	0	0	0	0	0	0	0	
Proceeds from treasury stock	0	0	0	0	0	0	0	0	0	0	
Total income											
Net of income continued operations	0	0	0	0	0	0	0	1,028,541	0	1,028,541	
Other continued comprehensive income	0	0	0	0	0	0	0	(13,808)	(104,278)	(118,086)	
2014.12.31 (End of term capital)	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	433,894	12,996,790	66,898	13,542,221	
2015.01.01 (Basic Capital)	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	433,894	12,996,790	66,898	13,542,221	
Payment of dividends	0	0	0	0	0	0	0	(668,494)	0	(668,494)	
Changes in other capital	0	0	0	0	0	0	0	0	0	0	
Issuance of hybrid bond	0	0	0	0	0	0	0	0	0	0	
Interest on hybrid bond	0	0	0	0	0	0	0	(16,840)	0	(16,840)	
Acquisition of treasury stock	0	0	(490,192)	0	0	0	(490,192)	0	0	(490,192)	
Proceeds from treasury stock	0	0	369,249	18,087	0	38,408	425,744	0	0	425,744	
Total income											
Net of income continued operations	0	0	0	0	0	0	0	1,106,761	0	1,106,761	
Other continued comprehensive income	0	0	0	0	0	0	0	386	(120,126)	(119,740)	
2015.12.31 (End of term capital)	44,639	2,915,887	(2,260,626)	0	398,518	(684,333)	369,446	13,418,603	(53,228)	13,779,460	

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31  
The 31<sup>st</sup> 2014.01.01 to 2014.12.31  
The 30<sup>th</sup> 2013.01.01 to 2013.12.31

## Non-Consolidated Statements of Cash Flows

(Unit: KRW million)

	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Cash flows from operating activities	2,947,129	3,221,433	3,022,473
Cash generated from operating activities	3,219,373	3,580,032	3,315,722
Net profit for the term	1,106,761	1,028,541	910,157
Adjustment for income and expenses	2,811,718	2,886,389	3,120,427
Changes in assets and liabilities related to operating activities	(699,106)	(334,898)	(714,862)
Interest received	18,786	20,954	29,695
Dividends received	59,462	13,048	20,641
Interest paid	(221,309)	(224,119)	(246,632)
Income tax paid	(129,183)	(168,482)	(96,953)
Cash flows from investing activities	(2,062,182)	(2,622,617)	(2,393,763)
Cash inflows from investing activities	745,965	319,389	531,208
Decrease in short-term financial instruments, net	105,158	0	0
Decrease in short-term investment securities, net	21,500	30,500	13,300
Collection of short-term loans	387,922	197,925	279,815
Decrease in long-term financial instruments	7	2,522	0
Proceeds from disposal of long-term investment securities	22,106	54,218	29,762
Proceeds from disposal of investments in associates and joint ventures	185,557	0	1,808
Disposition of tangible assets	23,372	25,677	3,148
Proceeds from disposal of intangible assets	343	1,127	965
Disposition of non-current assets scheduled to be disposed of	0	3,667	190,393
Collection of long-term loans	0	3,660	11,727
Proceeds from disposal of other non-current assets	0	93	290
Cash outflows for investing activities	(2,808,147)	(2,942,006)	(2,924,971)
Increase in short-term investment securities, net	0	94,802	45,031
Increase in long-term financial instruments	364,687	195,700	275,913
Acquisition of long-term investment securities	10,000	2,522	7,500
Acquisition of investments in associates and joint ventures	296,254	28,801	9,313
Acquisition of property and equipment	306,382	210,060	206,791
Acquisition of tangible assets	1,752,804	2,319,016	2,201,354
Acquisition of intangible assets	77,830	91,060	179,069
Increase in other non-current assets	190	0	0
Increase in long-term loans	0	45	0

The 32<sup>nd</sup> 2015.01.01 to 2015.12.31  
 The 31<sup>st</sup> 2014.01.01 to 2014.12.31  
 The 30<sup>th</sup> 2013.01.01 to 2013.12.31

<b>Non-Consolidated Statements of Cash Flows</b>			
	(Unit: KRW million)		
	32 <sup>nd</sup>	31 <sup>st</sup>	30 <sup>th</sup>
Cash flows from financing activities	(701,420)	(798,911)	(436,749)
Cash inflows from financing activities	927,204	801,035	1,529,858
Proceeds from short-term borrowings	30,000	0	0
Proceeds from long-term borrowings	0	3,552	96,455
Issuance of hybrid bond	0	0	398,518
Issuance of debentures	897,029	797,364	1,014,859
Cash inflows from derivative transactions	175	119	20,026
Cash outflows for financing activities	(1,628,624)	(1,599,946)	(1,966,607)
Repayment in short-term borrowings, net	0	60,000	70,000
Repayment of long-term borrowings	12,814	12,814	457,110
Repayment of long-term non-trade payables	190,134	207,668	161,575
Repayment of debentures	250,000	629,940	621,976
Payment of dividends	668,494	666,802	655,946
Acquisition of treasury stock	490,192	0	0
Interest on hybrid bond	16,840	16,840	0
Outflow of cash due to transaction of derivative products	150	5,882	0
Net increase (decrease) in cash and cash equivalents	183,527	(200,095)	191,961
Cash and cash equivalent at beginning of the year	248,311	448,459	256,577
Effects of exchange rate changes on cash and cash equivalents	(172)	(53)	(79)
Cash and cash equivalents at end of the year	431,666	248,311	448,459

## SK Telecom Global Network

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#### **SK Telecom Americas**

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 FAX : 1-408-328-2931

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 Ward, District 1, Ho Chi Minh City, Vietnam  
 TEL : 84-8-3822-9145

## Investor Information

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### CORPORATE HEADQUARTERS

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82-2-6100-2114  
<http://www.sktelecom.com>

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### DATE OF ESTABLISHMENT

March 29, 1984

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### PAID IN CAPITAL

KRW 44,639 million As of December 31, 2015

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### NUMBER OF COMMON SHARES

80,745,711 Shares As of December 31, 2015

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### SECURITIES LISTINGS

Korea Stock Exchange: 017670.KS (Common Stock)  
New York Stock Exchange: SKM (ADS)

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### TRANSFER AGENT AND REGISTRAR

Kookmin Bank  
Securities Agency Business Department,  
36-3, Yeoido-dong, Yeongdeungpo-gu, Seoul, Korea  
Tel: 82-2-2073-8110  
Fax: 82-2-2073-8111

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### AVAILABLE FILINGS

Form 20-F  
Form 6-K: Quarterly Reports, Proxy Statements, and other material announcements

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### ANNUAL GENERAL SHAREHOLDERS' MEETING

Tuesday, March 22, 2016, at 10 AM  
SK Telecom Boramae Building, 1, Boramaero-5gil, Gwanak-gu, Seoul, Korea

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### COMPANY WEBSITE

[www.sktelecom.com/en/](http://www.sktelecom.com/en/)

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# SK Telecom Annual Report 2015

## Partner for New Possibilities

### Publication Date

July 2016

### Publishing

SK Telecom

### Publisher

Dong-Hyun Jang

### Production Responsibility

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### Participants of SK Telecom

Ethics Management Team  
Management Support Team

CEM Team  
Information Security Planning Team

Customer Billing Team

Pricing Team

Payment Business Team

Infra Strategy Team

Corporate Development Strategy Team

Corporate Strategy Team

Growth Strategy Team

Accounting Team

Tax Team

IR Office

Corporate Partnership Planning Team

Compliance Team

EMD Team

Labor Relations Team

HR Team

Values Development Team

Business Cooperation Team

Technology Cooperation Team

Competition Policy Team

Creating Shared Value Team

Seoul CEI Team

Office of the Board of Directors

Jung-Ah Kwak

Young-Jin Kim

Tae-Hoon Kim

Hye-Sung Kim

Dong-Hwi Lee

Jin-Ha Lee

Hye-Seong Kim

Young-Youp Lee

Seung-Hoon Lee

Joon-Yub Lee

Jong-Ho Kim

Hwan-Seok Jeong

Seung-Hyun Lee

Tae-Seuk Kim

Un-Jong Lee

Sun-Hyun Kim

Hyunny Lee

Dae-Yong Woo

Woon-Seo Hwang

Kyeong-Hyeon Song

Ji-Hwan Park

Mi-Jung Song

Tae-Hyun Kim

Min-Ji Cho

So-Cheon Yoon

Ji-Hye Park

Myung-Ju Kim

Seong-Yeon Ryu

Won-Suk Lee

Sang-Yup Lee

Kwang-Hwa Jung

Hyung-Eal Jang

Sung-Nam Shin

Seung-Hee Lee

Jin-Sok Lee

### Planning & Advisory

Korea Productivity Center

### Editing & Design

IM creative

### Printing

Iljin Printing

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the official website of SK Telecom ([www.sktelecom.com/en/](http://www.sktelecom.com/en/))

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