

SK Telecom’s 5G is next-generation telecommunications network infrastructure to design the future of our lives. With 5G, SK Telecom’s business portfolio and services — Mobile Network Operations (MNO), Media, Security, Commerce, AI·Mobility — will lead us to the age of hyper-innovation where our imaginations will become a ‘dream come true.’

SK Telecom Annual Report 2018

5GX, EXPERIENCE THE NEW NORMAL

About This Report

As an Integrated Annual Report, this report has been prepared for investors and stakeholders to report on SK Telecom's annual performance. 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 granted the final approval for this Report in May of 2019.

Integrated Reporting According to International Guidelines
This Report was prepared in accordance with the guiding principles and report content suggested in the <IR> Framework. 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 also prepared in accordance with the comprehensive option of the 'GRI Standards,' the first global standard for sustainability reporting 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, both "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. Due to a change in accounting standards in 2018, the old accounting standard was applied to data of 2017, and the K-IFRS 15 standard to data of 2018 unless otherwise indicated. 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 of 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 over 99% of revenue is generated, which is in the Republic of Korea, while the temporal scope is between January 1 and December 31, 2018. This Report, however, may disclose a portion of the qualitative data generated until April 2019. In case of any changes in the previously reported data requiring attention, such data were re-calculated based on the 2018 data. The reporting period of this Report is one fiscal year, and the preceding report was the <SK Telecom Annual Report 2017> issued in June 2018.

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 in business management.

Global Initiatives and Partnerships
In 2007, SK Telecom became a member of the UN Global Compact (UNGC), which was initiated by the cooperation between UN organizations and global businesses to improve social ethics and the international environment. Since 2011, SK Telecom has been a GC LEAD company to develop and expand best practices in accordance with the UNGC Blueprint for Corporate Sustainability Leadership. Furthermore, SK Telecom complies with the management system standard for social responsibility, ISO 26000, and participates in the Carbon Disclosure Project (CDP) and the business network program of the International Integrated Reporting Council (IIRC). In recognition of its efforts to achieve excellence in sustainability management, SK Telecom has been listed in the Dow Jones Sustainability Indices (DJSI) World Index for 11 consecutive years since 2008.

5GX,
EXPERIENCE THE NEW NORMAL

SK Telecom is going to suggest new standards for an innovative future through 5G technology and differentiated services.



SK Telecom will embark on a new journey with the strong momentum of the world's first commercialization of 5G services. Based on 5G and AI, we will beef up the synergies among our four major business areas - MNO, media, security, and commerce - and promote full-fledged growth as an ICT synergy company. SK Telecom will become a global ICT leader in the 5G era while making life more convenient, supporting the growth of the industry and creating social value.

EXPERIENCE THE NEW NORMAL

5G, MOBILE NETWORK OPERATION

REALIZING HYPER-GAP IN CORE AREA OF NETWORKS

SK Telecom will present a new standard of an innovative future that will be realized with 5G-based technology and differentiated services. We plan to attain a 5G hyper-gap in the core areas of mobile communication networks with maximum coverage, the highest speed, and the strongest security. With differentiated services through 5G networks, we will transform ourselves into a service provider from a network operator by expanding B2B business models. Through scientific marketing based on AI and the promotion of customer value innovation 2.0, we will lay the foundation for sustainable growth with our customers.

CONTENTS IMMERSIVE, VAST AND LIVE

MEDIA

BEGINNING TO MAKE CHANGE IN LANDSCAPE OF MEDIA MARKET

We will take the lead in the media market and spearhead a movement to change global competition, which is heating up due to an explosive increase in media content consumption amid the evolution of networks. In order to respond to a change in the pay-TV market competition, SK Telecom will take off as a global general media provider based on the competitiveness of original content with technologies such as high-definition and immersive content that can be implemented in a 5G environment by successfully integrating SK Broadband and T-Broad, a domestic cable system operator, and setting up a corporation that integrates OTT service providers oksusu and POOQ.

BEYOND SECURITY

SECURITY

LEADING SECURITY MARKET WITH UNRIVALED ICT-BASED CAPABILITIES

In order to strengthen the competitiveness of the security business as a growth portfolio of the 5G era, SK Telecom successfully built a security system based on the convergence of quantum cryptography communication technology, physical security, and information security. We have accomplished this by acquiring IDQ, a Swiss quantum cryptography telecommunications company, acquiring ADT Caps and later merging with NSOK, and acquiring SK Infosec. SK Telecom will become a leading security company by creating synergies with our customers, distribution networks and ICT infrastructure and pioneering new areas of security to protect the safety of society as a whole, going beyond the convergence of information security and physical security.

EVERYTHING AND MORE

COMMERCE

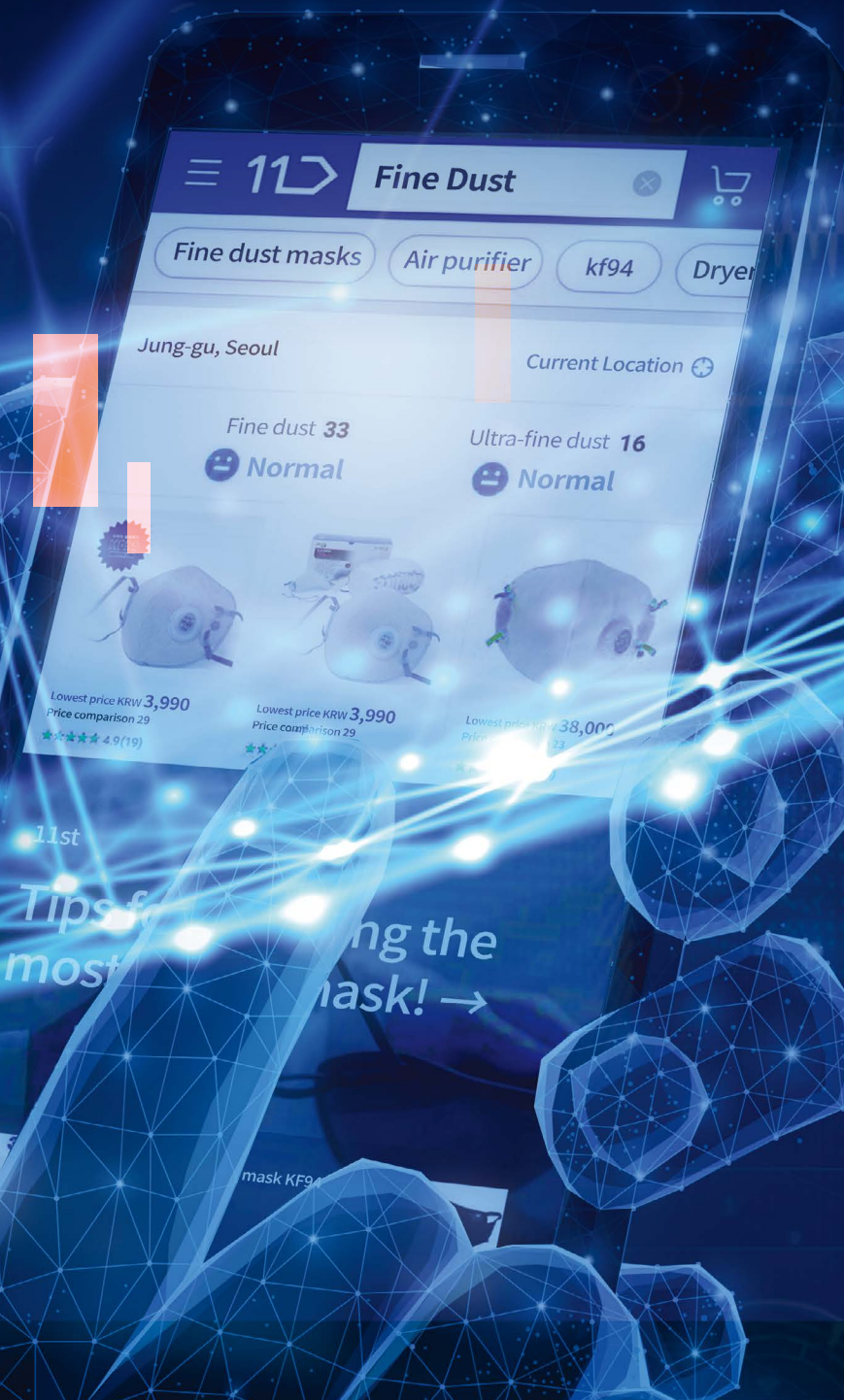
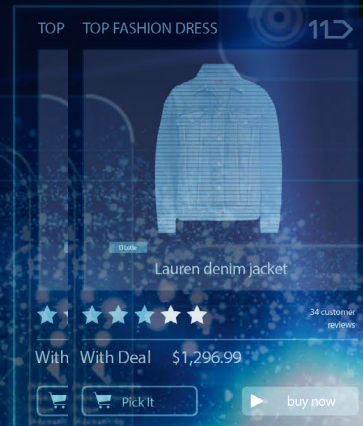
GROWING INTO COMMERCE PORTAL THAT OFFERS DIFFERENTIATED CUSTOMER EXPERIENCES

11st will grow into a commerce portal that provides new shopping experiences by going beyond open markets. The commerce portal will provide customers with one-stop solutions that can enable customers to get information on tangible and intangible goods and services, but also to purchase them all in one sweep. We will also innovate and differentiate the customer shopping experience through integrated offering services connected with the media, music, security, homes and mobility.



Smart Coupon

-20%





GREATER UNDERSTANDING OF EVERYTHING

AI & MOBILITY

CREATING NEW OPPORTUNITIES IN AI, MOBILITY SECTORS

AI is the core infrastructure required along with 5G for SK Telecom to leap as ICT synergy company. We are focusing on upgrading our businesses, such as MNO, media, security, and commerce, based on an AI portal centered by NUGU and creating new value for customers through service convergence. In addition, we are planning to sharpen our mobility business with differentiated competitiveness based on T Map, the No. 1 mobility service in Korea, and to secure strong competitiveness by combining 5G, media, security, and commerce capabilities with autonomous driving technology and business development.

ABOUT SK TELECOM

SK Telecom is evolving into a new global ICT company with core competencies such as media, security, commerce and AI/mobility based on mobile telecommunications services. SK Telecom had 30,882,081 subscribers as of the end of 2018 and is leading South Korea’s ICT ecosystem through the world’s ‘best’ and ‘first’ technology services.

CORPORATE OVERVIEW (AS OF THE END OF DEC. 2018)

Date of establishment	March 29, 1984
Number of employees	4,948
Number of subsidiaries	44
Address of Headquarters	SK T Tower, 65, Eulji-ro, Jung-gu, Seoul, Korea (04539)
Corporate website	Korean http://www.sktelecom.com English https://www.sktelecom.com/index_en.html

INFORMATION FOR INVESTORS (AS OF THE END OF DEC. 2018)

Paid-up Capital	KRW 44,639million	Available	Korean
Number of issued shares in total	80,745,711 shares	Filings	Electronic Disclosure System of Financial Supervisory Service
Stock exchange registration status	Korea Stock Exchange: 017670.KS(common stocks) New York Stock Exchange: SKM London Stock Exchange: SKMD		http://dart.fss.or.kr Search word: SK Telecom Public Disclosure Channel of Korea Exchange http://kind.krx.co.kr Search word: SK Telecom
Transfer Agent and Register	Securities Agency Dept. at KB Kookmin Bank 36-3, Yeouido-dong, Youngdeungpo-gu, Seoul, Korea T. 82-2-2073-8100 F. 82-2-2073-8111		English New York Stock Exchange www.sec.gov/edgar/searchedgar/companysearch.html › Company Name: Search ‘SK Telecom’
Annual general shareholders meeting	Tuesday, March 26, 2019 SK T Tower, 65, Eulji-ro, Jung-gu, Seoul, Korea (04539)		London Stock Exchange www.londonstockexchange.com
Contact information	Email: skt.ir@sk.com T. 82-2-6100-2114		

GLOBAL NETWORK (AS OF THE END OF DEC. 2018)

United States	SK Telecom Americas, Inc 310 De Guigne Drive, Sunnyvale, CA 94085, USA T. 1-408-328-2900 F. 1-408-328-2931
China	SK Telecom (China) Holding Co., Ltd. 27F, SK Tower, No. 6 Jia, Jianguomenwai Avenue, Chaoyang District, Beijing 100022, China T. 86-10-5920-7777 F. 86-10-5920-7724
Japan	SK Telecom Japan Inc. 8F, NBF Hibiya Bldg., 1-1-7, Uchisaiwai-cho, Chiyō-da-ku, Tokyo 100-0011, Japan T. 81-3-3591-3800
Malaysia	SK Malaysia Representative Office Suite 53A, Level 53, Vista Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia T. 603-2166-9011

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MANAGEMENT OVERVIEW

Letter to Stakeholders	Our Business Model	Performance and Outlook
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LETTER TO STAKEHOLDERS



President and CEO, SK Telecom
Jung Ho Park

TO RESPECTED SHAREHOLDERS,

I would like to begin by expressing my sincere appreciation for your consistent support and trust towards SK Telecom, despite continuing uncertainties such as slowing domestic economy and the U.S.-China trade dispute. Grateful for your support, SK Telecom is investing in innovative future technologies to gain exclusive capabilities as well as expanding our business portfolio in growing areas. Both as a representative of the company and a shareholder, I will perform my very best to enhance the value of SK Telecom.

In 1995, SK Telecom was the first in the world to commercialize Code-Division Multiple Access (CDMA), henceforth becoming our customers' pride, bolstered by premium brands such as '011' and 'TTL'. We have always been standing strong as the vanguard of the global telecommunications industry, by providing communication services of perfection without any grey areas or call drop, as well as pioneering services such as wireless Internet 'NATE.'

However, in 2007, the advent of 'smartphones' flipped the trends in the telecommunications industry as a whole - the main purpose of mobile phone use has changed from 'calls' to 'mobile internet,' and 'cell phones,' which were simple communication devices, now became 'computers.' As a result, Korea's leadership role within the mobile telecommunications business during the CDMA era shifted to the U.S., the country that introduced smartphones.

Consumers are now taking for granted high-quality products and network services. Further, the government has set new rules for our industry, namely the mobile tariff discounts, of which are unable for us to bypass. The sun has already risen in the morning of the 4th Industrial Revolution - we are relentlessly exploring ways to cope with unprecedented changes in consumption, market and technology. Also, we have been striving to find the best possible solution by prioritizing various business projects as well as incorporating its performance growth into our corporate values.

First and foremost, restoring customer trust has been our priority - it is at the core of our business to regain our robust competitive edge within the Mobile Network Operator (MNO) business. To secure long-term customer relationships based on love and pride for SK Telecom's services, we strived to convert the cost spent in unnecessary competitions into products and service benefits based upon meticulous analysis of customer demand.

Second, SK Telecom reorganized our ICT business portfolio to lead the shifting paradigm and innovate our corporate value, midst transformative changes in technology and the market progressing towards 5G and the 4th Industrial Revolution. Through deep contemplation between deciding whether to 'keep on what we have been doing' or 'undergo change,' we chose to innovate the value of our business by re-establishing customer relationships as well as reshaping our ICT business portfolio.

Mobile Network Operator(MNO) Business, Restoring Trust through Customer Value Innovations

Despite regulatory hardships within the mobile business area due to selective tariff discounts, the MNO business implemented the 『Customer Value Innovation Program』, in order to eliminate negative customer experience while becoming a beloved company with products and services based on technology and innovation. As our efforts to provide practical benefits to our customers, we converted our business perspectives to a customer’s standpoint - we reformed our roaming services, membership programs and contract plans as well as optimized recommendation services based on consumption patterns.

Despite short-term financial losses, our endeavours resulted as drastic improvements in customer experiences. In 2018, we achieved a record-low churn rate and accomplished a customer satisfaction Grand Slam by retaining 1st place in the National Customer Service Index (NCSI) for 22 consecutive years. Such positive outcomes reconfirms our management perspectives that our sincere efforts in building longer-term customer trust will become a foundation for sustainable growth, in course of expanding our ICT business portfolio.

8 CUSTOMER VALUE INNOVATION PROGRAMS

Program	Period	Contents
No-contract plan	Mar. ‘18	Provides membership points that can be used for device purchases or monthly payments instead of contract discounts
‘Relax’ Roaming (plan upgrade)	Mar. ‘18	Offers free 3-minute voice calls and lower data roaming prices, up to 10,000 KRW for 30 min a day, billing per min → billing per sec
Membership Program Upgrade	Apr. ‘18	Abolishes limits on membership points and strengthened innovative customer benefits (T day)
T Rental	Jun. ‘18	Provides the latest iconic devices through rental service
T Plan	Jul. ‘18	Simplified price plans to 5 categories, and expanded data limits
0 (Young) Plan	Aug. ‘18	Offers greater data allowance and premium benefits to younger generation subscribers (Teenage to 20’s)
T Guam · Saipan Pass	Sep. ‘18	Allows subscribers to use roaming services in Guam and Saipan at domestic rates (unlimited text msg.)
T Phone based roaming	Dec. ‘18	Provides discounts for memberships within major tourist attractions, restaurants and shopping malls
‘Baro’ roaming		Provides unlimited international voice calls to data roaming plan subscribers using T Phone app

Building our New ICT Business Portfolio

In the meantime, inclusive of the aforementioned MNO business, SK Telecom reinforced the 4 core business portfolio consisting media, security and commerce.

The Media business achieved qualitative growth in the IPTV business through an increase in number of premium-subscribers and contents consumption, recording all-time high sales and operating profits. Witnessing such increase of demand in contents consumption, in January 2019, SK Broadband’s OTT (over-the-top) service ‘oksusu’ signed an MOU with ‘POOQ,’ the OTT service of 3 terrestrial broadcasters, where 4 parties agreed to establish a joint venture. In February 2019, SK

Telecom signed an MOU for acquisition of ‘t-broad,’ the 2nd largest domestic cable TV company, in response to shifting environment of the paid TV market and to strengthen the competitive-edge of our media platform.

In the Security business, aiming to increase our capabilities to unfold the world’s best 5G infrastructure, we acquired ‘IDQ,’ a patent-holding Swiss company regarding quantum cryptography telecommunications, in February of 2019. Further, under ambiguous circumstances where ‘NSOK’s relatively small business scale was in question regarding financial contributions within the security business, we acquired ‘ADT Caps’, Korea’s No.2 physical security services company and merged with ‘NSOK.’ Later, we completed the acquisition of Korea’s No.1 information security provider ‘SK Infosec,’ equipping ourselves with a converged security service portfolio of both physical and information security, based on ICT technology.

In the Commerce business, ‘11st’ successfully attracted investment of KRW 500 billion, valued at KRW 2.75 trillion by ‘H&Q Korea’. In September 2018, as part of our efforts to reduce the deficits, we reorganized SK Planet’s business structure, including spinning-off ‘11st’ as a separate entity to establish a foundation to become the market leader in the domestic e-commerce market.

MAJOR PERFORMANCE OF NEW ICT BUSINESS PORTFOLIO

Business Area	Period	Main Content
Media	Dec. ‘18	Launched the AI-based personalized music platform ‘FLO’ in December, strengthening the media service portfolio
	Jan. ‘19	‘oksusu’ signed an integrating cooperation MOU with OTT (over-the-top) service ‘POOQ’, the service of the three terrestrial broadcasters
	Jan. ‘19	Signed a technology cooperation MOU with ‘SM Entertainment’ to promote next-generation media business by combining AI-based ‘sound source separation’ ICT technology with media contents
	Feb. ‘19	Signed an MOU to acquire nation’s No.2 cable TV company ‘t-broad’
Security	Feb. ‘18	Completed acquisition of quantum cryptography security company ‘IDQ’
	May. ‘18	Acquired a 55% stake and management rights to the nation’s No.2 physical security company ‘ADT Caps’
	Oct. ‘18	Completed merger of ‘ADT Caps’ and ‘NSOK’
	Dec. ‘18	Completed acquisition of nation’s No.1 information security company ‘SK Infosec,’ equipped ourselves with ICT converged security service line-up
Commerce	Jun. ‘18	‘11st’ successfully attracted investment of KRW 500 billion, valued at KRW 2.75 trillion
	Sep. ‘18	Spin-off of ‘11st’ from SK Planet, to be established as a separate entity

FINANCIAL PERFORMANCE OF NEW ICT BUSINESS PORTFOLIO

Consolidated, KRW billion

Business Area			2017	2018	YoY
Media	SK Broadband	Revenue	3,052.6	3,253.7	6.6%
		Operating Income	126.8	175.6	38.5%
Security	ADT Caps etc.(*)	Revenue	93.4	1,105.0	1,083.1%
		Operating Income	△16.7	93.3	Return to Profit
Commerce	11st(**)	Revenue	684.8	674.4	△1.5%
		Operating Income	△153.9	△67.8	Deficit Improvement

(*) 2017 figures reflects the annual earnings of ‘NSOK’, 2018 figures reflects the sum of annual earnings of ‘NSOK’, ‘ADT Caps’, ‘SK Infosec’
(**) Pro Forma financial statement is applied to earnings prior to the ‘11st’ spin-off (‘18.9.1)

Financial Performance and Dividends in 2018

In 2018, SK Telecom achieved a relatively low financial performance due to - a marginal decline in revenue caused by mobile tariff discounts, decrease in short-term profit due to Customer Value Innovation Programs, and changing of financial reporting standards. However, SK Telecom managed to defend our overall performance through incorporation of a new business portfolio and making partial business improvements. We generated revenues of KRW 16.87 trillion, a YoY decrease by 3.7%. Our operating income recorded KRW 12.02 trillion, a YoY decrease by 21.8%. Meanwhile, our gain in net income during 2018 was KRW 31.32 trillion, a YoY 17.9% increase, due to increase in equity method profits from SK Hynix.

The capital expenditure (CAPEX) of 2018 was efficiently spent within the scope of KRW 2.13 trillion guidance through reducing investments in existing infrastructure, in spite of partial investments for preparation on 5G commercialization. Looking ahead, in 2019, we are planning to optimize our investment for the 5G network to secure 5G leadership and maintain stable cash flow.

Although cash flow deteriorated due to decrease in financial performance as well as increase in spending for mergers and acquisition deals to strengthen our New ICT business portfolio, the Board of Directors (BOD) decided to retain the dividend at KRW 10,000, including the previously paid interim dividend of KRW 1,000. The dividend resolution will be approved in the annual general meeting (AGM) in prior to official announcements. We are looking forward to make 2019 the first year to share our successful investment outcomes with our shareholders, likewise the success we enjoyed in SK Hynix’s investment, while maintaining our basic principle of balancing our capital management between shareholder return and growth investments. We will be announcing further details after the BOD’s approval.

FINANCIAL PERFORMANCE AND DIVIDENDS			Consolidated, KRW billion
	2017	2018	YoY
Operating Revenues	17,520.0	16,874.0	△3.7%
Operating Income	1,536.6	1,201.8	△21.8%
EBITDA	4,783.6	4,485.3	△6.2%
Net Income	2,657.6	3,132.0	17.9%
Dividend per Share (KRW)	10,000	10,000	-
Payout Ratio ^(*)	53%	77%	24%p

(*) Non-consolidated

2019: Korea’s ‘Representative ICT Company’ through Hyper-Innovation of Business Model Based on 5G

2019 will be a hallmark year for SK Telecom by opening up the future of opportunities through 5G, as both the birth year of commercial 5G and the close-out year of 2G. 5G is the core infrastructure that will lead the 4th Industrial Revolution by generating once unimaginable values of industries through connecting ‘things’ in offline world with its own technological nature of ultra-high speed, ultra-low latency and hyper-connection.

In 2019, SK Telecom will make full use of our core capabilities of 5G and AI to shape our boundless future of ‘hyper-life,’ ‘hyper-industry,’ and ‘hyper-global’ through ‘hyper-innovation.’ Further, SK Telecom aspires to become the ‘hyper-No.1 company,’ where our services exceed customer expectations, through continuous innovations in our long competent mobile network services. Our loyal customers will remain standing strong with us, and yet new customers will willingly knock on our doors to use our service.

In the race of 5G, we believe our competitive edge lies within the capabilities of our MNO business, our core business area. With our commercial 5G services rolling-out in March, SK Telecom will commit to develop innovative services based on meticulous customer data analysis, departing away from the old-fashioned marketing competition routines. SK Telecom will become the telecommunications company that brings ‘hyper-life’ experiences to our customers, changing the competitive landscape as the unrivalled company in the market.

SK Telecom will further a step towards ‘hyper-industry,’ constantly paving the way for unprecedented future innovations based on 5G and AI, such as Smart Factory, Converged Security services, Autonomous Driving, and Smart Cities. To illustrate, an AI system connected to a Smart Factory through 5G network will be able to filter out real-time errors of facilities and process through high-resolution image analysis, which will bring an epoch increase in productivity of our corporate clients.

For the past few years, SK Telecom has been working towards achieving leadership in the upcoming 5G era, step-by-step. In addition to refining our MNO business model, SK Telecom successfully secured New ICT portfolio to encompass the areas of Media, Security and Commerce. Fully leveraging our technological competencies, we have also been engaging ‘hyper-global’ cooperation with partners from multi-sectors to enhance developments to innovative solutions for the world. We are certain that our capabilities are apt to success not only in the domestic market, but also in the rest of the world.

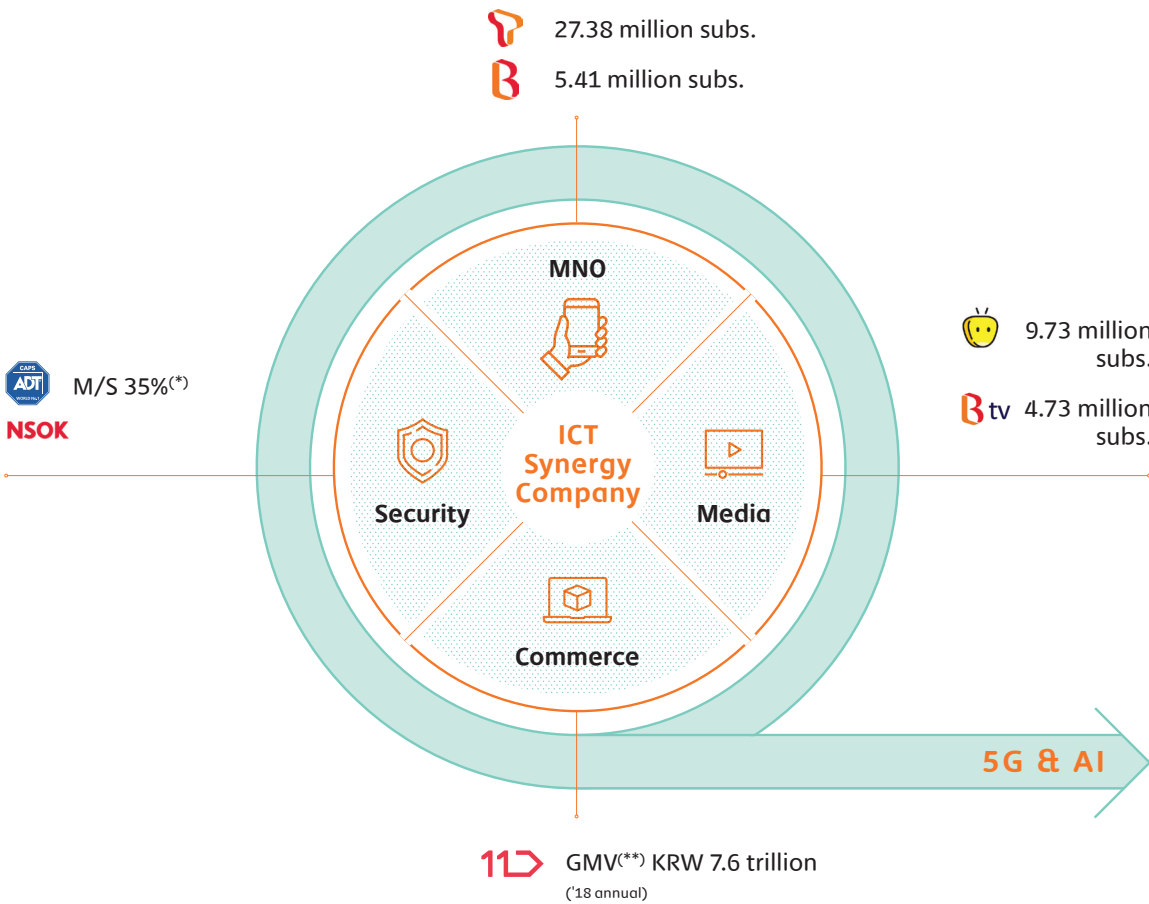
SK Telecom aspires to become Korea’s ‘representative ICT Company.’ We will restore our leadership that a platform provider has once taken away, through innovating our services that surmounts the technological boundaries of a network operator.

Creating Future Corporate Value through Optimized Structure of Synergy and Mutual Growth

At SK Telecom, we believe that implementing ‘hyper-innovation’ within the 5G environment demands synergy created upon tight integration amongst our MNO and New ICT businesses and organizations. We will continue to look for ways to grow our main businesses of MNO, Media, Security and Commerce simultaneously, and create an optimal structure to enhance corporate value that will be recognized at appropriate value from the market.

ICT BUSINESS PORTFOLIO

(End of Dec. 2018)



(*) by contract
(**) Gross Merchandise Volume

At SK Telecom, we strive towards long-term and sustainable corporate value innovation that takes social values into account, putting aside our short-term outputs. In the course of business portfolio and business model innovation, SK Telecom will consider social value, our business impact to the society and the environment, in our endeavours towards embedding customers and stakeholders’ long-term trust. Through pursuing social value, SK Telecom will realize sustainable growth of future corporate value based on trust and love from our stakeholders.

For SK Telecom, a stable No. 1 network carrier for the past 35 years, the emergence of the 5G era and the expansion into the New ICT growth area represents an inevitable challenge to accomplish. We are living through a period where our customers’ standards are ever higher, and where our competitive battleground is broadened to the world. Yet SK Telecom is undergoing business portfolio transformations and business model innovations based on 5G, to make another quantum leap from a traditional domestic telecommunications company to become the leader in the ICT ecosystem, namely the ‘Global ICT Synergy Company.’

To that end, I would like to ask our shareholders, investors, customers and our stakeholders, your full-fledged trust, interest and support during our continuous journey ahead.

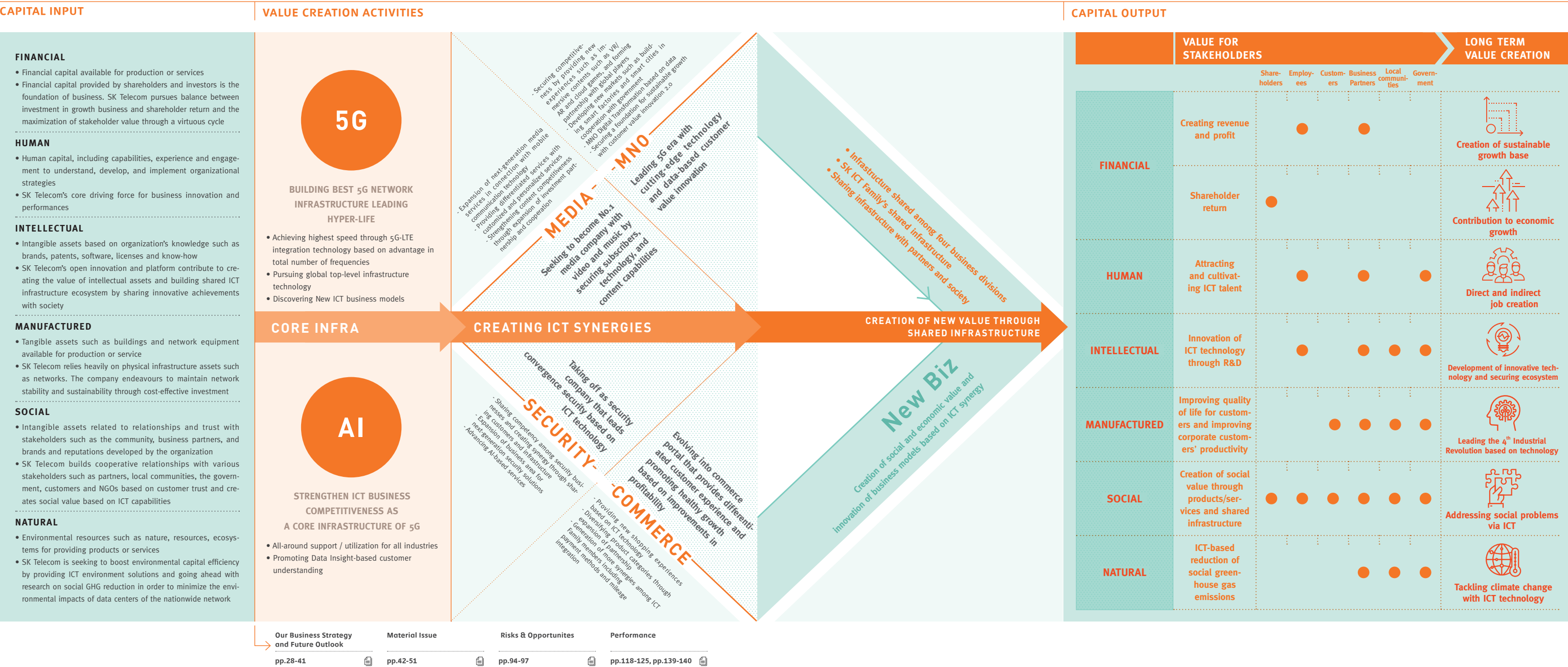
March 2019

Jung Ho Park

Jung Ho Park
President and CEO, SK Telecom

OUR BUSINESS MODEL

SK Telecom has become the ‘ICT Synergy Company’ in 2018, with a new growth engine by expanding its business scope without being complacent with placing first in the Korean telecommunications market. At present, SK Telecom is innovating technologies, products, services, and distribution networks in order to secure the competitiveness of each business divisions - the MNO business, media, security, and commerce - and maximize corporate value through synergies among them. Furthermore, SK Telecom aims to sharpen all business divisions’ competitiveness with 5G and AI as core infrastructure and create new social and economic value through shared infrastructure. This is not limited to short-term profits, but includes vitalizing ICT ecosystems through innovation and social problem solving with a long-term vision.



PERFORMANCE HIGHLIGHTS

5G ACHIEVEMENT

SPEED AND LATENCY TIME BY MOBILE COMMUNICATION GENERATIONS

	Speed	Latency
2G	14.4Kbps ~ 64Kbps	300~1000ms
3G	144Kbps ~ 14.4Mbps	50~100ms
4G	75Mbps or higher	25ms or shorter
5G	20Gbps or higher	1ms or shorter

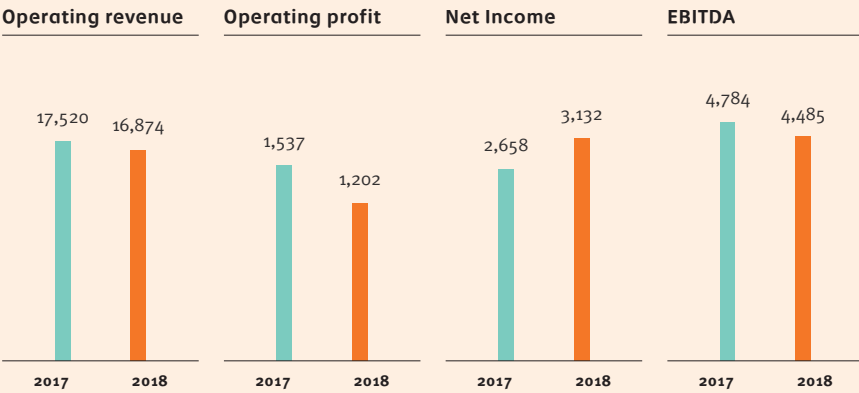
MILESTONES OF SK TELECOM'S ESTABLISHMENT OF 5GX INFRASTRUCTURE



FINANCIAL PERFORMANCES AND SHAREHOLDER RETURN

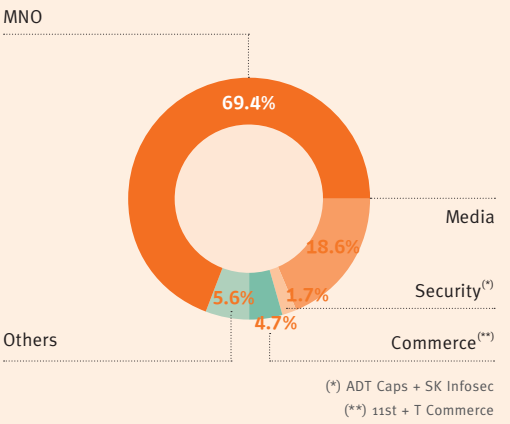
FINANCIAL RESULTS ON CONSOLIDATED BASIS

(2017: old accounting standard, 2018: based on IFRS15) KRW billion



REVENUE BREAKDOWN BY 4 MAJOR BUSINESS DIVISIONS

(based on consolidated revenue in 2018, IFRS15)



SHAREHOLDER RETURN

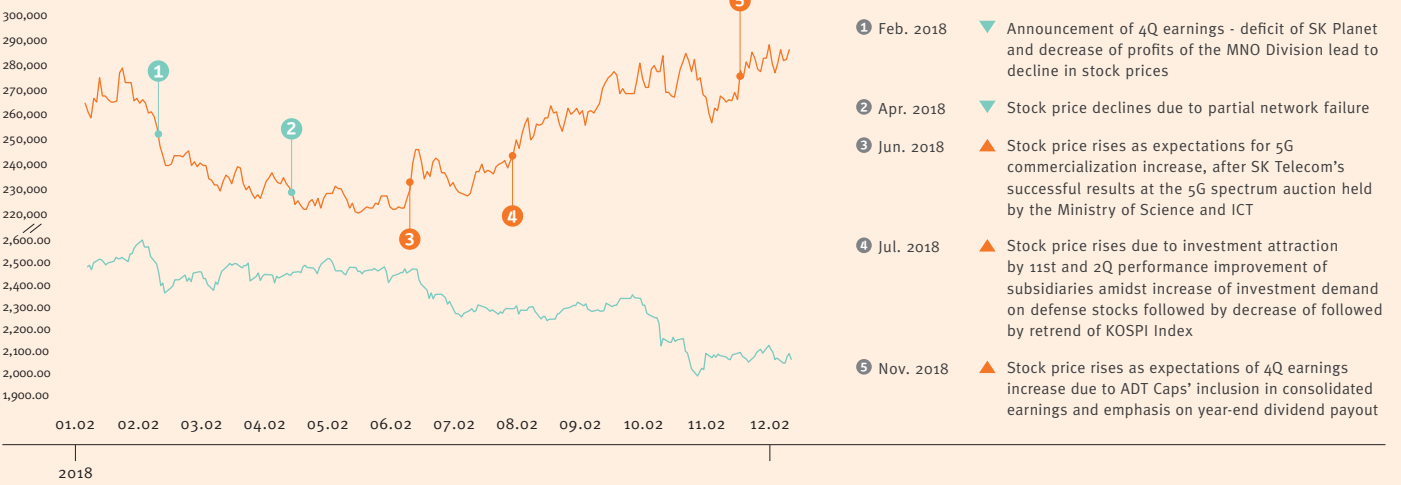
(based on K-IFRS) Non-consolidated

	2014	2015	2016	2017	2018
Dividend per share (KRW)	9,400	10,000	10,000	10,000	10,000
Cash dividend payout ratio (%)	65	64	58	53	77
Total cash dividends (KRW billion)	667	708	706	706	717
Treasury share repurchase (KRW billion)	-	489	-	-	-
Net profit (KRW billion)	1,029	1,107	1,217	1,331	934
Proportion of total shareholder return (%) ¹⁾	65	108	58	53	77

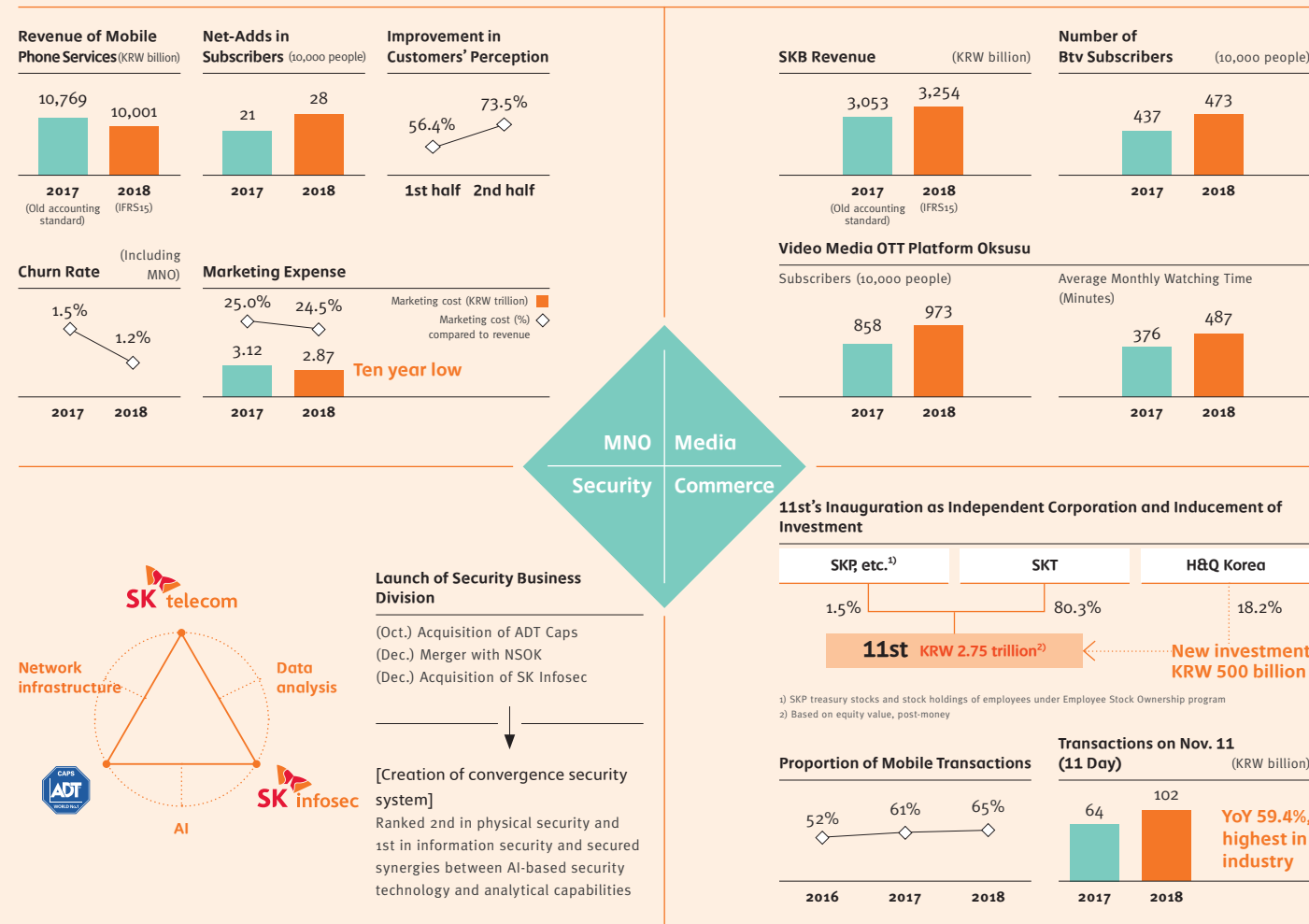
1) Proportion of total shareholder return (%) = (amount of total cash dividends + Treasury share repurchase purchases) / net income X 100

CHANGE OF STOCK PRICE IN 2018

SK Telecom KOSPI average



BUSINESS ACHIEVEMENTS (AS OF DEC. 2018)

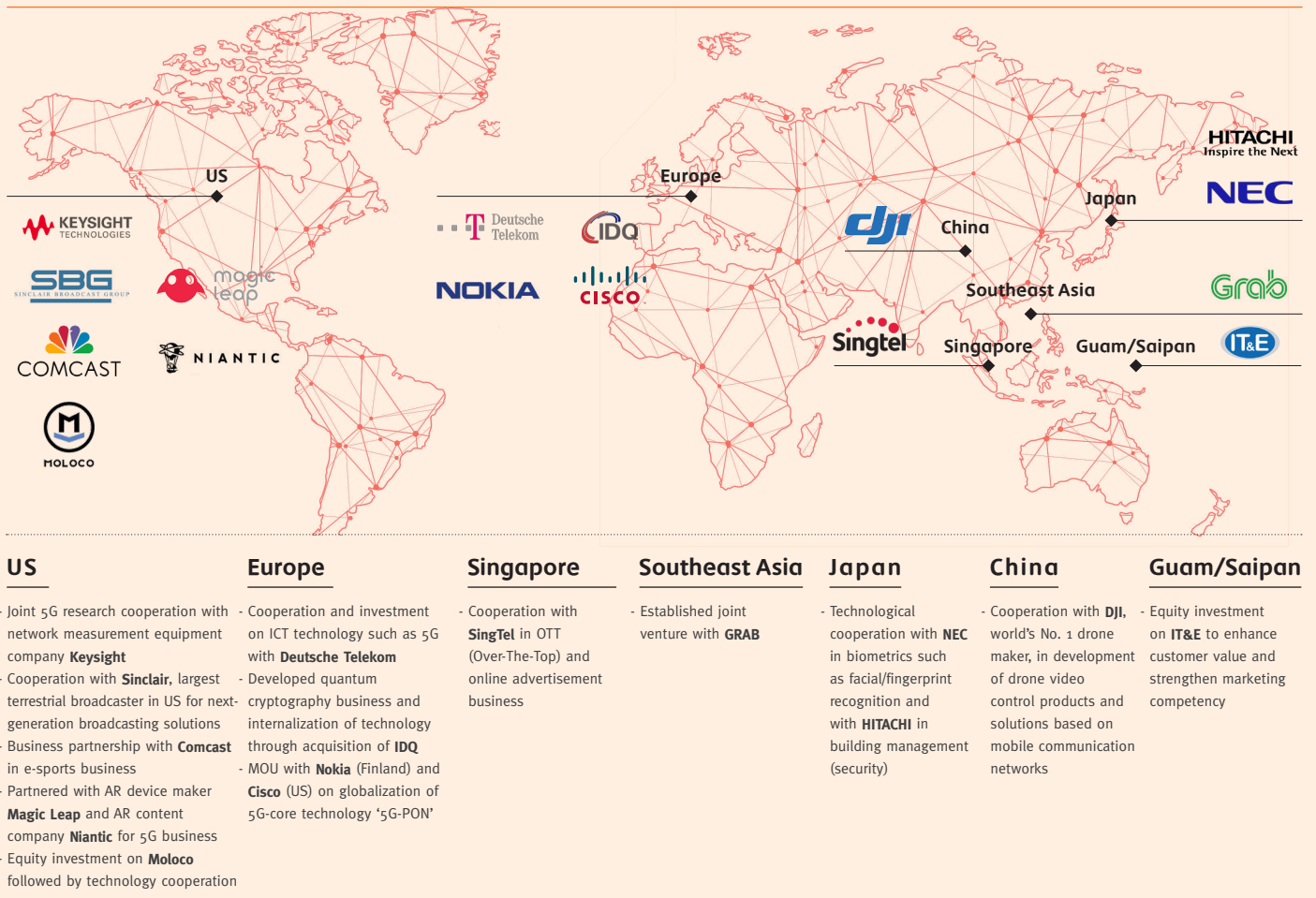


BUSINESS MODEL CREATING SOCIAL VALUE

(NON-CONSOLIDATED, AS OF DEC. 2018)

SECTOR	ACHIEVEMENTS	NET VALUE (KRW BILLION)
Economy	Economic performance of SK Telecom is the 'net profit' directly generated by the company's economic activities which is also disclosed in SK Telecom's financial statements on a non-consolidated basis. Thus, SK Telecom used the 'net profit of the term' within the financial statement to measure the economic value created in 2018, which is also the foundation of SK Telecom's value creation.	933.9
Environment	A step-by-step methodology to measure environmental impacts throughout the value chain was applied to measuring environmental performance by SK Telecom. Based on a review of the value chain, we converted the positive and negative environmental impact produced in business processes into monetary value through three steps: scope setting and data collection, valuation, and environmental profit and loss analysis.	-145.3
Social	Social performance by SK Telecom is calculated by turning social benefits generated by products and services into monetary value. We referred to social capital protocol methodology proposed by the World Business Council for Sustainable Development (WBCSD) and selected the scope and impact measurement indicators within limitations.	+64.3
Total value	The total value calculated through SK Telecom's environmental-social profit-and-loss analysis stood at KRW 850.4 billion. According to the SK Group's Double Bottom Line management philosophy, SK Telecom measures and manages its social performance in addition to its financial performance, and pursues business model innovation based on it.	850.4

LEADING THE 2018 GLOBAL ICT ECOSYSTEM



AWARDS & RECOGNITION

Number one in 3 major customer satisfaction survey in Korea

Placed first in NCSI for 22 consecutive years, in KCSI for 21 consecutive years and in KS-SQI for 19 consecutive years

NCSI

KCSI

KS-SQI

Korean corporate governance structure and ESG evaluation A + rating

The highest level among domestic listed companies

A+

Selected by Korea Communications Commission as best company in evaluating of user protection by telecommunication service providers

방송통신위원회

Joined DJSI World for 11 consecutive years

Placed in top 10% of Dow Jones Sustainability Indices (DJSI) World, globally recognized responsible investment index, for 11 consecutive years - first out of all telecommunications companies of Asia and the longest out of all corporates of Korea to retain the position for the time period.

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

Selected as best company for 6 consecutive years by the Korea Commission for Corporate Partnership and the Fair Trade Commission's Win-Win Index

Selected as best company with honor in 2018

공정거래위원회

동반성장위원회

Selected as best mobile carrier in Asia - Telecom Asia Awards

In 2019, SK Telecom was awarded in 5 areas - Best Mobile Carrier, Most Innovative 5G Use Case, Most Innovative Approach to Analytic, Most Innovative Network Transformation Initiative, followed by Best Mobile Carrier, Most Innovative Approach to Analytic awards in 2018

telecomasia Awards 2018

2018 PERFORMANCE

FINANCIAL HIGHLIGHT

Financial Performance

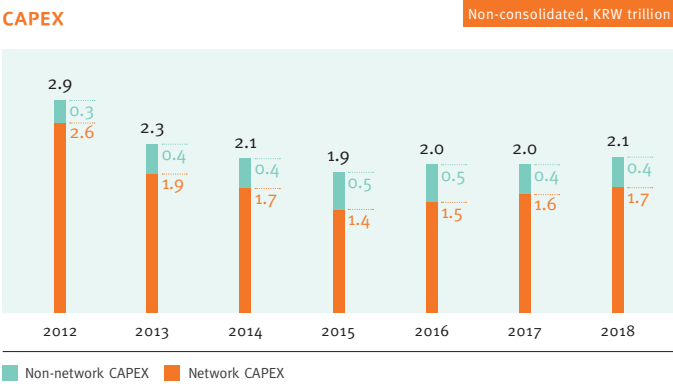
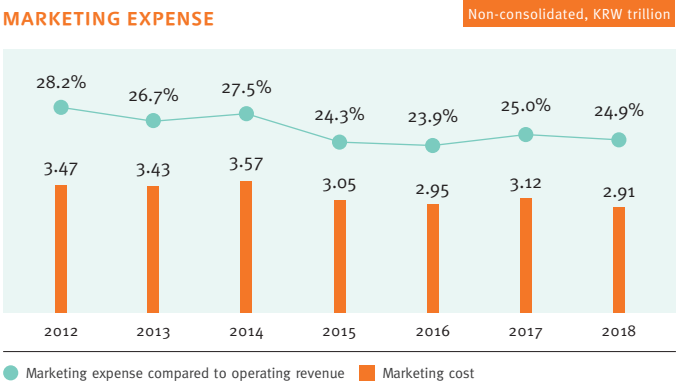
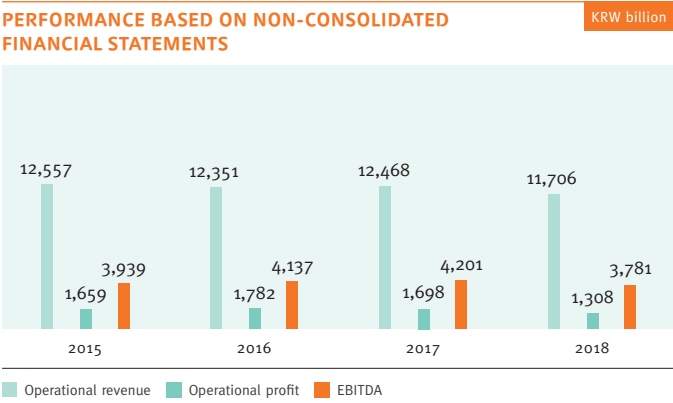
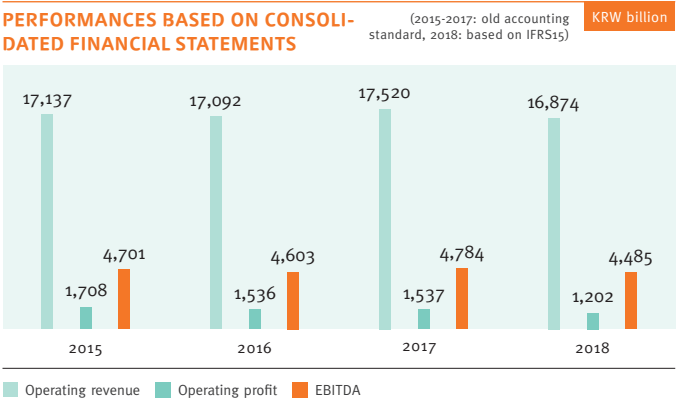
In 2018, SK Telecom posted KRW 16,874 billion in revenue and KRW 1,201.8 billion in operating profit according to its consolidated financial statements based on International Financial Reporting Standards¹⁵ (IFRS¹⁵). The revenue volume inevitably declined due to an increase in discount rates of selective contracts implemented in September 2017, the impacts of the customer value innovation program, and the application of the IFRS¹⁵ standards, but the company partially offset the decline thanks to the positive results of the new ICT business portfolio such as media, security. Operating profit also fell 21.8% YoY due to a decline in mobile service revenues. However, the company achieved meaningful results such as the least marketing spending over the last 10 years and an improvement in the profitability of 11st. Net income stood at KRW 3,132 billion, up 17.9% from the previous year, thanks to an increase in equity-method gains from SK Hynix. In 2018, capital expenditure was efficiently spent within the KRW 2.13 trillion guidance through

reducing investments in existing infrastructure, in spite of network investments in preparation for 5G commercialization.

Shareholder Return

SK Telecom is seeking to build an effective business portfolio that can maximize corporate value by maintaining the stability of the wireless telecommunications business and further take into account the growth potential of the new ICT business, as well as increasing corporate value through an increase of non-telecommunications business value. SK Telecom has raised its dividends since 2015, paying a dividend of KRW 10,000 per share including an interim dividend of KRW 1,000. SK Telecom is pursuing a stable dividend policy that takes into consideration not only the current year but also mid- to long-term cash flows.

Governance Report pp.74-87



MNO	<ul style="list-style-type: none">Revenue declined due to influence of tariff discounts, but decline slowed down in 2nd halfApproximately 30.88 million wireless subscribers and net adds of 280,000Improved related indicators such as promotion of customer value innovation program and customers' positive perceptionTook first place in customer satisfaction for 22 consecutive years and attained the lowest churn ratePrepared for 5G service commercialization by securing frequency band with strong expansion potential and frequency interference in 5G spectrum auction, developing technology and building infrastructure
Media	<ul style="list-style-type: none">Recorded all-time high by achieving quantitative and qualitative growth in number of subscribers*, use time, and profitability thanks to growth of content sales and mobile media consumption*Premium service (UHD) subscribers surpassed 50% of 4.73 million SK Telecom IPTV subscribers and Oksusu subscribers exceeded 9.73 millionoksusu secured content competitiveness to become the nation's representative Over The Top (OTT) service by establishing joint venture with POOQ, integrated OTT service of Korea's three terrestrial TV broadcastersSecured economy of scale in media business by acquiring T-Broad, Korea's second largest pay-TV operator, through SK Broadband
Security	<ul style="list-style-type: none">Acquired IDQ, Swiss quantum cryptographic telecommunication technology companyAcquired ADT Caps, No.2 physical security provider, and merged it with NSOKAcquired SK Infosec, No. 1 provider of information securityLaunched synergy services including T&Caps linked to wireless telecommunications, B&Caps linked to Btv
Commerce	<ul style="list-style-type: none">Improved operating loss by KRW 86.2 billion while maintained revenue at level of previous year through profitability-oriented operations and marketing efficiencyAttracted KRW 500 billion in investment from H&Q Korea which estimated 11st's corporate value at KRW 2.75 trillionSet highest daily transaction record (KRW 102 billion) in domestic online shopping industry on November 11, 2018 (11 Day)

In 2018, SK Telecom laid the foundation for taking the lead in 5G commercialization and raised customer trust as the No. 1 telecom operator in the MNO divison through customer value innovation. In the non-telecommunications sector we laid the foundations for a self-sufficient ICT Synergy Company by completing our business portfolio of three core business divisions: media, security, and commerce.

The MNO Division focused on customer value innovation programs to recover customer trust and lay the foundation for long-term growth instead of short-term and exhaustive marketing competition. Amid pressure for tariff discounts, we restructured the membership, roaming, and price plans with a focus on boosting customer convenience. As a result, the division achieved tangible results such as achieving the highest customer satisfaction rate for 22 consecutive years, the lowest-ever churn rate, as well as improvements in customer awareness, uptake in service use, and reduction in number of complaints to the VOC department. It also made thorough preparations in infrastructure and technology in order to commercialize 5G services. In June 2018, at the 5G spectrum auction, SK Telecom secured Block C, which will allow SK Telecom to respond quickly to expanding demand of 5G services, due to attributes of less interference from neighboring bands and high expansion potential. On December 1st, SK Telecom, in cooperation with Samsung Electronics, succeeded in making the first 5G call, which showcased SK Telecom’s contribution to the establishment of 5G technology standards and the promotion of commercialization by continuing its technical cooperation and strategic alliance with global ICT companies.

The Media Division achieved the highest performance ever by accelerating its growth via both quantitative and qualitative means. The IPTV service continued to grow steadily, with revenue growth of more than 20% YoY thanks to a continuing uptake in subscribers and content revenue growth. The number of subscribers climbed 8% to 4.73 million and the proportion of premium service UHD subscribers exceeded 50%. The mobile video platform ‘oksusu’ continued to grow with the number of its subscribers rising to 9.73 million thanks to growing demand for mobile media content.

The Security Division built a convergence security portfolio with capabilities in analysis and AI-based security technology by taking over ADT Caps, the No. 2 physical security company in Korea and merging it with NSOK and acquiring SK Infosec, the No. 1 information security company in Korea, after the acquisition of IDQ, the world’s No. 1 quantum cryptographic telecommunications company based in Switzerland at the beginning of 2018. The integrated corporation of ADT Caps that positioned itself as a security service provider with a market share of over 30% contributed to SK Telecom’s financial results as a new growth engine beginning in the 4th quarter of 2018.

In the Commerce Division, 11st made improvements in profitability as its annual revenue maintained at a similar level to 2017 while operating loss decreased by more than a half compared to the previous year. 11st succeeded in attracting KRW 500 billion from external investment and, in September, was spun off from SK Planet. On November 11, 2018, ‘11 Day,’ the online retailer achieved a new record of KRW 102 billion, the industry’s highest daily transaction amount, showing the possibility of becoming the No.1 e-commerce company.

2019 OUTLOOK

STRATEGIES FOR 2019

1

ACHIEVE SALES GOAL OF KRW 18 TRILLION BY MAKING TURNAROUND IN MOBILE SERVICE REVENUE AND GROWTH AND IMPROVING PERFORMANCES IN ICT SECTOR

2

BECOME ICT SYNERGY COMPANY BASED ON SYNERGIES AMONG MNO, MEDIA, SECURITY, AND COMMERCE BUSINESSES

3

TAKE LEAD IN STRENGTHENING COMPENTENCIES AND ICT TECHNOLOGIES SUCH AS 5G AND AI

2019 OUTLOOK		
Item	Forecast	YoY
Revenue goal (consolidated)	KRW 18 trillion	▲ 6%
Proportion of non-telecom revenue to total revenue	30~40%	▲ 5~15%
MNO	<ul style="list-style-type: none">• Make turnaround in earnings in 2H thanks to improvement in ARPU triggered by increases in handset subscribers and customers' data demand and creation of new 5G business models• Create more business opportunities and service offerings that are optimized to customer needs through scientific marketing based on AI and digital transformation	
Media	<ul style="list-style-type: none">• Advance customer structure through steady growth of subscribers in pay-TV/fixed-line market and promotion of subscriber growth centered on high-value products• Launch Korea’s leading OTT service with subscriber base and content and technology capabilities by integrating Oksusu and POOQ.• Strengthen foundation as general pay-TV broadcaster by merger and acquisition of t-broad	
Security	<ul style="list-style-type: none">• Seek quantitative and qualitative growth with revenue growth of 10% and improvement in operating profit compared to 2018• Target market share of 51% (based on revenue) through synergies with SK ICT Family members• Rank No. 1 in cloud security business in terms of market shares• Global cooperation and investment inducement in field of quantum security technology	
Commerce	<ul style="list-style-type: none">• Achieve break-even point in operating profit through healthy growth and profit improvement• Advancement of 11st as ‘commerce portal’ through innovating customer experience• Strengthen synergies with other SKT ICT Family members including easy payment system and mileage integration	

In 2019, SK Telecom will pursue full-fledged growth as an ‘ICT Synergy Company’ by strengthening synergies among the four major business divisions of MNO, media, security and commerce based on 5G and AI. SK Telecom plans to realize operating revenue, up 6% YoY, with the revenue guidance set at KRW 18,000 billion on a consolidated basis in 2019. The revenue of non-telecommunications divisions, which accounted for 25% in 2018, are expected to grow to 30-40% in 2019 thanks to the accelerated growth of the media business to be driven by its expansion, ADT Caps’ full-scale contribution to business performance, and an improvement in the profitability of the massive-investment-drawing 11st.

MNO - STRONG MNO

In 2019, the MNO Division will continue to change and innovate while ensuring that its efforts will pay off. Although it is expected that negative revenue growth will be inevitable due to continued effects from tariff discounts in 2019, the revenue decline has slowed down since the second half of 2018. In 2019, the division expects to make a turnaround in revenue in the second half based on growth momentum such as increase in handset subscribers, improvements in ARPU followed by an increase in customers' demand for data, creation of new 5G business models, and successful expansion into the B2B business area.

In addition, we will not be complacent with the achievements of a customer value innovation program last year and will emphasize customer-oriented changes and innovation by developing the program into 'Customer Value Innovation' in 2019. Furthermore, we will lay the groundwork for sustainable growth by focusing on three areas - new services, customized benefits for customers, and the creation of social value.

Service innovation based on artificial intelligence (AI) and digital transformation (DT) is also one of our key strategic directions for 2019. We will create an opportunity for customers and companies to enjoy win-win growth by discovering individual needs through three-dimensional analysis of customer data and real-time prediction-based marketing.

In this way, the MNO business will prepare to successfully maintain its current leadership in the 5G era as both SK Telecom's anchor business and the leader of New ICT business – the MNO business will evolve full-scale into a service provider while achieving hyper-gap in the core area of networks.

MEDIA - LEADING MARKET THROUGH AGGRESSIVE EXPANSION

In the 5G era, competition in the media industry will heat up in the mobile sector. Evolving networks will drive up the consumption of high-quality media content and create new forms of content consumption including live channels, personal broadcasting, VOD services and OTT (Over-the-Top) originals. Already, global OTT services are entering the Korean market in earnest. SK Telecom decided that it was time to decisively invest in K-content in order to improve the quality of its media business. In January 2019, SK

Telecom decided to launch an integrated corporation between POOQ, an OTT alliance of Korea's three terrestrial broadcasters, and oksusu. The company is planning to transfer the oksusu business unit from SK Broadband to the three broadcasting companies and secure a stake in the integrated corporation through a capital increase by issuing new stocks. The integrated corporation to be launched in the future will zero in on expanding investment in high-quality original content that can be provided in a 5G environment based on oksusu subscribers, the unique content of terrestrial TV broadcasters, and SK Telecom's technology.

In order to overcome the limitations of IPTV platforms in 2019, competition will intensify with the forging of partnerships and alliances between operators and services. In this market environment, we will focus on securing competitiveness to grow home-based media services into core services in the 5G era. The Korean pay-TV market is being recreated with a focus on the IPTV services of three telecommunications companies thanks to the expansion of subscribers and the growth of paid content. SK Telecom is taking steps to acquire the second-largest cable TV provider, t-broad, through SK Broadband, and integrate t-broad's business with SK Telecom's business. Through such strategic business integration, SK Telecom, which secured subscribers that can consume original content by expanding a pay TV subscriber pool with OTT service operators, will accelerate the growth of the domestic media market, contributing to the vitalization of media ecosystems in Korea.

SECURITY - TAKING OFF AS BEST PLAYER THAT LEADS CONVERGENCE SECURITY BASED ON NEW ICT TECHNOLOGY

Revenue in the security business included in the financial statements on a consolidated basis beginning in the fourth quarter of 2018 will contribute to ramping up earnings in earnest beginning in 2019, turning the security business into a new growth driver for SK Telecom following the media businesses. The security business is a high-involvement service with a high fixed cost ratio and a high conversion cost for consumers. Preempting the security market and securing economies of scale in it can have far-reaching effects, and technological innovation is vital to the success of the security business. In 2018, SK Telecom secured a market share of over 30% through M&A of ADT Caps, laying the foundation for growth. In ad-

dition, the size of the security market is expected to grow steadily at 7% to 8% annually due to a continuous increase in demand for physical security, stronger compliance with personal information protection, the digitalization of industry, and growing demand due to the importance of information security. In addition to enhancing the competitiveness of the current business in the expanding security market, we will create synergies by integrating the distribution network and infrastructure of ADT Caps and strengthening product packages with SK Telecom. SK Telecom will grow into a leading company in the security market by offering differentiated products such as customized home security services and security services for cars at parking lots connected with T map. The company will develop a new security service area to ensure the overall safety of society, beyond the convergence security of information security and physical security, and present it to the market.

COMMERCE - LEAPING TO BECOME BEST COMMERCE PORTAL EARNING CUSTOMER TRUST

11st, established as an independent corporation in 2018, will pursue profitability-based growth and becoming a customer-oriented commerce portal in 2019 with the goal of reaching a break-even point. It will pursue becoming a differentiated commerce portal based on several innovations - approaching customers not as a simple place to buy goods, but as a platform that enables to acquire and search for information on tangible and intangible goods, strengthening direct visits to the online shopping mall by improving content and usage experiences rather than being involved in time-consuming price competitions, and offering new AI/Mobility-based shopping experiences. We will also nurture profitable new categories and reinforce product inflows through external partnerships. Moreover, SK Telecom will concentrate on creating synergies among members of the SK ICT Family through the integration of simple payment and mileage systems and achieve differentiation by securing 11st's exclusive product categories including the online distribution of mobile phones and the sale of digital content. In 2019, we will pursue efficient marketing spending and healthy growth driven by a direct influx of customers in the same context as in 2018 and expect to boost 11st's profitability through double-digit revenue growth in the open market with low fixed costs.

OVERWHELMING VICTORY THROUGH CONSTRUCTION OF PERFECT INFRASTRUCTURE AND THOROUGH PREPARATIONS IN THE 5G MARKET

SK Telecom enhanced its implementation power and made 5G services the center of all business activities by internally setting up dedicated 5G departments within its main business divisions while securing the ability to take the lead in the upcoming 5G market by continuing its technological cooperation and strategic alliance with global players. In 2019, the company will provide 5G services in the Seoul metropolitan area and major cities across the nation and will focus on preempting new business models based on 5G services rather than costly competition.

SK Telecom is concentrating on building a business portfolio that will maximize profits in the 5G era. Media and commerce are already moving from TVs and PCs to smartphones. We expect them to enable full-fledged high-definition content-based OTT services and start the era of mobile commerce based on next-generation technology by mixing with 5G technology. We are zeroing in on strengthening competitiveness and enhancing value in areas such as high-definition media content, AR/VR, and cloud games. In the security sector, technologies such as real-time incident detection and image analysis will create great value and be able to develop new B2B models by meeting the characteristics of 5G services including hyper-low latency. In addition, with our New ICT capabilities and 5G technology, we are in the process of establishing a business model that combines the capability of AI and data with mobility platforms that has differentiated competitive edge such as T map and T map Taxi, while pursuing a business model innovation in the IoT field with services such as smart broadcasting and smart offices.

5G-related investment will be made based on customer demand and additional revenue generation levels so that there will be no shortage of investment in commercialization and market leadership. At the same, we will make investment in 5G services at an optimal level by considering efficient measures such as a flexible adjustment of investment in current network facilities such as LTE networks. For SK Telecom, 2019 is the first year of 5G services. SK Telecom will become the overwhelming No. 1 mobile carrier by creating a hyper-wide gap in the network area that is the basis of mobile carriers such as AI-based network operation technology and the exclusive adoption of quantum cryptography security technology.

OUR SUBSIDIARIES



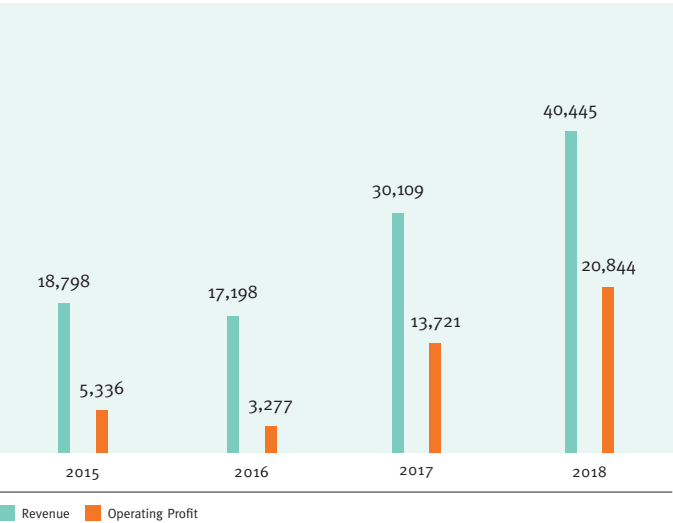
SK Hynix has been manufacturing memory semiconductors such as DRAMs and NAND flashes essential for various IT devices such as mobile phones and computers since 1983. The company is also producing system semiconductors such as CISs. As a global company, SK Hynix has 4 manufacturing subsidiaries including those in Icheon and Cheongju in Korea and Wuxi and Chongqing in China. The company sales subsidiaries in 10 countries and R&D corporations in 4 countries as well. As the advancement of telecommunications & ICT industry continues, SK Hynix is continuing its efforts to become a leader in mobile, server and storage solution sectors.

In 2018, the consolidated revenues stood at KRW 40,445.1 billion, an increase of 34% from the previous year due to a rise in the average ASP of DRAMs because of the robust IT demand and an uptake in the revenue volume of memory products. In terms of operating profit, combined revenue of DRAMs and NAND flashes reached KRW 20,843.8 billion or 52% of total revenue through an increase in sales of DRAMs for high-value-added servers and a spike in sales of 3D NAND flashes and NAND flashes for high-value-added solution.

After the unprecedented boom in semiconductor history over the past two years, the chipmaker is facing a tough business environment such as growing global economic uncertainties and a slowdown in demand for memories. However, SK Hynix will tackle them by stepping up its efforts such as securing technology and cost competitiveness, improving customer responsiveness, and reforming its corporate culture. Moreover, SK Hynix aims to take the lead in transforming our society and humanity while pursuing double bottom line (DBL) management that simultaneously generates financial and social value.

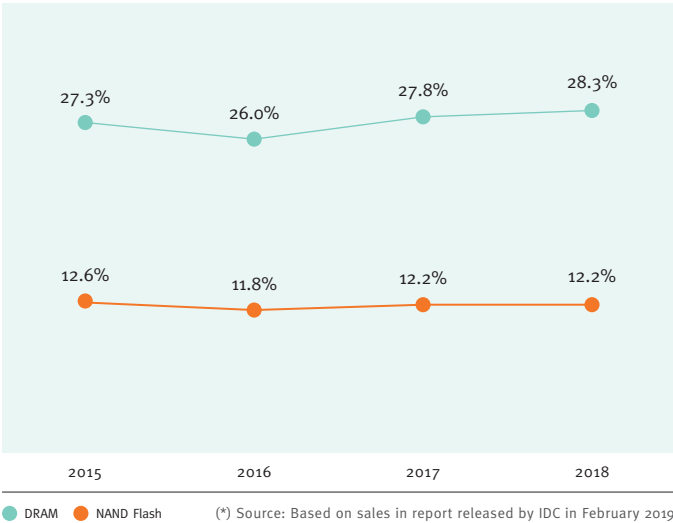
SK HYNIX'S FINANCIAL ACHIEVEMENTS

KRW billion



MARKET SHARE

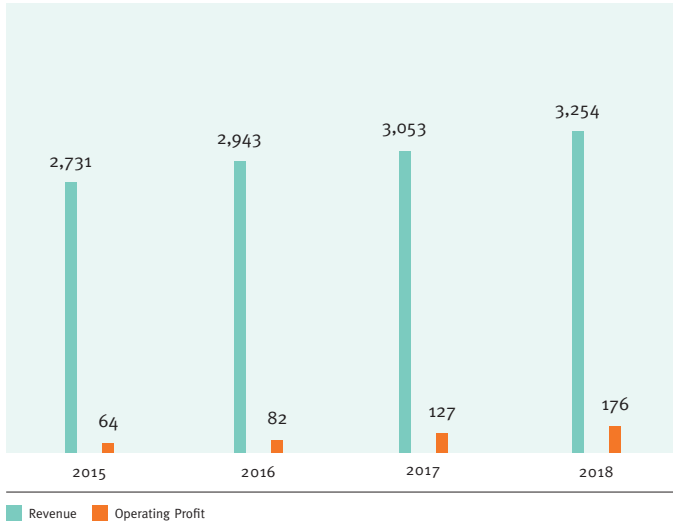
%



Since its establishment in 1997, SK Broadband has been leading the paradigm of the Korean ICT industry while expanding its business scope from being the world's first ADSL services provider as well as the first wireless broadband internet services provider in Korea to become a multimedia services provider including IPTV and mobile OTT services (Over The Top, video media platform). In 2018, SK Broadband achieved the highest revenue and profit growth by sustaining the growth of subscribers, focusing on premium services such as Giga/UHD and enhancing its value as a media platform. Revenue grew evenly across all business areas excluding home phone service, resulting in KRW 3,253.7 billion in revenue even with the revenue decline effects due to the application of IFRS15 standards. Of these, IPTV revenue totalled KRW 1,278.4 billion, taking the lead in driving up overall revenue. Higher revenue and profitability pulled up operating profit 38.5% YoY to KRW 175.6 billion. The company secured 3.93 million wired phone subscribers - 2.25 million regular phone subscribers, 1.68 million internet phone subscribers - and 4.73 million IPTV subscribers in addition to 5.41 million broadband internet service subscribers.

SK BROADBAND'S FINANCIAL ACHIEVEMENTS

Non-consolidated, KRW billion
(2018: based on IFRS15)

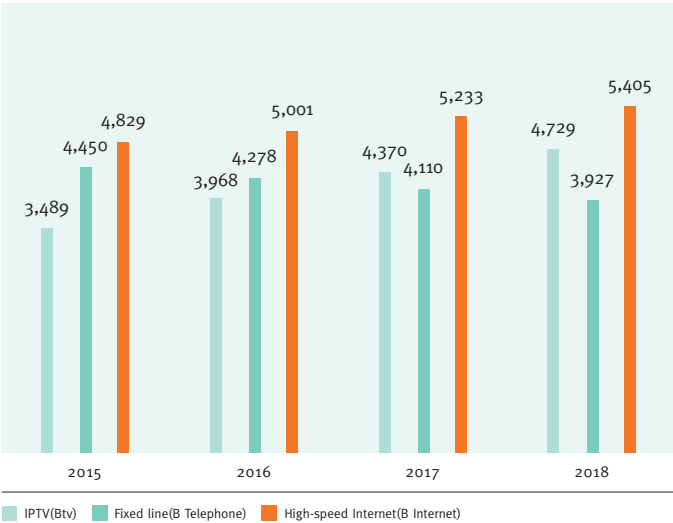


SK Broadband will leap forward as the No. 1 media platform company in the world by pursuing next-generation media business, AI-based Btv services, and the growth of home IoT services with putting customer happiness on our top priority.

Competition will intensify such as alliances and mergers among operators and services in order to break the limitations of IPTV platforms and a net increase in subscribers will shrink due to a decrease in demand in the home market in 2019. In this market environment, SK Broadband will become the number one media platform company in the wired and wireless markets by maximizing financial and social value through customer value innovation, the development and expansion of new growth engines and management infrastructure innovation and developing media into its core service in the 5G era.

NUMBER OF SUBSCRIBERS

1,000 persons





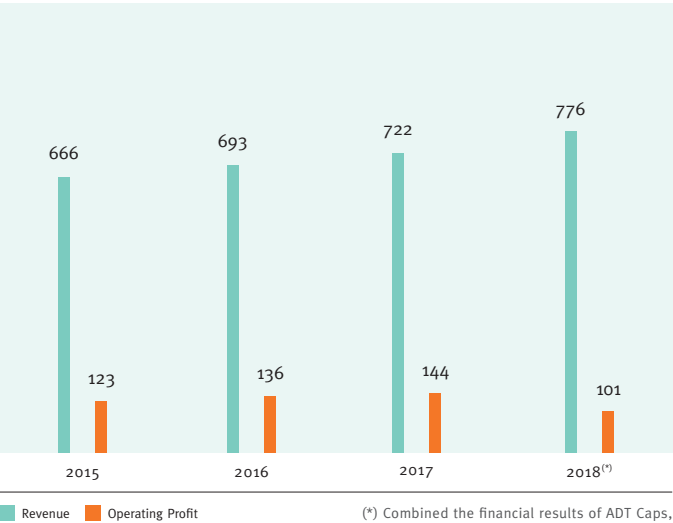
ADT Caps Co., Ltd., established in 1971 as an unmanned machine security and manpower security company, has been growing to provide the best quality and service to our customers based on advanced technology and service know-how. ADT Caps, which provides integrated security services such as unmanned security, video security, and dispatch security based on integrated control, holds ADT Security, a company specializing in the theft prevention system, and CAPSTEC, a specialist in security personnel services as its subsidiaries. ADT Caps with a total of 8,000 security professionals is a leader in the physical security market and provides optimized services for each customer. In 2018, SK Telecom took over Life & Security Holdings, the parent company of ADT Caps. Hence, ADT Caps became a member of the SK Telecom family and merged with NSOK, the fourth-largest player in the physical security market and a grandson company of SK Telecom. As an axis of SK Telecom’s growth in the convergence security business, ADT Caps is ready to begin anew.

In 2018, combined revenue of ADT Caps, CAPSTEC and ADT Security stood at KRW 776.3 billion, up 7.6% from the previous year. Operating profit fell 29.4% to KRW 101.3 billion due to one-time expenses related to SK Telecom’s absorption of an affiliate and the acquisition of NSOK.

In the future, ADT Caps will generate synergies in analytical capabilities with SK Telecom’s ICT technology, AI-based security technology and expand the identity of the security business as a safety and care-specialized company beyond security and position itself as a leading company in convergence security market.

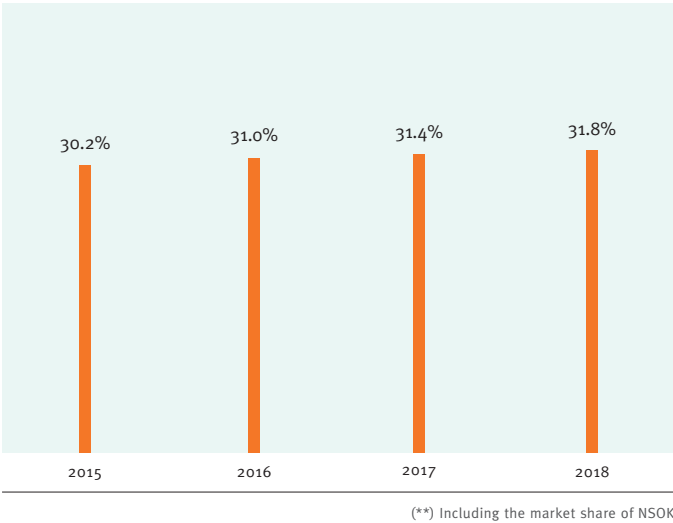
ADT CAPS’ FINANCIAL ACHIEVEMENTS

KRW billion



MARKET SHARE^(**)

in terms of revenue



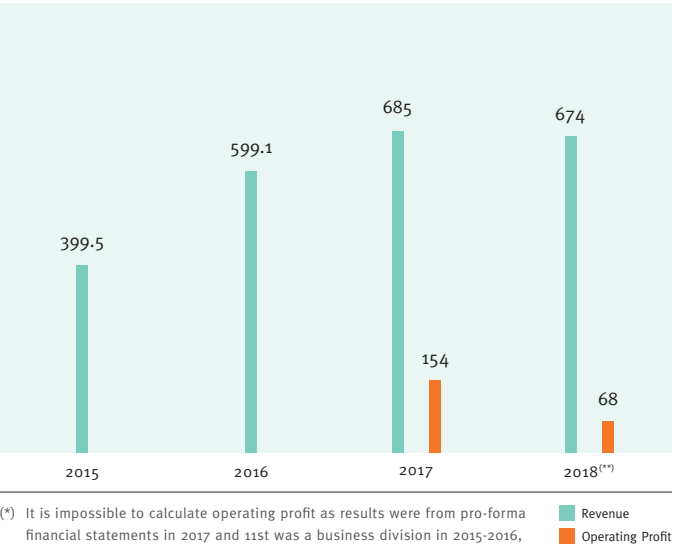
Since entering the e-commerce market in February 2008, 11st is growing rapidly to become an industry-leading open market platform. The company has a system that enables customers to purchase excellent products at low prices without any worries both online and mobile devices and strives to provide the best services to both sellers and buyers through a continuous improvement in services and technological innovation. Since its establishment, 11st has grown dramatically only to become Korea’s leading open market platform with 27 million members. In 2018, with the launch of Eleven Street Co., Ltd. as an independent corporation, the company set its goal of becoming the best commerce portal trusted by customers and began a new challenge for the future of online commerce in Korea.

In 2018, 11st posted KRW 674.4 billion in revenue, down KRW 10.4 billion from the previous year. However, its operating loss dropped to KRW 67.8 billion from KRW 86.2 billion in the previous year, thanks to profitability improvement activities conducted throughout the year.

11st will continue innovation to grow into an online commerce portal that provides all products and information of the world, going beyond remaining the most advanced open market through its top-level customer base and product curation and synergies among SK ICT Family members.

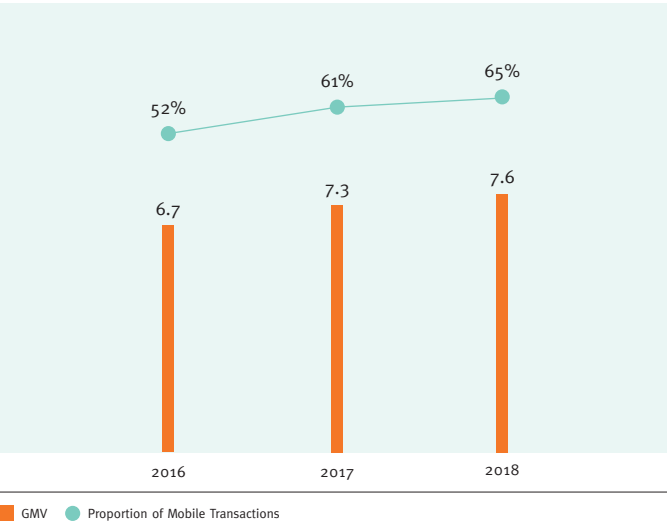
FINANCIAL ACHIEVEMENT OF 11ST ^(*)

KRW billion



GMV AT 11ST AND PROPORTION OF MOBILE TRANSACTIONS IN TOTAL TRANSACTIONS

KRW trillion



LONG-TERM MANAGEMENT ISSUES

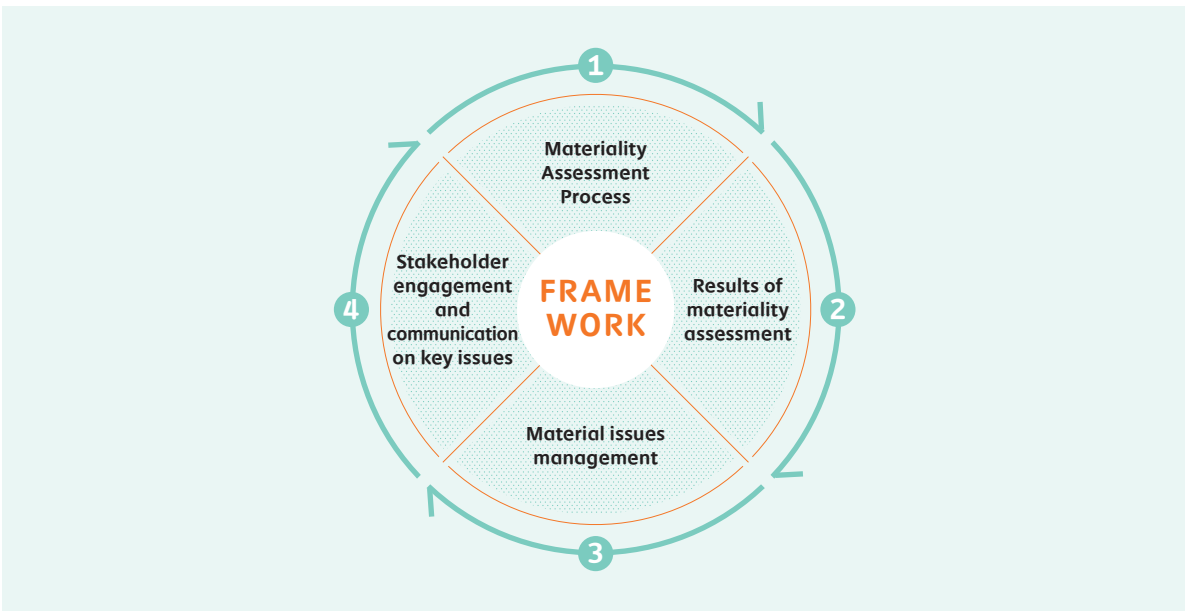
EVERY YEAR, SK TELECOM REVIEWS MATERIAL ECONOMIC, SOCIAL AND ENVIRONMENTAL ISSEUS RELATED TO NEW VALUE CREATION AND SUSTAINABILITY, DISCLOSES OUR REPONSE AND ACHIEVEMENTS ON EACH ISSUE

By material issues, SK Telecom refers to the issues that have relevance to the company’s business and sustainability as well as the actual level of impact and ability to create sustainable value for the company’s stakeholders. To select and prioritize the company’s material issues, SK Telecom operates a materiality assessment and response process based on stakeholder participation in addition to complying with the guidance on determining material issues and content composition as recommended by the GRI (Global Reporting Initiative) Standards and the <IR> Framework put forth by the International Integrated Reporting Council (IIRC).

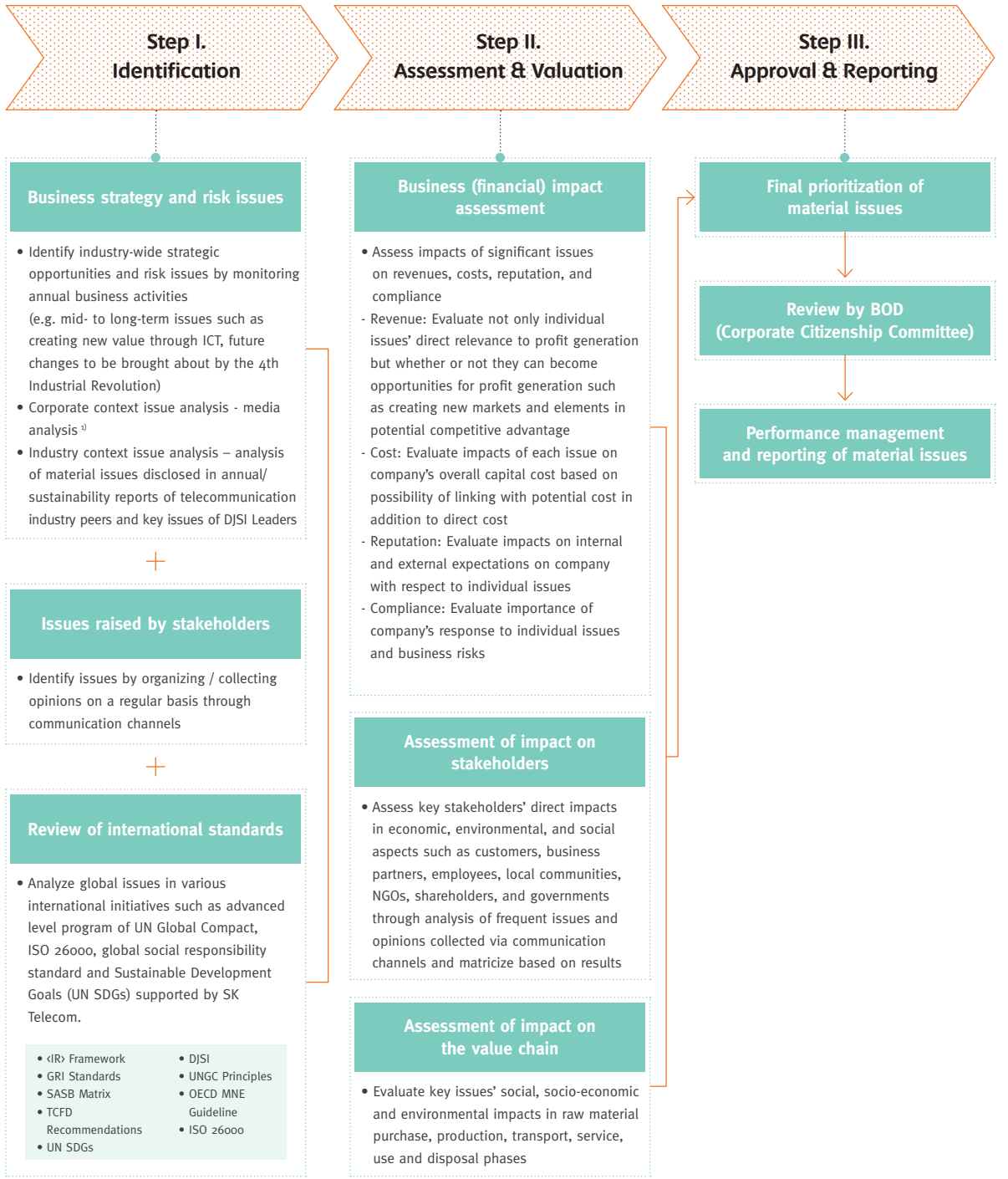
Issues related to SK Telecom are managed as an issue pool according to SK Telecom’s stakeholder engagement process. Economic, environmental and social issues include global political, economic and social issues such as the UN’s Sustainable Development Goals (UN SDGs), global regulations, mid- and long-term social change trends, issues raised by international organizations and NGOs, and known externalities within the business process.

Based on the IIRC’s recommendations, SK Telecom incorporates the following five aspects in its materiality assessment process: 1) Issues that may have a continual impact on SK Telecom’s value creation, 2) Issues related to the company’s strategy, governance and performance, 3) Issues that have a significant impact on key stakeholders, 4) Issues that can provide grounds for boardroom discussions, and 5) Issues that may lead to the loss of potential opportunities and risk if not sufficiently managed.

FRAMEWORK OF SK TELECOM’S MATERIALITY MANAGEMENT



1 MATERIALITY TEST PROCESS



1) Media analysis
- Analysis of keywords in total of 551 articles of 11 daily newspapers in Korea
- Search period: Jan. 1, 2018 – Feb. 13, 2019 (※ Excluding articles related to human resources (promotions etc.), obituaries and homonyms)

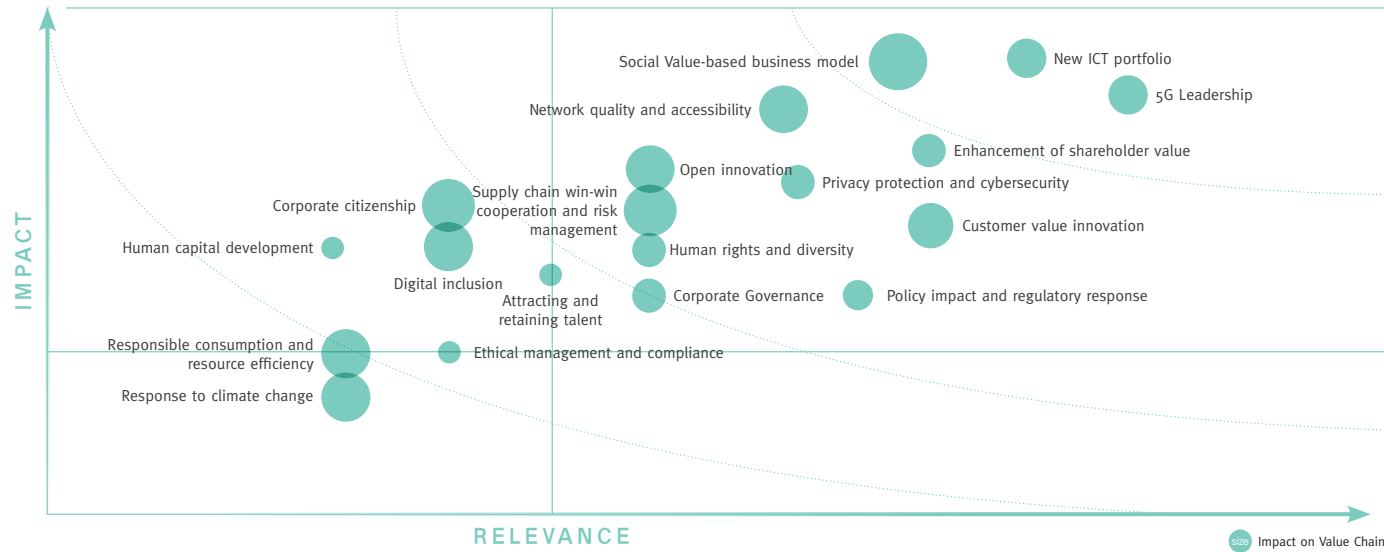
2 RESULTS OF MATERIALITY ASSESSMENT

According to the result of the materiality assessment, SK Telecom identified a total of 19 material issues, including 5G leadership, New ICT portfolio, and social value-based business model, and discloses major achievements, goals and business cases related to the issues in detail throughout this report.

MATERIAL ISSUES

Issues	Reporting Framework Mapping			
	GRI Standards	SASB	TCFD	◁IR▷
5G Leadership	○	○	○	○
New ICT portfolio	○	○	○	○
Social Value-based business model	○	○		○
Enhancement of shareholder value	○			○
Network quality and accessibility	○	○	○	
Customer value innovation	○	○	○	
Privacy protection and cybersecurity	○	○		
Policy impact and regulatory response	○	○	○	○
Corporate Governance	○	○	○	
Open innovation	○	○		
Supply chain win-win cooperation and risk management	○	○	○	
Human rights and diversity	○	○		
Attracting and retaining talent	○	○		○
Corporate citizenship	○	○		○
Digital inclusion	○	○	○	
Human capital development	○	○		○
Ethical management and compliance	○	○		○
Responsible consumption and resource efficiency	○	○	○	
Response to climate change	○	○	○	




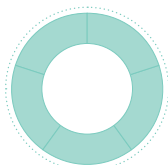

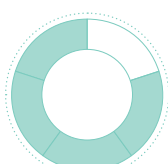
RESULTS OF MATERIALITY ASSESSMENT



Importance to Business				Stakeholders	Reporting Location
Revenues	Cost	Reputation	Compliance		
Very High	High	Very High	Medium	Shareholders, employees	pp.28-41, pp.46-47, pp.56-57, pp.94-95
Very High	High	Very High	Low	Shareholders, employees	pp.28-41, 46-47
High	High	Very High	Low	Shareholder, partners, customers, local communities, government, employees	pp.46-47, 62-71
Very High	Medium	High	Medium	Shareholders	pp.48-49, 74-87
High	Medium	High	Medium	Customers, local communities	pp.48-49, 146-147
High	High	Very High	Low	Customers, shareholders	pp.48-49, p.149
Medium	Medium	High	High	Customers	pp.48-49, 96-97, p.150
High	Medium	High	Very High	Shareholders, government	pp.94-95, p.103, 153
Medium	Medium	Very High	High	Shareholders	pp.74-87
High	Medium	High	Low	Partners, employees, local communities, government	p.58, 151
Medium	Medium	High	Medium	Partners	pp.110-115, 151-152
Medium	Medium	High	Medium	Employees	pp.104-109
Medium	Low	High	Medium	Employees	pp.142-146
Low	Medium	High	Low	Local communities	pp.152-153
Low	Medium	High	Low	Local communities	p.65, pp.146-147
Low	Medium	Medium	Low	Employees	p.144
Low	Low	Medium	High	Partners	pp.98-103
Low	Medium	Medium	Low	Customers, partners, local communities	pp.68-69, p.157
Low	Medium	Medium	Low	Partners, local communities, government	pp.96-97, 154-158


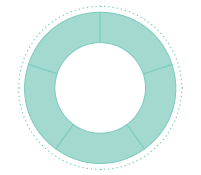

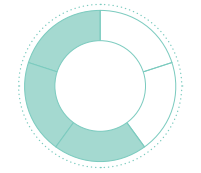

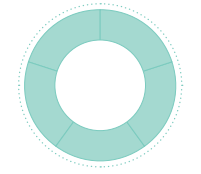


3 MANAGEMENT OF MATERIAL ISSUES

TOPIC	CONTEXT	OUR APPROACH
 5G Leadership	5G is the 5th generation mobile communication standard that follows CDMA (2nd generation), WCDMA (3rd generation), and LTE (4th generation). It also has the characteristics of hyper-speed, hyper-massive connections and hyper-low latency. It is a foundational infrastructure that connects all people and objects and makes it possible to collect and analyze data with artificial intelligence by converting offline areas into wireless, going beyond the norms of smartphones and bringing about structural changes in current business. As 5G was commercialized in Korea for the first time in the world on April 3, 2019, the world's attention has been focused on the excellence and potential of new network infrastructure. As a result, it is needed to thoroughly prepare to lead an ICT ecosystem to which 5G will expand.	SK Telecom is implementing 5G network infrastructure differentiated from that of competitors by combining mobile edge computing (MEC), dual connectivity, and quantum cryptography after contributing to the standardization of 5G technology in 2018. Based on this technology, SK Telecom will lead the 5G market and, at the same time, introduce 5G as a momentum for discovering new business models through services not available in the areas of media, security, commerce, and AI/Mobility. In particular, in consideration of customer needs, SK Telecom prepared services and content in the core areas of hyper-high definition media, AR/VR and games based on 5G technology, and secured its own technological competitiveness and content via exclusive business ties with global top-tier companies.
 New ICT Portfolio	ICT, the center of the 4th industrial revolution, brings innovation to our lives as intelligent information technology that has a great impact on society and industry as a whole. 5G's hyper-connection and hyper-intelligence are expected to considerably boost the potential and efficiency of the entire areas across industries, lifestyles and business. Thus, 5G is expected to create a KRW 1,161 trillion market by 2026. In order to lead the era of innovation that transcends borders and realms, we ought to secure differentiated global competitiveness beyond paradigms of current industries.	SK Telecom aims to lead the 4th Industrial Revolution by setting up portfolios of 4 business divisions - MNO, media, security, and commerce - based on 5G and AI. To this end, SK Telecom will innovate its business models through the sharing of core technology and infrastructure among the 4 business divisions. In addition, SK Telecom will strengthen its cooperative structure with the SK ICT Family and create new business opportunities and social value through cooperation with business partners. We will actively build shared infrastructure through openness and cooperation beyond the boundaries and realize the growth of the value of our company while leading the New ICT ecosystem through the shared structure.
 Social Value-based Business Model	There is a growing awareness that corporates should take responsibility for the various impacts of their management activities on society and promote long-term happiness among the corporates and their stakeholders. Recent global trends in corporates' pursuit of social value and responsible management emphasize social value creation through core business innovation, moving beyond simple social contribution activities. This requires a sophisticated system or valuation methodology to assess and manage the impact of corporate activities that are not reflected in the corporate financial statements or market prices.	SK Telecom promotes sustainable growth by propelling new business strategy of 'creating social value' based on SK group's management philosophy-SKMS(SK Management System). The company also strives to innovate and develop business models that are being required by our stakeholders through the Double Bottom Line (DBL), a methodology for evaluating and measuring both economic and social value creation. SK Telecom measured the integrated performance as a Double Bottom Line by conducting an environmental profit and loss analysis, to assess the environmental impact across the entire value chain, and through the social profit and loss analysis which calculates the social performance generated through products and services. We will continue to communicate social value with various stakeholders and upgrade our Double Bottom Line methodology. At the same time, we will lay out the foundation for sustainable growth by creating true social value in the process of reviewing, supplementing, and improving our achievements.

RECENT PROGRESS	2018 ACHIEVEMENT*	LONG TERM TARGET
<ul style="list-style-type: none">• In June 2018, SK Telecom laid the foundation for building competitive network infrastructure by securing frequency bands at the 5G spectrum auction held by the Ministry of Science and ICT.• In October 2018, SK Telecom succeeded in making the first 5G call in the 3.5GHz band with equipment from Samsung Electronics.• In December 2018, the company launched the world's first 5G smart factory solution in the B2B sector.• In April 2019, we succeeded in commercializing 5G services for the first time in the world. <p>Performance and Outlook, Strengthening ICT Infrastructure pp.28-41, pp.56-57 </p>		Reaching 7 million subscribers (by 2020)
<ul style="list-style-type: none">• In 2018, SK Telecom strategically completed the growth portfolio based on 4 business divisions - MNO, Media, Security and Commerce - as well as securing growth engines for each business division through strategic alliances with excellent partners, investment and mergers and acquisitions.• As of the end of 2018, the proportion of the revenue of the non-telecommunications sector exceeded 25%, and is expected to increase henceforth. <p>Performance and Outlook pp.28-41 </p>		Accomplishing KRW 60 trillion in corporate value (consolidated basis) excluding that of SK Hynix (by 2020)
<ul style="list-style-type: none">• Starting in 2019, 50% of KPI for CEO is made up of social value to enhance the SK Group's ability to create social value.• We are identifying and implementing social problem-solving programs based on business models aligned to social value as well as ICT infrastructure and capabilities- E.g. 2018 results of removing public anxiety and reducing the possibility of re-offending by attaching a location tracking device (electronic anklet) for violent/sexual offenders are KRW 11.3 billion. <p>Creating social value through shared infrastructure, Double Bottom Line Valuation pp.62-65, pp.66-71 </p>		Grow into a global leading company of social value creation in the mid to long term, create social value at at similar level/amount of financial value (by 2028)

* Determined by core achievements and level of contributions to attaining long-term targets in 2018.

TOPIC	CONTEXT	OUR APPROACH
 Enhancement of Shareholder Value	Companies’ endeavors to enhance shareholder value are becoming more important along with the introduction of stewardship codes by the National Pension Service and domestic institutions, and the expansion of shareholder rights. Recent shareholder value increases include maximizing the value of the company from a long-term perspective and returns to shareholders based on solid financial performance, as well as ensuring that shareholders, including minority shareholders, are fully informed and communicated about the performance of the company’s management and key decision-making agenda, and that freedom and convenience of exercising their voting rights are guaranteed.	To protect shareholder value, SK Telecom is steadily strengthening the transparency of independent operation of Board of Directors and is continuously expanding efforts to protect minority shareholders. Our basic shareholder return policies are aimed at raising shareholder returns from a long-term perspective through stable cash dividends based on business performances and realizing corporate value based on continuous growth. To this end, we strive to increase corporate value based on the principle of capital management, which maintains a balance between investment for growth and shareholder return.
 Network Quality and Accessibility	Network traffic has been on a gradual rise due to a recent increase in network use and, in the 5G era where high-capacity content is consumed, reliable network operation and quality control matters more than ever. In addition, in today’s world where impact of information and its utilization in real life is constantly increasing, it is important to reduce the network accessibility gap by ensuring that the benefits of a quality and secure network are equally available, regardless of geographical location.	As SK Telecom secured an additional frequency band in 2016 and introduced new technologies, the company has provided unrivaled communication services in terms of LTE coverage and speed compared to its competitors nationwide. The company is focusing on providing maximum coverage and speed services in the 5G era, and will provide customers with differentiated 5G service experiences through network construction/operation considering the key characteristics of 5G service (speed and latency) and attributes in indoor and outdoor. Moreover, we are expanding 5G network coverage starting from major cities including the Seoul Metropolitan area in the first half of 2019.
 Customer Value Innovation	Customers are at the center of corporate growth and a company must maintain its role and reputation as a trusted company through customer satisfaction. In order to attract new customers and maintain existing customers in mature markets such as the telecommunications industry, it is important create a win-win cycle for the market, businesses and customers by increasing the benefits offered to customers, rather than being involved in unnecessary price competition and marketing policies. Companies can seek sustainable growth in the long term only if they continue to attract and retain customers by offering customer value in the growing business areas of media, security, and commerce.	In order to become a trusted company for customers, the MNO division implemented 8 Customer Value Innovation Programs in 2018, which includes introducing a no-contract pricing plan, strengthening benefits through reorganizing of membership program, and enhancing customer conveniences of roaming services - we were able to achieve tangible results such as improved customer satisfaction, reduced VOC, increased service usage, increased subscribers to price plans and reduced churn rate. In 2019, we plan to push forward with Customer Value Innovation 2.0, to enhance customer value through innovative services and personalized benefits across other business divisions than MNO.
 Privacy Protection and Cybersecurity	An increase in the use of mobile phones, the internet, and e-mail services has triggered more attention on personal information and privacy issues, expanding the need for strong policy guidelines and privacy protection activities for information security. In particular, the importance and impacts of related issues are expected to grow as important information held by telecom companies, such as Location Based Service (LBS) data and demographic information, will be used by third parties or linked directly to sales activities. The use of personal information through ICT has recently been transformed into a human rights issue, and is emerging as an important management area for corporate activities.	SK Telecom has secured the core ability to provide the most secure 5G services by implementing 5G technology that combines quantum cryptography communication technology. We also strive to prevent human rights violations by ICT technologies in all service areas through due diligence process based on our human rights policies. SK Telecom has been conducting diagnoses of personal information protection at all retail shops that are in business with SK Telecom within the distribution network since 2015.

RECENT PROGRESS	2018 ACHIEVEMENT*	LONG TERM TARGET
<ul style="list-style-type: none">• Since 2015, the company has raised its annual dividend to KRW 10,000 per share including an interim dividend of KRW 1,000.• SK Telecom’s consolidated earnings per share (EPS) in 2018 was KRW 44,066, an increase of 20%p or KRW 7,484 from the previous year.• SK Telecom completed the reorganization of its New ICT business portfolio in the direction of maximizing its corporate value from a long-term perspective. We will raise shareholder value by realizing the value of each business.• SK Telecom conducts the following activities to hold shareholder-friendly general shareholders’ meetings.<ul style="list-style-type: none">- We disclose matters related to general meetings of shareholders in electronic forms and upload explanations of the agenda in both languages (Korean and English) on our website.- In 2019, the leaders of the four major business divisions and the CEO made presentations about management performance and answered questions from shareholders at the general shareholders’ meeting. <p>Governance Report pp.74-87 </p>		Advancement of dividend policy based on enhancement of New ICT portfolio value (by 2019)
<ul style="list-style-type: none">• SK Telecom is maintaining differentiated network quality such as ranking No. 1 in LTE downloading/uploading speed in a service quality evaluation by the Ministry of Science and ICT in 2018.• In addition to securing frequencies, we are providing the best network quality by thoroughly managing network risk such as precise prediction of demand and real traffic monitoring and a better process to deal with network failures.• After publicizing our LTE coverage map, we have publicized our 5G coverage map in order to meet customers’ demand on information of network accessibility. <p>Non-financial MD&A - Access to Service, Network Quality Management pp.146-147 </p>		Maintaining number of large-scale communication problems at zero through long-term investment and operational risk management (by 2021)
<ul style="list-style-type: none">• In 2018, SK Telecom pushed forward with an improvement in products and services by setting ‘understanding customers more accurately’ as the goal of its customer surveys and analyses and identifying 53 insights that needed improvement from the viewpoint of customers and implementing 95 tasks.• According to SK Telecom’s own survey, customers’ awareness of wireless communication services in the second half of 2018 improved to 73.5%, compared to 56.4% in the first half.• We also ranked first in Korea’s 3 major domestic customer satisfaction surveys (22 consecutive years in NCSI surveys, 21 consecutive years in KCSI surveys and 19 consecutive years in KS-SQI surveys) and the lowest-ever churn rate (1.2%). <p>Non-financial MD&A - Customer Satisfaction and Customer Safety Indicators p.149 </p>		Keeping first place for longest period in the mobile telecommunications sector of NCSI (by 2021)
<ul style="list-style-type: none">• In 2018, there were zero number of customer information leaks.• We maintained a 100% inspection rate on customer information protection in distribution networks and took corrective measures for matters found through the diagnosis of information security management. <p>Non-financial MD&A - Privacy Protection p.150 </p>		Accomplishing zero leakage of customer information through advanced diagnosis of distribution networks’ information protection (by 2021) Maintaining 100% inspection rate of customer information protection in distribution networks (by 2021)

* Determined by core achievements and level of contributions to attaining long-term targets in 2018.

4

STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS ON MATERIAL ISSUES

Through the company’s continued success and development, SK Telecom seeks to create value for its stakeholders as well as contribute to social and economic development and the well-being of humankind. In October 2016, SK Group revised its management system, SKMS, and expressed its resolution to make ‘stakeholders’ happiness’ its top philosophy and increase the company’s social value. SK Telecom amended its corporate Articles of Incorporation to include this resolution in March 2017, and reflected it in the Corporate Governance Charter adopted in February 2018. To put this into practice, SK Telecom clearly delineates its stakeholders into six groups, namely, customers, business partners, employees, local communities/NGOs, shareholders, and the government and is carrying out management activities based on communication with these groups.

SK Telecom established its stakeholder engagement policies and both internally and externally expressed its commitment to stakeholder engagement. Based upon this, the company further improves 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 requirements for internal and external stakeholders to participate in all management activities, and to provide guidelines from the company-wide perspective related to stakeholder communication to the relevant internal organizations, and to provide a process to resolve stakeholder issues.

SK Telecom transparently discloses its management direction and achievements through various public disclosures, general shareholders meetings, BOD meetings, business reports, and its homepage. The company constantly collects stakeholders’ opinions through various communication channels and promptly responds to them. In accordance with the company’s stakeholder engagement policy, SK Telecom operates a responsibility system in which designated departments and staff in charge are assigned by individual departments to manage and process the communication channels. In 2018, the company was able to identify stakeholders’ main issues through stakeholder communication channels - the issues were then discussed with internal and external experts and were incorporated into the materiality assessment process which is approved by the Corporate Citizenship Committee under the BOD. Through such efforts, SK Telecom was able to expand the overall scope of stakeholder feedback incorporation. SK Telecom will continue to maintain a transparent process to factor material issues through its constant communication channels in order to maximize the management’s strategic decision-making and creation of long-term value.

SK Telecom operates a comprehensive online channel that collects stakeholders’ CSR grievances regarding labor, human rights, environment, and ethics. Through this channel, the company is able to comprehend stakeholders’ feedbacks on its management activities, as well as actively resolve managerial grievances and complaints on cases such as company’s actions that are not socially responsible or any cases of inflicted damage. The received feedbacks and grievances through the CSR Grievance Channel are resolved by the departments through a process of fact-checking, monitoring and due diligence. For cases that seem to be a material CSR issue, SK Telecom reports the content and the handling process itself to the Corporate Citizenship Committee under the BOD. SK Telecom is constantly putting in efforts of improvement to prevent similar cases from happening through incorporating such process into business activities.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS



OPERATION OF CSR GRIEVANCES AND COMPLAINTS CHANNEL



2

OUR BUSINESS OF VALUE CREATION

NEW ICT
Strategy
54

Double Bottom Line
Valuation
66

1 — NEW ICT Strategy

GLOBAL NEW ICT COMPANY
TAKING LEAD IN ICT SHARING AND
COOPERATION ECOSYSTEMS

SK Telecom, will advance to become an ICT Synergy Company that expands the scope of the ICT ecosystem and lead innovation in the age of Hyper-Innovation where the world becomes wireless and limitations in everyday life are boundless.



ISSUE

What are the issues?

The hyper-speed, hyper-low latency, and hyper-connection characteristics of 5G are expected to actualize media content innovation, autonomous vehicles, smart cities/smart factories, which combined with AI (Artificial Intelligence), data and cloud systems, will reorganize the paradigm of all industries to be ICT technology-centered. SK Telecom believes that the current transitioning period of drastic social change is the right time for the company to take the lead and expand the ICT ecosystem to capture new business opportunities.

APPROACH

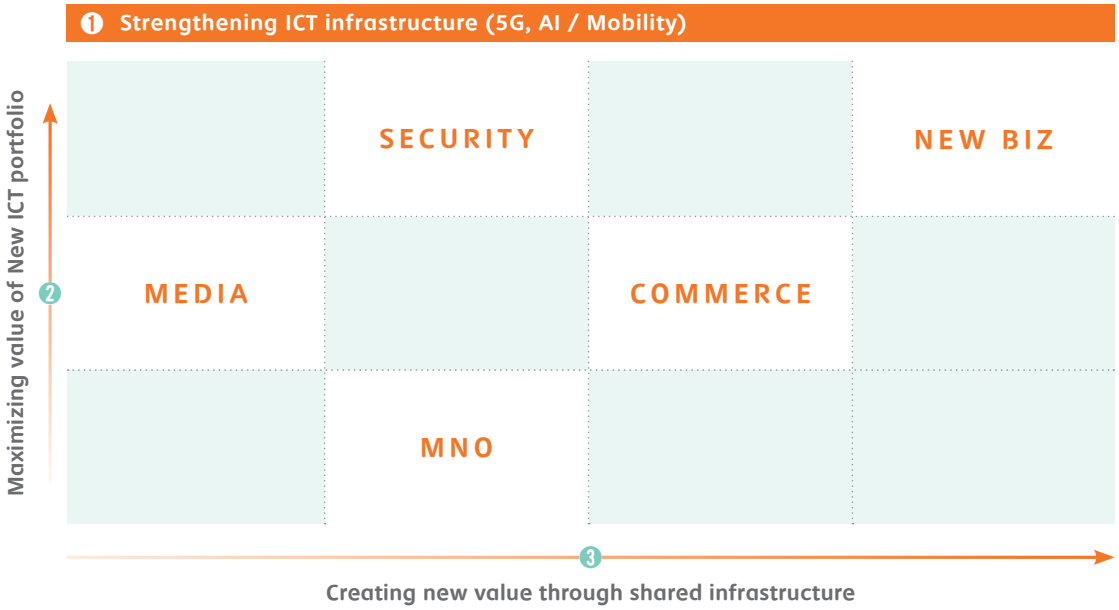
What is SK Telecom's approach?

SK Telecom will lead the growth of changing ICT ecosystems as a New ICT leader and diversify its growth engines by reorganizing the current MNO-oriented business structure into 4 major divisions (MNO, media, security, and commerce). We will evolve into a global New ICT Synergy Company in 2021 by maximizing competitiveness based on the competitive advantage of differentiated core competencies such as 5G networks, AI, and data infrastructure and creating new value through the promotion of shared infrastructure.

VALUE CREATION

How will we create value?

- **5G:** Securing 7 million subscribers (by 2020)
- **Media:** Posting over KRW 5 trillion in Pay-TV revenue (by 2023)
- **Security:** Recording market share of 51% in terms of revenue through synergy with SK ICT Family members (by 2019)
- **Commerce:** Reaching BEP with focus on profitability-driven growth, achieving double-digit revenue growth in terms of open market sales (by 2019)



1	2	3
<p>Strengthening ICT infrastructure</p> <p>"Securing differentiated competitiveness by establishing best technology and infrastructure to lead global ICT ecosystem"</p> <ul style="list-style-type: none">• Taking lead in 5G technology and services and completing 5G Infrastructure• Strengthening competitiveness of all business portfolios with support for AI/data in all directions	<p>Maximizing value of New ICT portfolio</p> <p>"Boosting value of media, security, and commerce business through reinforcement of MNO innovation capacity as anchor business and synergies among businesses"</p> <ul style="list-style-type: none">• Portfolio expansion<ul style="list-style-type: none">- Producing results of business restructuring by business model innovation through ICT synergies among 4 business divisions- Seeking opportunities for sustainable cooperation and alliance with domestic and international top-notch players within business areas• Realizing growth of portfolios<ul style="list-style-type: none">- Reaching total corporate value of KRW 60 trillion by 2021, through independent growth and increase in value of each of the 4 major divisions	<p>Creating new value by sharing infrastructure</p> <p>"Creating new value through opening and cooperation with various players"</p> <ul style="list-style-type: none">• Creating business synergy internally within SK Telecom's 4 business divisions, and sharing capabilities and infrastructure with SK ICT Family• Business model innovation by establishing a win-win framework among industry peers and integrating competencies with companies in different industries• Creation of social value by opening up and sharing SK Telecom's infrastructure<ul style="list-style-type: none">- Become a global leading company of social value creation within 10 years, create social value at similar level/amount of financial value

STRENGTHENING ICT INFRASTRUCTURE

The strengthening of ICT infrastructure comprises the enhancement of 5G networks, AI technology and the innovation of infrastructure. The success of the 4th Industrial Revolution should be based on network infrastructure that enables massive connection of devices, elevates transmission speed, and realizes hyper-low latency services. 5G will act as a stepping stone, not only as a prerequisite, for the processing of a rapidly growing data transmission volume but also as key infrastructure for future technologies such as AI, autonomous vehicles, VR, and the IoT.

At 11pm on April 3, 2019, SK Telecom began the world's first commercialization of 5G services. 5G is the core element that will lead all kinds of business and SK Telecom is concentrating all of its capabilities on securing differentiated competitive edges through commercialization with stability and safety. In 2018, we continued to strengthen our capabilities as a network operator by securing frequencies and standardizing on technology for the 5G era. We cooperated with various partners to seize new business opportunities. Internally, we set up dedicated 5G units, in four major divisions (MNO, media, security, commerce) across the company to strongly drive the 5G business. Each division is centered on maximizing synergies to plan and develop new business models for the 5G era. Externally, SK Telecom contributed to establish 5G technology standards globally to accelerate the launch of commercial 5G services by opening and sharing cutting-edge technology.

As a member of the 3rd Generation Partnership Project (3GPP) with about 50 global ICT companies and standardization organizations, SK Telecom shared 5G core technologies such as radio transmission and reception technology including Beamforming and high-capacity multi-input/output devices, network virtualization, large-volume and hyper-low latency data transmission technology. The company joined the Open Radio Access Network (O-RAN) Alliance, a 5G telecommunications alliance, as a key member to promote cooperation by opening and sharing 5G technologies. Moreover, as a founding member of the Networking project under the Linux Foundation, we took the initiative in exchanges of 5G technologies and services by building and continuously improving an integrated open source framework required for the advancement of 5G network technology with global telecommunications companies such as Verizon, AT&T, China Mobile, Vodafone and Orange.

SEAMLESS SERVICE VIA HIGHLY ADVANCED NETWORKS AND OVERWHELMING SPEED

In June 2018, SK Telecom laid the groundwork for the world's first commercialization of 5G networks by securing a 100MHz from the 3.5GHz band (Block C) and 800MHz from the 28GHz band in the 5G spectrum auction held in Korea. The two bands are the most secure bands for 5G services as they are most scalable and subject to the fewest interruptions. We can achieve about 20% faster speed than other companies through the secured frequencies. Moreover, SK Telecom plans to set up a network that can cover the widest area in Korea. SK Telecom has approximately 34,000 base stations as of April 2, 2019, securing stronger competitiveness compared to its competitors. In addition to Seoul, the company is expanding its competitiveness in 5G network by building coverage around areas where 5G utility is maximized; six major metropolitan cities and 85 key areas nationwide, universities, KTX, metropolitan subway, and beaches. SK Telecom is expanding not only its regional coverage but also its coverage inside buildings. We plan to actualize a transmission speed that is approximately 4 times faster than other companies' through SK Telecom's autonomously developed technology called 'In-Building Total Solution.'

We are focusing on securing differentiated network competitiveness by expanding 5G coverage and optimizing 5G performances and quality and at the same time, striving to strengthen our technological capabilities in 5G network solutions. When storing hyper-high-volume content on smart devices, '5GX Turbo Mode' is instantly activated and increases speed to maximum of 2.7Gbps. 5GX Turbo mode is a state-of-the-art technology that utilizes dual connectivity, which is an international standard technology. When downloading with general 5G, hyper-high capacity VR contents that take more than one minute can be downloaded in just 36 seconds with 5GX Turbo mode. When connecting an autonomous vehicle or a smart home, the 5GX hyper-low latency mode, which increases 5G response speed to the maximum level, enables instant responses in situations where high-volume data must be transmitted and received quickly. The hyper-gap network that enables all of this is a condenser of technical expertise that SK Telecom has accumulated over decades, from CDMA, 3G, LTE and to 5G.

THE MOST SECURE 5G VIA SK TELECOM'S UNIQUE QUANTUM SECURITY TECHNOLOGY

Since SK Telecom established the Quantum Technology Research Institute in 2011, the company has developed quantum cryptographic telecommunications technology. In 2016, the company applied quantum cryptography to a LTE backhaul between Sejong and Daejeon in Korea for the first time in the world. In 2017, we developed the world's smallest quantum random number generation (QRNG) chip. In February 2018, we acquired the Swiss ID Quantique (IDQ), the world's No. 1 quantum cryptographic telecommunications company, to beef up our technological competitiveness. Four of SK Telecom's new technologies related to quantum cryptography are currently adopted as international standardization tasks of the International Telecommunication Union Telecommunication Standardization Sector (ITU-T), which sets standards in the telecommunications sector as an affiliated organization of the ITU, the world's leading international telecommunication organization. SK Telecom is the only company that performs more than four international standardization tasks, which proves that it is the world's best company in the field of quantum cryptography. SK Telecom will gradually expand the application of quantum cryptography technology to telecommunication networks, providing customers with absolute reliability, of which they trust, with tight security in 5G networks where security is expected to become more important.

BUSINESS MODEL INNOVATION VIA AI

Artificial intelligence (AI) can expand the possibilities of the age of hyper-Innovation based on 5G technology. SK Telecom is accelerating the innovation of its existing businesses and the creation of new businesses based on AI. SK Telecom's 'Super Nova' technology contributes to improving service quality and shortening working time by improving the quality of video and audio. By subdividing the number of pixels in low-resolution images, the technology can find optimal colors for separated pixels with an AI-based deep learning algorithm, thereby improving not only video but also audio quality. The Super Nova technology, originally developed to secure high-quality images required for semiconductor quality assurance (QA), was successfully used by SK Hynix in October 2018 and succeeded in greatly boosting the efficiency and productivity of manufacturing processes. The technology is expected to widespread as a solution that can be applied in various industrial sectors such as smart factories, content platforms, intelligent security services and e-commerce. SK Telecom will continue to focus on securing promising technologies and creating synergy so that AI and data technologies can become the foundation for corporate competitiveness and innovation in business models.

SK TELECOM WINS SEVEN PRIZES IN 'TELECOM ASIA AWARD'

SK Telecom took home prizes in seven categories including the 'Best Mobile Carrier' and 'Most Innovative 5G Use Case' in 2019 followed by prizes in the 'Best Mobile Carrier' and 'Most Innovative Network Transformation Initiative' categories in 2018 at the Telecom Asia Awards, a leading ICT award program in Asia. It is a phenomenal achievement for one mobile carrier to win seven awards at a global awards event. In particular, global mobile carriers fiercely competed with one other in the technology and service areas as 2019 is the first year of the commercialization of 5G services.

SK Telecom announced our strategy for the expansion of 5G smart factories and introduced various solutions that combine 5G and advanced ICT such as 5G multifunctional collaboration robots, 5G smart flexible production facilities, AR smart glasses, and AI machine vision in December 2018. The 5g smart factory initiative was selected as the best 5g practice, picking up 'the Best Global 5G Use Case Prize.'

In the technology field, Mobile Edge Computing (MEC) technology, called a shortcut of data communication in the 5G era, garnered a lot of attention. 'TANGO,' 'T-CORE,' and 'SDN & Naas Platform,' an AI-based network operation analysis and management solution, also won prizes after heated competition. In the service sector, favorable reviews were given to 'oksusu Social VR' and Living Fairy Tale with 'T Real Platform' based on AR/VR technology. With these honors, SK Telecom was internationally recognized once again for its ICT technology leadership and will become a leading mobile telecommunications service provider in Asia and the world by developing innovative services that will lead the upcoming 5G era.

telecomasia Awards 2019

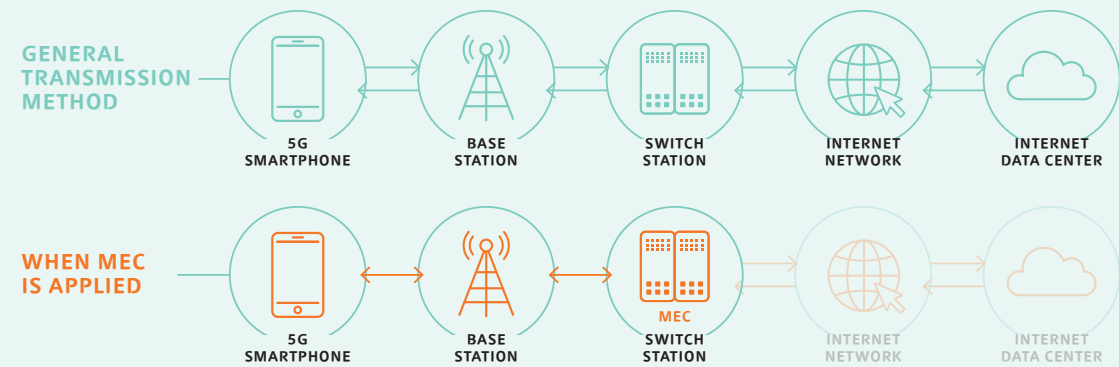
Categories	Projects
Best Mobile Carrier	1st global 5G Commercialization
Most Innovative 5G Use Case	5G Smart Factory
Most Innovative Approach to Analytic	AI-based infra operation solution
Most Innovative Network Transformation Initiative	1st global 5G MEC MEC=Mobile Edge Computing)
Most Innovative NFV/SDN Implementation	Carrier SDN & Naas platform
Most Innovative OTT Video Service	oksusu social VR
Most Innovative Video Service	Live fairy tale

CASE 1 SHORTCUT IN DATA TRANSMISSION - MEC, CORE HYPER-LOW LATENCY 5G TECHNOLOGY

Mobile edge computing (MEC) is a technology that processes information at the edge nearest the mobile user, as its name suggests. Whereas the original data processing method was centralized, mobile edge computing reduces network latency time and provides seamless hyper-low latency mobile telecommunications services by storing, processing and transmitting data in the communication network that is closest to a user.

In general, there were at least four steps to transfer data from a 5G smartphone to an internet data center, but MEC technology will shorten it to two steps, reducing data latency by up to 60% when used in the 5G network. MEC's dramatic reduction in data transmission time is particularly important in AR/VR services, cloud games, autonomous driving/vehicle control and real-time live broadcasts, all of which require hyper-low latency. It is expected to bring about big changes in the 5G era such as the prevention of customer safety accidents and hacking. In the case of an autonomous car, if a car accident occurs in the Busan section of the Seoul-Busan Expressway, CCTV data is transmitted to an integrated control center in Seoul via optical cables. But if the MEC has a server connected to a telecommunications network that is adjacent to the road, the data can be directly transmitted to neighboring vehicles without being sent to the central server, thereby shortening telecommunications delay time for autonomous driving. In addition, MEC can be a solution to reduce security problems by eliminating the need to go through a wired internet section that is difficult to manage and control while uploading sensitive data such as photos and videos. SK Telecom's unique quantum cryptography technology can be applied to MEC services, so the company is planning to develop innovative MEC services based on its assets and data. SK Telecom's current MEC technology reduces the transmission interval by installing small data centers at 5G base stations or switches - SK Telecom has been striving to develop platforms and expand the ecosystem based on MEC technology. In 2018, SK Telecom signed a business agreement for technology cooperation with Deutsche Telekom's subsidiary MobiledgeX in Germany. In 2019, we introduced an industrial AR service powered by MEC together with MobiledgeX at the 2019 Mobile World Congress (MWC) and are cooperating on an MEC developer ecosystem with the International Telecom Infra Project (TIP) led by Facebook. In March 2019, SK Telecom completed the establishment of an open MEC platform, unveiled and shared the platform for business partners to easily provide relevant services. Developers will be able to enhance the quality of customer service experiences by linking services that require the characteristics of hyper-low latency with the SK Telecom's MEC platform. In addition, we are supporting partners so that they can receive the various data and functions necessary for service development by providing an open application programming interface (API). SK Telecom will do its utmost to realize 5G services and technology with overwhelming speed and safety by taking the lead in technology development and expanding 5G ecosystems.

MEC TECHNOLOGY APPLICATION METHOD



CASE 2 ENHANCING 5G NETWORK SECURITY WITH TOP CLASS TECHNOLOGY

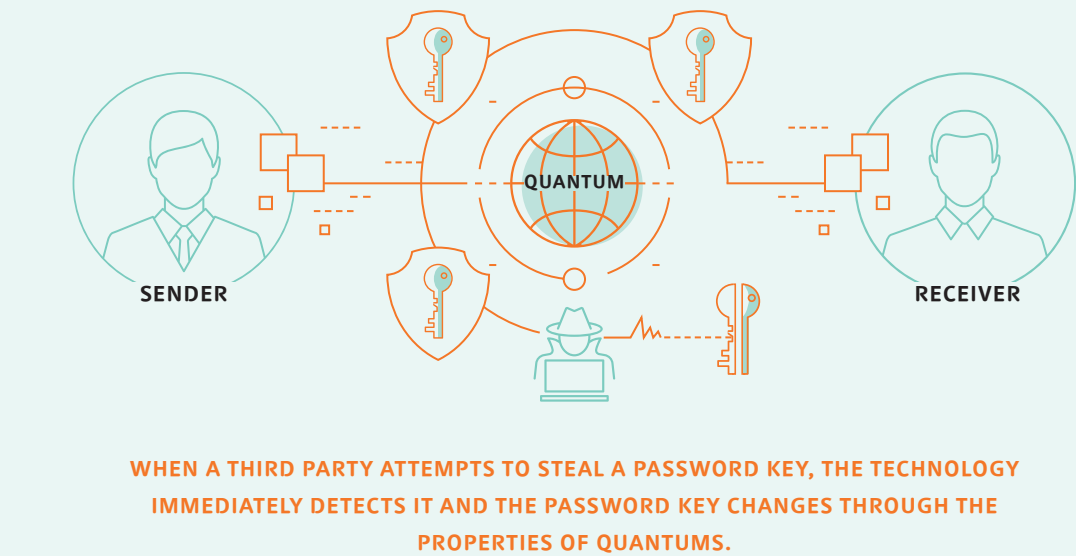
The upcoming Age of Hyper-Innovation means the birth of a hyper-connection world where all objects and people are connected via networks. In areas where thorough security is required such as autonomous driving, finance, telemedicine, and smart factories, vast amounts of data will be transmitted through 5G networks. This is why SK Telecom concentrates on implementing the highest level of secure telecommunications infrastructure through quantum cryptographic telecommunications technology in line with the evolution of 5G services.

Although current cryptographic algorithms in telecommunication system seem random, the algorithms actually consists of figures with certain patterns. As quantum computers are emerging with data processing speeds 100 million times faster than current-generation supercomputers, the importance of security is on the rise as the predictability of existing cryptographic schemes increases. Quantum cryptographic telecommunications technology uses the characteristics of quantum physics to prevent eavesdropping by creating cryptographic keys that only senders and receivers can decrypt. It is assessed as the most secure telecommunications encryption method among security technologies available at the present.

SK Telecom has applied the Quantum Random Number Generator (QRNG) of IDQ, a Swiss quantum cryptographic telecommunications company that SK Telecom acquired last year, to 5G subscriber authentication servers since March 2019. The subscriber authentication process is the first and essential step for a device user. If the authentication key value is leaked, customer information can be used for crimes such as eavesdropping and hacking, so security at this stage is more important than anything else.

The QRNG used by SK Telecom at the subscriber authentication stage is a device that generates random numbers that cannot be used in analyzing patterns themselves using quantum characteristics and blocks the risk of being hacked through the telecommunications network. Moreover, starting from April 2019, SK Telecom will make 5G and LTE data transmission and reception more secure by beefing up IDQ's quantum key distribution (QKD) technology in the Seoul-Daejeon section, which is the core transmission area of data traffic, and expand its application step by step.

PRINCIPLES OF QUANTUM CRYPTOGRAPHIC TELECOMMUNICATIONS



MAXIMIZING VALUE OF THE NEW ICT PORTFOLIO

SK Telecom is pursuing a new ICT business strategy with the key direction of innovating business models and connecting and integrating them with one another. With these integrations, the company can generate portfolio synergies to maximize the value of individual business divisions and the company as a whole on the basis of 5G services and AI in all its business areas – MNO, media, security and commerce.

The MNO business will provide core assets for key business areas of SK Telecom based on customer data accumulated for 35 years, distribution networks and network infrastructure. SK Telecom will be able to understand better on what customers want through digitalized data analysis and solidify our position as the No. 1 operator in the 5G era with our scientific marketing and customer value innovation.

The media business will expedite its current growth by sharpening content competitiveness and providing innovative technology-based customized services to cope with the rapidly changing market. In 2019, a new joint corporation with POOQ, an OTT alliance-based company of Korea's three terrestrial broadcasters, will grow into the number one media OTT in Asia by harnessing SK Telecom's technological capabilities, oksusu's subscriber base, and the three terrestrial broadcasters' content creation capabilities. The merged entity of SK Broadband and t-broad will also contribute to strengthening SK Telecom's media competitiveness.

The security business will focus on stabilizing the convergence security portfolio built in 2018. ADT Caps, taken over by SK Telecom, is expected to create synergies between the company's global operating system and profitability, competitiveness in the mid-sized enterprise market, and that of SK Infosec's largest number of security experts in Korea, overseas bases, and sales power in the market of large companies and the public sector. In addition, ADT Caps will be able to create cross-selling opportunities with home/individual customers of SK Telecom/SK Broadband.

The commerce business will be reborn as a commerce portal that sells all of SK Telecom's tangible and intangible products in pursuit of profitable growth. Currently, we are selling Home Products from Caps Home – the subsidiary of ADT Caps at 11st. 11st is emphasizing creating synergies with SK Telecom's business portfolio and various products/services such as offering discounts on fares for T map taxi when using the mobile payment system 11Pay. Eleven Street Co. Ltd. launched as a separate corporation by attracting KRW 500 billion in foreign investment and spinning off from SK Planet this year, will gradually evolve into Korea's leading commerce portal thanks to the growth of the e-commerce market.

CREATION OF NEW MARKETS THROUGH BUSINESS INTEGRATION

1. ICT Convergence Security Solution

In 2018, SK Telecom acquired ADT Caps, the No.2 domestic physical security, and merged it with NSOK, followed by the acquisition of SK Infosec, the No.1 domestic information security company to establish the ICT convergence security portfolio. SK Telecom is striving to optimize the physical security business through utilization of AI.

SK Telecom's ICT convergence security service is to speed up physical security responses and optimize all the security systems based on 5G networks and technology. For example, AI can predict an area where accidents are likely to occur. Optimizing movements by security personnel and vehicles, AI shortens the time from departure to arrival and responds after making accurate judgments about specific behaviors and anomalies with high-quality intelligent analysis of images using 5G-based big data. It enhances the accuracy of alarms by combining IoT sensors and image analysis and creates an environment where security drones perform most external monitoring tasks.

One of the main services of SK Telecom's security solutions, Intelligent CCTV T view, can grasp abnormal symptoms on its own based on deep learning, a core AI technology. With functions such as real-time trespass surveillance, confirmation on number of people within designated area, automatic improvement on video quality in case of bad weather or nighttime, detection of damage in camera, and storing images to cloud server after encryption, T view prevents dangerous situations by alerting security managers or send them on site, or make pre-arrangements of personnel or vehicles on site where high possibility of dangerous situation is expected. SK Telecom will maximize the synergies of the merger by achieving quantitative and qualitative growth of the Security Division by changing the landscape of competition in the physical security market by utilizing video security technology and big data.

2. Combination of State-of-the-art Technologies, 5G Smart Office

In February 2019, SK Telecom launched '5G Smart Office' to create synergies between its business divisions and to boost the efficiency and productivity of its partners following 5G Smart Factory. 5G Smart Office is a combination of high technologies such as 5G, AI, the IoT, security and AR/VR. It is a space where people can work while exchanging data without the limitations of time and space as people, devices, and sensors are closely connected to one another no matter when and where they are. 5G technology can not only facilitate high-capacity data transmission, but can also enable real-time collaboration and contribute to creating an efficient work environment in order to process simple tasks such as the reservation of a conference room, the operation of air conditioning and heating systems. For example, 5G Smart Office proposes a customized work space based on emotional analysis of employees, and 5G Virtual Desktop Infrastructure (VDI) docking system allows employees to instantly connect to the virtual desktop environment with their smartphone (without PCs or laptops), shortening the time spent in setting up and starting work. AR glasses enable those in distant locations to view large-volume image data together or have a meeting with a 3D design drawing as if they were in the same room through simultaneous access.

SK Telecom plans to study ways to develop its business model through partnership with cloud providers, hardware and software partners, and security solution companies while running 'a 5G Smart Office' as a test bed. We expect '5G Smart Office' to act as a catalyst for knowledge-intensive industry innovation and create social value by maximizing work efficiency and productivity.

STRENGTHENING AI-BASED BUSINESS COMPETITIVENESS

1. Media Platform Innovation, oksusu and Flo

The competition in the mobile media content market has never been more intense - the market is becoming a test bed for strategic differentiation into which global companies, such as Apple, Netflix, Amazon and others are throwing their hats in order to attract consumers based on innovative technologies. SK Broadband's oksusu, the No. 1 OTT provider in Korea with 973 million subscribers as of the end of 2018, is also continuing to innovate both internally and externally to sharpen its competitiveness. Internally, the SK Telecom Media Labs, the AI technology unit and SK Broadband are promoting AI-based media platform innovation by teaming up with one another. In September of 2018, SK Telecom launched a Recurrent Neural Network (RNN) model, an artificial neural networks with matrix factorization method, a content recommendation algorithm based on AI technology. Developed under the idea that the human brain is based on continuous information rather than a fragmentary way when it accepts information, the RNN model can analyze the video streaming pattern of our customers' by referring to the association with previously watched contents. In addition to simply viewing customers' viewing histories, it also collects the number of streaming and playback times of the same content and feeds interest and concentration levels into the content recommendation system. As a result, customers can save time and receive more precise content recommendations. In addition, we developed 'Scene Discovery,' an AI-based scene retrieval technology, in line with media consumption trends in a mobile environment. Scene search technology enables AI to collect scenes of viewers' favorite actors in specific situations such as kissing, dancing, and eating. We will gradually enhance scene detection technology that has been applied to B TV since August 2018 by developing emotion recognition technology based on human facial expressions and speech recognition technology. In addition, SK Telecom is creating synergies with the reinforcement of media content by launching Flo, a music platform that utilizes the SK Telecom Media Labs' deep learning technology and the AI Center's sound analysis technology. Unlike traditional domestic music platforms that provide services based on real-time popular charts, Flo is a personalized music platform that allows users to discover their own musical tastes through deep learning. As Flo accumulates user data, the likelihood to find the right kind of music for the user increases. The platform also provides playlists recommended by experts that are categorized into genres, situations, and mood. In addition, with the Adaptive UX, users are able to choose one of several playlists based on music preferences, favorite artists and genres, and real-time music charts. Users can create up to three characters per user ID to distinguish music preferences, which presents an environment that allows users to listen to music of preference for each different lifestyle situations such as commuting, workout/exercise, and playing music for kids.

2. 11st Evolving into Smart Commerce Portal

11st's deep learning-based image analysis technology is highly competitive. If a user wants to find fashion items that are difficult to express by words, the user can find similar items through 'Image Search' in 11st's search box. The user can search for an item with a photo taken by the user or use the 'Style Finder' function to search for similar-style items listed on 11st.

Deep learning-based image analysis technology is used not only to search for similar images but also to bundle products of the same type. It automatically clusters products of same type from different vendors and exposes them in the search results, thereby increasing customer convenience and enabling them to quickly navigate through various products. In addition, the image analysis technology is prevalently being used on 11st, which provides seller-friendly functions that enables to adjust inappropriately categorized products in the registration stages, using 'product category determination technology.'

CREATION OF SOCIAL VALUE THROUGH SYNERGIES AMONG SK ICT FAMILY

SK Telecom is constantly contemplating to find ways to prevent disasters and prepare for emergencies by using the New ICT technology. In November 2018, SK Telecom launched an integrated fire management solution that can remotely monitor wireless fire detectors and quickly find out their locations through a dedicated IoT network. Most of the current fire-management equipment were simple fire detectors connected to receivers through lines in buildings. It is difficult for wired receivers to detect the locations of fires quickly, and fire detectors frequently fails due to negligent management. A standalone wireless fire detector that covers up the shortcomings of wired receivers also has its limitations as it cannot cope with a fire in a remote place.

SK Telecom's integrated fire management solution enables the real-time monitoring of information sent by a wireless fire detector through the LoRa network. This allows automatic monitoring of temperature information and abnormalities of equipment in a building and can effectively respond to fires by accumulating and analyzing data. In particular, this solution is based on the mobile web, thereby places vulnerable to fire can be monitored with mobile devices anytime and anywhere. Fire detectors connected to the LoRa network automatically update room temperature information every hour to a cloud computing system and sends battery information once a day, allowing users to analyze data. In this context, SK Telecom is advancing services by combining the services of SK Broadband and ADT Caps such as applying SK Telecom's wireless fire management solution to 'CLOUD CAM,' an intelligent video security service of SK Broadband, and the 'ADT Fire Monitoring Service' of ADT Caps.

CREATING NEW VALUE THROUGH SHARED INFRASTRUCTURE

Infrastructure that SK Telecom has accumulated over the years such as networks artificial intelligence (AI), data, distribution network, is expected to create new market opportunities, such as autonomous vehicles and smart cities in the mid- to long term. SK Telecom will improve management performances and corporate value, and create more social value by developing its ICT and management support infrastructure into infrastructure shared with affiliates and business partners.

First of all, SK Telecom is pursuing shared infrastructure among the MNO, media, security, and commerce divisions. For example, by collecting and analyzing customer data through areas with high contacts with customers such as MNO, IPTV and e-commerce, the company can acquire insights and knowledge of customers and use them in order to create new business models. Furthermore, based on network stability and safety, part of SK Telecom’s major competitiveness in the 5G era, we will be able to build a virtuous cycle of value creation based on data and network infrastructure such as expanding the base for IoT services including autonomous vehicles and healthcare. In addition, we plan to concentrate group-level capabilities including affiliates and invested companies through shared structure among all the members of the SK ICT Family. SK ICT Family refers to ICT affiliates of the SK Group including SK Telecom and its subsidiaries. We will seek to enhance the utilization of core infrastructure capabilities between companies and build a win-win business model through cooperation. For example, we can build a new collaborative framework by connect with business partners and integrating purchasing infrastructure and will seek constructive and mutual growth.

Furthermore, we will create value in a broader area by pursuing shared infrastructure with other companies and society as well. We will veer away from the exhaustive competition that had lasted in order to expand market shares for many years among mobile carriers and switch to a win-win frame for the purpose of fueling growth. In addition, we will look for and develop new profit structures through the convergence on competencies of different industries. We will also try to find ways to maximize positive effects that contribute to solving social problems and minimize negative effects of business activities by measuring and assessing socio-environmental impacts through business.

The shared infrastructure defined by SK Telecom means going beyond simple sharing, having insight into correlations among segmented thoughts and scientifically reconstructing them to create new value. SK Telecom will create integrated value beyond the current value creating paradigm and build an ICT ecosystem for sharing and cooperation as the New ICT leader that will lead changes in industry and lifestyles.

CREATING SYNERGIES THROUGH SHARING OF TANGIBLE AND INTANGIBLE ASSETS

SK Telecom is seeking ways to enhance the social and economic efficiency of its assets by sharing its tangible and intangible assets with its stakeholders. Recently, the company provided its service vehicles for the Korean Red Cross to be used as blood collection vehicles. At the same time, SK Telecom dispatched the vehicles to take claims by offering consultation, inspection, diagnosis, while also providing mobile device repair services for our customers residing in remote areas or military bases where our customers had often experienced inconvenience from getting customer service. We are planning to expand the scope of this program as it has the advantages of encouraging people’s participation in blood donation and creating social value while enhancing service accessibility for customers.

Moreover, in order to solve recently emerging social problems of fine dust, we launched a fine dust map application ‘Everyair’ through collection of fine dust data by installing air quality measurement sensors in SK Telecom retail shops and 1,200 indoor and outdoor base stations all over the nation, collaborated with electronic carts of Korea Yakult Co. Ltd., and fine dust measurement system of Winix. Moreover, we opened branch offices and retail shops in major cities throughout the country starting in 2019 with the belief that ICT is the future competitiveness of Korea, and is also pushing a coding education project, utilizing a smart robot ‘Albert’ for children aged from 6 to 10. We are also operating ‘Exciting Coding Class,’ a pilot program, which is geared toward promoting creative and convergence ICT education for children to provide education infrastructure for children who want to study after hours, utilizing time after 18:00 or Saturday at branch offices for the program.

CREATING SOCIAL VALUE BASED ON ICT CAPABILITIES

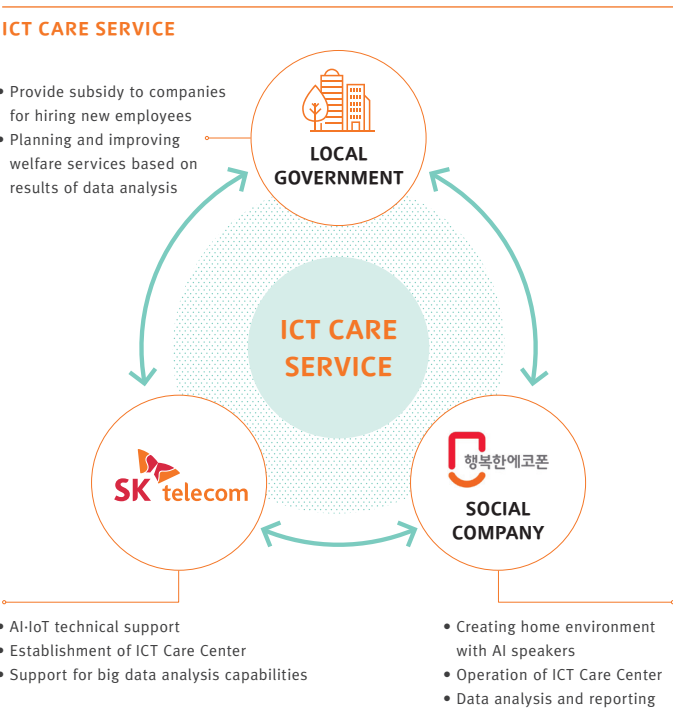
According to the Statistics Korea, the number of senior citizens who lives alone, aged 65 or older, are expected to surge from 1.2 million in 2015 to 1.97 million in 2025. This trend is steadily expanding the construction of welfare centers and labor cost for welfare center operation. In October 2018, SK Telecom signed an MOU with local governments to create social value. Under the agreement, local governments are supporting social enterprises with job-related budgets, and SK Telecom has been providing its own ICT technology such as AI and the IoT. In 2019, we are providing the ‘ICT-Care Services’ for senior citizens living alone in 8 municipalities (Seongdong-gu, Yeongdeungpo-gu, Yangcheon-gu, Jung-gu, Gangnam-gu, and Seodaemun-gu in Seoul, Hwaseong in Gyeonggi-do and Seo-gu

in Daejeon). As part of ‘the Happy Community’ project that creates social value by sharing SK Telecom’s infrastructure and innovative ICT technology, the ICT-Based Care Service designed under the slogan of ‘Technology Becomes a Neighbor,’ distributed the speech recognition AI speaker ‘NUGU’ to a total of 2,100 people and is providing additional devices such as smart switches and door security sensors, depending on the selection of local governments. In addition, by providing NUGU (voice recognition AI) service to social enterprises such as ‘Happy Eco Phone,’ we assist senior citizens who lives alone through providing AI-based devices that becomes friends with personalized services for the elderly ranging from emotional conversations, music, weather forecast, news and fortune-telling. We are also monitoring the environment of senior citizens living alone with IoT sensors, and provide health care solutions such as IoT-based blood glucose measurement as well as location alarming services and for elderly patients with dementia. Such joint ‘ICT-Care Service’ projects will be implemented in the form of pilot project for senior citizens living alone, starting within the municipal districts of 4-5 local governments such as Seongdong-gu, Seoul, and will gradually expand in the future. SK Telecom is continuing to cooperate with the national and local governments to ensure that ICT-Caring Service is not limited to the implementation in 8 local governments but to settle as law and system. SK

Telecom will continue to open and share the cutting-edge ICT technologies such as AI and IoT, and build a sustainable ecosystem that can solve the problems of senior citizens living alone.

SOLVING SOCIAL PROBLEMS WITH INNOVATIVE ICT TECHNOLOGY

Recently, our society is suffering from voice phishing. In the first half of 2018, the amount of damage caused by voice phishing was estimated at KRW 180.2 billion, a 73.7% increase from the first half of 2017. Therefore, it is urgently needed to tackle the phishing issue. Not only has the damage increased, but also voice phishing methods have become more sophisticated. This situation has prompted SK Telecom to develop and introduce artificial intelligence technology with the Financial Supervisory Service to prevent voice phishing cases. Unlike the old filtering system that checks whether a voice is from a voice phisher based on the use of a specific word, the new filtering system based on AI can judge whether or not a voice phisher is making a call based on the context of sentences, thereby preventing voice phishing more accurately and efficiently. Hence, the new system will significantly reduce phishing damage and fraudulent activities. Moreover, while SK Telecom develops technology that informs users in real time when voice phishing is suspected during voice calls, the Financial Supervisory Service will support the development through providing data related to voice phishing scams. SK Telecom is making efforts to prevent crime and protect victims by utilizing its LBS (Location Based Service) technology based on mobile communication and IoT and big data technology. SK Telecom and the Ministry of Justice have continuously collaborated to beef up the social safety net based on electronic monitoring devices since the introduction of the electronic monitoring system for domestic criminal probation in 2008. In November 2018, the two organizations signed an agreement to promote crime prevention based on advanced ICT technology. Under the agreement, we decided to move ahead in developing electronic protective devices & systems for the socially disadvantaged such as victims of crimes and assemble a joint big data research Task Force to develop a preemptive crime prediction system. SK Telecom will contribute to create a safe, crime-free social environment by sharing our advanced ICT technology with government and the society.

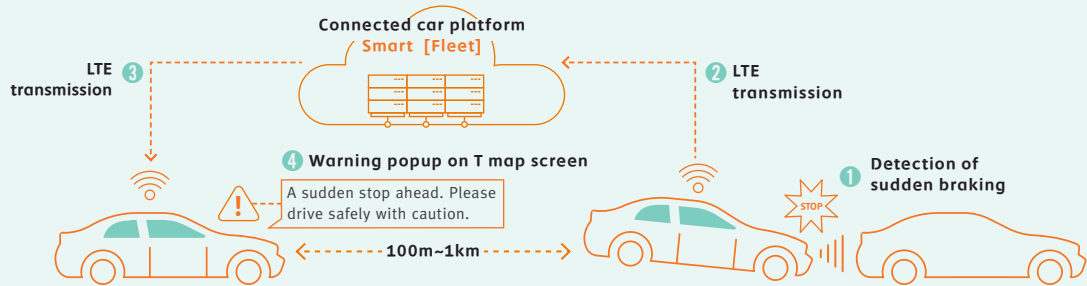


CASE 1 THE MOST INNOVATIVE MOBILE APP ‘T MAP’
- CREATION OF SOCIAL VALUE THROUGH TECHNOLOGY AND BUSINESS MODELS

According to the Road Traffic Authority, ‘non-compliance with safe driving’ provoked about 120,000 traffic accidents in 2017, which killed approximately 3,000 people. ‘Failure to comply with safety driving’ includes activities that interfere with safe driving such as distractions due to mobile phone use and watching DMB TV while driving. The failure was blamed for about 70% of all fatalities caused by traffic accidents in 2017. SK Telecom set out to reduce the casualties caused by such kinds of traffic accidents. In September 2017, SK Telecom launched a service that allows users to change their destinations with voice commands to the AI platform NUGU on T map in September 2017. In February 2018, V2X technology was applied to prevent the drivers from the potential accidents. T map V2X AI is a technology that acknowledges sudden brake of foregoing vehicle using T map and automatically alerts following vehicles using T map within maximum range of 1km through motion sensors in smartphone, GPS information and big data. With the alert from T map, the driver of following vehicle is able to prevent accidents by gradually decelerating, even in circumstances of low visibility. Since its launch, T map V2X has delivered 100,000 alarms a month to users, helping to prevent major accidents and secondary collisions. Based on these achievements, T map V2X took home the prize from the Minister of Science and ICT at ‘The 18th Mobile Technology Awards’ in December 2018 and won ‘the Best Innovation Mobile App Prize’ at the GSMA Global Mobile Awards, a sub-event of the MWC (Mobile World Congress) in Barcelona in 2019.

SK Telecom is working with various stakeholders to promote the creation of social value through business models as well as T map technology. In 2019, the company launched T map taxi app for taxi drivers with hearing loss, called the ‘Quiet Taxi Program’ to help them work in a better working environment by collaborating with a social enterprise, ‘Coactus.’ Whereas other taxi applications are mainly designed for general taxi drivers, which made it difficult for taxi drivers with hearing loss to use, T map taxi app is loaded with functions that provide convenience for drivers with hearing loss such as a blink notification function for preventing call drops, and a message function for communication between drivers and passengers. Moreover the app provides a visible ‘call-accept button’ which is a functions that enables a taxi driver with hearing loss to easily accept a call while driving.

T MAP V2X TECHNOLOGY IMPLEMENTATION SCENARIO



WINNING BEST INNOVATIVE MOBILE APP AT GLOBAL MOBILE AWARD 2019



EFFECTS OF T MAP ‘QUIET TAXI’ APP FOR DRIVERS WITH HEARING LOSS

Laying foundation for self-reliance for people with hearing loss

KRW 26,040,000 per year
(Based on average annual salary of taxi drivers in Seoul)

Putting idle taxis to use

Employment of 100 taxi drivers increases taxi services by 717,600 per year

Job creation for the people with hearing loss

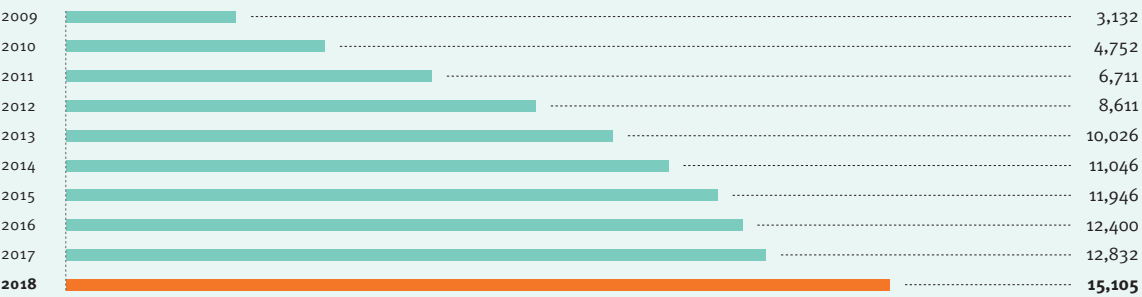
Hiring 1,000 taxi drivers with hearing loss by 2020

CASE 2 RESOLVING DIGITAL DIVIDE OF SENIOR CITIZENS

A 2018 report on the digital divide by the Ministry of Science and ICT and the National Information Society Agency states that the level of disadvantaged people in terms of information accessibility (persons with disabilities, low-income households, agricultural population, aquaculture population, senior citizens) stood at 68.9%, compared to those who were not. Among them, the senior citizen group recorded 63.1%, standing at the lowest level. Such digital divide may make it difficult for senior citizens to enjoy the convenience of ICT technology use and set off generational conflict and income gaps. According to the United Nations, Korea has now become an aged society with senior citizens aged 65 and over accounting 14% out of the total population. This means that the increase in the elderly population and the digital divide should be regarded not as a temporary problem facing individuals or families but as a social problem to be addressed by all of members of Korean society. Since 2007, SK Telecom has been running the ‘Happy Mobile World Program’ by operating a college student volunteer group who helps the older generation learn how to use mobile phones. In 2018, it was expanded and reorganized into an ICT education project for senior citizens of the ‘Happy Community Project.’ Under the goal of resolving social problems by sharing SK Telecom’s infrastructure, the Happy Community Project launched ICT education programs for local communities at 30 direct retail shops and 24 direct retail shops in Seoul Metropolitan area, respectively. At each retail shop where the program is implemented, 2 staff members trained as smartphone class instructors teach the older generation how to use applications for finance, checking bills and making reservations and smart devices. Efforts to resolve the digital divide against senior citizens will not only improve their information and communication accessibility, helping to solve social problems but also positively affect long-term profitability improvement of various business models of SK Telecom. If the annual average growth rate of smartphone subscribers (9.75%) among those over 60 is maintained, the smartphone use ratio will exceed 90% at the end of 2019. Accordingly, it is forecast that at least one million feature phone users will switch to smartphone subscribers from the end of 2018 to the end of 2020, resulting in annual revenue growth of approximately KRW 161.4 billion.

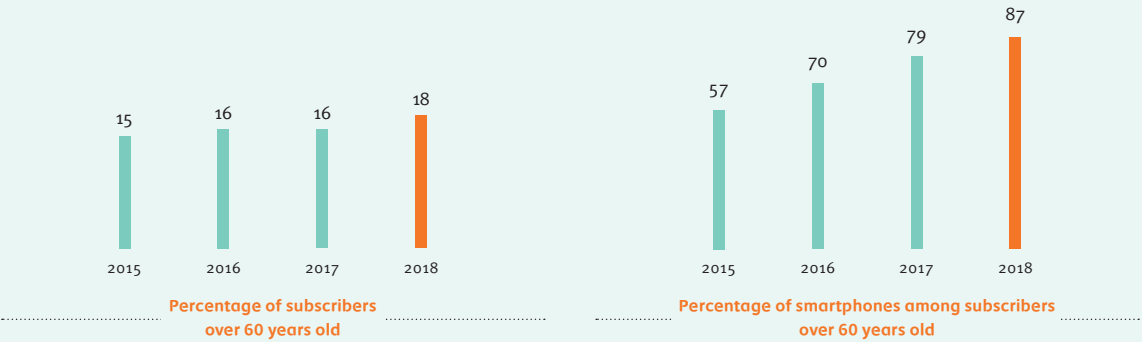
RESULTS OF SMARTPHONE EDUCATION FOR SENIOR CITIZENS

(Cumulative Number of Participants)



SUBSCRIBERS OVER THE AGE OF 60 & RATE OF SMARTPHONE USE

(%)



2 — Double Bottom Line Valuation

CREATION OF FUTURE VALUE BY MEASURING SOCIAL VALUE BASED ON DOUBLE BOTTOM LINE

SK Telecom pursues Double Bottom Line which evaluates not only economic value but also social value created through business operations as an axis of business performances and seeks to achieve sustainable growth by factoring Double Bottom Line into the entire management decision making process.



ISSUE

What are the issues?

Although the reason for existence of companies were only focused on ‘profit seeking’ in the past, these days corporate social responsibility and corporate citizenship are getting more emphasized - the positive impacts of corporate activities on society and the value of those activities are considered as key factors that determine the sustainable growth and survival of companies. SK Group set the Double Bottom Line as its core business strategy to consider both economic and social value and has been building a performance measurement and management system based on it.

APPROACH

What is SK Telecom’s approach?

SK Telecom’s corporate philosophy is based on the idea that success measurement metrics of business operations should take into account not only financial achievements but also social value creation that considers society and stakeholders in a comprehensive manner. The company wants to achieve problem-solving and value-creation processes through an approach for social value measurement and performance analysis. We suggested companies’ leading roles in realizing social value by applying a sophisticated social value measurement methodology to a wider area in May 2019 after the start of social value through SE P&L analysis in 2017, and we are leading the way in building a sustainable corporate ecosystem.

VALUE CREATION

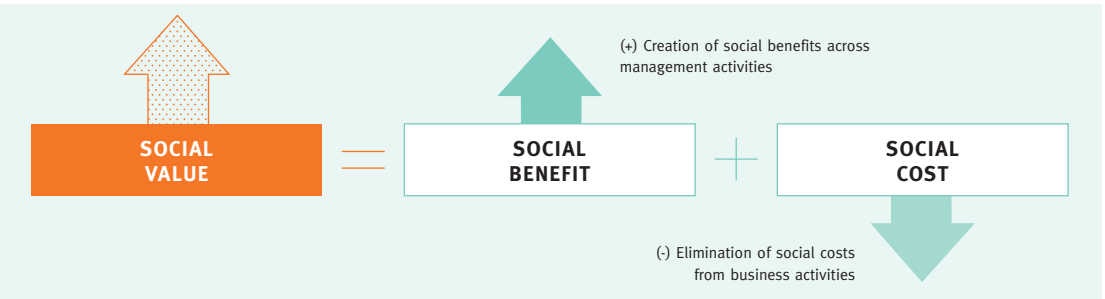
How will we create value?

Become a leading company in creating social value by upgrading social value measurement methodology based on Double Bottom Line (by 2028)

SOCIAL VALUE MEASUREMENT OF SK TELECOM

SK Telecom is applying the Double Bottom Line approach throughout the management decision-making system, which pursues an integration of financial performance, based on revenue, operating profits, and social performance based on achievements in Environmental, Social and Governance (ESG) criteria. Unlike a single bottom line, which only measures and manages economic value and financial performances, the Double Bottom Line sets social value as the second bottom line and uses it as a corporate performance index. SK Telecom believes it is a meaningful step to take the lead in resolving social problems through companies’ professional capacities and infrastructure by reflecting social value in the decision-making process and using it as metrics of successful management. SK Telecom is endeavoring to evaluate and calculate the impacts of social costs and benefits that are not directly derived from social value generated by management activities, in line with SK Group’s Double Bottom Line measurement methodology. However, because the social value created by management activities is so extensive, there are certain limitations in quantifying comprehensive impact, as well as difficulties in standardizing value measurement methodologies. Thus, SK Telecom is building a companywide social value system and is enhancing the Double Bottom Line measurement methodology by communicating with stakeholders.

SK TELECOM’S DOUBLE BOTTOM LINE - THE CONCEPT OF SOCIAL PERFORMANCE



SK GROUP AND SK TELECOM’S SOCIAL PERFORMANCE MEASUREMENT AND REPORTING SCOPE

SK Double Bottom Line			
Economic value	Social value		
Financial performance	Business social performance (primary social performance)	Social Performances through Social Contribution (additional social performance)	Economic performance
• Net profit directly generated by the company's economic activities (net income)	• Business-driven social performance created by the business processes and the resulting products and services	• Social performance created by social contribution activities	• Employment tax payments due to business activities
① Net income	③ Social	CSR Programs	Employment
	② ③ Environment (products and services)	Donations	Shareholder return
	② Environment (operations)	Volunteering programs	Taxes paid

① Within the scope of this report – Net Income, Social, Environment (products and services), Environment (operations)
② Application of environmental profit and loss measurement methodology - Environment (products and services), Environment (operations)
③ Application of SK Group’s double bottom line measurement methods – Net Income, Social, Environment (products and services)

SK Group’s Double Bottom Line established a value measurement index consisting indicators of ‘financial performance’ to calculate economic value, ‘business social performance,’ ‘social performance through social contribution (additional social performance),’ and ‘economic social performance,’ to measure social value. In particular, we measure social value by setting ‘business social performances’ indicators as our fundamental performance indicators and categorize them into environmental operations, environmental products and services and social areas.

As a result, SK Telecom produced integrated performances by analyzing financial performances (net profit) as economic performances and conducting social-environmental profit and loss analysis of business social performances as social performances.

In 2018, we maintained indicators used for the Environmental Profit & Loss calculation as reported in the 2017 Annual Report, applied the data for 2018, and made improvements in calculation methodologies. As of June 2019, SK Telecom is continuously advancing the social value measurement methodology as well as accumulating comparative data.

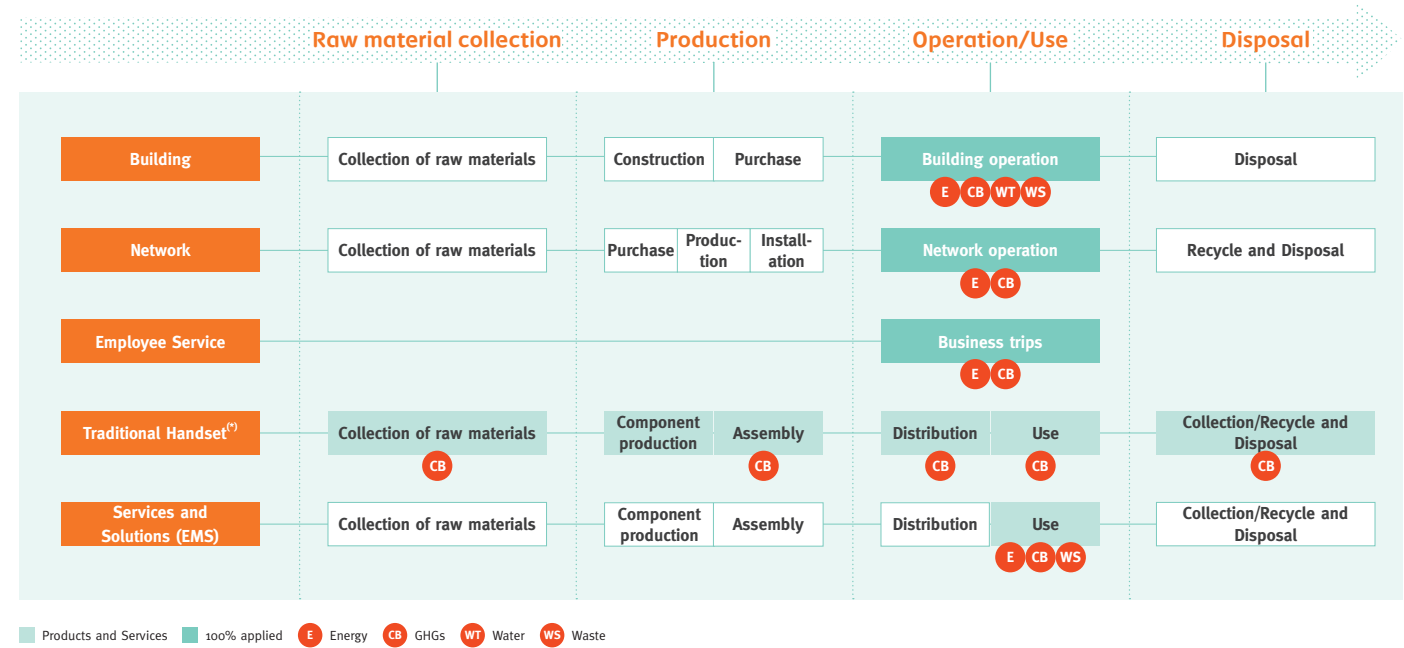
1. ENVIRONMENTAL PROFIT AND LOSS ANALYSIS

SK Telecom’s environmental profit and loss analysis uses a step-by-step calculation method to measure the environmental impact of the entire value chain. In order to analyze the environmental profit and loss of SK Telecom, we used three stages: setting the scope of the value chain, collecting data and calculating value.

Setting Scope and Data Collection

SK Telecom identified environmental data from the viewpoint of Life Cycle Assessment (LCA) such as collection, production, operation, use and disposal of raw materials by selecting buildings, networks, employees, handsets, services and solutions as categories on the value chain for the analysis of environmental profit and loss. Along the value chain of buildings and networks, which includes raw material collection, production, operation, use and disposal stages, we only included the data of the operating phases in the calculation because the data can be tracked and is continuously being managed. As for the handsets, we collect data of Samsung and Apple models, which are the most popular models among subscribers, based on the results of life cycle environmental impact assessments that are disclosed in the environmental certifications by the manufacturers, and apply the data to the number of all SK Telecom subscribers. Environmental social performance during the manufacturing processes are categorized into resource consumption and environmental pollution. We measured the total results of resource consumption by water usage/emissions and environmental unit costs. In the case of environmental pollution, we also measured the total results of environmental pollution by classifying pollutants as waste and greenhouse gas emissions. Air pollution and water pollution can also be included in the category of environmental pollution, but we excluded them because they are not applicable to our operations.

SETTING THE SCOPE IN THE ENVIRONMENTAL PROFIT AND LOSS ANALYSIS



(*)Handset: Environmental or carbon label, CTS and LCA Certification Standard: Galaxy S8, Galaxy Tab S3, Galaxy S7 Edge, Galaxy Note 7, Galaxy S6, Galaxy S5, Galaxy S4, Galaxy Note2, Galaxy Note 10.1', Galaxy S3, Galaxy Note, Galaxy Tab 10.1', iPhone Xs Max, iPhone Xs, iPhone XR, iPhone X, iPhone 8, iPhone 8 Plus, iPhone 7, iPhone 7 Plus, iPhone6s, iPhone 6s Plus, iPhone SE, iPhone 6, iPhone 6 Plus, iPhone 5s, iPhone 4s, iPhone 4, iPad Pro 12.9-inch (3rd Gen.), iPad Pro 11-inch, iPad 6th Gen., iPad 5th Gen., iPad Pro 12.9-inch, iPad Pro 9.7-inch, iPad mini 3, iPad mini 2, iPad mini, iPad Air 2, iPad Air, iPad 4th Gen., iPad 2

SK Telecom’s various platform and solution services that are included in the impact assessment are the reduction of greenhouse gas emissions, energy consumption, and resource consumption through the Factory Energy Management System (FEMS), the Building Energy Management System (BEMS), and recycling of T Rental phones.

Valuation

The results of the profit and loss analysis are calculated in monetary values. In the process of applying the social value measurement method, if negative impacts (e.g. environmental damage) are expected to be high between the ‘total amount (total amount of environmental impact)’ and ‘relative amount (reduction of environmental impacts of the previous period)’, we used the ‘total amount’ instead of the ‘relative amount’. However, in the case of calculating environmental value through products and services such as energy management solution (the FEMS and BEMS), we used ‘relative amounts’ for energy saving and greenhouse gas reduction compared to general use, in order to recognize the environmental impact benefits presented to clients and consumers as the company’s social performances.

Meanwhile, when measuring the impact of greenhouse gas emissions in the process of enhancing the environmental value measurement, we recognized that the market price of the Emissions Trading Scheme does not reflect all the potential effects of global warming. Therefore, in order to return to the state before a negative environmental impact, we replaced it and calculated results with Eco-Cost* that measures costs incurred to improve the reliability of environmental impact measurement.

ENVIRONMENT PERFORMANCES THROUGH PRODUCTS AND SERVICES

Names of products and services	Description of products and services	Measurement of environmental performances
Factory Energy Management System (FEMS)	Energy Management System in factory operation	Actual performances compared to annual reductions of greenhouse gas emissions and energy consumption in contracts
Building Energy Management System (BEMS)	Energy Management System in building management	Actual performances compared to annual reductions of greenhouse gas emissions and energy consumption in contracts
Reuse of T rental phones	Renting used T rental phones	Reduction of resources consumption's impacts on environment by using reused phones

In 2018, we intended to translate our business operations’ environmental outcomes and impacts into monetary value. We applied a more comprehensive valuation approach of our environmental impact by extracting key environmental indicators from domestic and overseas research articles and applying them to energy, water, greenhouse gas and waste emissions of 2017 and 2018. SK Telecom will strive to continue sophisticating methodology of measuring the social value of corporate activities through promoting advancements of social/environmental impact calculation methodologies.

MEASUREMENT OF VALUE OF ENVIRONMENTAL EFFECTS (EXCEPT FOR THOSE OF SERVICES)

Impact Area		2017 ^(*)		2018		
		Impact	Output	Impact value ^(**)	Output	Impact value ^(**)
Building	Building management	Energy use ¹⁾	3,025 TJ	(-) 11,716,414,009	3,198 TJ	(-) 12,851,066,072
		GHG emissions ²⁾	148,294 tCO ₂ e	(-) 4,434,818,455	157,149 tCO ₂ e	(-) 4,875,805,239
		Water use ³⁾	720,000 m ³	(-) 3,865,305,086	707,296 m ³	(-) 3,917,127,554
		Waste discharge ⁴⁾	2,496 ton	(-) 96,045,681	1,736 ton	(-) 66,512,063
Network	Network operation	Energy use ¹⁾	14,886 TJ	(-) 57,656,376,535	16,006 TJ	(-) 64,460,418,803
		GHG emissions ²⁾	723,135 tCO ₂ e	(-) 21,625,773,419	777,516 tCO ₂ e	(-) 24,124,202,749
Services for employees	Business trips	Energy use ¹⁾	72 TJ	(-) 278,870,075	28 TJ	(-) 112,517,094
		GHG emissions ²⁾	3,972 tCO ₂ e	(-) 118,784,974	1,924 tCO ₂ e	(-) 59,696,477
Handset	Raw material collection and production	GHG emissions ²⁾	663,430 tCO ₂ e	(-) 19,840,260,04	848,803 tCO ₂ e	(-) 26,336,041,563
	Use	GHG emissions ²⁾	343,903 tCO ₂ e	(-) 10,464,054,797	340,509 tCO ₂ e	(-) 10,565,058,945
	Collection and reuse	GHG emissions ²⁾	18,578 tCO ₂ e	(-) 555,593,110	12,688 tCO ₂ e	(-) 393,676,567

(*) Recalculated them by multiplying the output of 2017 by the proxy of 2018

(**) The figures were converted to KRW through the calculation of inflation rates and foreign exchange rates based on the OECD Price Level Indices (PLI) and the Bank of Korea's Economic Statistics System).

1) When converting energy use amounts (Mwh) into greenhouse gas emissions (tCO₂e), SK Telecom utilized the country specific electricity emissions factor and calculation methodology in the Guide-

lines on the Management of Energy Consumption Targets to Reduce Greenhouse Gas Emissions for Public Sector in Notice No. 2013-180 by the Ministry of Environment.

2) EPA, Technical update of the social cost of carbon for regulatory impact analysis (2013)

3) TruCost PLC, Natural capital at risk: the top 100 externalities of business (2013)

4) A. Rabi, J. V. Spadaro and A. Zoughaib, Environmental Impacts and Costs of Solid Waste: A Comparison of Landfill and Incineration (2009) and 'Waste Disposal in 2017' by Korea Waste Association

2. SOCIAL PROFIT AND LOSS ANALYSIS

We have selected a limited scope of targets and measurable impacts by referring to the Social Capital Protocol of WBCSD (World Business Council for Sustainable Development).

SOCIAL PERFORMANCE THROUGH PRODUCTS AND SERVICES

Names of products and services	Description of products and services	Measurement of social performances
Safe driving with T map	Discounts on auto insurance premiums based on T map driving habit scores	Reduction of social costs due to traffic accident reduction
LBS IoT business (electronic anklet)	Sex offenders location tracking based on IoT	Reduced social costs by crime type
Blocking text and voice spams	Blocking spam calls and messages	Reduction of social cost through prevention of voice phishing and SMS
Sonnuri and Sorinuri	Customized monthly plans for hearing (Sonnuri) and visually impaired people (Sorinuri)	Increasing marginalized groups' accessibility to telecommunication services by increasing benefits and rate discounts for them
Informatization for low income class / Harmful information blocking services	ICT education for socially disadvantaged people	Increasing accessibility to telecommunication services
T World direct sales by social enterprises	Supporting the expansion of social enterprises' sales network through sale of Happy Eco Phones in T World	Increase in sales of social enterprises compared to sales in existing open markets

Setting Scope and Data Collection

The Social profit and loss analysis measures the social performances in the product/service business. We included 6 products and services that create social value, enhance customer convenience, eliminate inequality based on the performances in safety, ICT-based crime prevention, support for disadvantaged groups, etc. to conduct the Social profit and loss analysis.

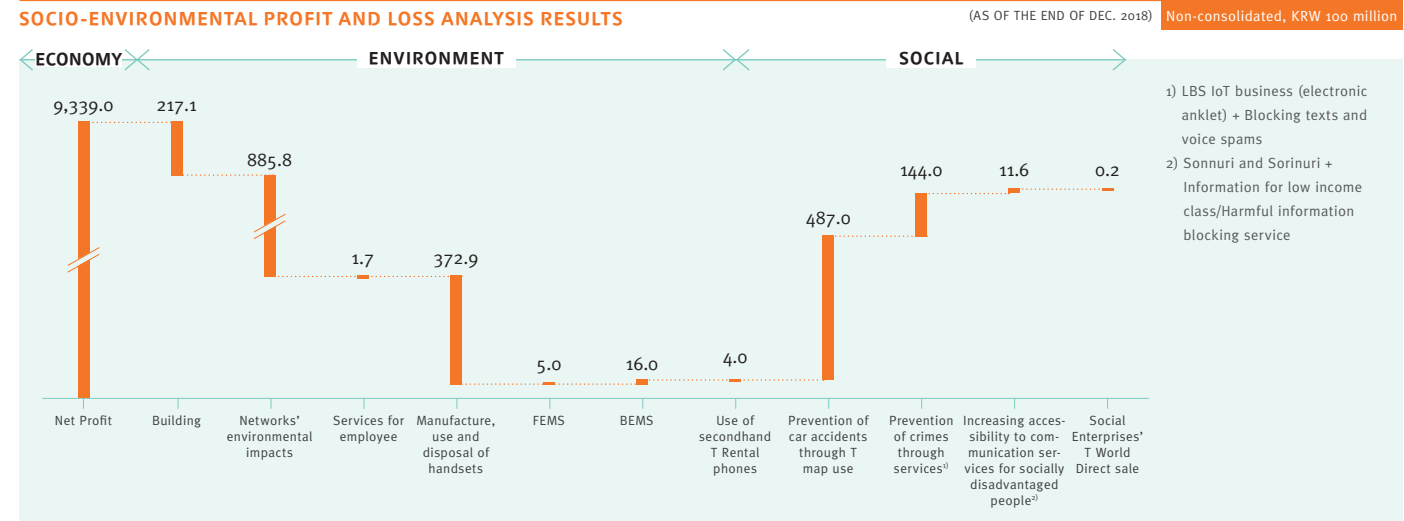
Valuation

The valuation of the 6 products and services for value measurement was calculated using individual methodologies. Relative pricing was

used in cases that were difficult to directly estimate social values. For example, T map Safe Driving leads to social performances that lower the accident rates and creates a safe traffic environment. However, as performance cannot be determined through the direct valuation method, we calculated the value of safe environment creation by calculating the cost of handling traffic accident damages before and after use. In the case of the LBS IoT business (electronic anklets) and blocking text and voice spam, we measured the effects of social cost reduction caused by crime prevention based on the direct valuation method. We have determined the reduction in the crime rate due to electronic ankle monitor devices, and the resulting reduction of costs caused by crimes was measured as a reduction in social costs. As a result, we have estimated the social value of expanding social safety nets based on the ICT technology.

3. COMPREHENSIVE RESULTS OF THE SOCIO-ECONOMIC PROFIT AND LOSS ANALYSIS

The results of the social-environmental profit and loss analysis which is calculated by combining the environmental profit and loss analysis and social profit and loss analysis are as follows. SK Telecom recorded a net income of KRW 933.9 billion in 2018. In the course of business operation, we estimated the environmental impact of buildings, networks, employee business travel, and the environmental impact of the handset manufacturing-use-disposal phase by applying the domestic standard environmental costs to estimate an environmental net loss of about KRW 147.8 billion. In the service area, we recorded an environmental cost of KRW 2.5 billion through the reduction of greenhouse gas emissions and energy using an energy management system (FEMS and BEMS) and the reduction of resource consumption through the reuse of T rental phones. As a result, our environmental net loss stood at KRW 145.3 billion.



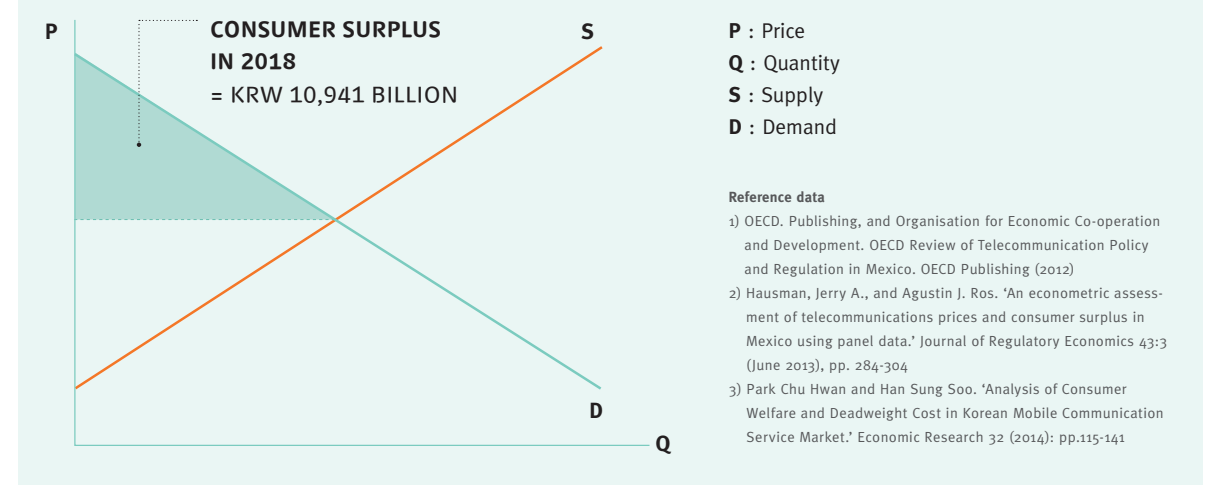
CASE

MEASUREMENT OF SK TELECOM'S CONSUMER SURPLUS

Consumer surplus is an amount calculated when the actual price is deducted from a price customers are willing to pay for services. Therefore, the calculation of consumer surplus implies that customers are provided with a higher level of value than the actual amount paid for telecommunication rates. We interpret it as the result of SK Telecom's continued efforts of customer-centered innovation to provide benefits customers can experience. SK Telecom's consumer surplus measurement is based on a methodology introduced in 'An Analysis of Mobile Telecomm. Market's Consumer Surplus and Dead-Weight Cost' study by Chuwan Park and Sungsoo Han, 2014. The study calculates consumer surplus through mobile telecommunications sales and price elasticity of demand^(*) and uses the Consumer Price Index as a variable over time. Therefore, SK Telecom factored the Consumer Price Index^(**) into calculating its mobile network business revenue and calculated consumer surplus by using the price elasticity of demand. As a result, the consumer surplus generated by SK Telecom's mobile telecom business in 2018 was evaluated at KRW 10.941 trillion. In 2018, SK Telecom shifted its paradigm of marketing competition and strove to maximize customer benefits and consumer surplus. The company launched eight services, including a contract-free plan, worry-free roaming, the reorganization of its membership programs, and a T Plan based on the customer value innovation program and expanded the range of services available to customers and increased the amount of actual services such as data and roaming services without raising charges. In addition, we put forth efforts to innovate customer value and stabilize the market by cutting costs through advanced marketing. Breaking away from the competition to raise market share and attract customers in an oligopolistic consumption market, SK Telecom will make continuous efforts to enhance customer satisfaction by making customer value innovation a top priority in the mobile network operations business. We will enhance customer loyalty and trust through providing more value and convenience to our customers by diversifying benefits and optimal services to maximize consumer surplus through innovation of business models.

(*) Price elasticity of demand: This is the ratio of change in demand that shows how demand changes according to the price change of goods and services. In this report, the research on price elasticity of demand in the mobile communication sector (An Analysis of Mobile Telecom. Market's Consumer Surplus and Dead-Weight Cost in Korea) was referred to for the calculation of consumer surplus.
(**) Consumer Price Index: Reflects the Consumer Price Index in the communication sector of Statistics Korea

RESULTS OF CONSUMER SURPLUS CALCULATION IN SK TELECOM'S MOBILE COMMUNICATION SECTOR



3 ACCOUNTABILITY



Our Approach

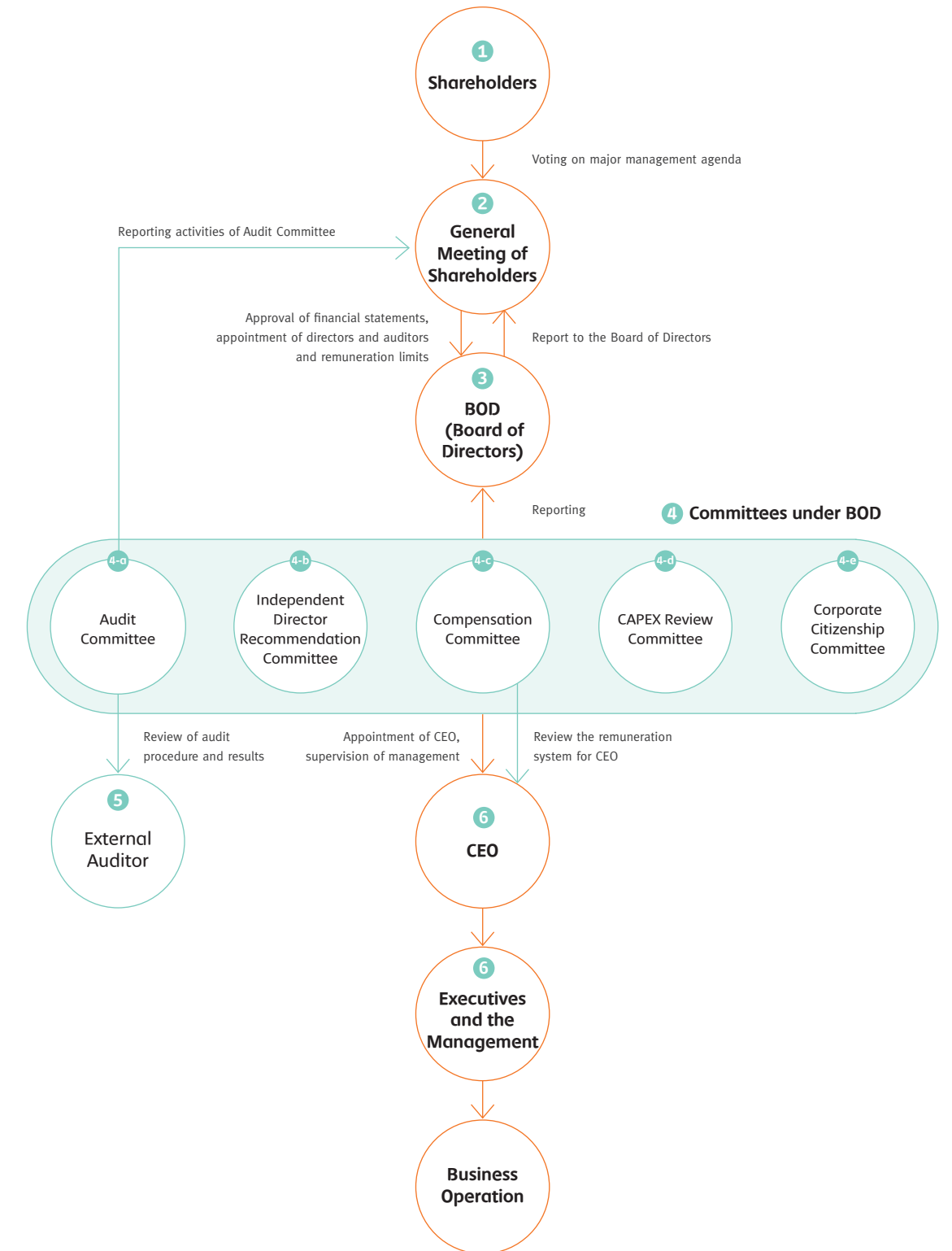
In February 2018, SK Telecom established a corporate governance charter that outlines its corporate governance principles based on its commitment to sound and transparent corporate governance and responsible management. SK Telecom's corporate governance charter stipulates that the company pursues enhancement of the value of stakeholders including shareholders based on continuous growth and development. Based on these principles, SK Telecom strives to protect the interests of shareholders through the establishment and operation of a balanced corporate governance structure, and ultimately to enhance future corporate value. The company's corporate governance charter, which can be found on our website, conforms with the best practice standards of corporate governance of Korea Corporate Governance Service (KCGS).

Corporate Governance Model

SK Telecom maintains transparency in decision-making and establishes and maintains a global, independent governance structure that conducts effective management activities based on checks and balances centered by the board of directors. The BOD is committed to maintaining transparency, independence, diversity, expertise, and efficiency aimed at raising long-term corporate value through the realization of shareholder returns through stable management activities and profit generation and implementation of growth strategies through strategic decision-making.

SK Telecom follows the guidelines of the Corporate Governance Code from Korea Corporate Governance Service (KCGS) - the company was selected as a top honors company in corporate governance assessments conducted by KCGS for five consecutive years, from 2006 to 2010. In addition, the BOD has been maintaining an comprehensive rating of A or higher level every year in KCGS codes for ESG practices since 2011 for its responsible and transparent management efforts. In 2018, the company obtained the highest level of corporate governance among listed companies in Korea as it acquired an A+, which is only given to the top 1% in the evaluation of governance and integrated ESG evaluation.

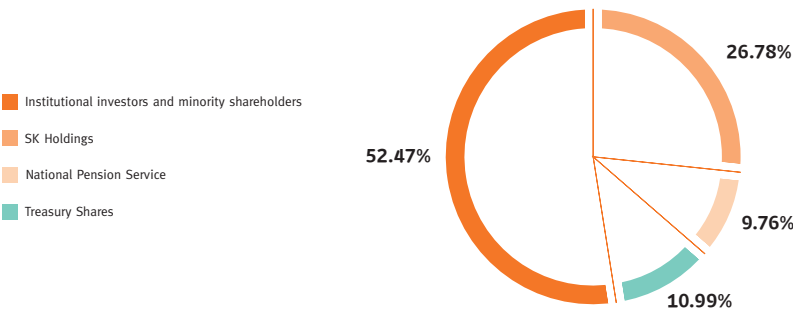
GOVERNANCE STRUCTURE



1 SHAREHOLDERS

MAJOR SHAREHOLDERS OF SK TELECOM

(As of December 31, 2018)



TYPE OF SHARES AND VOTING RIGHTS

Classification	Number of stocks issued (Unit: No. of stocks)	Ratio	Note
Preferred Shares	-	0%	Without voting rights
Common Shares – With voting stock	71,869,828	89.01%	With voting rights
Treasury Shares	8,875,883	10.99%	Without voting rights
Total Issued Shares	80,745,711	100%	-

SK Telecom follows the one-share/one-vote principle, and does not have a differential voting stock system that grants multiple voting rights to specific stocks. However, the treasury shares of 8,875,883 are restricted from voting according to Commercial Act of Korea; and as of December 2018, 71,869,828 shares (89.01% of total issued shares) have granted voting rights.

OWNERSHIP BY EXECUTIVES(*) AND SPECIAL INTEREST GROUPS

(As of March 31, 2018)

	Name	Shares	Stock option	Total (No. of Stocks)	Compared to annual salary
CEO	Park Jung-Ho	1,000	66,504	67,504	15.82 times(**)
Executive of affiliated company	Chey Tae-Won	100	-	100	
Executive of affiliated company	Jang Dong-Hyun	251	-	251	

(*) Only the equity of the registered executives is indicated.

(**) Calculated by dividing the amount of stock holdings based on the closing price (KRW 269,500) at the end of December 2018 by the basic salary. The amount of stock holdings includes stock options.

Management Ownership

SK Telecom encourages the CEO and executives to hold stocks so that management's interests to be aligned with shareholders' interests, aiming for responsible management activities based on mid and long-term performance. As of the late December 2018, the Korean government does not hold any stake of SK Telecom. In relation to the founder & founding family ownership, Chey Tae-Won holds 100 shares of SK Telecom in person, and he also serves as the representative director of SK Holdings, the largest shareholder of SK Telecom. Chey Tae-Won holds 18.44% of stake in SK Holdings, and SK Holdings holds 26.78% stake of SK Telecom.

Dividend Policy and Shareholder Return

Our basic shareholder return policies aim for raising shareholder return from a long-term perspective through stable cash dividends based on company performances and the growth of corporate value based on continuous growth. To this end, we make efforts to increase corporate value based on the principle of capital management which maintains a balance between investment for growth and shareholder return. The amount of dividends is determined comprehensively based on business performances, investment plans, financial conditions and forecasts. Dividends can be paid to shareholders in the form of cash (or cash equivalents) or stocks in accordance with the company's articles of incorporation. In the case of issuing stock dividends, if the company has issued several series of stocks, the company may decide the series of new stocks to be issued as dividends through a resolution at the general meeting of shareholders. The company pays dividends to shareholders or registered pledgees listed in the shareholders' register as of the end of a fiscal year, interim dividends are paid on June 30 according to a resolution by the BOD. Since 2015, we have raised the total dividend per share to KRW10,000 per share including an interim dividend. The dividend yield as the end of 2018 recorded 3.7%.

2 GENERAL MEETING OF SHAREHOLDERS

SK Telecom protects the exercise of shareholder rights, guarantees equitable treatment of all shareholders, including minority shareholders and foreign shareholders and respects shareholder rights in accordance with laws and articles of incorporation. The company adopts a concentrated voting system through its articles of incorporation to ensure independence in electing directors and accept the opinions of general shareholders who are not controlling shareholders. In February 2018, the company introduced the electronic voting system in accordance with the BOD's decision to enhance voting rights of minority shareholders, for the first time in the domestic telecommunications industry. In March 2018, SK Telecom put the system into practice for the first time among all mobile telecommunications companies in Korea. Moreover, as our efforts to enhance convenience for the exert of shareholder rights, since 2018, we have held annual general meetings of shareholders on days avoiding the last Friday of the month, which are crowded days where other corporates generally hold their shareholders' meetings in Korea. At the 35th general meeting of shareholders on March 26, 2019, SK Telecom expanded the expertise and independence of the BOD by appointing independent director Kim Seok Dong and members of the Audit Committee in addition to the approval of financial statements. Moreover, the general meeting of shareholders implemented the management oversight function by approving the remuneration limit of the director and stock options of the executives. In particular, since the beginning of 2019, we have been significantly expanding shareholder-friendly factors in order to transform our general meeting of shareholders into a place for substantial communications with shareholders. The company changed the call-up notice, which previously was only a formality, to the Letter to Shareholders from the CEO, so that shareholders can receive sufficient information on SK Telecom's key management performance and direction of management in 2019, in prior to the meeting. Before the opening ceremony, the company gave a demonstration of its state-of-the-art ICT technology and 5G services to its shareholders. In the general meeting of shareholders, the old practice of approving an agenda with a gavel was abolished. Jung Ho Park, CEO of SK telecom, and the managers of four major business units - MNO, media, security and commerce – each presented the 2018 business performances and 2019 management plans and visions to the shareholders. After the presentations, the company provided a Q&A session for shareholders to ask questions or inquiries to the SK Telecom executives for their managerial plans. SK Telecom will continue to endeavor to provide shareholders with transparent management information and communicate with them in an honest manner at the general meeting of shareholders.

3 BOD (BOARD OF DIRECTORS)

Composition and Operation

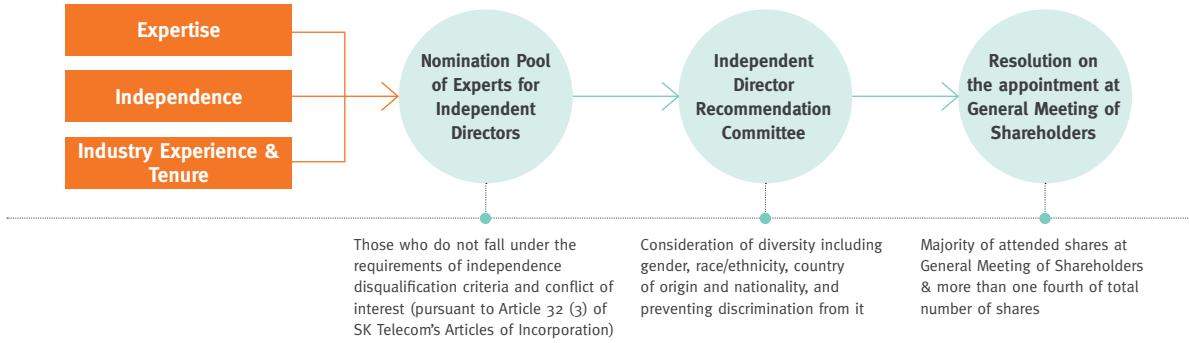
According to relevant laws and the SK Telecom Articles of Incorporation, the Board of Directors has been given the highest decision-making authority related to the company’s management from the shareholders. The Board holds the responsibility and role as the highest decision-making body and thus mediates diverse stakeholders’ interests and approves management decisions. Furthermore, the Board undertakes the deliberation and approval of matters such as company’s investment plans and conflicts of interest related to the internal transactions as well as transparent compensation. When holding a BOD meeting or a BOD committee meeting, the company enhances its operational expertise in managing the BOD by forming supporting organizations, such as the secretariat of the BOD, which fully explains the status of management and the contents of each agenda, answers questions and provides related data in advance for directors’ reviews.



	<div>1</div> <div>Jae-Hoon Lee</div> <div>Chairman of the Board, SK Telecom Independent Director</div>	<div>2</div> <div>Jung Ho Park</div> <div>President & CEO, SK Telecom Executive Director</div>	<div>3</div> <div>Seok Dong Kim</div> <div>Independent Director</div>
Year of Birth	1955	1963	1953
Career in Brief	Bachelor's Degree in Economics, Seoul National University Master's degree in Economics, University of Michigan PhD in Public Administration, Sungkyunkwan University Current Senior Advisor, Kim & Chang Former President, Korea Polytechnic University Former Vice Minister of the Knowledge & Economy Ministry	Bachelor's degree in Business Administration, Korea University Master's degree in Business Management, The George Washington University Current President & CEO, SK Telecom Current President & CEO, SK Broadband Former President & CEO, SK Holdings Former EVP, Coporate Development Division at SK C&C Former EVP of Business Development Division, SK Telecom	Bachelor's degree in Business Administration, Seoul National University Passed the 23rd Public Administration Examination Current Chairman, Jipyoung Institute of Humanities & Society Former Chairman, Finance Services Commission Former Vice Minister, Ministry of Finance & Economy Former Vice Chairman, Financial Supervisory Commission
Expertise	Macroeconomics, Industrial Policy, Trade	ICT, M&A/Business Development, Investment and Risk Management	Financial Policy, Finance, Accounting
Appointed Date	Mar. 2014	Mar. 2017	Mar. 2019
Recommender	Independent Director Recommendation Committee	BOD	Independent Director Recommendation Committee
Committee	Audit Committee / Compensation Committee / CAPEX Review Committee	Independent Director Recommendation Committee	Independent Director Recommendation Committee / Audit Committee / Compensation Committee / CAPEX Review Committee
	<div>4</div> <div>Jae-Hyeon Ahn</div> <div>Independent Director</div>	<div>5</div> <div>Jung Ho Ahn</div> <div>Independent Director</div>	<div>6</div> <div>Young Min Yoon</div> <div>Independent Director</div>
Year of Birth	1961	1978	1963
Career in Brief	Bachelor's/Master's degree in Industrial Engineering, Seoul National University PhD in Decision Analysis, Management Science & Engineering, Stanford University Current Chief Professor, KAIST AIM Program Former Vice Dean, External Affairs, KAIST College of Business Former Dean, KAIST Graduate School of Information & Media Management Former Senior MTS, AT&T Labs, Inc.	Bachelor's degree in Electrical Engineering, Seoul National University Master's/PhD, Electrical Engineering, Stanford University Current Professor, Graduate School of Convergence Science and Technology, Seoul National University Former Visiting Scholar, Google Inc. Former Senior Research Scientist, Exascale Computing Lab, HP Labs	Bachelor's degree in English, Korea University Master's degree in Advertising, Syracuse University PhD in Mass Communication, Syracuse University Current Professor, School of Media & Communication, Korea University Former Dean, Media & Communication and Graduate School of Journalism & Mass Communication Former Vice-Chairwoman, Korean Academic Society for Public Relations Former Advisor, Ministry of Land, Infrastructure and Transport
Expertise	ICT, Digital Strategy, Business Management	ICT Science and Convergence, Growth Strategy	Media Industry Policy and Strategy, Communications
Appointed Date	Mar. 2014	Mar. 2017	Mar. 2018
Recommender	Independent Director Recommendation Committee	Independent Director Recommendation Committee	Independent Director Recommendation Committee
Committee	Audit Committee / CAPEX Review Committee / Corporate Citizenship Committee	Independent Director Recommendation Committee / Compensation Committee / CAPEX Review Committee / Corporate Citizenship Committee	Audit Committee / CAPEX Review Committee / Corporate Citizenship Committee
	<div>7</div> <div>Daesik Cho</div> <div>Non-executive Director</div>	<div>8</div> <div>Young Sang Ryu</div> <div>Head of MNO Division Executive Director</div>	
Year of Birth	1960	1970	
Career in Brief	Bachelor's degree in Sociology, Korea University Master's degree in Business Administration, Clark University Current Chairman of SK SUPEX Promotion Committee Former President & CEO, SK Holdings Former CFO, SK Holdings Former Head of Risk Management & Corporate Auditing Office, SK Holdings	Bachelor's/Master's degree in Industrial Engineering, Seoul National University Master of Business Administration (MBA), University of Washington Current Head of Mobile Network Operations Division, SK Telecom Former Head of Corporate Center, SK Telecom Former EVP of Business Development Group, SK C&C Former SVP of Business Development Office, SK Telecom Former SVP of Project Promotion Center, SK Telecom M&A/Business Development, Finance, Investment	
Expertise	Finance, Business Development, Business Management Strategy	M&A/Business Development, Finance, Investment	
Appointed Date	Mar. 2017	Mar. 2018	
Recommender	BOD	BOD	
Committee		CAPEX Review Committee	

3 BOD (BOARD OF DIRECTORS)

BOARD OF DIRECTORS NOMINATION PROCESS



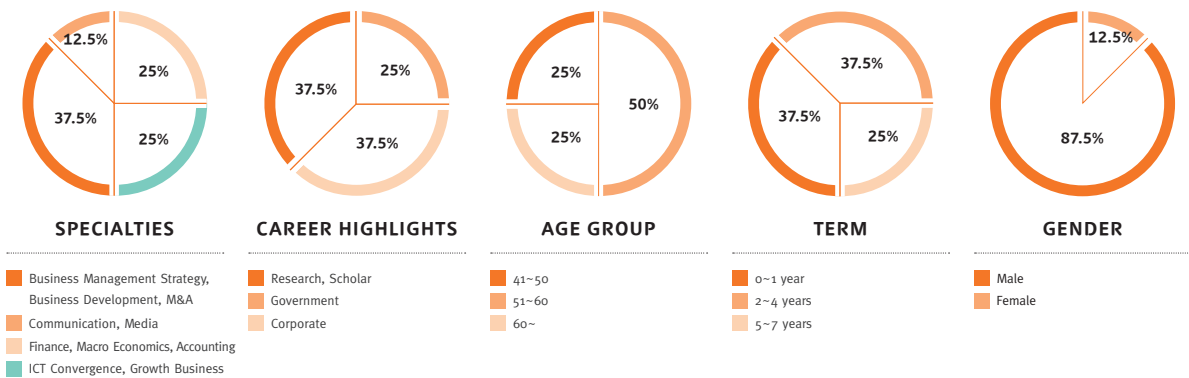
A Diversity- and Expertise-Based Board Selection Policy

SK Telecom is geared towards appointing board members and form the BOD in consideration of diversity, independence, expertise and industrial experience. In order to ensure the diversity of our employees and stakeholders to be represented by the BOD, the company has put in place a process for selecting directors that can actively factor diversity into recommending and electing directors. SK Telecom does not discriminate candidates or nominees of the BOD on the basis of gender, races, ethnicity, national origins, or nationalities, as set forth in our diversity policy. In addition, as an ICT company that constantly requires innovation, the company is recommending and selecting candidates for directors who can complement skill gaps of the BOD. In particular, we are concentrating on securing professional skill balance and diversity of the BOD by maintaining the ratio of directors with industry experience at a certain level. As of March 2019, the average tenure of BOD members is 3.3 years, and there are 8 industry experts on the board. In addition, we provide extra training to independent directors in order to provide sufficient information on SK Telecom’s business and strategy, contributing to boosting the expertise of independent directors.

EDUCATION FOR INDEPENDENT DIRECTORS IN 2018

Date of Education	Organizer	Participant(s)	Highlights
2018.04.13	Secretariat of BOD	Young Min Yoon	Orientation for new independent director - Enhancing understanding of company's business by reporting management status of SK Telecom's and issues, assisting soft-landing of her to company
2018.04.20	SK Group SUPEX Promotion Committee	Young Min Yoon	Enhancing new independent directors' understanding of SK Group's management philosophy and business - History of SK, management status of SK Group, discussions on managerial issues with SK Group executives, site visits
2018.05.23	Secretariat of BOD	Jae-Hoon Lee, Dae-Shick Oh, Jae-Hyeon Ahn, Jung Ho Ahn, Young Min Yoon	Meeting between independent directors & SK Telecom executives - Understanding New ICT trends through meetings with SK Telecom executives who are experts in their fields

COMPOSITION OF BOD



Independence and Transparency of BOD

SK Telecom is continuing to strengthen the Board's operation with a focus on independent directors. Currently, the percentage of independent directors is 62.5%, which is higher than the average^(*) of that of other major corporates in South Korea (50.9%, according to the large corporation governance status reported to the Fair Trade Commission in December 2018). Since March 2012, an independent director who satisfies all independence requirements has been appointed as the Chairman of the Board. SK Telecom's requirements for independent directors comply with the domestic Commercial Act, the Monopoly Regulation and Fair Trade Act and other relevant laws, and they are also specified in the Board's Articles of Incorporation. In the interests of improving the Board's efficiency, independent directors and auditors are also limited to holding a maximum of two concurrent positions. In 2018, a total of 12 Board meetings were held and the executive directors' and independent directors' attendance rate stood at 97.91%, satisfying the minimum quorum.

(*) 50.9%, according to Fair Trade Commission report on '2018 Corporate Governance Status of Conglomerates'

INDEPENDENCY AND CONFLICTS OF INTEREST STATEMENT

	Independence
Disqualification Criteria (In compliance with regulations such as Commercial Act, Monopoly Regulation and Fair Trade Act)	1. Current executives, executive officers, and employees involved in the business affairs of the company; or former executives, executive officers and employees who were involved in the business affairs of the company in the past two years 2. The largest shareholder of the company, and his/her spouse and lineal descendants and ascendants 3. In case the largest shareholder is a corporate body, its directors, auditors, executive officers and employees 4. Spouses and lineal descendants and ascendants of the directors, auditors and executive officers of the company 5. The directors, auditors, executive officers and employees of the parent company or subsidiaries 6. The directors, auditors, executive officers and employees of corporate bodies who are major stakeholders 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
	Transparency
Conflicts of Interest	1. A person who controls a company having a competitive relationship with the Company, as of interest specified in the Monopoly Regulation and Fair Trade Act or any person relating to such a person 2. A person who is, or has within last two years been an officer or an employee of a company having a competitive relationship with the Company, or a company which belongs to the same enterprise group as such competitor under the Monopoly Regulation and Fair Trade Act 3. A person who is, or has within last two years been an officer or an employee of a corporation that is the largest Shareholder or the 2nd largest Shareholder of a company having a competitive relationship with the Company, or a company which belongs to the same enterprise group as such corporation under the Monopoly Regulation and Fair Trade Act

BOD ACTIVITIES (2018)

No.	Date	Key agendas	Independent directors' attendance rate
409	2018.2.2	Modification of management plan for 2018, 34th financial statements, 34th business report, entrusting provision of long-term borrowings in 2018, real estate lease deal with SK Broadband, IT SM contract in 2018, donation to employee welfare fund in 2018, purchase of shares of FSK L&S, establishment of SK Telecom Japan, status of internal accounting management system, donation for helping socially disadvantaged people at end of 2017, follow-up reports of '17 4Q	100%
410	2018.2.20	Introduction of electronic voting system, establishment of Corporate Governance Charter, grant of stock options, calling for 34th Annual General Meeting of Shareholders, contribution to Korea Fencing Association in 2018, evaluation of internal accounting control system	100%
411	2018.3.21	Appointment of BOD chairperson, appointment of committee members, re-appointment of compliance officer, trade with SK Holdings in '18 2Q, trade related to corporate bonds with financial affiliate of SK Group (SK Securities), fund management deal with financial affiliate of SK Group (SK Securities), contribution to Korea Foundation for Advanced Studies in 2018, donation to The Happiness Foundation in 2018	100%
412	2018.4.26	Sharing SK Academy operating cost, payment of operating expense for 2018 SUPEX Promotion Committee, follow up reports of '18 1Q	100%
413	2018.5.8	Acquiring shares of Siren Holdings Korea	100%
414	2018.5.24	Securing 5G frequencies, cost settlement among related companies for joint R&D promotion, plan to make equity investment in MNO business by IT/E in Guam/Saipan	100%
415	2018.6.28	'18 3Q financial dealings with SK Corp., transactions related to corporate bonds with affiliated financial companies (SK Securities), fund-management transactions with affiliated financial companies (SK Securities), changes in contract for joint business aircraft management	100%
416	2018.7.26	Participation in capital increase with consideration for iRiver, interim dividends, reporting settlement of accounts of 1st half of 2018, establishment of companies to be invested in by SK Telecom in Southeast Asia and equity investment plan, follow-up reports of '18 2Q	100%
417	2018.9.20	Trade with SK Holdings in '18 4Q, increasing donation to Korea Fencing Association in 2018, donation to Laos flood disaster relief funds	100%
418	2018.10.25	Payment for 5G frequency, investment in 5G facilities in 2018, comprehensive stock swap with SK Infosec, disposal of treasury stocks, follow-up reports of '18 3Q	100%
419	2018.11.26	Wired and wireless infrastructure construction in 2018, 2019 joint agreement on management of business aircraft, comprehensive stock swap contract with SK Infosec	100%
420	2018.12.26	Management plan for 2019, trade with SK Holdings in the '19 1Q, change in operating cost of SUPEX Promotion Committee in 2018, renewing IT SM contract, lease agreement on SUPEX Center in Indeung Mountain for 2019, landscape and facility management services deal with SK Forestry for 2019, cost for SK Academy operation in 2019, construction of wired and wireless infrastructure in 2019, resale of wired products with SK Broadband in 2019, approval of limits in issuance of short-term electronic corporate bonds, purchase of PS&M customer terminal credits in 2019, sale of shares of HappyNarae, establishment of SK Telecom subsidiary in New York in 2019, subcontracting operation of customer contact channel in 2019 and subcontracting maintenance services for base stations in 2019	100%

4BOD’S COMMITTEES

To ensure that the Board of Directors faithfully executes its roles and responsibilities, SK Telecom operates committees under the Board. Each committee operates transparently in accordance with committee regulations. In the case of the Audit Committee, the committee's composition, operations, authorities and responsibilities conforms with the Commercial Act, Financial Investment Services and Capital Markets Act and the Articles of Incorporation. In order to ensure the independence of the committees under the BOD, the company specifies the proportion of independent directors at each committee within the committee operational guidelines and transparently operates them in accordance with each committee's regulations. In addition, to safeguard fairness and transparency, all committees, excluding the Independent Director Recommendation Committee and the CAPEX Review Committee, are entirely composed of independent directors. As of the date of submission of the report, the composition of the committees under the BOD is as follows.

Committee	Chairperson	Members
4-a Audit Committee	Seok Dong Kim	Jae-Hoon Lee, Jae-Hyeon Ahn, Young Min Yoon
4-b Independent Director Recommendation Committee	Jung Ho Park	Seok Dong Kim, Jung Ho Ahn
4-c Compensation Committee	Jae-Hoon Lee	Seok Dong Kim, Jung Ho Ahn
4-d CAPEX Review Committee	Jae-Hyeon Ahn	Jae-Hoon Lee, Seok Dong Kim, Jung Ho Ahn, Young Min Yoon, Young Sang Ryu
4-e Corporate Citizenship Committee	Jung Ho Ahn	Jae-Hyeon Ahn, Young Min Yoon

4-aAUDIT COMMITTEE

Roles and Responsibilities

The Audit Committee is responsible operational audits and accounting. In order to accomplish this, the Committee audits the financial statements and supplementary schedules, reviews the procedures and results of the audits performed by independent auditors, reviews the company’s major issues, and reviews reports from the internal accounting manager and the external auditor on the operating status of the company’s internal accounting system. In addition, in accordance with the Commercial Act, the committee conducts evaluation/approval of specific transactions such as private contracts exceeding a certain amount with affiliated companies. Moreover, the committee evaluates/approves directors' execution of duties, conducts investigation/audits on directors' financial and property status, conducts investigations on BOD, claims for cease of any illegal actions, and holds the right to convene a temporary meeting of shareholders. The Audit Committee has to report the results of the independence evaluation/audits and major activities to the general meeting of shareholders disclose them through the Business Report.

OPERATIONS OF AUDIT COMMITTEE IN 2018

Date	Agenda	Independent directors' attendance rate
2018.2.1	Operation of internal accounting control system	100%
	Results of management diagnosis/audit in '17 2H and plans for 2018	
	Auditor's written opinion on internal monitoring system	
	Appointment of external auditor for 2018-2020	
2018.2.19	Results of FY 2017 audit	100%
	Results of FY 2017 internal accounting control system evaluation	
	Evaluation of Internal Accounting Control System Operation	
	Confirmation of agenda of 34th Annual General Meeting of Shareholders and opinions about document reviews	
	34th Audit Report	
	Contract on payment of gifts to customers in 2018	

4-bINDEPENDENT DIRECTOR RECOMMENDATIONS COMMITTEE

Roles and Responsibilities

In order to fairly recommend candidates for independent directors, the BOD operates the Independent Director Recommendation Committee and requires the majority of the number of members to be independent directors. The Independent Director Recommendation Committee recommends candidates with independence and expertise, and is responsible for operating a fair and transparent process for appointing independent directors.

OPERATIONS OF INDEPENDENT DIRECTOR RECOMMENDATIONS COMMITTEE IN 2018

Date	Agenda	Independent directors' attendance rate
2018.2.20	Recommendation of Young Min Yoon as candidate for independent director in 34 th General Meeting of Shareholders	100%
2018.4.25	Appointment of director Jung Ho Park as chairperson	100%

4-cCOMPENSATION COMMITTEE

Roles and Responsibilities

The Compensation Committee is fully composed of independent directors and reviews the salary and the incentive plan (stock options, etc.) of the CEO. If necessary, the CEO or a director nominated by the CEO may state his/her opinion on review of compensation.

OPERATIONS OF COMPENSATION COMMITTEE IN 2018

Date	Agenda	Independent directors' attendance rate
2018.4.25	Appointment of director Jae-Hoon Lee as chairperson	67%

4-dCAPEX REVIEW COMMITTEE

Roles and Responsibilities

The CAPEX Review Committee deliberates investment plans for the next year and reviews investment plans and risk factors when collective changes in business plans happen. In addition, the committee reviews/inspects major investment changes exceeding 10% of CAPEX as well as quarterly and semi-annual investment execution.

OPERATIONS OF CAPEX REVIEW COMMITTEE IN 2018

Date	Agenda	Independent directors' attendance rate
2018.4.25	Appointment of director Jae-Hyeon Ahn as chairperson	80%
2018.12.10	Investment plan for 2019	80%

4-eCORPORATE CITIZENSHIP COMMITTEE

Roles and Responsibilities

As the highest decision-making body for sustainability, the Corporate Citizenship Committee, which was established by the BOD in 2008 for the purpose of long-term enhancement of corporate value and fulfill of social responsibilities as a sustainable and global company, holds responsibilities to carry out relevant decision-makings. In particular, the committee set 5 strategic directions of sustainability - customer-oriented management, mutual growth, social value innovation, transparent ethical management, and environmental management - of which the committee reviews the performance and reports to the BOD. The committee also conducts a comprehensive review of the company's mid to long-term risks and opportunities, stakeholder communications and material issues.

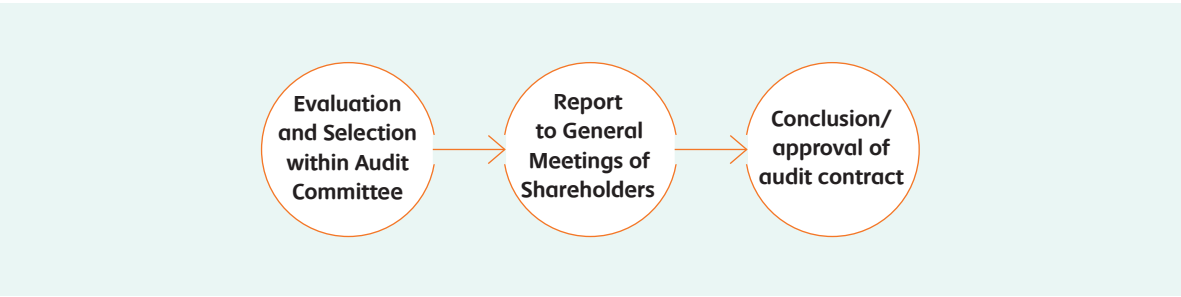
Since 2012, SK Telecom has been reporting corporate material issues identified through materiality assessments to the Corporate Citizenship Committee every year, in order to support the BOD's understanding to the company's material issues and its decision-makings. In addition, since 2013, SK Telecom has been publishing an annual report to investors and stakeholders to present the comprehensive value and future prospects of the company's financial and nonfinancial performances. The annual report of SK Telecom is published after the Corporate Citizenship Committee's review of the materiality assessment process and the material issues.

OPERATIONS OF CORPORATE CITIZENSHIP COMMITTEE IN 2018

Date	Agenda	Independent directors' attendance rate
2018.4.25	Appointment of director Ahn Jung Ho as chairperson	100%
2018.6.27	Main contents of FY 2017 Annual Report	100%
2018.9.19	Results of win-win growth index evaluation in 2017 and key achievements in 2018	100%
2018.10.24	CEM implementation and social value creation activities in 2018	100%

5EXTERNAL AUDITORS

EXTERNAL AUDITOR SELECTION PROCESS



An independent external auditing firm audits SK Telecom's financial statements and appendices, and receives reviews of the procedure and results of the audit from the Audit Committee. The external auditing firm selected for the 2018-2020 period is KPMG Samjong Accounting Corporation, and its audit opinion about SK Telecom's 35th fiscal year was 'fair' and there were no other issues.

AUDITOR'S OPINION

Business Year	Auditor	Auditor's opinion	Explanatory paragraph
35th year (2018)	KPMG Samjong Accounting Corp.	Unqualified Opinion	None
34th year (2017)	KPMG Samjong Accounting Corp.	Unqualified Opinion	None
33rd year (2016)	KPMG Samjong Accounting Corp.	Unqualified Opinion	None

AUDITING CONTRACT

Business year	Auditor	Contents	Fee	Hours
35th year (2018)	KPMG Samjong Accounting Corp.	Quarterly, semi-annual audits Audits of non-consolidated financial statements Audits of consolidated financial statements Reviews of English financial statements and other audit work	1,700	22,058

6 PERFORMANCE EVALUATION AND COMPENSATION

Evaluation of Management performance

The evaluation of job performances of the management including the CEO takes place in a comprehensive manner in consideration of financial and non-financial performances. In particular, starting from 2019, SK Telecom increased the proportion of social value in the CEO’s KPI up to 50% to reinforce the management’s responsibility for enhancing corporate value from the long-term perspective. In addition, the company will factor the results of SK Telecom’s annual social value measurement and social value strategies into evaluation. Through this, SK Telecom aims to enhance long-term corporate value by pursuing business model innovation based on social value in addition to non-financial performances to prevent social justice and corporate risk. Furthermore, we evaluate the performances of internal and external directors, utilize the results of the evaluation when considering reappointing them or for the recommendation of them by the Independent Director Candidate Recommendation Committee after the end of their terms. The annual performance evaluation of independent directors checks their BOD and committee meeting attendance rates, business and technological expertise related to the company and contribution levels and whether or not they enthusiastically carried out BOD activities.

Remuneration of Executives

The remuneration of executives, including the CEO, is calculated based on the performance within the limits determined at the general shareholders’ meeting. Directors’ salaries and severance pays are paid fairly and transparently through a resolution at the general shareholders’ meeting. Remuneration is consisting of Target Incentives and Profit Sharing. When calculating remuneration, performance-based compensation of up to 200% of an annual salary is determined by a comprehensive evaluation of measurable indicators, such as financial performances including revenue, operating profit, share price, FCF (Free Cash Flow), EVA, etc. and the long-term based metrics composed of Total Shareholder Returns including financial value and social value, ESG Performance, ESG related Risk Management Performance, Business Portfolios based on social value and Methodology development of social value measurement. Meanwhile, SK Telecom provides stock options in order to match management’s interests and shareholders’ interests and to provide compensation in a responsible manner in accordance with mid to long-term performances. In addition, we have established and currently operating a system which pursues longer-term performances by setting the vesting period up to maximum of 4 years. To enhance the transparency of the management and directors’ remuneration including the CEO, SK Telecom discloses the status of individual compensation payments to directors and auditors who have been paid over KRW 0.5 billion since 2014 through its business reports.

REMUNERATION PAYMENT FOR DIRECTORS (2018)

	Total number (persons)	Total payment (KRW million)	Average remuneration (KRW million)
Registered director ^(*)	3	4,085	1,362
Independent director ^(**)	1	82	82
Audit committee member or auditor	4	322	81

(*) Registered directors include the executive director and other non-standing directors, but exclude independent directors and audit committee members

(**) Excluding audit committee members

CEO-EMPLOYEE REMUNERATION RATIO (2018)

Total CEO remuneration (KRW million)	Average employee remuneration (KRW million)	Ratio ^(*)
3,506	116	30.22

(*) The ratio was calculated by dividing the total CEO remuneration by the average employee remuneration

STOCK OPTIONS FOR EXECUTIVES

(As of the end of Mar. 2019)

	Date	Name	Base exercise price ^(*)	Shares	Cancelled options	Remaining shares	Exercise period
2017	Mar. 24	Jung Ho Park	KRW 246,750	22,168	-	22,168	2019.3.25 ~ 2022.3.24
			KRW 266,490	22,168	-	22,168	2020.3.25 ~ 2023.3.24
			KRW 287,810	22,168	-	22,168	2021.3.25 ~ 2024.3.24
		Sub-total		66,504	-	66,504	
2018	Feb. 22	Sungwon Suh		2,755	2,755	-	2020.2.21 ~ 2023.2.20
		Sang Ho Lee	KRW 254,120	1,594	1,594	-	
		Young Sang Ryu		1,358	-	1,358	
		Sub-total		5,707	4,349	1,358	
2019	Feb. 22	Sung-Ho Ha		1,369	-	1,369	2021.2.23 ~ 2024.2.22
		Peter Ha	KRW 265,260	1,564	-	1,564	
		Jin-Hyo Park		1,300	-	1,300	
		Poong Young Yoon		1,244	-	1,244	
		Sub-total		5,477	-	5,477	
	Mar. 26	Young Sang Ryu	KRW 254,310	1,734	-	1,734	2021.3.27 ~ 2024.3.26
		Sub-total		1,734	-	1,734	
Total				79,422	4,349	75,073	

(*) The base exercise price will be calculated based on an actual amount (the arithmetic average price of a trading volume-weighted average closing price for two months, one month, and one week before granting stock options) based on a stock option grant date.

REMUNERATION PAYMENT FOR DIRECTORS/EXECUTIVES ^(*)

(As of the end of Dec. 2018)

Name	Total payment (KRW million)	Results
Jung Ho Park	3,506	[Earned income-salary] KRW 1,150 million Calculation standard Based on standards on remuneration of directors, the CEO's yearly base salary was set at KRW 1,150 million as the company took into account the CEO's title, position, leadership, specialties and contribution to the growth of the company and KRW 95.8 million, one twelfth of the amount was paid each month in 2018.
		[Earned income-bonus] KRW 2,350 million Calculation standard A management incentive for the 2017 performance paid in early 2018 consists of a target incentive and profit sharing. The payment of the CEO's performance-based compensation of 0% to 250% of the annual salary is determined by a comprehensive evaluation of measurable indices such as financial performance 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
		Basis of calculation - In 2017, SK Telecom made a sales turnaround in three years since 2014 with revenues of KRW 17.52 trillion and operating profit of KRW 1,533.6 billion (consolidated basis) in terms of quantitative indicators. The company also solidified its leadership in mobile communications business by breaking through a milestone of 30 million subscribers as the end of 2017 and winning first place in three major customer satisfaction surveys - NCSI, KS-SQI and KCSI surveys - including the winning of first place in NCSI survey for 20 consecutive years. The company also secured its new growth engine in media/ IoT/commerce business through procuring core technology in New ICT area including Data and AI capabilities. - In addition, SK Telecom paid the CEO a performance-based bonus of KRW 2,350 million by taking into consideration the CEO's outstanding achievements in generating mid- to long-term corporate value by securing core competencies such as technology and content by strategically repositioning the company and building a system for collaboration with ICT companies invested in by SK Telecom.
		[Earned income-others] KRW 6 million School and medical expenses [No retirement income and other income]
Young Sang Ryu	579	[Earned income-salary] KRW 269 million Calculation standard Based on standards on remuneration of directors, the basic salary was set at KRW 345 million in total by taking into account the title, position, leadership, specialties and contribution to the growth of the company within the limits of the remuneration of directors in 2018, and KRW 28.8 million, one twelfth of the amount, was paid each month. ※ The amount reflects salaries paid after the appointment from March 21, to December 31, 2018.
		[Earned income-bonus] KRW 300 million Basis of calculation SK Telecom cemented the foundation for growing as an ICT synergy company such as creating opportunities to generate synergies in ICT convergence security business through the acquisition of ADT Capt and Swiss quantum cryptographic communication company IDQ and proving the future value of its commerce business through 11st's attraction of investment along with successful procurement of 5G frequency. These achievements earned the director a special performance-based bonus of KRW 300 million. ※ The bonus was paid after the appointment from March 21, to December 31, 2018.
		[Earned income-others] KRW 10 million School and medical expenses

(*) Includes remuneration of the retired directors/executives based on the amount paid to directors/executives who received more than KRW 500 million in 2018.

2 Risk Management Report

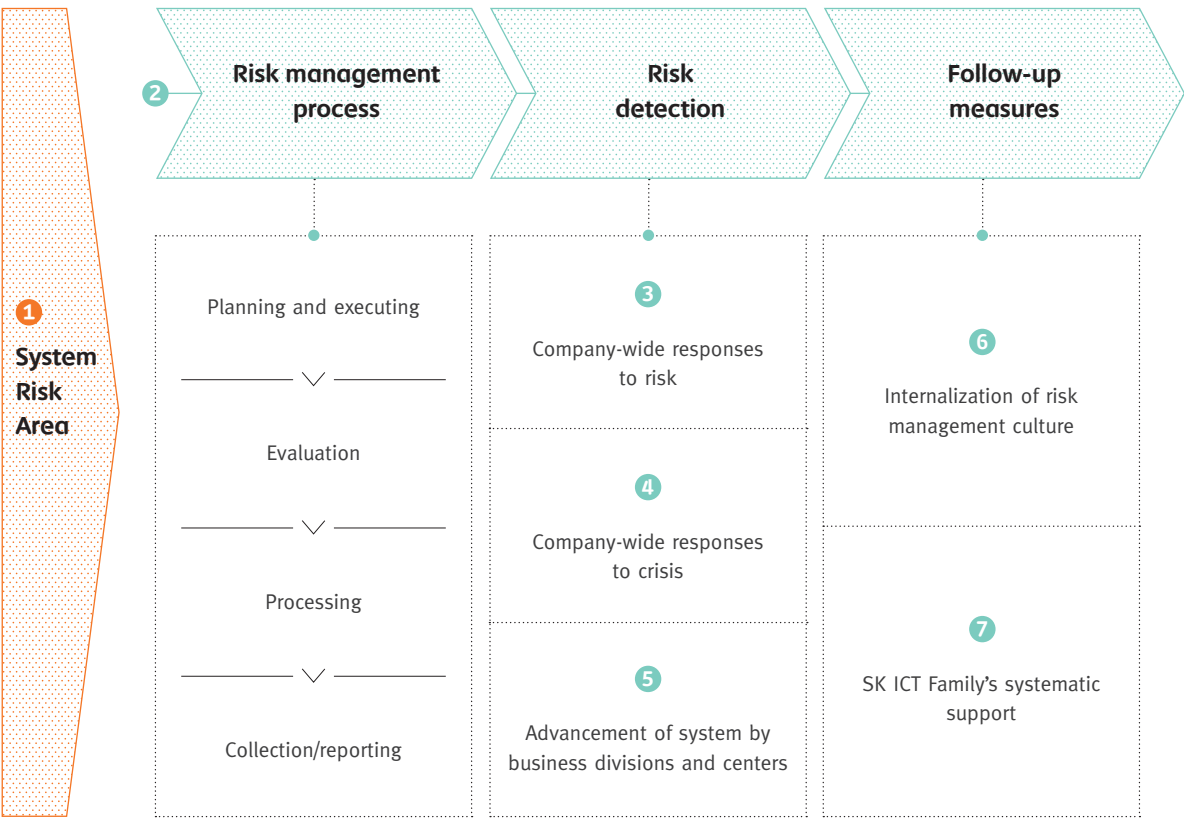
Our Approach

Effective risk management is vital to a company’s long-term performance and organizational flexibility as complex risks becomes periodically longer and frequent due to the expansion of global economic risk and uncertainties in the company’s management environment. By establishing an enterprise-wide integrated risk management system that includes risk management processes, response systems and culture, SK Telecom will make good use of it as a groundwork for stable corporate operations and value creation.

Integrated Risk Management System

SK Telecom operates a risk management process, a system that can assess annual risks in accordance with procedures by securing the scopes of risks that include both financial and non-financial factors. Through establishing self-controlled responding system by business divisions and centers as well as company-wide risk management system and crisis countermeasure system operated by Change Management Office, SK Telecom solidified its comprehensive risk management structure. We are stably operating our business and upgrading our risk management system by expanding the company-wide risk management system to the SK ICT Family while carrying supporting activities to establish a company-wide culture of risk management at the same time.

RISK MANAGEMENT STRUCTURE



1 RANGE OF SK TELECOM’S RISK MANAGEMENT

The range of SK Telecom’s company-wide risk management widely covers strategic risks and financial risks (the market, interest rates, taxation, foreign exchange rates), regulation risks, business operation risks such as serious customer complaints, customer information leakages and network failures and reputational (social responsibility) risks that can affect the company’s reputation such as unfair trade, bribery, and treats. As a result, we have the wide scope of comprehensive and systematic management that takes into consideration both financial and non-financial risks. We are expanding the strategic response system based on the key elements of each area and changes in the internal and external environments by dividing the risk management area into business, employees, customer value, business partners, and governance.

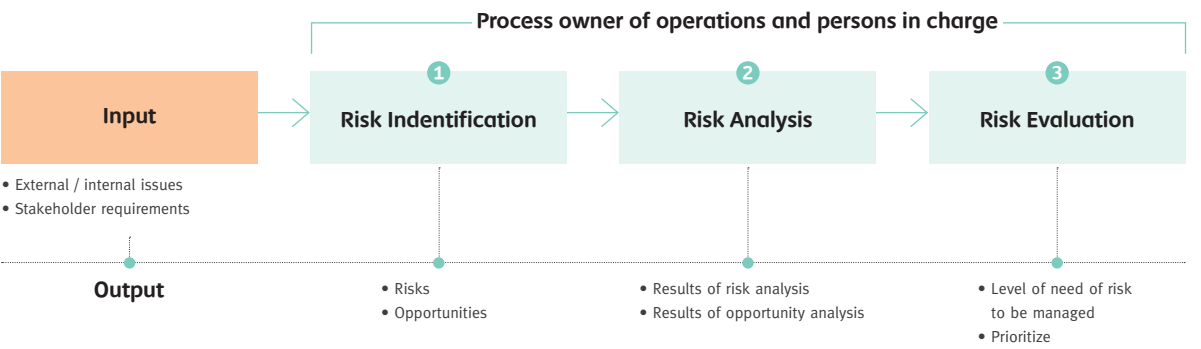
RISK MANAGEMENT AREAS AND FACTORS

Business	<ul style="list-style-type: none">• Strategy - Predict customer needs and demands, business decision-making, changes in technology and industry environment, etc.• Regulatory risks - Sudden changes of regulations and policies in ICT industry, in areas such as telecommunications, media and platform.• Financial - Exchange rate, changes in interest rates, liquidity, credit, assets, debt management• Operational process - Appropriateness of organizational design, performing incorrect processes
Employees	<ul style="list-style-type: none">• Individual corruption - Leaking company information, financial dealings with employees and stakeholders, illicit profits/usage, embezzlement of company funds, violation of prohibition on concurrent positions/outside work, etc.• Sexual ethics - Sexual harassment, gender discrimination, etc.• Employee conflict - Conflicts between employees, leaders, or the company• Employee incidents/accidents - Death from negligence or serious injuries from accidents, job-related accidents, public criticism (e.g. assault)• Company losses due to job-related negligence - Loss of sales opportunity, neglectful asset management
Customer Values	<ul style="list-style-type: none">• (Collective) customer actions• Customer information leaks - Leak of subscribers' personal data, leak of device information and call records• Large-scale customer complaints - Service failures, computational errors• Spread of negative press reporting through traditional and social media• Unfair trade - Transactions with relatives/borrowed-name companies, illicit transactions, special treatment of specific enterprises and overlooking defects, etc.• Conflict with suppliers - Violence, sexual harassment, legal disputes due to changes in the business environment
Business Partner	<ul style="list-style-type: none">• Giving/receiving money and valuables or special treatment• Business partners' illegal actions - Customer fraud at authorized retail stores• Business partners' violating data privacy - Leakage of confidential business information, unfair usage of business information
Governance Relationship	<ul style="list-style-type: none">• Fair trade violations - Illegal subsidies, violation of the Protection of the Communications Act, collusion• Accounting fraud - Creating slush funds, fraudulent accounting, disclosure violations• Inappropriate entertainment - Offering bribes, other special treatment• Search/Investigation by state institutions - Violations of laws, search/investigations on company's business policy

2 RISK MANAGEMENT PROCESS

SK Telecom is establishing a risk management process consisting of evaluation planning, risk assessment, risk handling and risk collection reporting amid changes in the internal and external environments and according to the needs of stakeholders. The company sophisticatedly performs risk management based on collaboration between risk managers responsible for overall risk assessment and progress monitoring and process managers responsible for the overall management of risks and opportunities and management review reports, based on approved risk evaluation plan. Among them, the risk evaluation process is conducted in the order of identification, analysis and level determination, and aims to create risk opportunities, analysis results and priorities by stages. Risk identification is a process of finding, identifying and describing factors that cause risks. This process is implemented in consideration of internal and external issues and stakeholder needs relevant to the organization’s objectives and strategic directions. It covers a wide range of risks and opportunities that affect the achievement of management targets if needed, and manages the number of risks/opportunities identified as the core achievements. Risk analysis is the process of understanding the characteristics of identified risks and determines the impacts on risks and opportunities and defines the possibility of the company facing them as high, medium or low. The final stage of risk-level determination involves analysis of risk criteria and a comparison of the results to determine the acceptability and level of risk. This will determine the need for dealing with risk and priorities based on risk impact and the likelihood of occurrence. Then, we map out appropriate risk management and action plans through risk management processes including decisions on risk management methodology and effectiveness assessment. Risk that has undergone risk evaluation and the risk management process is collected and reported and used in producing management review reports. Collected risk analysis is stored for five years on the Twiki System, a data-sharing DB, and comes in handy as an effective asset for SK Telecom’s future risk management strategies.

RISK MANAGEMENT PROCESS



3 COMPANY-WIDE RISK MANAGEMENT RESPONSE SYSTEM

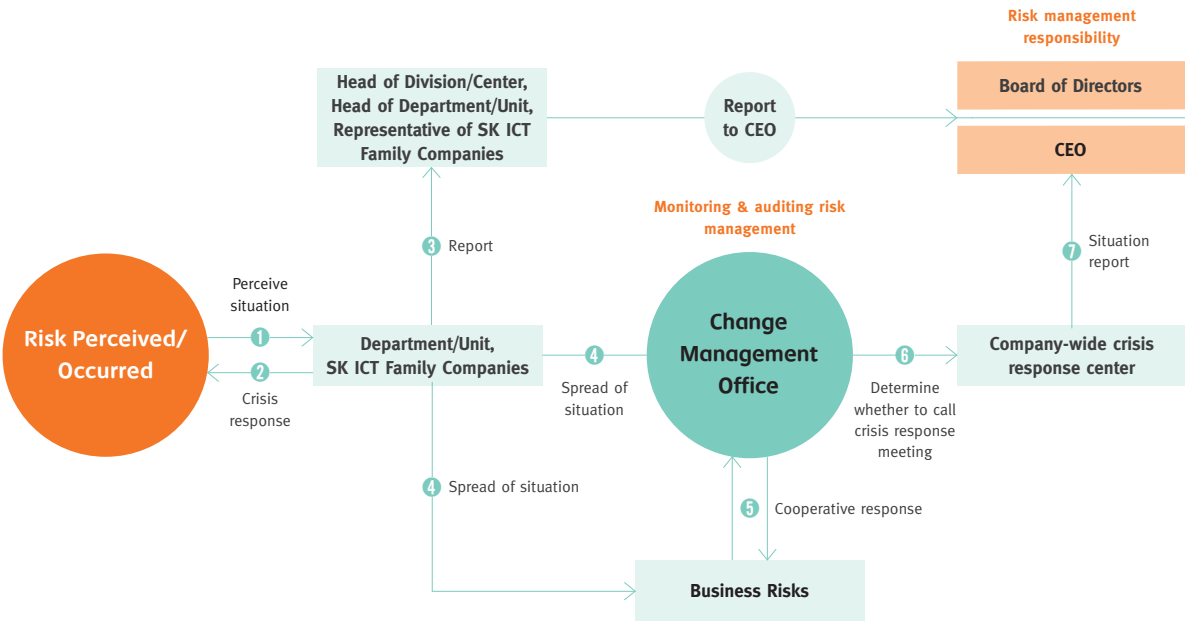
Risk Management Governance

SK Telecom’s Board defines the company-wide risk profile and threshold levels by risk and holds the top responsibility for overall risk management decision-making. In the decision-making process for major management issues, the Board conducts decision-making regarding potential risks by issue and risk management. In particular, 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, and investment risk. Risks from the environmental and social perspective include operational risks, tax risks and reputational risks. The Change Management Office, directly under the CEO, is responsible for monitoring and responding to SK Telecom’s enterprise-wide risk. The office defines the management of the risk profile, mapping responsible departments to major risks and countermeasures for each risk and is in charge of monitoring defined risk standards, perceiving and propagating risks through close cooperation with business divisions. It reports to the CEO when an emergency risk occurs and has the authority to convene a crisis response meeting supervised by the head of the Corporate Center.

COMPANY-WIDE RESPONSE SYSTEM FOR RISK INCIDENTS

(*) SK ICT Family: An ICT affiliate within SK Group, including SK Telecom and its subsidiaries

- Situation report: The executives of SK Telecom and SK ICT Family companies
- Post-examination: Change Management Office and Chiefs of RM in SK ICT Family companies



4 COMPANY-WIDE CRISIS RESPONSE PROCESS

Since 2014, SK Telecom has been strengthening its risk management system by operating a company-wide crisis response center to respond promptly to serious crises. A meeting at the Company-wide Crisis Response Situation Room is convened during serious crisis situations where the company needs to take a company-wide action against serious risk that can have a serious impact on the company and its business operations such as a sharp rise in media and SNS posts about a certain situation or customer complaints (VoC) of the same type. Such company-wide crisis situations include a nationwide network failure caused by natural disasters and fires, the leakage of customer information, investigations into employees’ unethical acts and the media coverage of them.

5 ADVANCEMENT OF SYSTEMS BY BUSINESS DIVISIONS AND CENTERS

Through establishing self-controlled risk response system that meets characteristics and situations of business divisions and centers, SK Telecom advanced its preceding diagnosis structure against potential risks along with company-wide risk management system. In particular, we are constantly checking the level of security policy compliance in preparation for information security risk, while conducting physical and technical vulnerability assessment and elimination activities. Moreover, we are building a quick and systematic response system in accordance with manuals.

6 INTERNALIZATION OF RISK MANAGEMENT CULTURE

A risk management culture internalized in all members and organizations of SK Telecom such as employees, executives, and the BOD, should be created in addition to the risk management system in order to effectively manage and respond to risks. SK Telecom is creating an environment in which members can promptly report risks when they detect risks so that its employees can ramp up their transparency and accountability regarding risk. In addition, we are enhancing our employees’ preemptive risk response capabilities by identifying risks of which impacts are increasing in the mid-to-long term and by conducting periodic simulation training along with precautionary risk recognition training. Moreover, we are constantly improving our risk management practices by sharing risk analysis data collected in course of risk management process through the system. We are also operating a risk management system that includes risks that are difficult to predict but can have a huge impact in the long term, such as climate change and natural disasters, within the scope of risk management.

7 SUPPORT FOR RISK MANAGEMENT SYSTEMS OF SK ICT FAMILY (*)

SK Telecom has built a company-wide risk management system that covers the SK ICT Family. The company has clear intercompany situation reporting standards by major risk type, and has established an organic risk-response system for SK ICT Family companies to share information in the event of unexpected emergency situations, and to cope with crises through prompt decision-making. With the aim of improving management stability within the even more organic cooperative system, SK Telecom is operating a company-wide risk management working group, and has also formalized risk management meetings that include SK ICT Family companies so that potential risks can be identified in an ongoing manner. Moving forward, SK Telecom will continue to ensure the stability of business operations by running short- mid- and long-term systematic risk management and risk management process.

(*) SK ICT Family: SK Group affiliates including SK Telecom and its subsidiaries

RISKS & OPPORTUNITIES

RISKS & OPPORTUNITIES



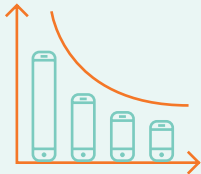
Matured Mobile Telecommunications Market

CONTEXT

- There is a limit to growth due to the saturation of the mobile communication market such as 48 million units of smartphones and a 128.03% penetration rate of wireless communication services in Korea as of December 2018.
- In addition, the specifications of flagship devices, which are the main factor in fueling market competition, has been elevated, weakening demand for the latest devices and extending replacement periods.
- Subscriber growth is likely to remain stagnant for a long time as the domestic mobile telecommunications market is maturing, which may negatively affect business performances. Therefore, it is necessary to make efforts to find and develop new sources of revenue and create value.

STATUS

Matured



Strengthened Regulatory Pressure on Tariff Discounts

- NGOs and political circles have steadily demanded for rate discounts for the purpose of easing telecommunication expense burdens on households.
- Due to regulatory pressure from 2017 to 2018, the government expanded tariff discount on socially disadvantage and increased selective tariff discount rate. In the mid-to-long term, entering barrier to telecommunication business will be lowered as Telecommunications Business Act is revised to change its current licensing system to registration system and expected to be exercised starting from June 2019.

Matured



Launch of 5G Era

- In 2018, the government defined 5G as a key means of promoting data production, distribution, and utilization, and forecast that 5G would make changes in the economic and industrial structure.
- Amid fierce global competition for 5G leadership, 5G services were commercialized in Korea and the US and are expected to be commercialized in China and India in 2019. Hence, many companies are speeding up the development of new services based on differentiated 5G technologies such as hyper-speed and hyper-low latency technology.
- On April 3, 2019, the world's first commercialized 5G service began in Korea, drawing attention to network quality and service differentiation.

Emerging

Long-term Risks & Opportunities

SK Telecom is pushing forward with strategic responses in the short, medium, and long term after carefully analyzing and recognizing emerging risks that have significant impacts on its management environment. From a long-term perspective, the company will overcome any crisis and create new opportunities through advanced risk management that takes future risk into account.

POTENTIAL IMPACT ON SKT

- The domestic wireless telecommunication service market is maturing and mobile telecommunication demand is stabilizing.
- The long-term growth of profitability of the mobile telecom business, which accounted for the majority of telecom operator operating revenues, is expected to reach its limit. This may lead to a slowdown in the growth of SK Telecom's mobile telecom business in the mid-to-long term.

WHAT ARE WE DOING ABOUT IT?

- SK Telecom is pursuing a transformation into a comprehensive ICT service provider through changes in business structure. We have steadily realized growth in number of subscribers and the innovation of products/services amidst fierce market competition and tariff discounts.
- SK Telecom is enjoying the largest market share (47.3%) through its highest-quality data and voice call services, distribution network quality management, customer benefits and retention-oriented marketing activities as of December 2018.
- After setting customer value innovation as a top priority in order to secure subscribers for mobile communication, SK Telecom is taking the initiative in the qualitative growth of mobile telecommunications by providing services that can give customers practical benefits. At the same time, we are looking for opportunities to expand revenue by acting as the spearhead of the promotion of 5G services.
- In addition, we will make efforts to create new profit-making models in growing business areas by reorganizing our business structure as a provider of New ICT services based on our core competencies such as subscriber base, infrastructure and data in the current mobile communication business.

- Government regulations significantly affect the telecom business. The government's measure to reduce household telecom costs had inevitable negative financial impacts such as a drop in sales and profits of the mobile network service business. Hence, profits of the wireless telecommunications business shrank in 2018, however, currently the decline of revenue has been stabilized. We expect the mobile network operator business to make a turnaround in terms of revenue in 2019.
- The artificial intervention of the government may bring risks of hindering the total structure of market competition while there are changes in market thanks to free competition such as strengthened customer benefits and relieve in pressure on telecom cost of normal households.
- On the other hand, we are expecting new opportunities to improve competitiveness if rational conclusion is resulted from the introduction of handset self-sufficiency policy, by converting center of market competition to quality of products and service while easing customer inconvenience simultaneously.

- SK Telecom is putting efforts to scale up practical customer benefits through the competitiveness of differentiated products and services rather than artificial rate discounts.
- In particular, to provide telecommunication service to socially disadvantaged subscribers such as low-income class, senior citizens, and handicapped, we are providing various tariff discount benefits such as tariff discount for low-income and handicapped subscribers and special discount plan for senior citizens to comply with government's tariff cut policies.
- We are striving to help governments to make the right policies by actively discussing with Ministry of Science and ICT and the Korea Communications Commission in terms of role and investment ability on 5G – the core infrastructure of 4th Industrial Revolution – and growing business areas in national competitiveness perspective.

- 5G is expected to create markets worth a total of KRW 1,161 trillion until 2026, mostly generated from major related industries such as network equipments and devices, advanced devices/ security and convergence service.
- Convergence between 5G and other industries is expected to accelerate, creating KRW 682 trillion new markets by 2026 in the fields of immersive contents, smart factories, autonomous vehicles, smart cities and healthcare.

* Overseas Market Outlook Survey, KISDI, Jan. 2019

- Excessive cost to buy 5G frequencies and massive network investment can be risk to mobile operators until the establishment of 5G-related business models and may hinder South Korea in taking the lead in the global 5G sector ahead of others.

- SK Telecom contributed to establishing international standards on core 5G technologies such as 5G Front Hole and network slicing. The company proved its leading technological capability by actively engaging in global standardization process such as succession in demonstrating 5G data communication based on international standards for the first time in the world in 2017.
- In June 2018, SK Telecom secured a frequency of 900MHz – the C band, which is easy to expand and free from interference from neighboring bands.
- SK Telecom will effectively make investment at a level high enough to take the lead in the market by closely monitoring market demand. At the same time, the company will position itself as the unrivaled No. 1 telecommunications provider and take off to be an ICT Synergy Company in the 5G era by discovering new business models that can realize hyper-connections and hyper-low latency that belong to the characteristics of 5G and creating synergies among New ICT portfolios.

RISKS & OPPORTUNITIES



Privacy Risk

CONTEXT

- It is not an exaggeration to say that broadband internet networks are public resources and the protection of personal information is not only the basis of customer trust but also a basic obligation of business operators.
- Personal information protection is a fundamental part of people's basic rights and is legally protected by the Protection of Communications Secrets Act. But it is also limited for other public purposes such as criminal investigations, anti-terrorism measures and national security.
- Mobile carriers have a duty to protect customers from hacking and virus infections with respect to their personal information.
- A June 2019 amendment to the Act on the Promotion of Information and Communication Network Utilization and Information Protection made it compulsory for providers of information and communication services with total assets of over KRW 5 trillion to appoint their CISO (Chief Information Security Officer) to take responsibility on technological measure and legal respond for information security of the company.

STATUS

Emerging



Climate Change Risk and Pressures on Increasing Energy Efficiency

- As climate change risk has emerged as a major global agenda, risks related to securing emission allowances and operating costs related to electricity charges are rising due to the strengthening of climate change related regulations including Emissions Trading Scheme (ETS) and renewable energy development.
- As the post-Kyoto Protocol was completed at the COP21 (Paris Pact) at the end of 2015, the government has set national greenhouse gas emissions reduction target to 37% compared to Business as Usual (BAU) by 2030, and is strengthening market and non-market regulations.
- The government announced the nuclear phase-out policy in 2017 and the roadmap for promoting renewable energy and improving the national energy system.
- At the same time, the world is witnessing the creation of ICT-based eco-friendly business opportunities such as Next Grid to prevent the growing risk of climate change and improvement on energy efficiency.

Emerging

POTENTIAL IMPACT ON SKT

- Requests of personal information from domestic law enforcement agencies, investigating agencies and government agencies are subject to the Protection of Communications Secrets Act and the Telecommunications Business Act in terms of procedures and grounds.
- Cases of domestic telecommunication service providers' provision of communication data to government agencies upon request such as prosecutors, the police, and the National Intelligence Service (NIS) numbered 308,335 involving telecommunications data and 55,892 telecommunications record checks in 2018, which decreased compared with that of 2017. The use of personal information for such purposes is expected to grow further in the future.
- SK Telecom has to set up balanced policies between user rights and cooperation with government agencies such as protecting personal information and is considering this issue from a long-term risk perspective.

- SK Telecom is consuming a substantial amount of electricity at data centers and network systems to operate networks and base stations, thereby needs to closely manage energy efficiency and GHG emissions are increasing.
- In particular, the government's relatively low GHG emissions allocation volume compared to the BAU level and long-term uncertainties in the Emissions Trading Scheme may burden SK Telecom financially, through environmental debts as well as negatively impact our business operations in the future - we are paying close attention to this issue.

WHAT ARE WE DOING ABOUT IT?

- SK Telecom established human rights principles for the freedom of expression and the misuse of technology through formalized corporate human rights policies and is committed to protecting the rights of users and human rights by protecting personal information.
- Cooperation on telecommunication data, telecommunication record checks, and restriction measures is conducted according to strict procedures and restrictions stipulated by current law.
- We are pursuing zero accidents in information protection through company-wide efforts such as the enhancement of functionality of control tower and diagnosis system, structuring data based intelligent security system, strengthening security diagnosis of mobile network IT systems and advancement of according defense system as well as strengthening security structure on both human resources and physical systems due to changes in ICT environment.
- In accordance with an amendment to a related act, we made responsibilities for information security clear and reinforced our roles in protecting information by appointing the CISO in charge of independently formulating technological measures for information security and legal responsibilities in June 2019.

- SK Telecom is continuing to have discussions with the Corporate Citizenship Committee of the BOD in order to actively respond to the Emissions Trading Scheme. In addition to its own activities to reduce GHG emissions, SK Telecom is preparing diversified countermeasures such as mitigating price risks through dispersed purchasing arrangements of emission allowances, calling for the recognition of the early reduction of GHG emissions in the 2012-2013 period, and applying for the additional allocation of GHG emission allowances due to new equipment introduced in 2017.
- In 2018, SK Telecom signed an agreement to lead locals to prune approximately 106,000 tons of carbon emissions annually by supplying about 54,000 cook stoves to a dry zone in Myanmar for five years via the Myanmar Cook Stove* project. The company will create both social and economic value in the form of securing carbon credits for the portion of carbon emissions reduced through this project by promoting this as a UN Clean Development Mechanism (CDM) model.
- We are pursuing various eco-efficiency projects based on data such as the Building Energy Management System (BEMS), the Factory Energy Management System (FEMS) and various ICT-based smart/green solutions by approaching climate change risk from a new market opportunity perspective.

* Cook Stove: A stove-shaped cooking tool which is made of cement material used to reduce carbon emissions and the use of firewood by increasing thermal efficiency, and is also effective in shortening cooking time.

Our Approach

SK Telecom proclaims its responsibilities for stakeholders and clearly presents ethical policies and regulations to be abided by its employees and attitudes and direction points to be taken by them by establishing a Code of Conduct that underpins ethical management. Hence, a thorough zero-tolerance principle is applied and actions are strictly taken against minor violations. The company publishes guidelines on ethical management and putting ethical management into practice and uses them as a basis for decision-making and actions in all management activities. Following an amendment to the Code of Ethics in November 2017, we revised the Practice Guidelines for the Code of Ethics in January 2018 with an eye towards strengthening a connection with the core values of the company and segmenting ethics practice into ‘Customers, Business Partners, the Company, Employees and I.’

SK TELECOM’S CODE OF CONDUCT FRAMEWORK

All employees	Code of Ethics	<ul style="list-style-type: none">• Code of Ethics and Practice Guidelines• Practice Guidelines for the Code of Ethics (FAQ)• Practice pledge
	HR Policy	<ul style="list-style-type: none">• Employment, evaluation and compensation regulations• Detailed regulations on antidiscrimination
	Autonomous Fair Trade Compliance Guidelines	<ul style="list-style-type: none">• Prevention of money laundering and insider-trading• Anti-monopoly and anticompetition behavior prevention
	Customer Information Protection Policy	<ul style="list-style-type: none">• Detailed pledge for customer information protection and practice guidelines• Personal information protection policy
Business Partners	Fair Trade/ transparent transaction & CSR Practice Agreement, Supplier ESG Code of Conduct	<ul style="list-style-type: none">• Anti-bribery and customer information protection• Compliance with SK Telecom's standard for social and environmental responsibility

Commitment

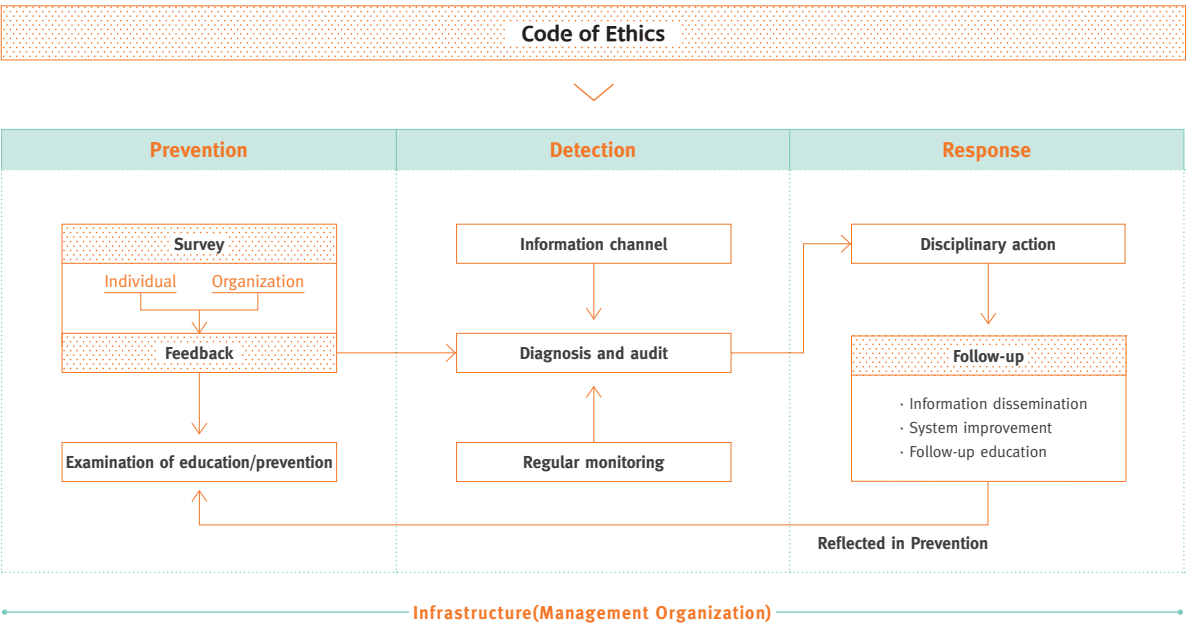
- Universal Declaration of Human Rights (2004)
- UNGC 10 Principles (2008)
- Ruggie Guiding Principles on Business & Human Rights (2012)

TRANSPARENT ETHICAL MANAGEMENT

Ethical Management Process

SK Telecom runs a three-step ethical management process based on Prevention, Detection and Response by harnessing the code of ethics and the support system of the management organization. In particular, in 2018, the company strengthened its virtuous cycle of ethical management by strengthening preventative measures, training programs, establishing an ethical counselling and reporting center as well as systemizing follow-up measures in order to preemptively respond to complementary factors by stages and the external environment.

SK TELECOM ETHICAL MANAGEMENT FRAMEWORK



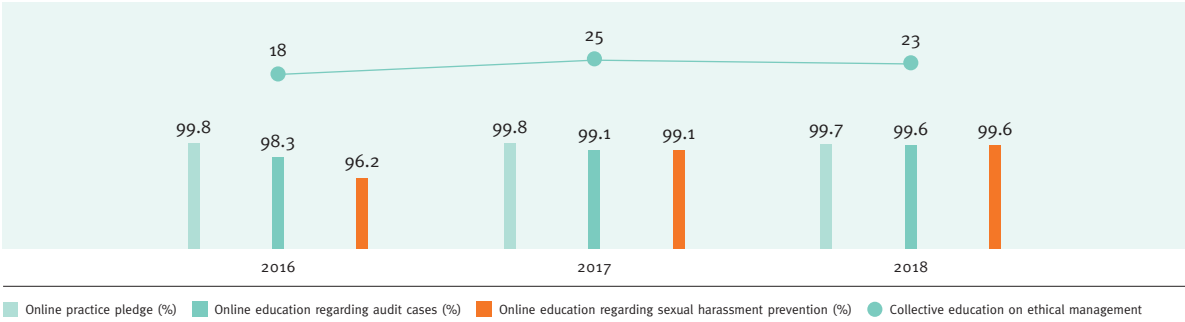
- Corporate Citizenship Committee, Ethical Management Group, Ethical Management Agent etc.
- Main activities
 - Monitoring of ethical risks in unit organizations
 - Once ethics issues are detected, proceeds primary consultation/counseling
 - Verification of facts of consultation
 - Communication channel of company's ethical management policies and future action plans
 - Collect opinions/feedbacks of unit organizations related to establishment of ethical management infrastructure
 - Return of received monetary goods and sends official letters of cooperation to stakeholders involved in donations (Sends directly if needed)
 - Collaboration with local community service groups within the company

1. Prevention

SK Telecom conducts ethical management practice surveys in order to preemptively identify potential risk in ethical management and improve vulnerable areas. Annual regular diagnosis of ethical management practice precludes all employees of companies from being exposed to unethical risk. In 2018, SK Telecom improved its practice of corporate ethics management by deriving improvement tasks based on the results and feedback derived from annual regular diagnosis. In particular, SK Telecom has empowered executives to take the lead in putting ethical management into practice at each of their units by giving them feedback on awareness gaps with members of their units by segments and the members’ opinions.

Furthermore, we are carrying out company-wide education activities for preventive checks to counter potential risk and the internalization of ethical management practices. We regularly implement ethical practice pledges and ethics education for all employees, and established the Code of Practice Guidelines marching the specific characteristics of each organization through ethical management practice workshops in which all employees participate. We expanded ethical management education to partner companies, distribution networks and investment companies to spread our ethical management culture in all of our business activities. We issue an ethical practice letter every other month to provide specific guidelines on ethical practice. In 2018, we held a total of 23 ethical management training sessions for 95 groups at 13 business centers. We are achieving nearly 100% participation rate and ethical management internalization.

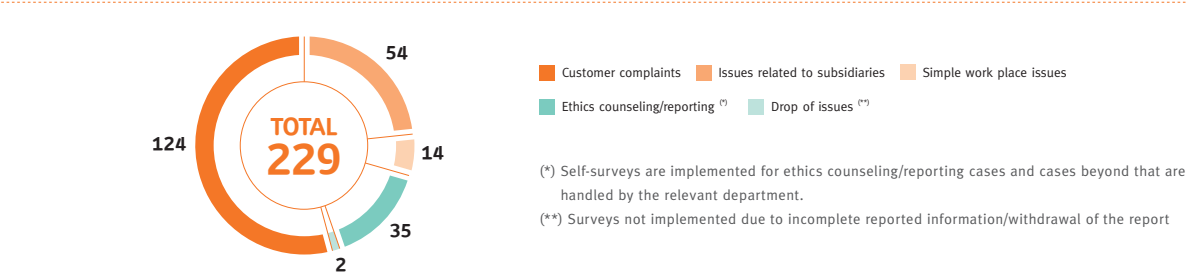
STATUS OF EMPLOYEE ETHICAL MANAGEMENT EDUCATION



2. Detection

SK Telecom operates the Ethics Counseling Center to enable employees to regularly report ethical management issues and receive counseling. SK Telecom opens online and offline channels such as a corporate website, face-to-face counseling and mail correspondence available to all of SK Telecom’s stakeholders including employees, customers and partner companies that need to report ethical management issues and receive counseling. These channels include My Counselor, Letter to HR, female counselors for sexual harassment cases, intranet channels and anonymous message boards and serve not only as a window through which to report misconduct and corruptions, but also as a tool to provide consulting about various ethical issues that stakeholders face. In addition, the company operates a separate counseling and witness protection program to protect the identity of informants and counselors of ethical concerns as well as confidential information. Under no circumstances SK Telecom is allowed to make an attempt to reveal a person’s identity, such as inquiries or investigations to find out the identity of the person who have reported. Moreover, we protect the identity of not only the counseled person but also the counsel/investigation collaborator as well as the details of the counseling report. SK Telecom is taking measures to prevent any disadvantages caused by counseling or reporting.

ETHICS COUNSELING CENTER OPERATION (2018)



SK Telecom is carrying out inspections on ethical management issues identified through reporting channel and monitoring in serial order through 27 internal control audit support scenarios based on the SK Group Ethical Management Policy (2015). In 2018, we developed 20 of the 27 scenarios as automatically inspected items in our ethical management portal, thereby establishing a self-check and constant monitoring system for individual departments. In addition, we check whether or not leaders take the initiative in putting ethical management into practice by setting an example and conduct ethical management diagnoses and audits to reconsider ineffectiveness in our business areas. In particular, we conducted a diagnosis and an audit on the status of all corporate receivables and inventory asset management and benefits for customers and took corrective measures in 2018.

3. Response

In case of a violation of ethics regulations, SK Telecom finds facts through further investigations when necessary and takes strict measures such as dismissal, suspension from duty and reprimand through consultation with related departments based on general company rules such as personnel management and disciplinary regulations. If an employee of a partner company violates the ethics regulations, SK Telecom imposes restrictions on the amount of transactions with the partner company, in some cases terminates the contract as well as records-keeping for further inspections and improvements.

ACTIONS TAKEN AGAINST CODE OF ETHICS VIOLATIONS (2018)

Type	No. of Cases	Actions
Receiving gifts or money	1	1 dismissal
False reporting and budget abuse	6	1 dismissal, 1 suspension, 4 reprimands
Outside work/Conflict of interest	2	1 dismissal, 1 reprimand
Excessive loans	2	1 dismissal, 1 salary reduction
Sexual harassment and workplace conduct	7	3 wage cut, 4 reprimands
Total	18	-

COMPLIANCE

SK Telecom recognized that it is a prerequisite for enhancing corporate competitiveness by actively creating a fair competition environment and contributing to the protection of users, rather than passively complying with related laws and regulations by regulating organizations. Accordingly, we are setting up a leading compliance system by regularly conducting compliance training for our employees and disclosing the status of training.

Self-Regulating Fair Trade Compliance and Transparent Trade Culture

Since 2002, SK Telecom has been running the Self-Regulating Compliance Program, an internal compliance system for fair competition and transaction transparency. The Fair Trade Compliance Program consists of the CEO's voluntary commitment to compliance, the appointment of a compliance officer, the establishment of a self-regulating compliance council, the creation of a compliance manual and training program, the construction of a material management system, and internal inspections. SK Telecom is contributing to the creation of a fair competition environment through systematic management and operation in accordance with standard guidelines. In addition, when signing contracts with partners, we make it compulsory for partners to comply with fair trade including fair and transparent transactions in the CSR practice agreement. Fair trade compliance standards for partner companies are common regardless of their countries or regions. If a partner company does not adhere to these rules or comply with them, SK Telecom is strictly complying with standards such as eliminating the partner company from our partner list or scratching off a contract with it.

Anti-Trust Compliance

The SK Group to which SK Telecom belongs enacted the SK Compliance System Guidelines in 2008 and has distributed it to each affiliated company to strengthen its fair trade system. SK Telecom was not involved in any anti-trust investigations, nor did it pay any fines for breaching fair trade practices in 2018. SK Telecom will lead the establishment of a compliance system for the entire ICT industry with the belief that spreading a fair trade culture and creating an environment for self-regulating fair competition are the driving forces of sustainable competitiveness and customer trust down the road.

TRANSPARENT PARTICIPATION IN PUBLIC POLICY

For the transparency of political funds, SK Telecom abides by domestic political funding laws that prohibit corporations or organizations from donating political funds. We do not provide any political funding, including political funds, election funds for specific political groups, and lobbying funds of political parties. We are cooperating for the development of the public interest by supporting organizations with guaranteed political neutrality. In addition, SK Telecom supports public policies such as job creation, gender equality, the protection of socially vulnerable groups, and complies with anti-corruption and fair trade.

We also recognize that expenses associated with policy impacts can be a potential risk to the company's mid- to long-term business perspectives and manage the history and size of donations from the perspective of the entire company. In February 2017, the Board of Directors revised the rules to enhance the fairness and transparency of the execution of expenses that could affect business policies by strengthening the pre-approval process through the Board of Directors' oversight on donations of over KRW 1 billion.

EXPENDITURES RELATED TO POLICY BY YEAR				KRW million
	2015	2016	2017	2018
Political Donations ^(*)	0	0	0	0
Total Contributions to Associations ^(**)	9,562	7,416	3,274	575

(*) Political Donations: donations and support for lobbying organizations or lobbyists, political campaigns and election funds, organizations or politicians related to specific parties or politics
(**) Expenditures to Associations: association fees for telecommunications policy-related institutions with guaranteed political neutrality

LARGEST EXPENDITURES TO ASSOCIATIONS (2018)			KRW million
Name of Association	Position	Expenditures	
Korea Telecommunications Operators Association (KTOA)	Vice-Representative	214	
Korea Association for ICT Promotion (KAIT)	Representative	200	
Korea Chamber of Commerce and Industry, Seoul	Member	96	
ITU Radiocommunication Sector (ITU-R)	Member	37	
Korea Radio Promotion Association (RAPA)	Vice-Representative	28	

Human Rights Report

4

Identifying and Managing Company-Wide Human Rights Issues

SK Telecom takes the utmost care to prevent either the company’s direct operation or its business relationships from causing any human rights violations. SK Telecom believes that information and communication technology ultimately contributes to improving quality of life and human rights by enhancing information exchanges among individuals and their access to information and improving social knowledge, openness and transparency. The company is committed to respecting human rights in the Universal Declaration on Human Rights and integrating the UN Guiding Principles on Business and Human Rights into the overall business process. For the CEO’s statement on SK Telecom’s human rights policy, please refer to pp.164-165.

IDENTIFYING HUMAN RIGHTS RISK ON VALUE CHAIN AND SETTING UP MITIGATION PROCESS

Scope of Survey

The UN Guiding Principles on Business and Human Rights suggest a clear framework for promoting human rights in business processes for companies and stakeholders. They are ‘Protect, Respect, Remedy’ that expect companies to respect human rights, strive to prevent human rights infringements, and actively eliminate negative human rights issues. SK Telecom introduced human rights policies at the corporate level in 2012 and since then, has continuously strengthened its management in the human rights field. The company recognizes the following four as key human rights factors related to its business - 1) human rights of employees and business partners; 2) the protection of personal information and privacy; 3) the freedom of access and expression and 4) the prevention of technology, service and data misuse. In this regard, SK Telecom is checking whether there are even small human rights risks in its entire value chains involving SK Telecom, its subsidiaries, and partners.

Risk Identification Process

SK Telecom reestablished the priorities of human rights issues by conducting a gap analysis which compares its human rights policy with the UN Guiding Principles on Business and Human Rights. Its human rights risk identification procedure is 1) investigating human rights issues in accordance with global guidelines such as OECD due diligence guidelines on conflict minerals and industry guidelines; 2) tracking human rights issues of 3rd-parties through the Global Human Rights Action Platform and NGOs; 3) identifying internal issues through annual stakeholder surveys and 4) generally reviewing integrated grievance resolutions through the Corporate Citizenship Committee of the BOD and CSR issue channels.

Risk Mitigation Process

As a result of risk analysis in 2018, SK Telecom selected the following as major human rights issues -- 1) the conflict mineral issue at the stage of collecting raw materials for networks, devices and equipment; 2) safety and working hours of workers in network construction and operation; 3) the humanitarian treatment and protection of customer service consultants and 4) the protection of personal information in sales and distribution processes. The relief and mitigation measures are designed to identify the status of the identified and prioritized human rights issues through due diligence and map each issues with dedicated organizations that measures can be continuously carried out. For example, the company takes an action so that an issue can be resolved such as having the SCM Office deal with issues regarding conflict minerals which are main risk and the Customer Value Innovation Office’s Customer Care Team being responsible for call center work environment issues.

DUE DILIGENCE OF CORE HUMAN RIGHTS FACTORS RESULTS

Conflict Minerals

The term ‘conflict minerals’ refers to minerals such as gold, tungsten, tin, and tantalum mined in the Democratic Republic of Congo (DRC) or its neighboring countries. As armed rebels in the Democratic Republic of Congo raised funds through conflict minerals over the last 10 years, it became a major human rights issue in the telecommunications and electronics industries. The most important products that need much attention in relation to conflict minerals are electronic devices such as mobile phones and laptops. Although SK Telecom does not manufacture electronic devices on its own, the company is identifying products’ countries of origin and conducting due diligence, utilizing CRMT (Conflict Minerals Reporting Template) provided by the RBA (Responsible Business Alliance, the former EICC) and the GeSI (Global e-Sustainability Initiative) to verify whether the materials, parts, or equipment supplied to SK Telecom contain conflict minerals. The results of the due diligence of our supply chain in 2018 did not show any direct purchase of conflict minerals and any direct contractual relationship with refineries in the disputed area. Accordingly, we found that there were no production minerals in the conflict-areas subject to additional supply chain inspections.

	2016	2017	2018
SK Telecom's Use of Conflict Minerals	0	0	0
Measures for Resolution	Continuous monitoring of whether conflict minerals are used in main business sites		

Network Operators’ Safety and Working Hours

SK Telecom has built and operates 2.87 million base stations nationwide for its wireless communication network. In the course of carrying out data processing works and physical maintenance of the network, workers may be exposed to human rights issues related to accidents and working hours.

SK O&S, a subsidiary of SK Telecom, continuously monitored the status of safety accidents at the company-wide level such as checking the status of safety equipment (helmets, etc.) use and carrying out a campaign for vehicle safety. In 2018, we examined the status of safety by months and identified one major potential risk (related to electrical safety) and implemented corrective actions. With reference to working hours, one of the global human rights issues, became a major issue in Korea as an agreement was reached about shortening the statutory maximum working hours (including overtime). Changes in the telecommunication service environment will kindle an increase in the number of equipment and may lead to an increase in the working hours of network operators. SK is running a system where workers have to receive work permits from their team leaders and register the content of their work during holidays or night shifts. This system guarantees sufficient resting time for employees and creates a highly efficient work environment.

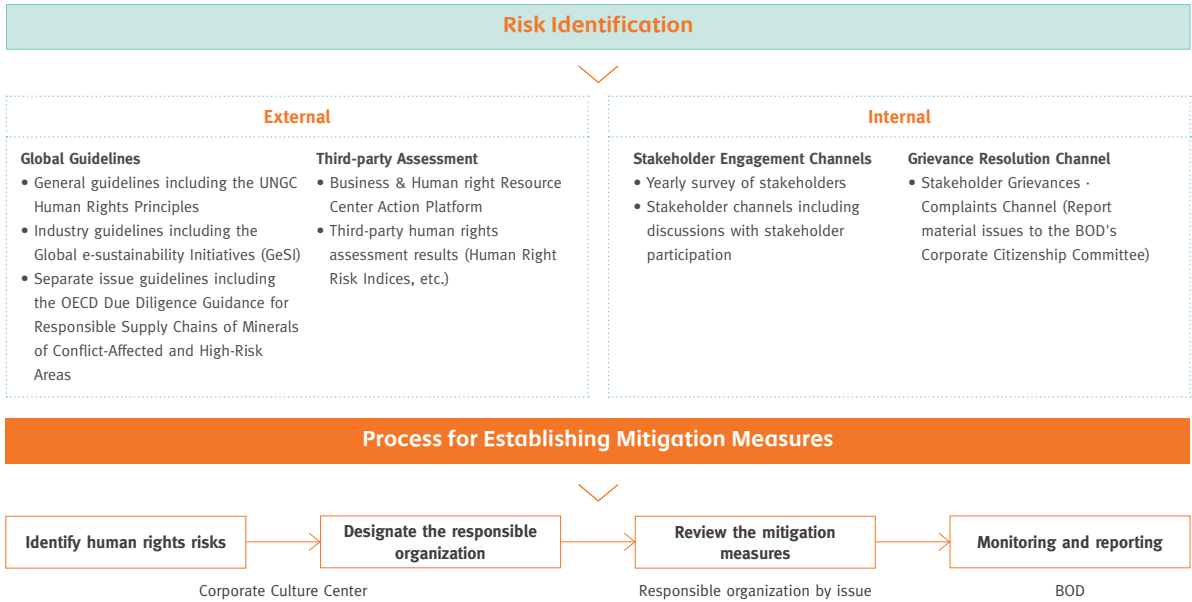
	2016	2017	2018
Work hours per person (Hours / Week)	53.2	52.6	50.8
Measures for resolution	Required mandatory registration of work hour status through system and management/exercise of work hours under approval from team leader in advance, in case of work during off-duty or night shifts		

Emotional Labor

SK Telecom took protective measures such as improving the treatment of service consultants and enhancing their work environment by regularly cooperating with its call center subsidiaries. Service consultants taking various calls from customers are vulnerable to emotional labor risk at all times and go through verbal abuse and profanity on an average of once or twice a month.

SK Telecom's call center subsidiary is continuously improving its policy to protect service consultants from the negative impacts of emotional labor. The company set up and is implementing procedures (service consultant protection program) including understanding (warning), terminating conversations, and connecting to senior employees when service consultants are exposed to human rights violation risks such as abusive language, profanity, intimidation, sexual harassment, or unreasonable demands, etc. In April 2018, the company started to guarantee service consultant’s

HUMAN RIGHTS RISK IDENTIFICATION AND MITIGATION MEASURES ESTABLISHMENT PROCESS



rights to relax and rest taking by limiting general counseling services (such as fees inquiries) during lunch hours (12:00 to 13:00), except for emergencies. In addition, SK Telecom operates the Mind Care program, which is a preliminary/ follow-up program to understand service consultants’ job stress and their responses through one or more mental health examinations each year, and to continue personal and group consultation for those in high risk. In addition, in order to protect individual freedom and prevent stress, the company has been running a four-hour work system and a six-hour work system that allow employees to freely choose their working time since 2014.

EMOTIONAL HEALTH DIAGNOSES AND CONSULTATION

		2016	2017	2018
Service Top				
Number of Participants in Diagnoses	persons	3,735 (100%)	3,214 (100%)	3,839 (100%)
Measures for resolution-Personal consultation	persons	605	721	677
Measures for resolution- Group consultation	persons	546	679	792
Service Ace				
Number of Participants in Diagnoses	persons	3,384 (98.5%)	3,204 (96.3%)	3,159 (94.7%)
Measures for resolution-Personal	persons	107	127	123
Measures for resolution- Group consultation	persons	311	218	423

Protection of Personal Information

In order to protect personal information and prevent privacy violations, all business partners including branches of SK Telecom periodically diagnose the level of risk exposure and take corrective measures against risks that occurred. Since 2015, SK Telecom has conducted a survey on the personal information protection audit of over 4,500 stores of sales agencies in its marketing and solution distribution networks. The company conducts remote diagnosis of about 15,000 PCs regarding information leaks annually. In 2018, we also implemented diagnoses and inspection of customer information all of our distribution network.

In order to prevent information leaks in the distribution network, SK Telecom selected and implemented four major tasks: strengthening regular diagnosis of distribution networks; reinforcing target diagnosis through data analysis; improving customer information handling processes; and raising the awareness of customer information protection. As part of carrying out the tasks, we diagnosed risks in blind spots in the distribution network and took measures about 201 cases in 2018. The company found out 137 matters which need improving more diagnosis of customer information in the distribution network and improved the matters 100%.

SAMPLING DIAGNOSIS OF CUSTOMER INFORMATION PROTECTION LEVEL IN THE DISTRIBUTION CHANNEL (2018)

Type	Number of diagnosis (cases)	Improvement and mitigation cases	Notes
Diagnosis of the customer information management status in the distribution channel ^(*)	1,884	201	Identify risks in the blind spot of the distribution channel and implement improvement measures

(*) Regular diagnosis by sampling shops in each region after listing all the offline distributors.

DETAILED DIAGNOSIS OF CUSTOMER INFORMATION PROTECTION LEVEL IN THE DISTRIBUTION CHANNEL

		2016	2017	2018	2021 Target
Rate of inspection among all stores within distribution network	%	100 ^(*)	100 ^(**)	100 ^(***)	100
Discovered cases requiring improved security	cases	326	153	137	
Corrective measures- Rate of completed measures	%	100	100	100	100
Short-term measures taken	cases	218	90	137 ¹⁾	
Long-term measures taken	cases	108	63	0	

(*) Audited 100% of all stores except those with an extremely low risk level of information leakages by strengthening the risk management of the distribution network's data privacy and using more advanced audits.
(**) Audited 100% of alleged stores for 1) data analysis based target diagnosis, 2) online sales store diagnosis, and 3) diagnosis on customer information leakages including leakage on SNS (100%).
1) Data based diagnosis extracted through Safe PC/ Eagle Eye
2) Analysis of T-Gate incoming URLs (about 130,000)
3) Diagnosis of customer information exposed on Naver Band/Cafe/KaKao Group, etc.
(***) Introduced CPSS (Customer Privacy Scoring System) diagnosis system to all distribution channels, conducted diagnosis on high-risk stores such as new stores and stores that are in need of risk management
1) Improved internal customer information security process for 12.4% out of 1,104 stores that were diagnosed by CPSS

POTENTIAL HUMAN RIGHTS ISSUES REQUIRING ADDITIONAL ATTENTION

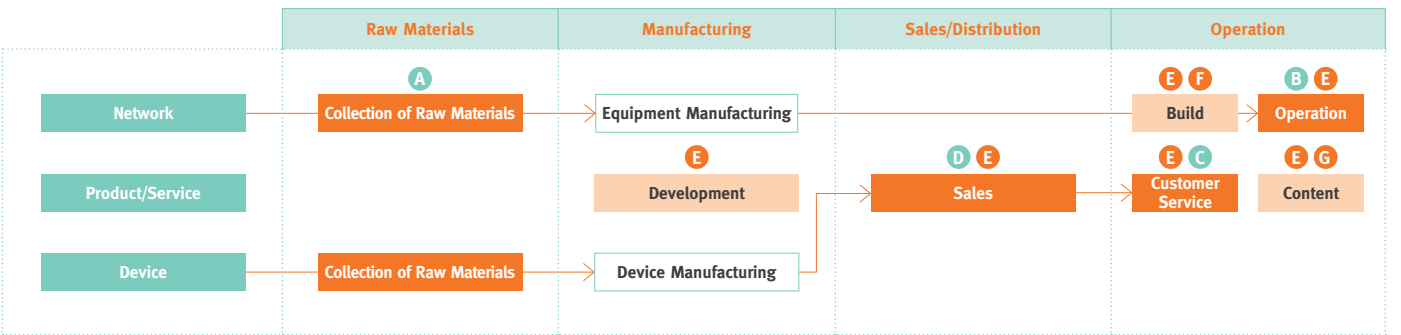
Residents’ Land Rights

Telecom companies may face the issue of violating indigenous land rights during a process of constructing base stations and network infrastructure. SK Telecom has low risk in violating such land rights, as more than 99% of the company’s revenue is generated in Korea, while there are currently no plans to advance overseas in the MNO business. When constructing domestic business sites, base stations, and network infrastructures, SK Telecom is conducting preventive reviews to prevent violations of residents’ rights as well as safety issues such as electromagnetic waves. In addition, SK Telecom receives cases of rights infringements through regular channels (customer centers, etc.) and actively takes actions when problems occur.

Prohibition of Discrimination in Access to Information

In this age of high internet accessibility, denying certain groups’ access to information can lead to restrictions on civil rights and political participation. SK Telecom recognizes that equal access to information is a very important human rights issue. SK Telecom is implementing digital inclusion through various approaches such as the reduction of fees for disadvantaged groups, the improvement of accessibility through education and network expansion for universal information access. Please refer to ‘Access to Service’ on p.146 for SK Telecom’s measures to increase accessibility to information. In addition, SK Telecom supports universal measures (restriction on adult content, blocking illegal content, etc.) to ensure that children can have safe access to online information and responsible content as important rights.

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



PLATFORM					2018 Due Diligence Results		
Key Human Rights Issues	Vulnerable Groups	Subjects of Review	Nature of Issues	Risk Level	Survey Scope	Issues Discovered	Measures Taken
A Conflict Minerals	Indigenous people, Children	Raw Material Suppliers	When the tin, tungsten, and tantalum used in electronic devices are products of the Democratic Republic of Congo or neighboring countries, it contributes to continued conflict in those areas as well as exploitation of child labor	Subject to Due Diligence	100%	0%	100%
B Work Hours / Safety	Installation & Operation Operators	Subsidiary (SK O&S)	Compliance with work hours in the network operation process and resolution of safety issues that threaten physical harm	Subject to Due Diligence	100%	1.15%	100%
C Humane Treatment	Consultants	Subsidiary (Service TOP, Service ACE)	Protection of consultants who are exposed to customers' irrational words and behavior (profanity, verbal abuse, threats, insults, sexual harassment, etc.) or unreasonable demands	Subject to Due Diligence	100%	22.7%	100%
D Privacy Protection	General	Subsidiaries, Partners	Protection of personal information and privacy, an important rights of the information age	Subject to Due Diligence	100% ^(*)	12.4%	100%
E Work Hours	Internal Employees	SK Telecom	Issues regarding forced labor in employees' work environment, child labor and rights violations	Precautionary Attention	100%	0%	100%
F Indigenous Rights	Indigenous people	Local communities	Direct violations of indigenous rights such as the use of land and property during business expansion	Precautionary Attention	-	-	-
G Access to Information	Children, General	SK Telecom	Protection of the universal right to access information and content responsibility toward children	Precautionary Attention	-	-	-

(*) Audited 100% of all stores within distribution network of those that have possibilities of potential information leakage through 1) conducting targeted diagnosis based on data analysis, 2) diagnosis on online sales stores 3) diagnosis on current state of customer information leakage on platforms such as SNS

SHARPENING COMPETITIVENESS
THROUGH RESPONSIBLE VALUE
CHAINS

SK Telecom has supply chain sustainability management policies and procedures in place and provides stakeholders with information about responsibilities for products and services provided by SK Telecom and a guarantee of them in terms of value chains. SK Telecom collaborates with various partners to develop and distribute network devices, build and operate network infrastructure, and develop and provide platform contents. We will build more responsible value chains and strengthen our competitiveness by reviewing our partners’ risks in value chains and continue to make efforts to mitigate risk factors and at the same time, helping them strengthen their capabilities to discover opportunity factors.

Supplier ESG Code of Conduct

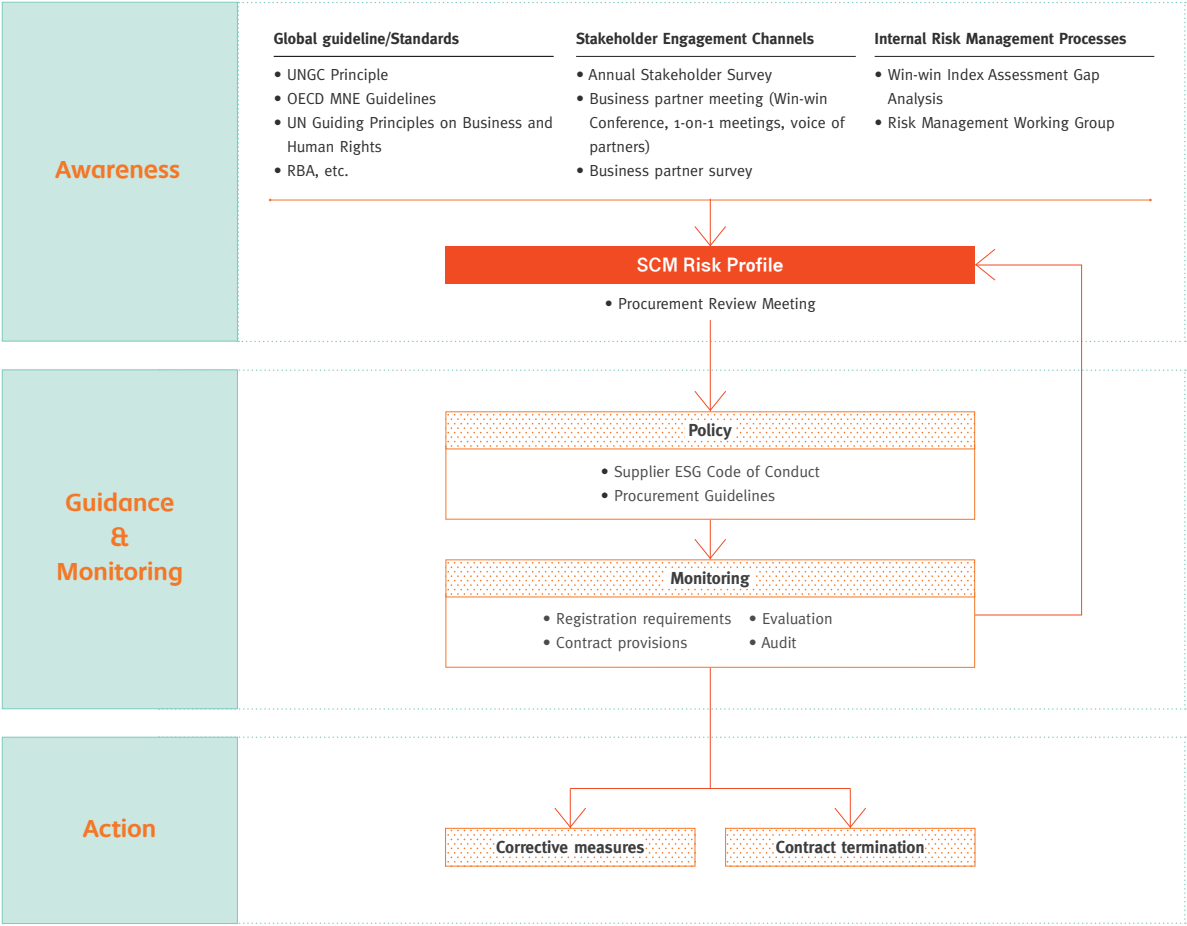
SK Telecom defines CSR compliance requirements for our partner companies through the Supplier ESG Code of Conduct as follows: 1) anticorruption, 2) fair trade compliance, 3) data privacy protection, 4) financial transparency, 5) appropriate participation in public policies, 6) respect for customer value, 7) environmental protection, 8) employees’ welfare and safety, 9) community involvement, and 10) human rights. Please refer to pp.166-167 and the corporate website ([http:// www.sktelecom.com/supplychain](http://www.sktelecom.com/supplychain)) for details of SK Telecom’s supply chain policy.

Based on our supply chain policy, we share our partners with the ‘ESG Code of Conduct’ for business partnership and provide ‘Fair Trade/Transparent Transactions and CSR Practice Agreement,’ and demand our partners’ compliance with them. As a representative UNGC LEAD company, SK Telecom factored UNGC principles into making its supply chain guidelines based on UNGC LEAD activities, and refers to the recommendations of GeSI Joint Audit Cooperation (JAC) Guidelines, the Global e-Sustainability Initiative. SK Telecom requires partner companies to comply with these principles in the process of signing contracts, and through regular monitoring processes. The company takes various measures such as requesting corrective actions and terminating business relations, according to compliance monitoring activities.

SK Telecom’s Supply Chain Status

SK Telecom designated a ‘Critical Supplier’ group with comprehensive consideration of transaction dependency and impact on SK Telecom’s ongoing business. SK Telecom’s critical suppliers are comprehensively managed and categorized according to 1) the relevance to the company’s core businesses and reliability, 2) high level of transaction volume and 3) possession of proprietary technologies for which substitution is not possible. As a result, about 228 out of a total of 1,357 registered partner companies were classified into the Tier 1 critical supplier group in 2018.

SK TELECOM’S PROCESS FOR A RESPONSIBLE SUPPLY CHAIN



Advance Screening of Supply Chain Sustainability

Through the electronic contract system (Open2U), SK Telecom screened 100% of newly registered partner companies in 2018 through the ‘Fair Trade/Transparent Transactions and CSR Practice Agreement,’ and requests them to comply with the supply chain policy. The Fair Trade/Transparent Transactions and CSR Practice Agreement is an official document requesting compliance with and consent to SK Telecom’s Supply Chain ESG Policy. At the same time, SK Telecom includes a suppliers’ commitment statement requiring to comply with SK Telecom’s supply chain policy in the written contracts with the suppliers. The company requests partner companies to sign a compliance pledge of ethical practices that corresponds to SK Telecom’s Code of Conduct throughout the company’s business practices and contracts with all the 2nd tier suppliers (100%). In addition, according to the screening results of newly registered partner companies, no partner company that fails to meet the predetermined criteria can be a supplier of SK Telecom.

SUPPLY CHAIN SPEND ANALYSIS IN 2018

Partner Category		Number of Partners	Proportion of Procurement
Tier 1	Total number of registered suppliers	1,357	100
	Equipment (Network and infrastructure)	207	28
	Services (Software and solution development)	801	43
	Goods	144	7
	Construction	205	22
	Critical suppliers	228	80
Non-Tier 1	Critical suppliers	49	13

Identification and Analysis of Key Supply Chain Risks

SK Telecom produces the results of risk gap analyses and risk mapping by supplier groups based on risk factors that it finds through an internal risk identification process which includes win-win growth satisfaction surveys (twice or more times a year) and holding meetings, listening to the voices of partners, and operating a risk management working group and reviews them in meetings to analyze and improve purchasing results every month. SK Telecom defines major risks from a supply chain perspective as follows and factors them in managing the supply chain sustainability process.

SUPPLY CHAIN ESG ASSESSMENT (PRELIMINARY SCREENING)

Partner Category	2016	2017	2018	2021 target	Notes
Total Number of Newly Registered Partner Companies	725	615	505	750	
Screening on Human Rights-Environment-Ethics-Social issues	725	615	505	750	Service/ Construction/ Equipment/ Goods Suppliers
Rate of Advanced Assessments (%)	100	100	100	100	

SUPPLY CHAIN RISK IDENTIFICATION & ANALYSIS RESULTS IN 2018

			Assessed Sourcing Group			High Risk Rate ^(*)
Main Risk Factors			Risk Level	Assessed Group	Rate (No. of companies)	Rate (No. of companies)
Tier 1	Overall	Overall Risks	-	-	100%(1,357)	0.8%(12)
	Economic Risks	Ethical and Anti-corruption Principle Violation in the Contract Process	High	All suppliers	100%(1,357)	0.1%(2)
		Collusion and Other Unfair Trade Practices	High	All suppliers	100%(1,357)	0%(0)
		Delayed Payment to Subcontractors	High	All suppliers	100%(1,357)	0%(0)
		Unsound Financial Structure (low credit rating)	High	All suppliers	100%(1,357)	0.7%(10)
	Social Risks	Violation of ILO Labor Regulations and Reasonable Labor Practices(compliance with work hours, wage payment, and other labor rights)	Moderate	Service supplier/ construction suppliers	74%(1,006)	0%(0)
		Conflict Minerals	Low	Equipment suppliers	15%(207)	0%(0)
	Environmental Risks	Violations of Environmental Regulations	Moderate	Equipment suppliers	15%(207)	0%(0)
		High GHG Emissions	Moderate	Equipment suppliers	15%(207)	0%(0)
		Failure to Adopt an Environmental Management System	Low	Construction suppliers/ Equipment suppliers	30%(412)	0%(0)
Non-Tier 1	Overall Risks	-	Subcontract suppliers ^(**)	100%(49)	0%(0)	

(*) The rate of suppliers determined to have a high risk level according to the risk analysis results.
(**) Calculation limited to cases when an interim contract instead of a direct contract is made with the small and medium-sized suppliers for N/W facilities construction or the supply of general goods (SK E&C, HappyNarae).

Evaluation of Supply Chain ESG

SK Telecom considers the percentage of written surveys and on-site surveys carried out for registered suppliers as a key indicator in the ESG evaluation of the supply chain. In 2018, SK Telecom looked into 1,085 of 1,357 first-tier suppliers on paper, conducted on-site visits for 197 suppliers (including direct visits and interviews with individual companies, and in-depth meetings, etc.) and third-party audits for 60 suppliers, which totals up to 93% of all registered suppliers. In addition, 216 companies participating in the company’s mutual growth agreements were assessed by third-party external auditors and evaluators in 2018, of which the Korean Commission for Corporate Partnership supervised. We are applying these policies and achievement indicators to all suppliers at home and abroad. Our overseas purchases account for KRW 26.5 billion (0.7%) of total purchases (about KRW 3,699.3 billion) and regional performance indicators are managed mainly in Korea.

Through the electronic contract system (Open2U), SK Telecom has pre-screened all newly registered suppliers in 2018 through the ‘Fair Trade/Transparent Transactions and CSR Practice Agreement.’ Moreover, SK Telecom conducted risk identification and analysis for all of its first-tier suppliers (1,357 companies) and its second-tier and above suppliers (49 companies) in 2018. As for suppliers found exposed to high risk, SK Telecom conducted supply chain audits through 100% on-site surveys or third-party audits for the purpose of preventing the occurrence of potential risk.

Based on the results of diagnosis and evaluation of the suppliers, SK Telecom provides a capability improvement program and incentives to high performing suppliers. The capability improvement program that SK Telecom provides includes technical support and protection activities such as technology transfers and open collaboration, as well as SK Win-win Growth Academy, CEO seminars and MBA programs for suppliers and training for risk management. Training for risk management includes training on agreements for win-win growth, purchasing policies and policy compliance provided in education programs for suppliers. More specifically, SK Telecom adjusts supply unit prices, provides funding (financial) assistance, technical and educational support and welfare benefits as incentives and support programs for suppliers with excellent performances.

SUPPLY CHAIN ESG RISK ASSESSMENT (BY TIER)

		2016	2017	2018	2021 Target	
Tier 1	Total number of registered suppliers ^(*)	1,881	1,444	1,357	1,300	
	Number of suppliers evaluated	1,726	1,340	1,342	1,300	
	Number of suppliers surveyed in writing (audit)	1,351	1,056	1,085	1,000	
	Number of suppliers surveyed on-site (audit)	225	224	197	200	
	Number of suppliers surveyed by 3rd parties	150	60	60	60	Includes separate discussions with Construction/ Equipment Suppliers and 1-on-1 meetings
	Assessment rate of suppliers	92	93	98	95	Partner experience survey conducted by the Korean Commission for Corporate Partnership
Non-Tier 1	Total number of core suppliers ^(**)	35	47	49	50	
	Number of core suppliers evaluated ^(***)	21	35	40	40	
	Ratio of core suppliers evaluated	60	74	82	80	

(*) This number includes all suppliers including those which did not have transactions with SK Telecom in the past 3 years
(**) Calculation limited to cases when an interim contract instead of a direct contract is made with the small and medium sized suppliers for network facilities construction or the supply of general goods (SK E&C, HappyNarae)
(***) SK Telecom's N/W facilities construction began in 2015 and an interim contract with HappyNarae was implemented starting in 2016

CASE — SECURING FUNDAMENTAL PURCHASING COMPETITIVENESS BY MAKING IMPROVEMENT TO PURCHASING STRUCTURE BASED ON 5G TECHNOLOGY:

BUSINESS CASE 1. SUCCESSFUL APPLICATION OF TECHNOLOGY TO INTERLOCKING AMONG 5G EQUIPMENT FROM DIFFERENT MANUFACTURERS

Data communication goes through the stages of a terminal → a base station → a switch → the internet. When the manufacturer of equipment in a base station and the manufacturer of a switch are different, a telecommunication company needs to optimize the quality of the equipment by connecting one another's equipment. Since 2017, SK Telecom has developed technologies and standards that enable data transmission between 5G equipment from different manufacturers along with global carriers such as AT&T (US), Orange (France) in order to secure competitive edge in purchasing network equipment, which is a key purchase sourcing group from a Total Cost of Ownership (TCO) perspective. This interlocking work is essential to achieving cost efficiency and early competitiveness as it can advance the commercialization of 5G by preparing interlocking standards in advance, and enables mobile carriers to utilize various manufacturers' equipment (or 'multi-vendor strategy') in the 5G commercialization stage.

In September 2018, SK Telecom began a test to interlock 5G equipment from Samsung Electronics, Nokia, and Ericsson. One month later, the company succeeded in interlocking Samsung switches of the 5G NSA standard with a 5G base station based on equipment from Nokia-Ericsson. The success allowed SK Telecom to build 5G base stations based on equipment from Nokia-Ericsson within the scope of Samsung switches and build 5G networks more flexibly and efficiently. In particular, SK Telecom became able to build 5G networks by adding 5G functions to existing LTE switches through this interworking technology. Accordingly, we became able to support the early commercialization of 5G services and cut cost in building 5G networks by securing purchasing competitiveness through the expansion of existing suppliers' capacities. SK Telecom plans to continue to develop related technologies and apply them to building networks to strengthen its purchasing power in the market down the road.



RISK MONITORING AND ASSESSMENT IN 2018 (BY TYPE)

Category	No. of Companies	No. of Companies Assessed	Rate (%)	Notes
Core suppliers	277	268	97	Tier 1 & Critical Non-Tier 1 Suppliers
Suppliers at a high risk level	15	15	100	Tier 1 Suppliers

(*) SK Telecom conducts its supply chain ESG assessment on an annual basis and the above assessment rate has been calculated according to the suppliers that were assessed annually.

Corrective Measures

Using diagnosis and assessment results, SK Telecom mapped out a corrective measure plan for partner companies that need improvements and ask them to enhance their ESG performances accordingly. Despite these efforts, two companies received corrective measures according to the diagnosis and assessment results of partner companies in 2018. Due to the seriousness of their policy violations such as violations of fair trade, transparent transactions and occurrence of non-ethical issues, SK Telecom permanently suspended business transactions with the two companies.

RISK-RELATED CORRECTIVE MEASURES FOR PARTNER COMPANIES

Partner Companies	2016	2017	2018	2021 Target	Notes
Rate of High Risk Level Suppliers with Established Plans for Improvement (%)	100	100	100	100	
Rate of Suppliers with Improved ESG Performance within 12 months of Establishing Plans for Improvement (%)	90	90	90	90	
Number of Partner Companies that Received Corrective Measures	3	2	2		- Reviewed by the Procurement Review Committee
Banned Temporarily	1	0	0		- 1 year suspension
Banned Permanently	2	2	2		- Permanent suspension

Procurement Strategy and Supply Chain Sustainability

The order of priority in SK Telecom's purchasing strategy is as follows: 1) securing its fundamental purchasing competitiveness by improving its purchasing structure from a total cost ownership (TCO) perspective; 2) boosting cost efficiency by reviewing a zero-base view on cost structure; 3) optimizing and improving business-friendly purchasing processes; 4) creating a pre-purchase risk management and compliance environment and 5) expanding joint development and supporting overseas export and creating a fair trade environment with the goal of managing the sustainability of supply chains. In addition, we are actively promoting strategic purchases through a purchasing synergy council with SK Group subsidiaries and information and communication divisions of companies invested in by SK Telecom.

SK Telecom maximizes the creation of resources of our company and its business partners through the combination of the corporate procurement strategy and sustainability management goals. In addition, the company is breaking away from unnecessary procedures, forms, practices, and so on, to optimize procurement strategy based on efficiency. Achieving our purchasing strategy through responsible supply chain risk management will be explained in the following business cases:

BUSINESS CASE 2. 'EASY RIDE-ON PROGRAM' TO SUPPORT DEVELOPMENT OF SMART HOME DEVICES BY SMALL AND MEDIUM-SIZED COMPANIES

The domestic smart home industry is expected to steadily grow to KRW 40 trillion by 2025. However, due to barriers surrounding the market led mainly by large companies, Small and Medium Enterprises (SMEs) have difficulty in developing smart home IoT devices. SK Telecom runs the Easy Ride-on program, a smart home technology support program that empowers small and medium-sized home appliance manufacturers to develop various smart home devices more easily. For instance, SK Telecom simplified its complex business alliance process so that SMEs could easily finish various steps such as partnership discussions and signing contracts at the Smart Home Website of SK Telecom. The simplification shorted time for one model development from more than two weeks to less than one hour, saving developers time and money. In addition, SK Telecom has been supporting the development of SK Telecom-certified Wi-Fi modules by small and mid-sized manufacturers. Small and mid-sized manufacturers had difficulty in developing devices because they had no experience in designing Wi-Fi modules to connect to smart homes. Since the introduction of the Easy Ride-on program in 2018, small and medium-sized partners have developed a total of 20 smart home devices by making good use of the program. SK Telecom will create the social value of mutual growth by sharing its technology with small and medium-sized business partners that need support and building a wider industrial ecosystem.



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FINANCIAL & NON-FINANCIAL STATEMENTS

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FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KRW million

	2018	2017	2016
Assets			
Current Assets	7,958,839	6,201,799	5,996,628
Cash and cash equivalents	1,506,699	1,457,735	1,505,242
Short-term financial instruments	1,045,676	616,780	468,768
Short-term investment securities	195,080	144,386	107,364
Accounts receivable - trade, net	2,008,640	2,126,007	2,240,926
Short-term loans, net	59,094	62,830	58,979
Short-term accounts receivable - other, net	937,837	1,260,835	1,121,444
Contract assets	90,072	0	0
Short-term accrued revenue	6,066	3,979	2,780
Short-term advance payment	32,368	49,860	55,675
Prepaid expenses	1,769,559	197,046	169,173
Derivative financial assets	13	0	0
Inventories, net	288,053	272,403	259,846
Advanced payments and other	19,682	9,938	6,431
Non-current Assets	34,410,272	27,226,870	25,301,035
Long-term financial instruments	1,221	1,222	937
Long-term investment securities	664,726	887,007	828,521
Investments in associates and joint ventures	12,811,771	9,538,438	7,404,323
Property and equipment, net	10,718,354	10,144,882	10,374,212
Goodwill	2,938,563	1,915,017	1,932,452
Intangible assets, net	5,513,510	3,586,965	3,776,354
Long-term contract assets	43,821	0	0
Long-term loans, net	29,034	50,874	65,476
Long-term accounts receivable	274,053	287,048	149,669
Long-term prepaid expenses	895,272	90,834	88,130
Long-term guarantee deposits	313,140	292,590	298,964
Long-term derivative financial assets	55,444	253,213	214,770
Deferred tax assets	92,465	88,132	75,111
Defined benefit assets	31,926	45,952	30,247
Other non-current assets	26,972	44,696	61,869
Total Assets	42,369,111	33,428,669	31,297,663

KRW million

	2018	2017	2016
Liabilities and Equity			
Current Liabilities	6,847,557	7,109,123	6,444,099
Short-term accounts payable - trade	381,302	351,711	402,445
Short-term accrued payables - other	1,913,813	1,867,074	1,767,799
Short-term unearned revenue	0	161,266	174,588
Short-term withholdings	1,353,663	961,501	964,084
Short-term accrued expenses	1,299,217	1,327,906	1,125,816
Income tax payable	182,343	219,791	474,931
Short-term unearned income	0	175,732	188,403
Derivative financial liabilities	0	28,406	86,950
Current liabilities	87,993	52,057	66,227
Short-term borrowings	80,000	130,000	2,614
Current portion of long-term debt, net	984,272	1,530,948	888,467
Current portion of long-term payables — other	424,243	302,703	301,773
Other current liabilities	0	28	2
Non-current liabilities	13,172,304	8,290,351	8,737,134
Debentures	6,572,211	5,596,570	6,338,930
Long-term borrowings	2,015,365	211,486	139,716
Long-term payables—other	1,968,784	1,346,763	1,624,590
Long-term unearned revenue	0	7,052	2,389
Long-term contract liabilities	43,102	0	0
Defined benefit obligations	141,529	61,960	70,739
Long-term derivative financial liabilities	4,184	11,064	203
Long-term provisions	99,215	32,669	31,690
Deferred tax liabilities	2,269,792	978,693	479,765
Other non-current liabilities	58,122	44,094	49,112
Total Liabilities	20,019,861	15,399,474	15,181,233
Equity			
Equity attributable to owners of the Parent Company	22,470,822	17,842,139	15,971,399
Share capital	44,639	44,639	44,639
Capital surplus and others	655,084	196,281	199,779
Retained earnings	22,144,541	17,835,946	15,953,164
Reserves	(373,442)	(234,727)	(226,183)
Non-controlling interests	(121,572)	187,056	145,031
Total Shareholders' Equity	22,349,250	18,029,195	16,116,430
Total Liabilities and Shareholders' Equity	42,369,111	33,428,669	31,297,663

CONSOLIDATED STATEMENT OF INCOME

KRW million

	2018	2017	2016
Operating revenue	16,873,960	17,520,013	17,091,816
Revenue	16,873,960	17,520,013	17,091,816
Operating expense	15,672,200	15,983,387	15,556,072
Labor cost	2,288,655	1,966,156	1,869,763
Commissions paid	5,002,598	5,486,263	5,376,726
Depreciation and amortization	3,126,118	3,097,466	2,941,886
Network interconnection	808,403	875,045	954,267
Leased line	309,773	342,240	394,412
Advertising	468,509	522,753	438,453
Rent	529,453	520,244	517,305
Cost of products that have been resold	1,796,146	1,886,524	1,838,368
Other operating expense	1,342,545	1,286,696	1,224,892
Operating income(loss)	1,201,760	1,536,626	1,535,744
Finance income	256,435	366,561	575,050
Finance cost	385,232	433,616	326,830
Other non-operating income	71,253	31,818	66,303
Other non-operating expense	439,162	343,872	298,629
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	3,270,912	2,245,732	544,501
Profit before income tax	3,975,966	3,403,249	2,096,139
Income tax expense Income tax expense from continuing operations	843,978	745,654	436,038
Profit(loss) for the year Profit from continuing operations	3,131,988	2,657,595	1,660,101
Attributable to			
Controlling interest	3,127,887	2,599,829	1,675,967
Non-controlling interes	4,101	57,766	(15,866)
Earnings per share			
Basic earnings per share (in won)	44,066	36,582	23,497
Diluted earnings per share (in won)	44,066	36,582	23,497

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KRW million

	2018	2017	2016
Profit for the year	3,131,988	2,657,595	1,660,101
Other comprehensive income (loss)	(141,584)	(1,013)	(247,331)
Items that will not be reclassified to profit or loss:	(171,525)	5,921	(7,524)
Remeasurement of defined benefit liabilities	(41,490)	5,921	(7,524)
Valuation loss on financial assets at fair value through other comprehensive income	(130,035)	0	0
Items that are or may be reclassified subsequently to profit or loss, net of taxes:	29,941	(6,934)	(239,807)
Net change in unrealized fair value of available-for-sale financial assets	0	158,440	(223,981)
Net change in other comprehensive income of investments in associates and joint ventures	(14,577)	(141,008)	(9,939)
Net change in unrealized fair value or derivatives	32,227	22,586	(13,218)
Foreign currency translation differences for foreign operations	12,291	(46,952)	7,331
Total comprehensive income	2,990,404	2,656,582	1,412,770
Total comprehensive income attributable to			
Owners of the Parent Company	3,000,503	2,597,160	1,432,982
Non-controlling interests	(10,099)	59,422	(20,212)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KRW million

		Equity					Non-controlling Interest	Total Equity
		Controlling Interest of Parent Company						
		Share Capital	Other Paid up Capital	Retained Earning	Reserves	Total		
2016.01.01(Basic Capital)		44,639	189,510	15,007,627	9,303	15,251,079	123,017	15,374,096
Increase (Decrease) due to changes in accounting policies		0	0	0	0	0	0	0
Total income	Profit for the year	0	0	1,675,967	0	1,675,967	(15,866)	1,660,101
	Other comprehensive income	0	0	(7,499)	(235,486)	(242,985)	(4,346)	(247, 331)
Dividends paid		0	0	706,091	0	706,091	300	706,391
Interest on hybrid bond		0	0	(16,840)	0	(16,840)	0	(16,840)
Repayments of hybrid bonds		0	0	0	0	0	0	0
Issuance of hybrid bonds		0	0	0	0	0	0	0
Stock compensation expense		0	0	0	0	0	0	0
Changes in equity of subsidiaries		0	10,269	0	0	10,269	42,526	52,795
2016.12.31(End of term capital)		44,639	199,779	15,953,164	(226,183)	15,971,399	145,031	16,116,430
2017.01.01(Basic Capital)		44,639	199,779	15,953,164	(226,183)	15,971,399	145,031	16,116,430
Increase (Decrease) due to changes in accounting policies		0	0	0	0	0	0	0
Total income	Profit for the year	0	0	2,599,829	0	2,599,829	57,766	2,657,595
	Other comprehensive income	0	0	5,875	(8,544)	(2,699)	1,656	(1,013)
Dividends paid		0	0	706,091	0	706,091	281	706,372
Interest on hybrid bond		0	0	(16,840)	0	(16,840)	0	(16,840)
Repayments of hybrid bonds		0	0	0	0	0	0	0
Issuance of hybrid bonds		0	0	0	0	0	0	0
Stock compensation expense		0	414	0	0	414	0	414
Changes in equity of subsidiaries		0	(3,912)	9		(3,903)	(17,116)	(21,019)
2017.12.31(End of term capital)		44,639	196,281	17,835,946	(234,727)	17,842,139	187,056	18,029,195
2018.01.01(Basic Capital)		44,639	196,281	17,835,946	(234,727)	17,842,139	187,056	18,029,195
Increase (Decrease) due to changes in accounting policies		0	0	1,960,075	(68,804)	1,891,271	0	1,891,271
Total income	Profit for the year	0	0	3,127,887	0	3,127,887	4,101	3,131,988
	Other comprehensive income	0	0	(57,473)	(69,911)	(127,384)	(14,200)	(141,584)
Dividends paid		0	0	706,091	0	706,091	0	706,091
Interest on hybrid bond		0	0	(15,803)	0	(15,803)	0	15,803
Repayments of hybrid bonds		0	(400,000)	0	0	(400,000)	0	(400,000)
Issuance of hybrid bonds		0	398,759	0	0	398,759	0	398,759
Stock compensation expense		0	593	0	0	593	196	789
Changes in equity of subsidiaries		0	329,856	0	0	329,856	(298,725)	31,131
2018.12.31(End of term capital)		44,639	655,084	22,144,541	(373,442)	22,470,822	121,572	22,349,250

CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2018	2017	2016
Cash flows from operating activities	4,332,580	3,855,820	4,243,168
Cash generated from operating activities	4,726,856	4,492,891	4,713,426
Net income of continued operation	3,131,988	2,657,595	1,660,101
Adjustment for income and expenses	1,568,919	2,096,764	3,039,561
Changes in assets and liabilities related to operating activities	25,949	(261,468)	13,764
Interest received	59,065	66,713	44,602
Dividends received	195,671	106,674	98,267
Interest paid	(255,189)	(234,127)	(245,236)
Income tax paid	(393,823)	(576,331)	(367,891)
Cash flows from investing activities	(4,047,725)	(3,070,607)	(2,462,208)
Cash inflows from investing activities	686,094	456,778	1,140,664
Decrease in short-term financial instruments, net	0	0	222,322
Collection of short-term loans	117,610	216,700	238,980
Decrease in long-term financial instruments	5	27	28
Proceeds from disposal of long-term investment securities	371,816	129,726	555,519
Proceeds from disposal of investments in associates and joint ventures	74,880	5,925	66,852
Proceeds from disposal of property and equipment	58,256	29,368	22,549
Proceeds from disposal of intangible assets	5,851	8,848	16,532
Collection of long-term loans	10,075	6,205	1,960
Decrease in deposits	7,490	24,550	14,894
Proceeds from disposal of other non-current assets	1,186	1,185	728
Proceeds from disposals of subsidiaries	0	30,132	0
Cash inflow from business combinations	38,925	4,112	0
Receipt of National Treasury subsidy	0	0	300
Cash outflows for investing activities	(4,733,819)	(3,527,385)	(3,602,872)
Increase in short-term loans	373,450	156,012	0
Increase in short-term investment securities, net	49,791	28,975	6,334
Increase in short-term loans	112,319	205,878	239,303
Increase in long-term loans	6,057	5,869	32,287
Increase in long-term financial instruments	2	2,034	342
Acquisition of long-term investment securities	19,114	19,328	30,949
Acquisition of investments in associates and joint ventures	206,340	193,100	130,388
Acquisition of property and equipment	2,792,390	2,715,859	2,490,455
Acquisition of intangible assets	503,229	145,740	635,387
Increase in deposits	8,591	26,377	12,943
Increase in other non-current assets	5,927	47	763
Cash outflows due to business overtake	0	0	4,498

CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2018	2017	2016
Cash outflow for business combinations	654,685	26,566	19,032
Cash outflow for disposal and liquidation of subsidiaries	1,924	1,600	191
Cash flows from financing activities	(238,313)	(826,618)	(1,044,829)
Cash inflows from financing activities	4,651,687	1,261,803	861,624
Net decrease in short-term borrowings	0	127,386	0
Issuance of debentures	1,809,641	973,291	776,727
Proceeds from long-term borrowings	1,920,114	120,000	49,000
Cash inflows from derivative transactions	398,759	0	0
Cash increase due to consolidated capital transactions	23,247	188	251
Cash received from transfer of interests in subsidiaries to non-controlling interests	499,926	40,938	35,646
Cash outflows for financing activities	(4,890,000)	(2,088,421)	(1,906,453)
Repayment in short-term borrowings, net	87,701	0	257,386
Repayment of long-term non-trade payables	305,644	305,476	122,723
Repayment of debentures	1,487,970	842,733	770,000
Repayment of long-term borrowings	1,780,708	32,701	33,387
Repayment of hybrid bonds	400,000	0	0
Outflow of cash due to transaction of derivative products	29,278	105,269	0
Decrease in finance lease liabilities	0	0	26
Payment of dividends	706,091	706,091	706,091
Interest on hybrid bond	15,803	16,840	16,840
Transactions with non-controlling shareholders	76,805	79,311	0
Net increase (decrease) in cash and cash equivalents	46,542	(41,405)	736,131
Cash and cash equivalent at beginning of the year	1,457,735	1,505,242	768,922
Effects of exchange rate changes on cash and cash equivalents	2,422	(6,102)	189
Cash and cash equivalents at end of the year	1,506,699	1,457,735	1,505,242

CREATION AND DISTRIBUTION OF ECONOMIC VALUE

SK Telecom generated a total KRW 16.874 trillion in economic value including operating income, financial investment income, asset sales income and other profits of KRW 22.763 trillion in 2018 on a consolidated basis. Out of those values generated, the company distributed a total of KRW 22.763 trillion to the stakeholders considering the future value and investment efficiency of the company, and added the total economic value of KRW 4.332 trillion, which was reserved after all the distributions, to the total amount of capital.

DISTRIBUTION OF ECONOMIC VALUE

(KRW 100 million)

RETAINED ECONOMIC VALUE



EFFECTIVE TAX RATE

SK Telecom strictly complies with domestic and overseas tax laws and regulations in all transactions which aim at creating economic and social value in order to faithfully carry out liability to taxation and accurately reports and pays the tax amount to be paid in accordance with tax laws and regulations. In addition, the company discloses related information to stakeholders to ensure transparency in tax payment. In order to ensure the appropriateness of the application of the tax laws, the company is reporting tax amounts to the taxation items prescribed by laws and regulations through the accounting firm. In 2018, SK Telecom's earnings before tax was KRW 3.976 trillion and the reported taxes amounted to KRW 1.083 billion at a reported tax rate of 27.2%. Meanwhile, the company's real taxes amounted to KRW 844.0 billion at a real tax rate of 21.2%. During the past two years, the company's average reported tax rate stood at 25.7% and the real tax rate was 21.6%. The real tax rate in 2018 was 6%p lower than the reported tax rate. The main reasons for this include the effects stemming from tax-exempt income, non-deductible expenses, and tax deductions and exemptions. This result is also attributable to changes in deferred income taxes that are not feasible, refunded income taxes from past periods, and the effect of tax rate fluctuations.

Tax and Tax Rates	Unit	2017	2018	Average of 2017 and 2018	Reason for the difference	Unit	2017	2018
Earnings before tax	KRW million	3,403,249	3,975,966		Tax exempt income	KRW million	(40,080)	(19,450)
Reported taxes ^(*)	KRW million	823,124	1,083,029		Non-deductible expenses	KRW million	31,285	26,724
Reported tax rate	%	24.2%	27.2%	25.7%	Tax deductions and exemptions	KRW million	(34,300)	(17,580)
Cash taxes paid ^(**)	KRW million	745,654	843,978		Changes in deferred corporate tax that cannot be made	KRW million	31,857	(177,902)
Cash tax rate	%	21.9%	21.2%	21.55%	Effects of changes in tax rates	KRW million	43,977	(3,983)
					Refund of corporate tax in past, etc	KRW million	(110,209)	(46,860)

(*) Reported taxes: Income tax expense

(**) Cash taxes paid: Income tax expense recognized in profit or loss

MANAGEMENT’S DISCUSSION & ANALYSIS

This Management’s 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, 2018, 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. 2018 OVERVIEW

In a wireless telecommunications industry currently defined by fast-paced advancements in the LTE network, we have emerged as the leader in the new information and communication technology (‘ICT’) era by launching innovative new products and services designed to meet customers’ evolving preferences and needs. We aim to maintain our leading position in the Korean market for wireless telecommunications services and actively develop our next-generation growth businesses in Media, Security, E-Commerce, Mobility, Internet of Things (‘IoT’) solutions. We plan to further utilize our big

data analysis capabilities to create products and services that are tailored to our customers’ evolving needs, as well as incorporate artificial intelligence (‘AI’) capabilities directly into many of the products and services we offer. We also aim to continue developing cutting-edge technologies that will be adopted as the technological standard for 5G services. In addition, we will seek to apply our 5G infrastructure and capabilities to our various other key businesses such as media, e-commerce and security to create unique new products and services geared to serve evolving customer needs. Our operations are reported in four segments: (1) cellular services, (2) fixed-line telecommunication services, (3) e-commerce services and (4) other businesses.

Cellular Services

We offer wireless voice and data transmission services, sell wireless devices and provide IoT solutions and innovative 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% of the Korean population. We maintained our leadership position in the wireless business in 2018 with 30.9 million subscribers (including subscribers of mobile virtual network operators (‘MVNOs’) that lease our networks) as of December 31, 2018, of which approximately 24.8 million subscribed to our LTE service and 24.0 million used smartphones. Our share of the Korean wireless market based on the number of subscribers (including subscribers of MVNOs) was approximately 47.2% as of December 31, 2018 compared to 48.2% as of December 31, 2017.

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, there are further opportunities to expand market size and revenue of cellular services through increased quality of cellular services we provide to our subscribers. By continuing to be innovative in developing core competencies, we have firmly established our position as the market leader in wireless telecommunications.

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 all users free of charge and ‘oksusu,’ our mobile OTT (over-the-top) service with a wide range of unique media offerings. We also provide bundled subscriptions to our wireless and fixed-line service offerings, and we believe such

bundled subscriptions contribute to increased customer retention and acquisition of new subscribers for both our wireless and fixed-line services due to convenience. In addition, we believe our ‘T Membership’ program, our membership service, also contributes to our subscriber retention with the breadth of membership benefits we provide through our membership partners. We also offer AI solutions and in September 2016, we launched NUGU, the first intelligent virtual assistant service launched in Korea with Korean language capabilities based on advanced voice recognition technologies. We have integrated NUGU into our T map service as well as our IPTV service and launched a variety of NUGU-based smart devices, including ‘NUGU candle,’ an AI light that offers NUGU-based services and changes its color and brightness based on the user’s needs and preferences. In 2018, our cellular services segment revenue was KRW 12.38 trillion, representing 73.3% of our consolidated operating revenue.

Fixed-line Telecommunication Services

We offer fixed-line telephone, broadband Internet and advanced media platform services (including IPTV and mobile OTT services) 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, 2018, we had approximately 4.1 million fixed-line telephone subscribers (including subscribers to VoIP services of SK Broadband and SK Telink), approximately 5.4 million broadband Internet access subscribers and approximately 4.7 million IPTV subscribers, with market shares of 16.0%, 25.4% and 11.1%, 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 advanced media platform with various media content and service offerings. We currently offer IPTV services under the brand name ‘B tv’ with access to our standard 56 live high definition channels and to as many as 236 channels depending on the subscription service, 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 OTT services through ‘oksusu’ that 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. Oksusu subscribers 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. We are also collaborating with media content developers to provide original media content for our oksusu service. As of December 31, 2018, we had approximately 9.7 million subscribers to oksusu. In April 2019, in furtherance of our efforts to enhance the competitiveness of our media business and to promote its future growth, we entered into an agreement with Content Alliance Platform, a joint venture among the three major terrestrial broadcasters in Korea that operates the mobile OTT service POOQ, pursuant to which we will transfer our oksusu business to Content Alliance Platform to pursue a combination of the two mobile OTT services and participate in a capital increase by Content Alliance Platform through a third-party allotment for a cash consideration of Won 90 billion. In 2018, our fixed-line telecommunication services segment revenue was KRW 2.93 trillion, representing 17.4% of our consolidated operating revenue.

E-commerce Services

Our e-commerce services segment consists primarily of ‘11st,’ our online marketplace business, which was spun-off as our new consolidated subsidiary from SK Planet in September 2018. 11st is an online marketplace that offers a wide range of products through an online and mobile interface. As of December 31, 2018, 11st was the leading commerce platform in Korea in terms of unique visitors, both on the basis of mobile version only and the combined basis of mobile and desktop versions, according to Nielsen Korea-click. The mobile version of 11st 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 65% in 2018 from 61% in 2017. In 2018, our e-commerce services segment revenue was KRW 0.62 trillion, representing 3.7% 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 portal service and other miscellaneous businesses, which we include in our others segment. We offer a portal service under our ‘Nate’ brand name through SK Communications that can be accessed through its website, www.nate.com, or through its mobile application. In addition, we provide marketing platform services through SK Planet and physical and information security services through our subsidiaries ADT CAPS

and SK Infosec following our acquisitions of such companies during the course of 2018. We also offer high-end audio devices under the brand name ‘Astell&Kern’ that are manufactured by our subsidiary, Dreamus, and a personalized music platform called ‘FLO,’ which provides customized music recommendations and user interfaces by analyzing individual user preferences with our AI technology. We also operate a mobile application marketplace, ‘One Store’ in collaboration with KT, LG U+ and NAVER Corporation. In 2018, our others segment revenue was KRW 0.94 trillion, representing 5.6% 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. Other sources of revenue include revenue from our IoT solutions and platform services, including AI solutions, as well as other miscellaneous cellular services.

In our fixed-line telecommunication services segment, we earn revenue principally from our fixed-line telephone services and broadband Internet services and advanced media platform services (including IPTV and mobile OTT services) 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 e-commerce services segment, we derive revenue from our consolidated subsidiary 11st, which earns revenue principally through third party seller fees earned (including commissions) for transactions in which it acts as a selling agent to the ‘mini malls’ on 11st, its online open marketplace platform, as well as advertising revenue and other commerce solutions. In our others segment, we earn revenue from our ‘Nate’ portal service operated by our subsidiary, SK Communications, and miscellaneous other businesses, including the marketing platform business of SK Planet, our physical and information security businesses through ADT CAPS and SK Infosec and certain other businesses. 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.

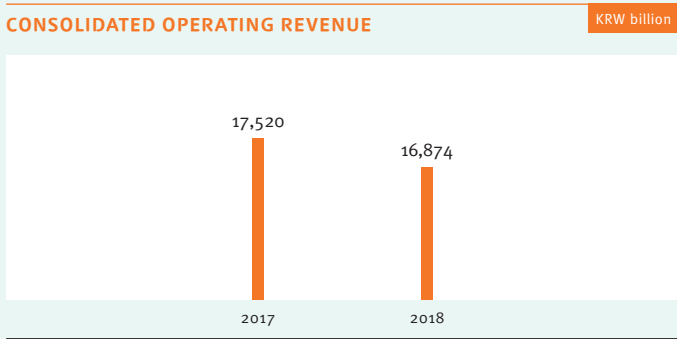
SELECTED FINANCIAL INFORMATION			Consolidated, KRW billion
	2018	2017	Change
Statement of Income Data			
Operating revenue	16,874	17,520	-3.7%
EBITDA ⁽¹⁾	4,486	4,784	-6.2%
Operating expense	15,672	15,983	-1.9%
Operating profit	1,202	1,537	-21.8%
Profit for the year	3,132	2,658	17.8%
Statement of Financial Position Data			
Total assets	42,369	33,428	26.7%
Cash & marketable securities ⁽²⁾	2,590	2,172	19.2%
Total liabilities	20,020	15,399	30.0%
Interest-bearing financial debt ⁽³⁾	9,652	7,467	29.3%
Total equity	22,349	18,029	24.0%
Financial Ratios(%)			
EBITDA margin	26.6	27.3	-0.7%p
Operating margin	7.1	8.8	-1.7%p
Net margin	18.6	15.2	3.4%p
Debt-to-equity ratio ⁽⁴⁾	43.2	41.4	1.8%p

(1) EBITDA = Operating profit + 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

Our operating revenue decreased by 3.7% to KRW 16.87 trillion in 2018 from KRW 17.52 trillion in 2017, primarily due to decreases in wireless service revenue and cellular interconnection revenue, among other reasons. Our operating expense in 2018 decreased by 1.9% to KRW 15.67 trillion from 15.98 trillion in 2017, primarily due to decreases in commissions, cost of goods sold and network interconnection expenses, which were partially offset by an increase in labor costs. As the decrease in our operating revenue outpaced the decrease in our operating expense in 2018, our operating profit decreased by 21.8% to KRW 1.20 trillion in 2018 and our EBITDA margin decreased by 0.7%p to 26.6% in 2018 and our operating margin decreased by 1.7%p to 7.1% in 2018. Our profit for the year increased by 17.8% to KRW 3.13 trillion in 2018 from KRW 2.66 trillion in 2017. Our total assets increased by 26.7% to KRW 42.37 trillion as of December 31, 2018 from KRW 33.43 trillion as of December 31, 2017, primarily due to the acquisition of new frequency usage rights for our 5G services and our acquisitions of ADT CAPS, SK Infosec and id Quantique during 2018. Total liabilities increased by 30.0% to KRW 20.02 trillion as of December 31, 2018 from KRW 15.40 trillion as of December 31, 2017, primarily due to the issuance of bonds by SK Telecom and an increase in long-term payables related to frequency usage rights. Total equity was KRW 22.35 trillion as of December 31, 2018, which increased 24.0% from December 31, 2017. Our debt-to-equity ratio as of December 31, 2018 was 43.2%, compared to 41.4% as of December 31, 2017.

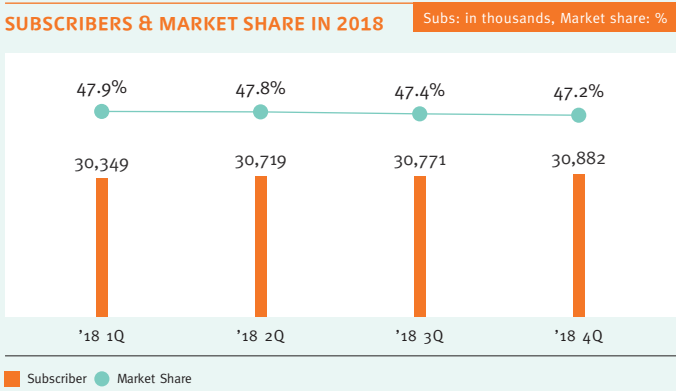
3. REVENUE

Our operating revenue in 2018 decreased by 3.7% to KRW 16.87 trillion from KRW 17.52 trillion in 2017. This decrease was primarily attributable to a decrease in wireless service revenue as a result of the continued increase in the percentage of wireless service subscribers who elected to receive discounted rates in lieu of receiving handset subsidies and the decrease in revenues from our roaming services subsequent to the launch of our ‘Safe Automatic T Roaming’ service in March 2018. Another reason for the decrease was the decrease in cellular interconnection revenue as a result of continued decreases in interconnection rates and land-to-mobile call volume.



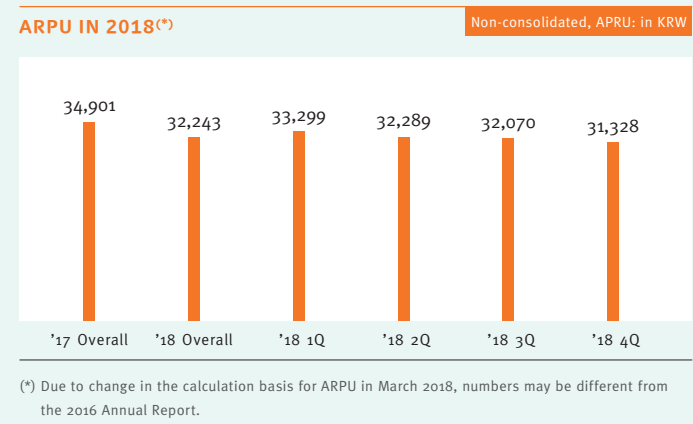
Subscribers & Market Share

The total number of wireless subscribers in Korea was approximately 65.4 million as of December 31, 2018 with a wireless telecommunications service penetration rate of 126.1%. Despite the saturated wireless market in Korea, SK Telecom continued to add new subscribers throughout the year, and ended the year 2018 with approximately 30.9 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) decreased by 1.0%p to 47.2% as of December 31, 2018 from 48.2% as of December 31, 2017. The number of SK Telecom’s LTE subscribers increased to 24.8 million as of December 31, 2018 from 22.9 million as of December 31, 2017.



ARPU

SK Telecom’s average monthly revenue per subscriber excluding MVNO subscribers leasing SK Telecom’s networks (‘ARPU’) decreased by 7.6% to KRW 32,243 in 2018 from KRW 34,901 in 2017 and average monthly revenue per subscriber including such MVNO subscribers (‘ARPU including MVNO’) decreased by 8.2% to KRW 28,615 in 2018 from KRW 31,171 in 2017. These decreases were primarily due to a decrease in revenue attributable to an increase in the number of subscribers who elected to receive discounted rates in lieu of receiving handset subsidies, the increase in such discount rate from 20% to 25% starting in September 2017, as well as the additional rate discounts offered to low income customers, including those on government welfare programs and senior citizen recipients of the basic pension, starting in December 2017 and July 2018, respectively.



Subsidiaries

The consolidated revenue of SK Broadband, which is mostly generated from its fixed-line telecommunication services, increased by 3.6% to KRW 3.16 trillion in 2018 from KRW 3.05 trillion in 2017, primarily as a result of an increase in revenue from the T-commerce business operated by SK stoa, as well as an increase in revenue from IPTV services attributable to an increase in the number of IPTV subscribers and an increase in the number of premium IPTV subscriptions with higher monthly rates and purchase of premium video-on-demand content.

PS&Marketing’s revenue, which is mostly derived from sales of handsets, decreased by 10.1% to KRW 1.59 trillion in 2018 from KRW 1.77 trillion in 2017, primarily due to a decrease in sales of handsets as a result of lower customer demand for new devices.

SK Planet’s revenue decreased by 37.9% to KRW 0.67 trillion in 2018 from KRW 1.08 trillion in 2017, primarily due to the spin-off of the 11st business in September 2018.

4. PROFITABILITY

STATEMENT OF INCOME DATA			Consolidated, KRW billion	
	2018	% of Revenue	2017	% of Revenue
Operating revenue	16,874	100.0%	17,520	100.0%
Operating expense	15,672	92.9%	15,983	91.2%
Labor cost ⁽¹⁾	2,289	13.6%	1,966	11.2%
Commissions paid ⁽²⁾	5,003	29.6%	5,486	31.3%
Depreciation and amortization ⁽³⁾	3,126	18.5%	3,097	17.7%
Network interconnection	808	4.8%	875	5.0%
Leased line	310	1.8%	342	2.0%
Advertising	469	2.8%	523	3.0%
Rent	529	3.1%	520	3.0%
Cost of goods sold	1,796	10.6%	1,887	10.8%
Other operating expenses	1,343	8.0%	1,287	7.3%
Operating profit	1,202	7.1%	1,537	8.8%
Finance income	256	1.5%	367	2.1%
Finance costs	(385)	(2.3)%	(434)	(2.5)%
Gain(losses) related to investments in subsidiaries and associates, net	3,271	19.4%	2,246	12.8%
Other non-operating income	71	0.4%	32	0.2%
Other non-operating expenses	(439)	(2.6)%	(344)	(2.0)%
Profit before income tax	3,976	23.6%	3,403	19.4%
Income tax expense	844	5.0%	746	4.3%
Profit for the year	3,132	18.6%	2,658	15.2%
EBITDA ⁽⁴⁾	4,486	26.6%	4,784	27.3%

MD&A

(1) Labor cost = Salaries + Provisions for defined benefit liabilities

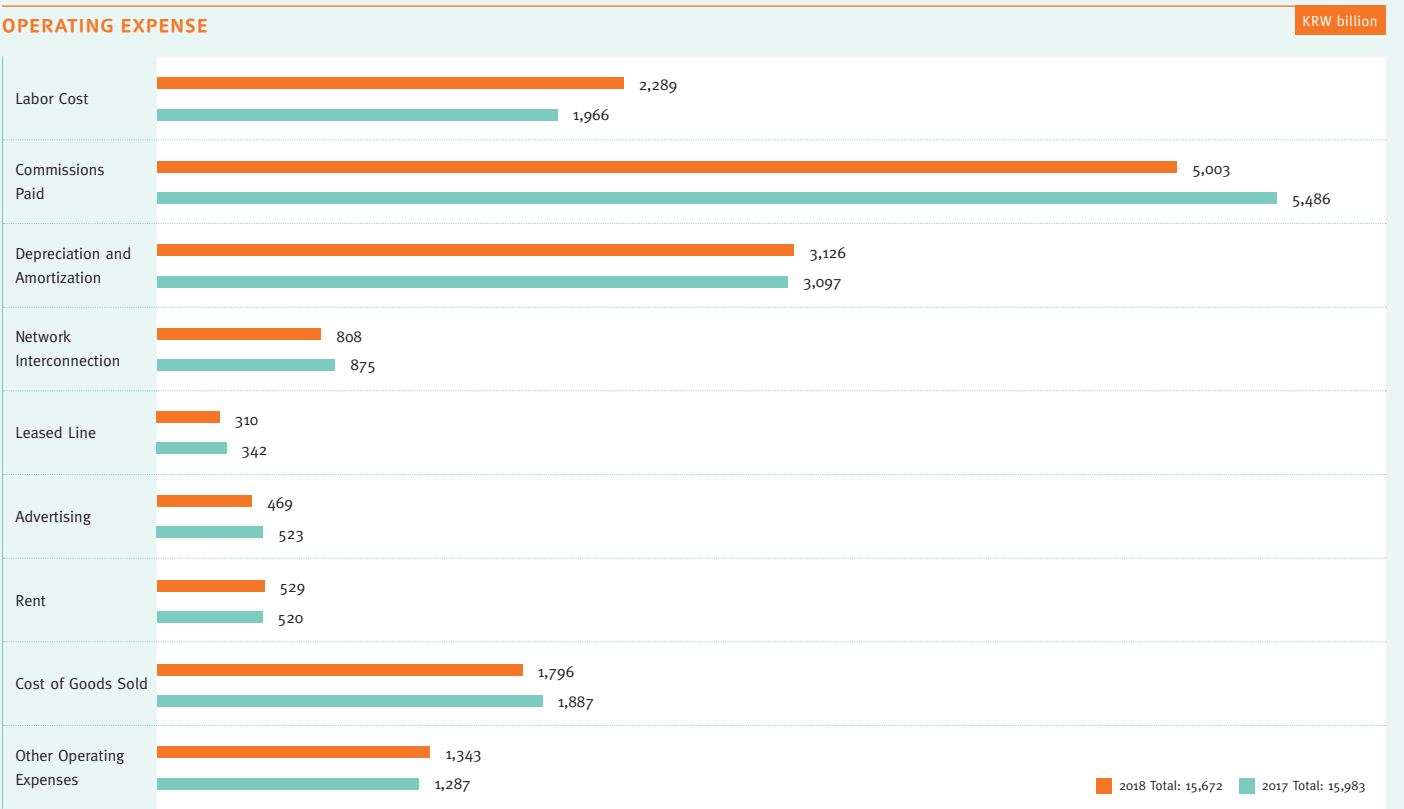
(2) Includes marketing commissions and other commissions

(3) Excludes R&D-related depreciation

(4) EBITDA = Operating profit + Depreciation and amortization + R&D-related depreciation within R&D expense

Operating Expense

Our operating expense for 2018 amounted to KRW 15.67 trillion, representing a 1.9 % decrease from KRW 15.98 trillion in 2017. The decrease in operating expense was primarily due to a 8.8% decrease in commissions, a 4.8% decrease in cost of goods sold and a 7.7% decrease in network interconnection expenses, partially offset by a 16.4% increase in labor costs.



The decrease in commissions was attributable mainly to a decrease in marketing costs relating to our cellular services primarily caused by the continued maturing of the market for new wireless devices in 2018, partially offset by an increase in marketing costs relating to our fixed-line telecommunication services. The decrease in cost of goods sold was primarily due to a decrease in the number of wireless devices resold in 2018. The decrease in network interconnection expenses was mainly attributable to decreases in wireless-to-fixed-line and fixed-line-to-wireless interconnection rates, as well as decreases in the number of fixed-line telephone subscribers and calling volume.

The increase in labor costs was primarily due to the additional personnel on payroll in connection with our acquisition of ADT CAPS in October 2018, as well as the establishment in June 2017 of our sub-

sidiary, Home & Service, which provides in-home customer services primarily to our fixed-line telecommunication service subscribers that were previously outsourced to a third party vendor and the costs for which were classified as commissions prior to the establishment of Home & Service, and the expansion of new businesses such as AI solutions.

Operating Profit and EBITDA

Our operating profit decreased by 21.8% to KRW 1.20 trillion in 2018 as the decrease in our operating revenue outpaced the decrease in our operating expense in 2018. Our EBITDA margin decreased by 0.7%p to 26.6% in 2018 and our operating margin decreased by 1.7%p to 7.1% in 2018.

Non-Operating Income and Expenses

Our finance income decreased by 30.1% to KRW 256 billion in 2018 from KRW 367 billion in 2017, primarily due to a significant decrease in gain on valuation of derivatives to KRW 7 billion in 2018 from KRW 224 billion in 2017, which primarily related to a significant increase in valuation of redeemable convertible preferred shares issued by KRAFTON Co., Ltd. in 2017. The effect of such decrease was partially offset by a significant increase in gain relating to financial assets at fair value through profit or loss to KRW 84 billion in 2018, primarily relating to our disposal of 200,000 redeemable convertible preference shares of KRAFTON in 2018, from less than KRW 1 billion in 2017. Our finance costs decreased by 11.2% to KRW 385 billion in 2018 from KRW 434 billion in 2017, primarily due to a decrease in loss on disposal of long-term investment securities from KRW 36 billion in 2017, which was primarily due to the disposal of our shares of Kakao Corporation, to nil in 2018, and a decrease in other finance costs from KRW 36 billion in 2017, relating to management fees paid in connection with our investment in KRAFTON’s securities, to nil in 2018. Gains related to investments in associates and joint ventures increased by 45.7% to KRW 3,271 billion in 2018 from KRW 2,246 billion in 2017, primarily due to an increase in share of profits of SK Hynix, in which we have a 20.1% interest. Our other non-operating income increased by 124.7% to KRW 72 billion in 2018 from KRW 32 billion in 2017, primarily due to the gain on the disposal of SK Broadband’s internet data center in Seoul. Our non-operating expenses increased by 27.6% to KRW 439 billion in 2018 from KRW 344 billion in 2017, which mainly reflected impairment losses we recognized on the goodwill and intangible assets of Shopkick.

Income Tax

Income tax expense increased by 13.2% to KRW 844 billion in 2018 from KRW 746 billion in 2017 primarily due to a 16.8% increase in profit before income tax. Our effective tax rate in 2018 decreased by 0.7%p to 21.2% from 21.9% in 2017.

Profit for the Year

Principally as a result of the factors discussed above, our profit for the year increased by 17.8% to KRW 3.13 trillion from KRW 2.66 trillion in 2017. Net margin was 18.6% in 2018 compared to 15.2% in 2017.

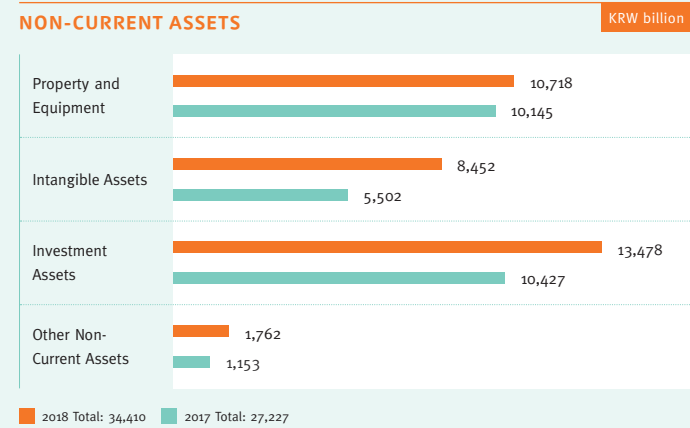
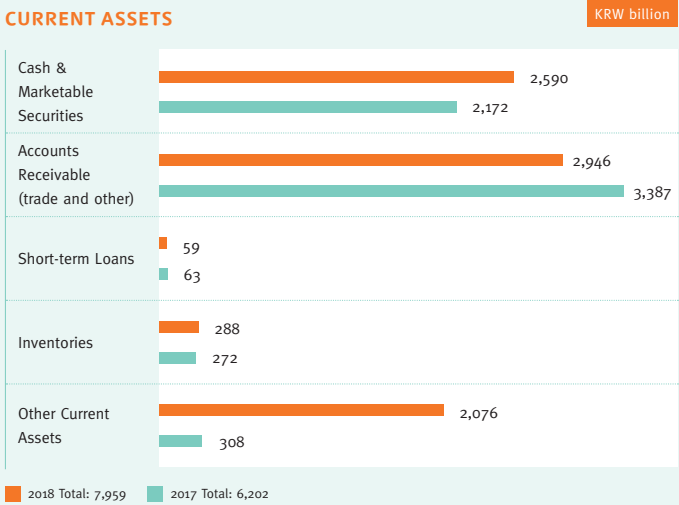
5. FINANCIAL STRUCTURE

Current Assets

We had current assets of KRW 7.96 trillion as of December 31, 2018, a 28.3% increase from KRW 6.20 trillion as of December 31, 2017. Our cash and marketable securities (including short-term financial instruments) increased by 19.2% to KRW 2.59 trillion as of December 31, 2018 from KRW 2.17 trillion as of December 31, 2017, primarily due to an increase in short-term financial instruments. Our accounts receivable (trade and other) decreased by 13.0% from KRW 2.95 trillion as of December 31, 2018 from KRW 3.39 trillion as of December 31, 2017.

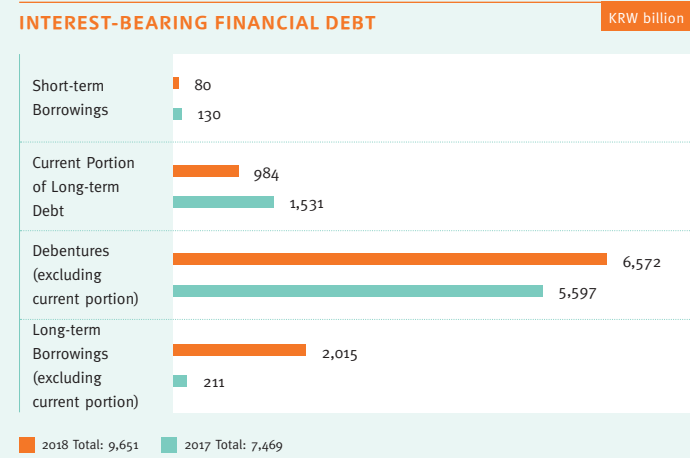
Non-current Assets

We had non-current assets of KRW 34.41 trillion as of December 31, 2018, a 26.4% increase from KRW 27.23 trillion as of December 31, 2017, primarily due to an increase in investment assets. Our investment assets increased by 29.3% to KRW 13.48 trillion as of December 31, 2018 from KRW 10.43 trillion as of December 31, 2017 primarily due to an increase in the carrying value of our holdings in SK Hynix, in which we have a 20.1% equity interest.



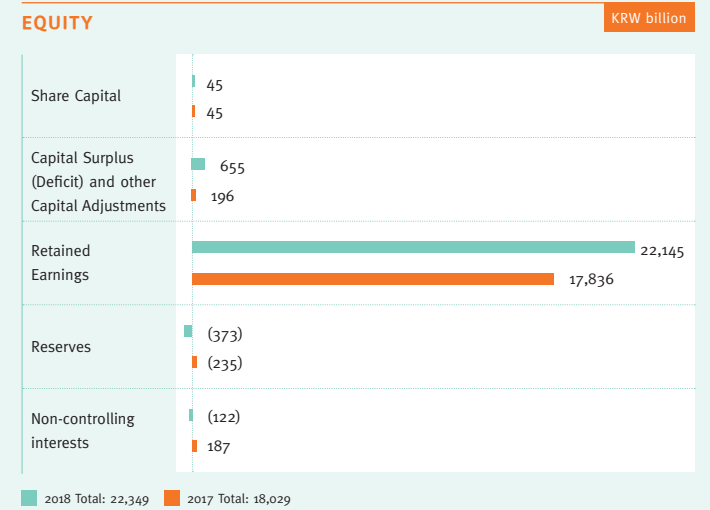
Liabilities

We had KRW 20.02 trillion of total liabilities as of December 31, 2018, a 30.0% increase from KRW 15.40 trillion of total liabilities as of December 31, 2017, primarily due to increases in long-term borrowings, deferred tax liabilities, debentures and long-term payables. Our total interest-bearing financial debt increased by 29.2% to KRW 9.65 trillion as of December 31, 2018 from KRW 7.47 trillion as of December 31, 2017. Our debt-to-equity ratio as of December 31, 2018 was 43.2%, compared to 41.4% as of December 31, 2017.



Equity

Our total equity as of December 31, 2018 amounted to KRW 22.35 trillion, which increased by 24.0% from December 31, 2017, primarily due to an increase in retained earnings.



6. CAPITAL EXPENDITURES (SEPARATE BASIS)

SK Telecom spent approximately KRW 2.13 trillion for capital expenditures in 2018 compared to KRW 1.98 trillion for capital expenditures in 2017, each on a separate basis. Of the amount spent in 2018, we spent approximately KRW 1.74 trillion, or 81.6%, on capital expenditures related to enhance our wireless networks and KRW 392 billion on other non-network related capital expenditures primarily related to developing new products and upgrades to our information technology systems.

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors and Shareholders of
SK Telecom Co., Ltd.:

OPINION

We have audited the accompanying consolidated financial statements of SK Telecom Co., Ltd. and its subsidiaries (the “Group”) which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (“K-IFRS”).

BASIS FOR OPINION

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as of and for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Accuracy of Revenue

As described in notes 3 and 4 of the consolidated financial statements, the Group has initially adopted K-IFRS No.1115, Revenue from Contracts with Customers (“K-IFRS No. 1115”), from January 1, 2018 and the Group has taken an exemption not to restate the consolidated financial statements as of and for the year ended December 31, 2017, presented for comparative purposes, in accordance with transition requirements of the standards. The financial impacts of adopting K-IFRS No. 1115 are discussed in note 3. The Group’s consolidated revenue is primarily related to the Group’s cellular and fixed-line telecommunications segments.

The Group’s revenue recognition is based on data from complex information technology systems as the Group provides a variety of telecommunications services at various rate plans to numerous subscribers which involves high volume of transactions with subscribers. In addition, the effect of changes in accounting policies upon the adoption of K-IFRS No. 1115 is significant to the consolidated financial statements. Such changes include the changes in the amount of revenue recognition related to the allocation of considerations for each performance obligation when the Group provides wireless telecommunications services and sells wireless handset to a same subscriber. The determination of stand-alone selling prices involving complex judgments applied by management. Therefore, we have identified the accuracy of revenue recognition in the Group’s cellular and fixed-line telecommunications segments as a key audit matter due to the complexity of IT systems involved and management judgments involved in the application of the new revenue recognition standard.

The primary procedures we performed to address this key audit matter included:

- Testing certain internal controls relating to the Group’s revenue recognition process, including evaluation of the environment of the IT systems supporting the accounting for revenue, including data records, rating and invoicing systems.
- Testing the reconciliation of the Group’s revenue among rating system, billing system and the general ledger.
- Inspecting a sample of contracts with subscribers to assess the Group’s revenue recognition policies upon initial adoption of K-IFRS No. 1115 based on the terms and conditions as set out in the contracts, with reference to the requirements of the relevant accounting standards.
- Assessing whether the Group’s determination of accounting treatments for bundled transactions for wireless telecommunication services and sales of wireless handsets are made in accordance with relevant accounting standards.
- Testing the accuracy of the stand-alone selling price by comparing to the published rates for each wireless handset and wireless telecommunications services on a sample basis.
- Testing the accuracy of the allocation of considerations to revenues from the Group’s wireless telecommunications services and sale of wireless handsets by performing recalculation.
- Testing the mathematical accuracy of the cumulative effect of initially applying K-IFRS No. 1115 in relation to multiple performance obligations as of January 1, 2018 by performing recalculation.

2. Recognition of Incremental Costs of Obtaining a Contract

As described in notes 3 and 8 of the consolidated financial statements, the Group incurs costs, such as commissions to retails stores and authorized dealers based on the number of subscribers retained and newly obtained. Costs that would not have been paid if there had been no binding new or renewed contracts with subscribers are capitalized and amortized over the estimated service periods. As of December 31, 2018, capitalized costs to obtain contracts amount to W2,377,599 million.

Determination of whether certain costs of obtaining a contract could be capitalized as well as the amortization period involves a number of key judgments made by the Group and the incremental costs of obtaining contracts are significant in the Group’s consolidated financial statements. Therefore we have identified the recognition of incremental costs of obtaining contracts as a key audit matter.

The primary procedures we performed to address this key audit matter included:

- Testing certain controls relating to the Group’s process to account for incremental costs of obtaining contracts.
- Obtaining an understanding of the marketing programs communicated to retail stores and authorized dealers and assessing the Group’s determination of whether the costs should be capitalized with reference to the requirements of the relevant accounting standards. In addition, on a sample basis, we also compared the capitalized costs with payments to retail stores and authorized dealers.
- Testing the mathematical accuracy of the cumulative effect of initially applying K-IFRS No. 1115 in relation to the incremental costs of obtaining contracts as of January 1, 2018 by performing recalculation.
- Assessing the estimated service periods that are used in amortizing the capitalized incremental costs of obtaining contracts by testing the completeness and accuracy of data used in the analysis, and by comparing the data used in estimating the estimated service periods with the Group’s historical subscriber churn rates and publicly available statistical data.

3. Assessment of Goodwill Impairment

As described in note 4 of the consolidated financial statements, the Group performs impairment test for goodwill at least annually by comparing the recoverable amount and the carrying amount of a cash generating unit (“CGU”) to which goodwill is allocated. The amount of goodwill that is allocated to the CGUs in cellular and fixed-line segments is W1,664,679 million as of December 31, 2018.

In carrying out the impairment assessment of goodwill, management determined the recoverable amount based on the value-in-use (“VIU”). Determining the VIU of the above CGUs involves significant judgments in estimating the expected future cash flows including the estimates of revenue, operating expense, perpetual growth rate, and discount rate for each CGU. Considering the significant degree of the judgment in estimating the VIU of the cellular and fixed-line telecommunication CGUs and the potential impact of the impairment on the Group’s consolidated financial statements, we identified the assessment of goodwill impairment as a key audit matter.

The primary procedures we performed to address this key audit matter included:

- Testing certain internal controls over the Group’s process to estimate value-in-use.
- Engaging our internal valuation specialists to assist us in evaluating the key assumptions used to determine the VIU for each CGU which included the estimated revenue, operating expenses and perpetual growth rate by comparison with the financial budgets approved by the management, historical performance and industry reports and in assessing the appropriateness of discount rate used by comparison with our expectation based on market data.
- Performing sensitivity analysis for both the discount rates and perpetual growth rates applied the discounted cash flow forecasts to assess the impact of changes in these key assumptions on the conclusion reached in management’s impairment assessment.
- Comparing the cash flow forecasts prepared in prior year with the actual results to assess the Group’s ability to accurately forecast.

4. Acquisition of Life & Security Holdings Co., Ltd.

As described in note 12 to the consolidated financial statements, during 2018, the Group obtained control of Life & Security Holdings Co., Ltd. (“LSH”) for W696,665 million in cash. In connection with the acquisition of LSH, the fair value of identifiable intangible assets recognized amounted to W1,019,503 million.

K-IFRS No. 1103 requires the Group, the acquirer, to recognize the acquiree’s identifiable assets, including intangible assets not previously recognized, and liabilities assumed at their fair value as of the acquisition date. Determining the fair value of the identifiable intangible assets requires management’s significant judgments in determining the valuation methodologies and estimating the expected future cash flows including the estimates of revenue, attrition rate, royalty rate, operating expense, perpetual growth rate, and discount rate. Considering the significant degree of the judgment in measuring the fair value of identifiable net assets, we identified the identification of intangible assets and measurement of their fair value for intangible assets recognized in the acquisition of LSH as a key audit matter.

The primary procedures we performed to address this key audit matter included:

- Engaging our internal valuation specialists to assist us in assessing the valuation methodologies adopted by the Group with reference to industry standards and the requirements of the relevant accounting standards.
- Engaging our internal valuation specialists to evaluate the discount rate applied by comparison with our expectation based on market data and the key assumptions used in estimating future cash flows, which included the estimated revenue, operating expenses, and perpetual growth rate by comparing with the financial budgets approved by the acquiree’s management, historical performance and industry reports.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with K-IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements as of and for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors’ report is Sang Hyun Han.

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.

KPMG Samjong Accounting Corp.
Seoul, Korea

February 28, 2019

This report is effective as of February 28, 2019, 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.

NON-FINANCIAL STATEMENT

SECTION 1. HUMAN CAPITAL

MD&A			2016	2017	2018	
1.1	Total Employment	Total Number of Employees	persons	4,399	4,516	4,948
		Total Number of Overseas Employees	persons	73	49	44
		Special Employment and Minorities ^(*)	persons	190	182	193
1.2	Recruitment and Turnover	Total Number of New Employees	persons	734	466	595
		Total Number of Turnover Employees	persons	359	284	183
1.3	Maternity and Parental Leave	Number of Employees on Maternity Leave	persons	185	142	178
		Number of Employees on Parental Leave	persons	42	35	39
1.4	Human Capital Improvement	Training Expense per Employee ^(**)	KRW million	2.03	1.91	2.10
		Number of Training Courses Participants Annually ^(***)	persons	17,303	16,201	21,575
		Rate of Employees' Performance Evaluations	%	98	99	99
1.5	Employee Engagement	Employee Engagement	%	90	88	85
1.6	Labor Practices	Labor Union Membership Rate	%	87.3	88.7	90.0
1.7	Health, Safety and Well- Being	Number of Occupational Accidents	persons	1	1	1

(*) Number of employees with disabilities and veterans
(**) Training expenses per employee = training performance including corporate training expense and training expense of each department.
(***) According to SK Telecom's in-house training courses excluding external training courses

SECTION 2. SOCIAL CAPITAL

MD&A			2016	2017	2018	
2.1	Access to Service	LTE Subscribers Rate	%	71.2	75.7	80.3
		Total Rate of Reduction for Disadvantaged Groups	KRW million	190,413	197,890	267,720
		Participation in Education to Resolve the ICT Informational Divide	persons	758	588	2,427
		Support for Underserved Areas (Remote Mountainous Areas)	sites	3,195	6,737	2,705
2.2	Network Quality and Risk Management	Wireless Network Capacity	wireless lines in thousands	39,620	45,210	40,910
		Annual Data Traffic Processed ^(*)	TB	1,208,543	1,527,634	1,862,177
		Number of Large-scale Network Failure Cases ^(**)	cases	0	0	1
2.3	R&D Investment	R&D Expenditure ^(***)	KRW billion	640.9	638.0	635.5
		R&D Personnel	person	1,248	1,376	1,594
2.4	Customer Satisfaction and Customer Safety Indicators	NCSI (Korea Productivity Center)	points	76	77	77
		Rate of Micropayment VOC	%	0.014	0.009	0.00084
2.5	Privacy Protection	Customer Information Leakages	cases	0	0	0
		Rate of Assessments Conducted Among Total Stores ^(****)	%	100	100	100
2.6	Electromagnetic Fields	Number of intensity measurements taken at wireless stations	cases	23,535	38,782	33,964
		Rate of wireless stations at level of the electromagnetic field rating system	%	99.9	99.9	99.9

NON-FINANCIAL MD&A (MANAGEMENT DISCUSSION & ANALYSIS)

Reporting Standards and Principles

The purpose of Non-financial Management Discussion & Analysis (MD&A) to present management’s analysis opinion on the key management performances from non-financial aspects such as human capital, social capital, and environmental capital for the reporting period from January 1 2018 to December 31, 2018. The following international reporting standards and principles apply to the non-financial MD&A:

- 1 International Integrated Reporting Council <IR> Framework** - The International Integrated Reporting Council <IR> framework requires concise reporting on the organization’s strategy, governance, and how the performance and future prospects are connected to the short-, mid-, and long-term value creation of an organization under the economic, social and environmental contexts. Please refer to pp.26-27 for the Business Model required to implement the Integrated Reporting Principles of the International Integrated Reporting Council and pp.44-45 for materiality assessment to determine important topics depending on the impact on value creation.
- 2 Global Reporting Initiatives (GRI) Sustainability Reporting Standards** - The GRI provides information on the topics and disclosures 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 topics from the impact on stakeholders and from economic, social and environmental perspectives. Please refer to pp.44-45 for the results of the Materiality Assessment conducted in accordance with the GRI requirements.
- 3 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 party according to the Assurance Standard (AA1000AS). Please refer to pp.159-161 for the result of the third-party assurance performed by an independent institute.

References

- 1 UNGC COP (UN Global Compact Communication on Progress)**
- A guideline for reporting the compliance status to the Ten Principles of the UNGC by its members
- 2 ISO26000**
- An international social responsibility standard of the responsible management system presented in November 2010 by the ISO (International Standard Institution).
- 3 CDSB Reporting Framework**
- Standard for carbon disclosure put forth by the Climate Disclosure Standard Board (CDSB) in September 2010
- 4 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 non-financial information presented in this non-financial MD&A is limited to the data of SK Telecom, which does not include subsidiaries and supply chains unless otherwise specified. This coincides with the scope of separate revenues of SK Telecom, which is the controlling company under K-IFRS. Environment data such as energy, greenhouse gases, waste, and drinking water is calculated based on 34 domestic business sites* of SK Telecom (including network infrastructure and data centers). Over 99% of SK Telecom’s revenues are generated in Korea, and thus the data coverage included meets 99% or more of the revenue.

* 33 business sites (T Tower, Namsan, Guro, Jangan, research buildings at Seoul National University, SK Knights Gymnasium, FMI, Bundang, Boramae, Incheon, Suyu, Seongsu, Buam in Busan, Busan Data Center, Bonri, Taepyeong and Sincheon in Daegu, Usan and Songjeon in Gwangju, Jeonju, Jeju, Dunsan and Busa in Daejeon, Cheongju, Wonju, a base station, repeater #1, repeater #2, Central Station, the Marketing Team, Jung-dong in Daegu, Myungryun) and one call center (Service Top & Service Ace)

SECTION 2. SOCIAL CAPITAL

MD&A			2016	2017	2018
2.7	Mutual Growth with Partners	No. of Company Participants in Mutual Growth Cooperation	companies	376	278
					216
2.8	Assessment of the Supply Chain's Sustainability	Total Number of Newly Registered Partner Companies	companies	725	615
		Rate of Advance Assessments	%	100	100
		Total Number of Registered Suppliers	companies	1,881	1,444
		Assessment Rate of Suppliers	%	92	93
2.9	Community Investment ^(****)	Support for Start-ups (number of teams)	No. of teams	55	38
		Donations collected on Give U	KRW million	202	300
		Number of Volunteer opportunities registered on With U	opportunities	77,024	24,332
2.10	Participation in Public Policies	Direct Political Donations ^(*****)	KRW million	0	0

(*) Including mobile phone (2G/3G/4G) services and excluding Wibro and WiFi services
(**) According to the number of large-scale network failure cases submitted to the Ministry of Science and ICT: Companies are subject to report more than 1 failure of a switchboard, or more than 10 failures at base stations within the same city/district/area, or failures of a similar scale to the government
(***) R&D costs are the combined total of net R&D expenses (network and marketing infrastructure, new growth business), R&D investment (equity investment in AI business/ devices), investment in growth business (CAPEX, OPEX) and expenses for R&D organizations
(****) Refer to p.108 for yearly inspection status
(*****) Reported annual data, not cumulative, starting in 2017
(*****) Direct political contributions: Contributions to and support lobbyist groups/ lobbyists, political campaigns and election funds, political parties/ political groups/ politicians, trade associations or tax-exempt groups

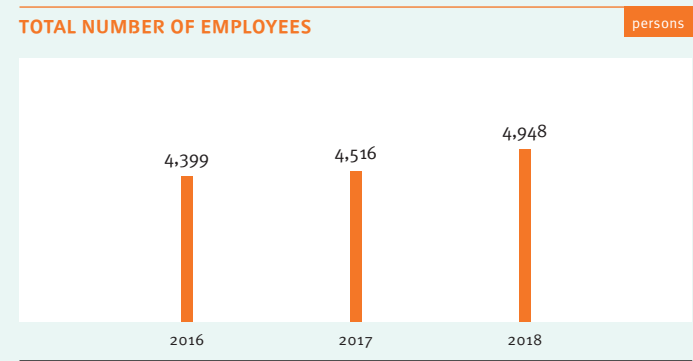
SECTION 3. NATURAL CAPITAL

MD&A			2016	2017	2018
3.1	GHG Emissions	Total Emissions	tCO ₂ e	828,073	875,401
		Intensity	tCO ₂ e/KRW billion	67.05	70.21
3.2	Energy Consumption	Total Energy Consumption	TJ	17,012	17,983
		Energy Intensity	TJ/KRW billion	1.4	1.4
3.3	Water Consumption	Volume of Water Consumption	m ³	712,910	713,744
		Intensity	m ³ /KRW billion	57.72	57.25
3.4	Waste and Recycling	Total Waste	ton	1,691	1,562
		Waste Discharge Intensity	ton/KRW billion	0.137	0.125
		Recycling Rate	%	35	40
3.5	Resources	Rate of New Subscriptions	%	87.0	87.6
		Rate of T membership Mobile	%	98	99
		Card Issuance to New Customers			
		Device Retrieval Rate	%	3.1	1.8
3.6	Environmental Costs and Investments	Total Environmental Costs ^(*)	KRW million	754	702
		Annual Cost of Purchasing GHG Emissions Credits	KRW million	1,316	1,833
		Green Procurement Cost	KRW million	45,150	36,706

SECTION 1: HUMAN CAPITAL

1.1 Total Employment

Total employment is one of the key indicators that shows a company’s job creation such as employment types, genders and ages. The total number of employees includes permanent and temporary (contract-based) employees who have a direct employment contract with SK Telecom, except employees and executives of SK Telecom’s affiliated companies and subsidiaries. Through the efforts to secure human resources with expertise for internalization of capabilities and procurement of growth engine in advance, the total number of employees increased by 9.57% to 4,948 as the end of 2018. The ratio of female employees, which is a major diversity indicator, increased by 2.6%p from the previous year to 16.9% in 2018, and the ratio of female managers stood at 6.9%. By age, the ratio of employees over 30 years and under 50 was the highest, and the ratio of permanent employees was 97.7%, which was similar to the previous year but was trending upwards. SK Telecom grants additional points for job candidates of socially disadvantaged groups to expand the employment of minorities, and recruits disabled people through separate programs such as ‘special recruitment program for disabled.’ In 2018, the number of the disabled employed by the company remained at 59, similar to that of the previous year and the number of veterans employed by the company rose to 134. The total number of overseas personnel including expatriate employees and local employees stood at 44 and compared to the total number of employees, the percentage of those overseas was low. The percentage of local managers at overseas business locations reached 63%, recording a big increase from the previous year.



TOTAL NUMBER OF OF PERSONS EMPLOYED				
		2016	2017	2018
Total Number of Employees	persons	4,399	4,516	4,948
Employment	Permanent	persons	4,242	4,403
Type	Temporary	persons	157	113
Gender	Male	persons	3,789	3,872
	Female	persons	610	644
Age	Under 30	persons	405	378
	Over 30 - Under 50	persons	3,707	3,709
	Over 50	persons	287	429

OVERSEAS EMPLOYMENT				
		2016	2017	2018
Expatriate Employees	persons	20	15	15
Local Employees	persons	53	34	29
Total Number of Overseas Employees	persons	73	49	44
Total Number of Overseas Managers	persons	15	11	19
Total number of Local Managers	persons	5	4	12
Percentage of Local Managers	%	33.3	36.4	63

SPECIAL EMPLOYMENT AND MINORITIES				
		2016	2017	2018
Disabled	persons	59	58	59 ^(*)
Veterans	persons	131	124	134 ^(*)

(*) Special employment and minority items on non-financial statement is sum of disabled and veterans.

FOSTERING FEMALE TALENT				
		2016	2017	2018
Female share of total workers ^(*)	%	13.9	14.3	16.9
Females in mangement positions ^(**)	%	9.9	11.1	6.9

(*) Percentage of female employees compared to total number of employees
(**) Percentage of females in management position compared to total workforce in management position (including management above team leader level and executives)

1.2 Recruitment and Turnover

The number of new employees by age and gender as well as the number of turnover employees is calculated based on the number of permanent and temporary workers (contract-based) who have a direct employment contract with SK Telecom. The number does not include employees and officers of affiliated companies and subsidiaries of SK Telecom. In 2018, SK Telecom’s total new recruitment rose more than 27% on YoY basis. The increase was ascribed to expanding technological human resources for the development of core infrastructure in the 5G era including artificial intelligence (AI), data and AR/VR. SK Telecom will continue to recruit new employees to secure human resources and internalize ICT capabilities. The total turnover rate stood at 3.7% in 2018, down 2.6%p from the previous year, showing a steady drop. This stemmed from the fact that the turnover rate, which showed a temporary increase due to the transfer of business subsidiaries/companies invested in by SK Telecom, decreased as business hit its stride. SK Telecom contributes to expanding employment and boosting work productivity by implementing various welfare systems such as flexible working hours, support for childbirth and childcare, sabbatical leaves (Re-fresh) for long-service employees and dormitories for employees.

NEW EMPLOYEES

		2016	2017	2018
Total Number of New Employees	persons	734	466	595
Gender	Male	persons	593	349
	Female	persons	141	117
Age	Under 30	persons	283	181
	Over 30 - Under 50	persons	414	268
	Over 50	persons	37	17

TURNOVER

		2016	2017	2018
Total Number of Turnover Employees	persons	359	284	183
Gender	Male	persons	289	202
	Female	persons	70	82
Age	Under 30	persons	133	120
	Over 30 - Under 50	persons	178	148
	Over 50	persons	48	16

1.3 Maternity and Parental Leave

SK Telecom actively implements policies to ease employees’ burdens of childbirth and childcare and support them in this aspect. The company set up systems to reduce employees’ workloads and prevent disadvantages in their job performance assessment such as maternity and parental leaves as well as a shortened working-hour system during pregnancy and child-raising periods. The company also provides various support programs such as nursing rooms, congratulatory allowances for childbirth, scholarships for children, the operation of in-house daycare centers, a flexible working hour system, and camps for employees’ children. In 2017, the company cemented the systematic basis for providing maternity and childcare support by allowing female employees to work for mandatory shortened working hours in their entire pregnancy periods and adopting a telecommuting system for pregnant employees to work in their homes and a care system for employees’ children who are first graders at elementary schools. Parental leaves of up to one year are available for both male and female employees. If a female employee uses a parental leave shortly after a maternity leave, she can be provided up to two years for two leaves. Thanks to such institutional support, the rate of maternity leaves and childcare leaves increased slightly in 2018 despite a low birth rate in Korea. In particular, the ratio of male employees’ parental leaves stood at 30.7%, up 7.8%p from the previous year, showing a steady increase. Moreover, the rate of return after parental leaves, which is a key indicator of job security for employees who used parental leaves, was 97.4% in 2018, which was similar to the previous year.

MATERNITY/PATERNITY LEAVE AND PARENTAL LEAVE

		2016	2017	2018
Number of Employees on Maternity Leave	persons	185	142	178
Maternity Leave Users - Female	persons	20	22	27
Paternity Leave Users - Male	persons	165	120	150
Rate of Return after Childbirth	%	100	100	99.4
Number of Employees on Parental Leave	persons	42	35	39
Parental Leave Users - Female	persons	35	27	27
Parental Leave Users - Male	persons	7	8	12
Rate of Return after Taking Leave	%	92.9	97.6	97.4
Rate of Retirement within 12 months after Return	%	5.3	7.1	2.6

1.4 Human Capital Improvement

SK Telecom focuses on identifying, fostering, and internalizing its New ICT expertise in order to build competitiveness in the rapidly changing ICT environment and in terms of human resources development. Acknowledging the fact that traditional training programs have limitations in practically enhancing capabilities, SK Telecom has been attempting new methodologies of training while leading a sharing/collaboration- and data-oriented culture that offsets decision-making based on information asymmetry from experiences/intuitions and pursuing the development of commercialization capabilities based on task implementation. In 2018, SK Telecom focused on 3 main tasks, as following: 1) securing New ICT expertise, 2) strengthening commercialization capabilities, and 3) developing the ability to understand customer needs based on experiences. Human resource development for securing specialized ICT expertise was carried out by the New ICT Academy and the Data Camp. The New ICT Academy focused on training employees on AI, big data, IoT, Blockchain, while the Data Camp focused on training on data analysis with tools such as R, Python and Excel. Tech Expert Board (TEB) members were selected to support the in-house and external technology dissemination activities in order to discover and manage the ICT technology capabilities which SK Telecom already secured. In addition, SK Massive Open Online Courses (SK MOOC) which enables employees to learn ICT lectures at world leading universities online, and On the Job Degree (OJD) program to which employees can acquire overseas degrees in the field of data science based on online learning. On the other hand, the company provided an environment where employees can develop their own competencies by using a Digital Learning Portal to share SK Group companies' ICT learning contents. Furthermore, we concentrated on expanding New ICT competencies by internalizing latest technology from both in-and-outside of the company though SK ICT Tech Summit which introduces the T-TOC program where members study the latest thesis and SK Group's latest technology as well as developing AI curriculum through cooperation with universities. The Start @ Program and the Blue Ocean Biz Develop program (BOBD) were used to beef up commercialization capabilities. Every employee can freely suggest and commercialize a business model by using the Start @ program while the BOBD establishes a new BM development methodology suitable for SK Telecom and applies it to current business sites. SK Telecom established a more realistic support system such as providing consulting and workshops by external experts and immersion time and business funds so that ideas could develop into specific projects. The SKT Innovation Discovery (SID) program where employees plan overseas benchmarking on their own to gather information and insight needed for their jobs expanded the base of SK Telecom's commercialization capabilities.

In order to create unique customer experiences, our employees needed to make changes in their experiences. Therefore, SK Telecom diffused a culture where members experienced SK Telecom's products and services first and made according improvements. A continuing campaign to activate mail-based work sharing tools (TWC: T Work Connect) and make an improvement to a hierarchical culture that hinders employees' immersion into work contributed to make a sharing/collaboration-based working style on everyday routine. The implementation of these 3 tasks drove up SK Telecom's total training expense per employee by 37% YoY to 70 hours in 2018. The number of annual training courses shrank 10%p from the previous year to 251 which is seen as a small decline stemmed from attempts to reduce the repetitive enforcement of large-scale collective education while expanding online education programs. Based on this human capital enhancement momentum, SK Telecom will look for ways to support the establishment of a strong business divisions to become a New ICT synergy company while strengthening its three current tasks in 2019.

STATUS OF EMPLOYEE TRAINING

		2016	2017	2018
Training Expense per Employee (*)	KRW million	2.03	1.91	2.10
Average Annual Training Hours (**)	Hour	68	51	70
Number of Training Courses Given Annually (***)	Courses	133	281	251
Number of Training Courses Participants Annually (***)	persons	17,303	17,325	21,575

(*) Training expenses per employee = Total training expenses (company wide training expenses + training expenses of each business division) / number of permanent employees
(**) Average annual training hours = sum of training hours by each courses (training hours of individual courses x number of participants) / number of permanent employees
(***) According to SK Telecom's in-house training courses excluding external training courses

The rate of performance evaluation means the number of employees out of the total number of employees that received evaluations according to the pre-defined performance evaluation system. SK Telecom conducts performance evaluations on all its employees, and recorded 99% of implementation rate of evaluation in 2018. In 2017, SK Telecom reorganized its performance evaluation management system for employees to ensure substantial improvements in performances and the enhancement of employees' capabilities based on collaboration. Firstly, the company completely abolished the relative evaluation of allocation methods and introduced a non-rating performance evaluation based on absolute evaluation to avoid internal competition. In addition, the company moved away from regular/collective performance management concentrated on year-end evaluation, and promoted substantial performance improvement activities through the individualized annual performance

management of each task. Moreover, SK Telecom set principles and criteria in advance for compensation/promotion/core talent selection which have been strongly linked to relative evaluation scores, and made each organization implement autonomous management and make decisions on its own through an enhanced human resource review session.

RATE OF PERFORMANCE EVALUATIONS CONDUCTED

		2016	2017	2018
Rate of Employees' Performance Evaluations	%	98	99	99

1.5 Employee Engagement

SK Telecom conducts an annual survey of its employees to measure employee engagement. The survey measures the 'implementation of Voluntarily & Willingly Brain Engagement (VWBE)', the 'sense of belonging and pride as a member and employees,' 'feeling rewarding and fulfillment' once a year (at the end of August). The level of engagement results from the positive response rate of each question in the survey. In 2018, the company struggled to support the creation of an environment that can lead to an increase in the level of employee engagement due to continuing changes in the internal and external environments. However, based on a strong sense of purpose to respond to innovation and continuous support for improving employees' capabilities, employee engagement stood at a level similar to that of the past. The Employee Engagement Survey was conducted on all employees in 2018. A total of 2,958 employees responded to the Employee Engagement Survey in 2018. According to the results of the survey, employee engagement stood at 85%; 86% (2,605 respondents) for male employees and 78% for female employees (353 respondents).

EMPLOYEE ENGAGEMENT

		2016	2017	2018
Employee engagement analysis results	%	90	88	85

1.6 Labor Practices

SK Telecom actively protects the freedom of association of workers under ILO Conventions 87, 98 and domestic labor laws. Employees of SK Telecom voluntarily form labor unions by the freedom of association, and joined the labor unions according to their choice of freedom. As of the end of 2018, the rate of participation in labor unions was 90.0%, showing a continuous increase for the past 4 years. SK Telecom strives to set up a win-win labor-management culture and improve working conditions for employees under the framework of making healthy relationship between labor union and management. SK Telecom and the labor union agreed to raise wages 2.5% in 2018 with the spirit of mutual respect and cooperation, and use a portion of the increment in social value creation projects.

LABOR UNION MEMBERSHIP

		2016	2017	2018
Number of Employees Eligible for Labor Union Membership	persons	2,479	2,523	2,791
Labor Union Members	persons	2,164	2,238	2,513
Labor Union Membership Rate	%	87.3	88.7	90.0

1.7 Health, Safety and Well-Being

SK Telecom currently operates a diverse range of programs to improve employees' health and well-being including creating a pleasant working environment by maintaining suitable temperature, humidity, lighting intensity and noise level in the office. The company generally supports employees so that they can manage their physical fitness and mental health by operating an in-house physical fitness space called 'Actium' and the Health-On program. Furthermore, SK Telecom introduced a flexible time system and a system for pregnant women to telecommute. The company is making great efforts to ensure employees' work life balance by providing maternity and parental leaves and aiding employees in raising their children beyond what is legally required. Starting in April 2018, we introduced a two-week work shift system called 'Design Your Work & Time (DYWT)' and Super Friday (the end of work shifts on the third Friday of every month at 3:00 pm), to improve employees' work-life balance. Based on the Health-On Index, a health indicator in 2018, the average health age decreased from 41 years to 39 years, compared to 2017. However, the average health score decreased by two points from 74 in 2017 to 72. Meanwhile, the company identified an increase in employees' obesity rate, imbalance in dietary habits and a lack of physical activities as health risks so is planning to make improvements through online and offline health coaching.

EMPLOYEE HEALTH AND WELL-BEING PROGRAMS

Type	Key Program and Support Details
Creating Healthy Work Environment	<ul style="list-style-type: none">Building automated temperature and humidity control system and measuring them twice per day. Operation of air-conditioning and exhaust fan and management of internal dust/CO₂ through batch ventilation before the start of work hours. Management of light intensity and sound levels (Yearly measurement to check whether or not illumination level is higher than 500 lux and sound level is below 60dB in office space)Planning to expand ergonomic work environment by introducing height adjustable desks, ergonomic chairs and open standing conference rooms.
Fitness	<ul style="list-style-type: none">Operation of in-house physical training center, Actium and provision of 1:1 customized exercise guidance and online-to-offline (O2O) solution that combines offline posture measurement and online coaching through Health-On program
Nutrition	<ul style="list-style-type: none">Supporting balanced eating habits by operating in-house cafeteria (T-Patio)As part of the Health-On program, medical professionals are invited to host a concert-type event on health, diseases and nutrition.Identifying and managing members' health issues through Health-On Index check-ups
Stress Management	<ul style="list-style-type: none">Operation of employee counseling service program 'My Counselor' (Providing counsel about stress and difficulties in workplace, health, personal matters and etc.)Operation of Actium Health-On mental health program (emotional health letter, health lectures, laughter exercise, healing yoga and etc.)
Flexible Work Hours	<ul style="list-style-type: none">Operation of flexible work hour system to allow employees to manage work hours flexiblyImplementation of DYWT program (flexible 8o-hour-in-two-week work shift system)
Telecommuting	<ul style="list-style-type: none">System for telecommuting during pregnancy (after 29th week of pregnancy, based on consultation and registration)
Childcare and Children's Education	<ul style="list-style-type: none">Execution of wide range of childcare support programs including operation of in-house daycare centers, support for children's educational expenses (preschool, elementary/middle/high school and university) and support for camps for employees' children.
Maternity/Parental Leave	<ul style="list-style-type: none">Reduced work hours during pregnancy: 6-hour workday throughout pregnancy periodMaternity leave: The company offers 90 days of leave after birth, 12o days after the birth of twins and 5 days of paid leave when employee's spouse gives birth.Parental Leave: The company offers 1 year of paid leaves for employees with a child 8 years old or younger. If a female employee uses maternity and parental leave consecutively, she can register to use one additional year of parental leave (up to 2 years)Automatic transfer for parental leave: When a maternity leave is about to expire, an employee can automatically begin to use a parental leave consecutively without registering separately.Care leave for children who entered elementary school: 9o-day leave once a year for employees with children who entered elementary school

SECTION 2: SOCIAL CAPITAL

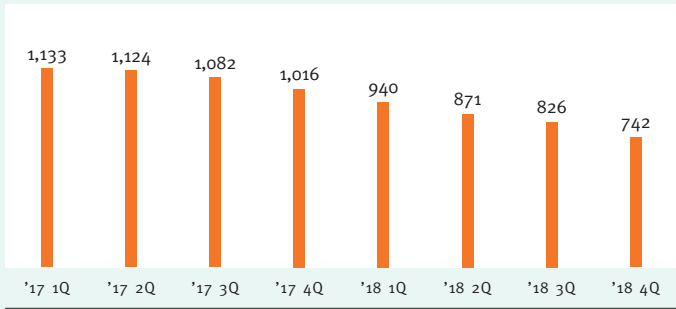
2.1 Access to Service

SK Telecom lays the groundwork for providing convenient mobile telecommunications services by securing and maintaining the absolute number of subscribers and expanding mobile devices with a view to expanding access to its services. At the same time, the company promotes digital inclusion for disadvantaged groups including low-income individuals and senior citizens. The enhancement of service accessibility can not only have a positive impact on SK Telecom's future revenue by strengthening the subscriber base, such as higher customer satisfaction and a lower churn rate but from a social standpoint, improve the quality of people's lives. The rate of LTE subscribers and the number of second device subscribers are indicators showing mobile internet access. In 2018, the rate of SK Telecom's LTE subscribers increased 4.6%p year on year and stood at 8o.3%. In the 2nd device segment, through the launches of differentiated products that matched customers' needs, SK Telecom is steadily securing growth engines. In 2018, due to an inflow of 2nd device subscribers' handsets, the total number of second device subscribers stood to about 742,ooo, a drop of 274,ooo from a year ago.

LTE SERVICES AND SMARTPHONE PENETRATION

		2016	2017	2018
LTE Subscribers Rate	%	71.2	75.7	8o.3
Total Number of Subscribers	1,ooo people	29,595	3o,195	3o,882
Number of LTE Subscribers	1,ooo people	21,o78	22,865	24,796

NUMBER OF 2ND DEVICE SUBSCRIBERS



To reduce the burden of household communication expenses for marginalized groups and expand access to services, SK Telecom supports them with tariff discount. The tariff discount for disabled people and the low-income households aimed to improve their information accessibility and stood at KRW 267.7 billion in 2018, a 35.3% increase from the previous year thanks to tariff discount for low-income households started in December 2017.

RATE REDUCTION^(*)

		2016	2017	2018
Total Rate Reduction for Disadvantaged Groups	KRW million	190,413	197,89o	267,72o
Disabled	KRW million	123,187	127,224	129,213
Low-income	KRW million	57,068	6o,074	1o5,711
Veterans	KRW million	1o,032	1o,5o7	21,794
Basic pension recipients	KRW million	-	-	11,oo2
Miscellaneous	KRW million	125	85	77

(*) Change in classification standards in 2018: Due to revision of related notice in 2018, tariff discount to basic pension recipients (Bottom 7o% of seniors aged 65 and over in terms of incomes & assets) was implemented in 13th Jul. 2018. The amount of tariff discounts to basic pension recipients are classified under different category

In order to ease and resolve the digital divide issue of disadvantaged groups in terms of access to information, SK Telecom is consistently offering education on smartphone use and ICT education by utilizing the company's ICT capabilities. Since 2oo7, based on a comprehensive range of disadvantaged groups such as senior citizens, North Korean defectors and youth with disabilities, SK Telecom has operated the mobile phone education program Happy Mobile World for senior citizens together with the SK college student volunteer group 'Sunny.' In addition, the company is running various programs aimed to reduce the 'smart' divide, such as mobile education for North Korean defectors and ICT Make-a-thon to ease informational divide experienced by handicapped youth.

PARTICIPATION IN EDUCATION TO RESOLVE THE ICT INFORMATION DIVIDE^(*)

		Smartphone Education for Senior Citizens	ICT Make-a-thon	Mobile Education for North Korean defectors
Number of Participants(2018)	persons	2,273	122	32
Number of Participants(2017)	persons	432	112	44

(*) 'Participation in Education to Resolve the ICT Informational Divide' on non-financial statement refers to the total of three programs above.

Furthermore, SK Telecom is constantly expanding its telecommunications service coverage areas for residents in regions with weak service accessibility, such as remote mountainous areas and islands. In 2018, the company has invested in improving the quality of voice call in disadvantaged areas to improve the quality of communication services. As a result of communication service quality assessment by the Ministry of Science and ICT in 2018, we took first place in communication quality in rural communities.

SUPPORT FOR UNDERSERVED AREAS

		2016	2017	2018
Remote Mountainous Areas	Sites	3,195	6,737	2,7o5
Hiking Trails	Sites	217	52o	33o
Island Areas	Sites	237	358	12o

2.2 Network Quality Management

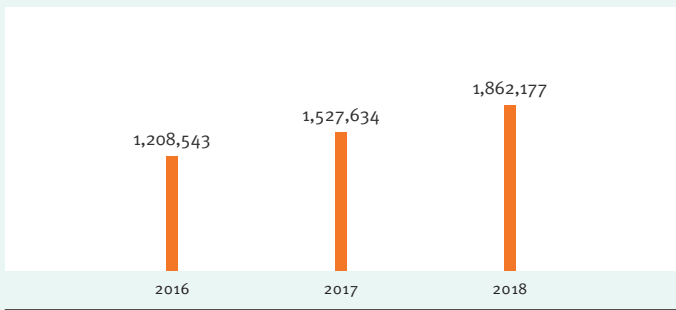
Going beyond the leadership in the MNO business area, SK Telecom is moving to become a pioneering operator in the New ICT ecosystem on the basis of its network infrastructure. Offering high-quality network services is an asset that SK Telecom fundamentally values for securing core service competitiveness. To this end, the company is making investment in network and is simultaneously pursuing consistent quality enhancement as well as technology development to provide excellent quality of network service. In 2018, our annual wireless communication capacity totaled 4o.91 million accounts which tallies to 132% of the total number of subscribers (3o.88 million). Annual processed data traffic is on a sharp rise with a year-on-year increase of 21.9% in 2018. SK Telecom responds flexibly to increasing data traffic by accurately forecasting and monitoring demand and is making every effort to provide the best network services.

WIRELESS NETWORK CAPACITY AND DATA TRAFFIC PROCESSED ANNUALLY

		2016	2017	2018
Wireless Network Capacity	wireless lines in thousands	39,62o	45,21o	4o,91o
Annual Data Traffic Processed ^(*)	TB	1,136,041	1,527,634	1,862,177

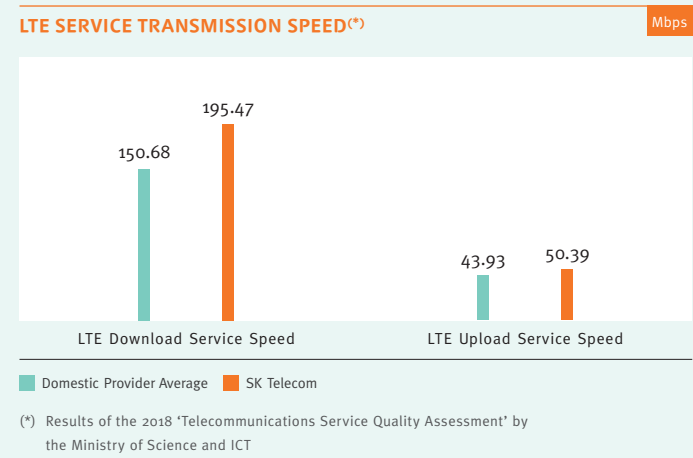
(*) The figures of 2016 included those of mobile phone (2G/3G/4G) services, but excludes Wibro and Wifi

ANNUAL DATA TRAFFIC PROCESSED



Ever since recognized as a service provider offering the fastest LTE service by the Ministry of Science and ICT's Communications Service Quality Evaluation since 2015, SK Telecom is maintaining its leading position in network quality by exceeding the average LTE speed of domestic telecommunication providers. In 2018, the company was honored as the provider of the fastest LTE service and received a much higher evaluation score than other companies in telecommunication service quality evaluation by the Ministry of Science and ICT. In addition, we provide differentiated telecommunications services by providing superior network quality and wider coverage compared to competitors through technologies such as 5 band carrier aggregation (CA) and 4 transmitter and 4 receiver (4T4R) utilizing the 2.6GHz frequency band secured in 2016.

After commercializing the LTE-A pro service with a speed of 500 Mbps for the first time in the country in 2016, SK Telecom provided service with a speed of 900 Mbps in 2017, and in 2018 the company secured the competitive edge through providing LTE speed up to 1 Gbps, highest within the industry.



Network failures can grow into risk against the business continuity of individual telecommunications companies, and can lead to a temporary collapse of the economic and social systems if disruptions occur persistently. Therefore, it is one of the major tasks of the telecommunication industry including SK Telecom to flexibly respond to increasing data traffic while maintaining a high level of network quality and minimizing the service failure rate. In 2018, SK Telecom tried to provide stable communication services by expanding service bypass automation solutions, devising and implementing measures to prevent a repeat failure, automatically optimizing network quality and applying an abnormal symptom monitoring function. Despite these efforts, on April 6, 2018, a temporary voice and text service failure caused inconveniences for customers, which we provided compensation for our customers accordingly. In order to provide better network quality to our customers, we are endeavoring to provide safer and more reliable services.

NETWORK FAILURES			
	2016	2017	2018
Number of Large-Scale Network Failure Cases ^(*)	0	0	1

(*) According to the number of large-scale network failure cases submitted to the Ministry of Science and ICT: More than 1 failure of a switchboard; more than ten failures at sites in the same city/district/area; and failures of a similar scale must be reported

2.3 R&D Investment

SK Telecom is actively going ahead with mid- to long-term R&D investment that will lead the growth of ICT convergence era including investment in network infrastructure to transform itself into a 5G infrastructure-based ICT synergy company in the opening of 5G era. Investment expenditure in 2018 was KRW 635.5 billion similar to that of the previous year. As a result of the termination of next-generation IT investment, spending on IT (subscriber computing infrastructure) declined, but mid- to long-term R&D investment in AI/media/data are on the uptick and R&D related equity investment is expanding according to NEW ICT investment. Major equity investment cases in 2018 include investment of KRW 65 billion in iRiver (currently Dreamus Company), and the acquisition of IDQ, a Swiss quantum cryptographic communication company for KRW 55.4 billion. R&D human resources have been on a steady rise and the number of R&D personnel in 2018 rose 13.7% year on year to 1,594. This increase was attributable to the expansion of AI-related research personnel, R&D organization personnel including those in the 5G/media/data sectors and human resources for core growth business areas such as AI services, security and mobility.

R&D INVESTMENT				
		2016	2017	2018
R&D Expenditure ^(*)	KRW billion	640.9	638.0	635.5
R&D Personnel	persons	1,248	1,376	1,594

(*) R&D expenditures calculated to include pure R&D (network infrastructure, marketing infrastructure, new growth businesses and mid- to long-term R&D), investment in the area with nature of R&D (AI business/Device and other investment in equity, etc), investment in growth businesses (CAPEX, OPEX) and organizational expenses.

CAPEX(NON-CONSOLIDATED)				
		2016	2017	2018
Total CAPEX	KRW trillion	2.0	2.0	2.1
Network CAPEX	KRW trillion	1.5	1.6	1.7
Non-network CAPEX	KRW trillion	0.5	0.4	0.4

2.4 Customer Satisfaction and Customer Safety Indicators

SK Telecom is increasing its customer loyalty from a mid- to long-term perspective through preemptive CEM (Customer Experience Management) aimed at maximizing customer value. In particular, we won first place in the industry for the longest period, winning major domestic customer satisfaction surveys (the NCSI, KCSI and KSSQI) in 2018. As a result of the regular CSI evaluation conducted twice a year by SK Telecom, customer satisfaction in 2018 stood at 78 points, maintaining a steady rising trend.

CSI, CUSTOMER SATISFACTION INDEX ^(*)					
	2016	2017	2018	2019	
SK Telecom Internal CSI Index Result ^(**)	77	78	78	-	
NCSI (Korea Productivity Center)	76	76	77	77	No.1 for 22 consecutive years
KCSI (Korea Management Association)	78.4	80.2	78.4	-	No.1 for 21 consecutive years
KS-SQI (Korea Standard Association)	72.5	74.2	74.5	-	No.1 for 19 consecutive years
User protection task analysis (Korea Communications Commission)	Excellent rate	Excellent rate	Excellent rate	-	

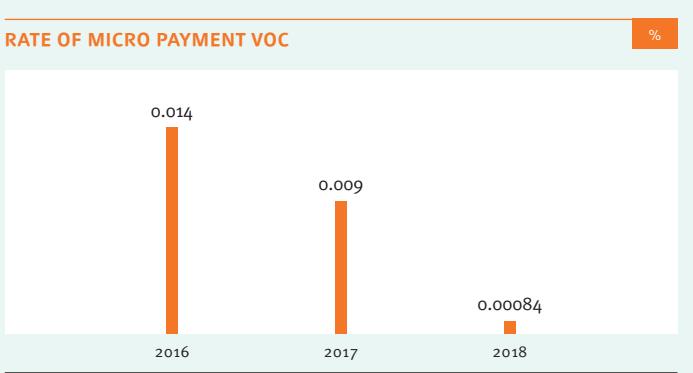
(*) Based on scale of 100 points
(**) The average of internal CSI analysis survey results conducted twice a year annually (in the first & second half of the year) / Since 2015, SKT has been implementing an internal Customer Satisfaction Index (CSI) survey for not only mobile phone services but has expanded data coverage to 100% of the products and services that make up its revenue including platform/ solution/online/application/AI(Artificial Intelligence) based voice recognition services as well as IPTV and high-speed internet services.

In 2018, SK Telecom focused on eight customer value innovation programs to build long-term customer trust through genuine customer value innovation. The company is putting efforts in implementing customer assessments through perspectives of ‘innovation of understanding customers’ to comprehend them better, ‘innovation of customer experiences’ based on real changes and ‘innovation of quality’ to offer products/services recognized by customers as well as operating company-wide working- level councils to deliver messages from the customers’ perspective. At the same time, it is making efforts to get closer to customers by establishing a company-wide working council to identify the current situation, finding out problems and making the newly established organization collaborate with related organizations. Through 95 segmented tasks based on 53 insights found through the assessment we made substantial improvements in business departments and implemented eight major programs for customers. As a result, VoC complaints decreased by 10.4% overall, and the amount of related service use increased significantly, showing favorable responses from customers, and customers’ positive perception of changes in the company improved 17% in the second half, compared to the first half in 2018.

We claimed the top position in the industry with an average score of 76.7 in surveys by the three major external customer satisfaction surveys.

MAJOR ACHIEVEMENTS IN CUSTOMER VALUE INNOVATION PROGRAMS	
Program	Content
Contract-free plan	Drop in negative experiences and 20% increase in positive indicators such as reliability/professionalism in customer perception survey
T security roaming	45% decrease in average monthly VOCs compared to those before its launch 135% spike in data usage by roaming service users
Change in membership program	Benefits for customers through ties with 79 companies for 9 months from December since launch of T Day 5.6 million cases of benefits for a total of 2 million customers
T rental	Easing customers’ burdens in purchasing devices. 25% of customers who bought SK Telecom services via its homepage are using T rental service
T plan	Total of 4.37 million subscribers as the end of December, more than 55% of subscribers in Family/Infinity data plans are sharing their data with family members, data usage increased by 20% across all line-ups
‘O’ plan	Over 500,000 subscribers in five months since launch
T for Guam and Saipan	Roaming usage in Guam and Saipan spiked almost 2.5 times since the service launch Benefits and discounts are estimated to be used by more than 50% of our subscribers in Guam/Saipan
T Telephone baro	600 million calls, 110,000 calling hours in total in one month since launch

In addition, as a key customer security index, the small-payments VoC occurrence rate which means the number of micro payment VoC complaints per annum decreased remarkably every year, reaching 0.00084% in 2018.



2.5 Privacy Protection

SK Telecom regards customer information protection as a key management issue in order to cope with the increasing cyber terrorism and information security issues. The company is striving to identify and eliminate potential risk factors, strengthening the information protection system, and reinforcing the inspection of the distribution network and subsidiaries facts. In 2016, we put in place the Security & Quality Management System (SQMS) exclusively for the management of security for company-wide products and services while setting up a website dedicated to blocking information leakage which blocks outsiders from having access on customer information and ensure that information can be accessed and handled through a secured virtual connection website. As a result of our continuous efforts to safeguard information, we have not experienced any leakage of customer information due to system hacking for eight years since 2011. The number of customer information leaks refers to that of cases in which SK Telecom’s customer personal information management system is hacked and customer personal information is leaked to the outside. In 2017, we revised and published SKT Customer Information Protection Policy & Guidelines for the first time in nine years, which can be used as a criterion for making a decision on protecting customer information, factoring internal and external changes in handling customer information. In addition, Self Checklist for Handling Customer Information was revised, specified and factored into defining related personnel’s jobs and tasks.

CUSTOMER INFORMATION LEAKAGES

		2016	2017	2018
Customer Information Leakages	cases	0	0	0

Since 2015, SK Telecom has conducted a survey on personal information protection audits of about 4,500 stores in its marketing and solution distribution network. The company has conducted remote diagnosis of information leakage related to 15,000 PCs per year. In 2018, we conducted customer information protection audits on all of our distribution channels and conducted 125 (100%) inspections of information security in terms of products and services. In addition, in 2018, SK Telecom guided 11 companies invested in by SK Telecom about selective investment measures for security activities and security systems for protecting core assets based on each company’s business characteristics along with overall diagnosis of measures on the management of customer information protection. As a result, we supported invested companies to set up an optimal security control that can run on resource owned by each companies. set up an optimal security control that can run on resources owned by each of the companies.

In accordance with the Telecommunications Business Act (Article 83, Clause 6) and Protection of Communications Secrets Act (Articles 13), if a governmental agency requests the submission of data, SK Telecom cooperates with it by providing the relevant data according

to the legal criteria and methods. Every year, on a quarterly basis, the company gives a report to the competent ministry (the Ministry of Science and ICT) regarding related statistical data. Cooperation regarding ‘communications data’ and ‘communications verification data,’ and ‘communications restrictions’ and ‘communications restrictions’ are carried out according to strict procedures and limitations specified in current laws. SK Telecom tries to minimize human rights risk on potential breach of subscriber’s rights with continuous additional review and in-house due diligence. In addition, SK Telecom established human rights principles for the freedom of expression and against the abuse of technology through formalized human rights policies and is doing its utmost to protect user rights and human rights by keeping personal information safe. SK Telecom notifies all subscribers of personal information items, collection purposes, and retention periods in accordance with the Personal Information Protection Act and receives subscribers’ prior approval (opt-in method). Collected personal information is used only within the scope of agreed-upon purposes. Accordingly, we are making every effort to protect personal information under strict principles of providing personal information to third-party only under customers’ prior consent.

DISTRIBUTION NETWORK CUSTOMER INFORMATION PROTECTION

		2016	2017	2018	2021 Target
Rate of Assessments Conducted Among Total Stores	%	100 ^(*)	100 ^(**)	100 ^(***)	100
Number of Audits on Products/ Services Information Protection Management ^(****)	cases	163	131	125	
Rate of Audits Conducted Among Total Products/Services	%	100	100	100	100
Areas for Security Improvement Discovered	cases	326	153	137	
Corrective Measures - Rate of Completed Measures	%	100	100	100	100
Short-term measures taken	cases	218	90	137 ¹⁾	
Long-term measures taken	cases	108	63	0	

- (*) Audited 100% of all stores except those with an extremely low risk level of information leakages by strengthening the risk management of the distribution network’s data privacy and using more advanced audits.
- (**) For the entire distribution network, the company conducted 1) data analysis based target diagnosis, 2) online store diagnosis, 3) customer information leakage status through SNS to identify the sores which might have potential leakages.
- (***) Introduced CPSS (Customer Privacy Scoring System) diagnosis system to all distribution channels, conducted diagnosis on high-risk stores such as new stores and stores that are in need of risk management
- 1) Improved internal customer information security process for 12.4% out of 1,104 stores that were diagnosed by CPSS
- (****) The total number of subjects of diagnosis are continuously decreasing due to simplified products and services.

RESPONSES TO GOVERNMENTAL INSTITUTION’S DATA REQUESTS

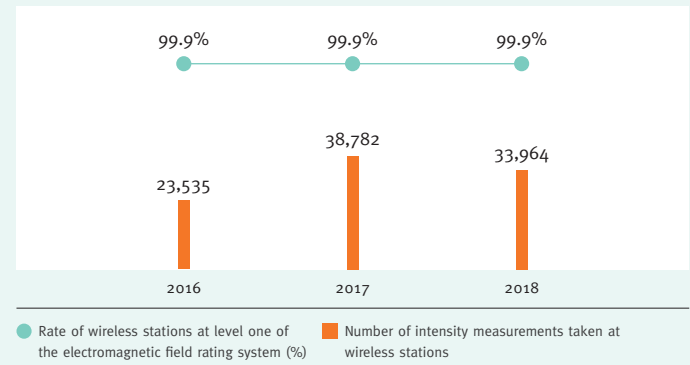
		2017	2018
No. of ‘Communications Data’ Requests	cases	309,054	308,335
No. of ‘Communications Verification Data’ Requests	cases	63,837	55,892

- **Communications Data:** The user’s name, resident registration number, address, phone number, ID, subscription start and end dates. The courts, prosecutors and investigative agencies may request such data when investigating a crime, executing sentences or conducting trials according to the Telecommunications Business Act.
- **Communications Verification Data:** The other party’s subscription number, log records (date, time) and IP address are classified as communications verification data according to the Protection of Communications Secrets Act. Investigative agencies make the request by receiving permission from the courts with their reasons for the request, connection with the subscriber in question as well as the scope of the data needed.

2.6 Electromagnetic Fields

Since the implementation of mandatory electromagnetic fields measurement in June 2007 until the present, SK Telecom has been faithfully abiding by this regulation. In 2018, a total of 33,964 measurements of electromagnetic fields by the company at wireless stations were carried out. The measurement results showed that the actual intensity of electromagnetic waves from the SK Telecom’s wireless stations was less than merely one tenth of the standard level for human safety. According to the electromagnetic wave rating system (introduced in August 2014), nearly all of the wireless stations were found at the safest level, level 1 as more than 99.9% of the measured wireless stations belong to the first level. Moreover, since August 2014, SK Telecom has supported the five-year research project on electromagnetic fields’ human impact conducted by the Korean Institute of Electromagnetic Engineering and Science. As of June 2019, we are carrying out the project for the fifth year and the company is bearing 50% of total costs of KRW 1.5 billion.

MEASUREMENT OF ELECTROMAGNETIC FIELD INTENSITY AT BASE STATIONS



2.7 Mutual Growth with Business Partners

SK Telecom is implementing 4Cs (Cooperation, Creation, Compliance, Co-work), a key growth plan for mutual growth to contribute to creating a healthy corporate ecosystem and value creation in the ICT industry through mutual growth with partner companies. We implement the Fair Trade Commission’s main recommendation items (signing contracts, selecting and operating partner companies, internal deliberation committees, written preservation and issuance) and supporting funds, technology, education, manpower and welfare support for SMEs. In addition, in 2018, we signed a shared growth agreement with 218 partner companies selected based on their business areas and objectives and the proportions of transactions. In November, SK Telecom opened the ‘SK Telecom Win-Win Growth Center’ within the Namsan SK site located in Jung-gu to share its infrastructure by allowing its partners to use the space as training, seminar, meeting spaces. In addition, we prepared a place between partners and job seekers by organizing a joint job fair for 17 excellent partners.

These outcomes earned SK Telecom the highest rank for the sixth consecutive year in the government’s evaluations based on the mutual growth index (the evaluation of implementation of the Mutual Growth Agreement by the Fair Trade Commission and the evaluation of partner companies’ responses to mutual growth activities of large businesses by the Shared Growth Commission). In the future, SK Telecom will steadily create programs to coexist and cooperate with partner companies and society in parallel with consulting and education to enhance the competitiveness of business partners.

MAJOR ACCOMPLISHMENTS FOR MUTUAL GROWTH IN 2018

Category	Contents	Progress (%)
Support for partner companies to generate increased revenue	- Supported revenue increases of KRW 65 billion for 179 companies by expanding the ICT ecosystem through commercializing new technology produced by SMEs	100%
Improving payment methods and conditions	- 100% cash payment to partner SMEs - Early payment for SMEs (SME Care Program)	100%
Technical support and protection	- Free support for technology development (T developers, T open lab, etc.) - Technology protection for partner companies by operating a technical database rental system	100%
Support for education/training and human resources management	- Customized training support for partner companies (Win-Win Growth Academy) - Over 100 online/offline training courses - Support for partners’ recruitment (Youth Do Dream program)	100%
Financial support	- Support for mutual growth fund (KRW 167.5 billion) - SME support through equity investment (funds, direct investment) - Direct financial support for technology development and management	100%
Other supports	- Support for welfare of partners’ employees (welfare points, scholarships)	100%

2.8 Assessment of Supply Chain’s Sustainability

SK Telecom defines the main risks that occur in the supply chain and factors this into building the supply chain responsibility assurance process. The risk factors identified are officially included in the ‘Supplier ESG Code of Conduct’ and ‘Fair Trade/Transparent Transactions & CSR Practice Agreement’ and are 100% applied to all of the company’s partners. While SK Telecom requires compliance with these principles in the process of concluding contacts, the company takes a variety of practical measures such as requiring corrective measures and terminating business relationships through a long-term monitoring process. SK Telecom is preemptively screening supply chain ESG elements such as human rights, the environment, ethics and society before the registration of new suppliers, and the rate of progress in ESG diagnosis in the supply chain gradually expanded to exceed the originally set target for 2021. Please refer to pp.110-115 of SK Telecom’s Supplier Responsibility Report for more detailed information.

SUPPLY CHAIN ESG ASSESSMENT (ADVANCE SCREENING)

Classification	2016	2017	2018	2021 Target	Note
Total Number of Newly Registered Partner Companies	725	615	505	750	
Human Rights-Environment-Ethics-Social Screening	725	615	505	750	Service / Construction/ Equipment / Goods Suppliers
Rate of Advance Assessments	100	100	100	100	

SUPPLY CHAIN ESG RISK ASSESSMENT (BY TIER)

		2016	2017	2018	2021 Target
Tier 1	Total Number of Registered Suppliers ^(*)	1,881	1,444	1,357	1,300
	Number of Suppliers Assessed	1,726	1,340	1,342	1,300
	Number of Suppliers Surveyed in Writing (Audit)	1,351	1,056	1,085	1,000
	Number of Suppliers Surveyed On -site (Audit)	225	224	197	200
	Number of Suppliers Surveyed by 3 rd Parties	150	60	60	60
	Assessment Rate of Suppliers	92	93	98	95
Non-Tier 1	Total Number of Critical Suppliers ^(**)	35	47	49	50
	Number of Critical Suppliers Assessed ^(***)	21	35	40	40
	Rate of Critical Suppliers Assessed (%) ^(****)	60	74	82	80

(*) This number includes all suppliers including those with which SK Telecom did not have transactions in the past three years

(**) Calculation limited to cases when an interim contract instead of a direct contract is made with the small and medium sized suppliers for N/W facilities construction or the supply of general goods (SK E&C, Happynarae)

(***) SK Telecom's N/W facilities construction began in 2015 and an interim contract with Happynarae was implemented starting in 2016

(****) In 2016, the 2020 target was 60%, but the figure has been adjusted upward as it was over-achieved in 2016

RISK MONITORING AND ASSESSMENT IN 2018 (BY TYPE)

Category	No. of companies	No. of Companies Assessed	Rate(%) ^(*)	Note
Critical Suppliers	277	268	97	Critical Tier 1 & Critical Non-tier 1 Suppliers
Suppliers at High Risk Level	15	15	100	Tier 1 Suppliers

(*) SK Telecom conducts its supply chain ESG assessment on an annual basis and the above assessment rate has been calculated according to the partner companies that were assessed annually.

2.9 Community Investment

SK Telecom approaches the investment in local communities from the perspective of Creating Shared Value (CSV) that creates innovations in social value by utilizing the company’s capabilities powered by its ICT technology and infrastructure. Based on this strategic direction, SK Telecom is zeroing in on this issue with creating ICT-based shared value, providing technology-based platforms for local communities, and minimizing the digital divide as top priorities. Creating ICT-based shared value means activities that support the social foundation through the fostering of ICT-based social enterprises and startups. Since 2013, SK Telecom has been operating diverse programs such as SK Telecom’s flagship ICT Convergence venture start-up support project, BRAVO! Restart as well as the Youth Fly program supporting college students in terms of entrepreneurship/nurturing/overseas expansion, AVS (Agriculture Venture Star) which is a program nurturing venture start-ups specialized in ICT-based agriculture, and 101 Start-up Korea, a program nurturing start-ups which is under operation together with SK Planet. In 2018, we started running True Innovation which integrates these programs. We also hosted the Smart Tourism App Development Competition, the NUGU Play Development and Idea Competition along with the Korea National Tourism Organization. Through these activities, SK Telecom contributes to the discovery of new growth engines, while at the same time helping to address social problems by combining ICT capabilities

In order to serve communities by creating technology development platforms, SK Telecom developed and is running a donation platform called ‘GiveU’ and a community service platform, ‘WithU.’ According to the expansion of a platform-based social contribution culture, the total amount of donations through GiveU climbed 16.7% compared to the previous year to KRW 350 million. The cumulative number of community services registered in WithU shot up more than 120% to 53,583 cases. Digital inclusion is aimed at giving stronger access to information services to groups vulnerable to the digital divide including the disabled and senior citizens. Please refer to the 2.1 Access to Service category for detailed information on results.

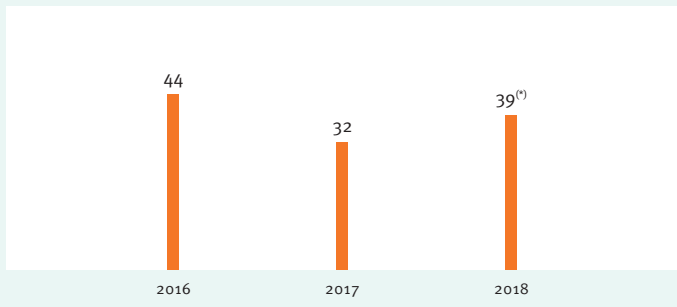
MAIN PROGRAM RESULTS^(*)

			2016	2017	2018
ICT-based Creating Shared Value	Support for Start-ups	number of teams	55	38	17
Technology-based Platform for Local Communities	Donations collected on GiveU	KRW million	202	300	350
	Volunteer opportunities registered on WithU	cases	77,024	24,332	53,583

(*) In the past, it was reported based on the cumulated numbers, but it was reclassified in 2017 based on the figure occurred in the concerned year.

Through SK Telecom employees’ volunteer activities, the company has been able to contribute to the expansion of a sharing culture. SK Telecom has especially strengthened specialized volunteer activities such as ICT-related volunteer opportunities based on SK Telecom's capabilities and talent donations to improve efficiency of volunteer programs and satisfaction of employee volunteers. The rate of specialized volunteer activities has been calculated by dividing volunteer hours performed by the ICT volunteer and pro bono volunteer groups by the total number of volunteer hours. In 2018, ICT-based volunteer activities by organizational units shrank, but pro bono volunteer activities spiked, pushing up the proportion of specialized volunteer activities.

RATE OF SPECIALIZED VOLUNTEERING BY EMPLOYEES AND OFFICERS %



(*) Hours of voluntary services based on employees’ jobs and specialties/total number of volunteer hours

EXPENDITURES ON PHILANTHROPY BY DONATION TYPE KRW million

Type of Social Contribution	Expenditure
Donation in cash	57,740
Amount calculated based on the time spent for volunteering activities during working hours	29
Donation in kinds converted into amount ^(*)	407
Indirect cost ^(**)	1,431

(*) Donation in kind: Cash equivalents such as Products/ Service, Project/Partnership, etc.

(**) Indirect Costs: Costs spent for program management other than costs spent for social contribution programs.

LIST OF MAJOR DANATIONS IN 2018

Program name	Organization
ICT Maker-a-thon	Korea Federation of Organizations of the Disabled
Relief for Guam typhoon victims	Korean Red Cross
Scholarship for marginalized class	Choi Kyoung Ju Foundation
Challenge English Up	Busurugy Love Sharing Society
Library for Happiness	Korea Blind Union
Consultation for youths in crisis	Seoul YMCA
Happy Mobile World	Korea Association of Senior Welfare Centers
Food stamp program for children of poor families	Happy Lunch Box
Psychotherapy program for crime prevention	Korea Rehabilitation Agency

2.10 Participation in Public Policies

SK Telecom abides by domestic political funding laws that prohibit corporations or organizations from donating political funds. We do not provide political funds, election funds for specific political groups, and funds to lobby political parties. We are cooperating for the development of public interest by supporting organizations with guaranteed political neutrality. We also recognize that expenses associated with policy impacts can be potential risk to the company’s mid- to long-term business perspectives and manage the history and size of donations from a company-wide perspective. In February 2017, the Board of Directors revised rules to enhance the fairness and transparency of the execution of expenses that could affect business policies by strengthening a pre-approval process through the BOD’s decision on a donation of over KRW 1 billion.

PUBLIC POLICY EXPENSES KRW million

	2015	2016	2017	2018
Political Donations ^(*)	0	0	0	0
Total Contributions to Associations ^(**)	9,562	7,416	3,274	575

(*) Political Donations: donations and support for lobbying organizations or lobbyists, political campaigns and election funds, organizations or politicians related to specific parties or politics

(**) Expenditures to Associations: association fees for telecommunications policy-related institutions with guaranteed political neutrality

LARGEST EXPENDITURES TO ASSOCIATIONS (2018) KRW million

Name of Association	Position	Expenditures
Korea Telecommunications Operators Association (KTOA)	Vice-Representative	214
Korea Association for ICT Promotion (KAIT)	Representative	200
Korea Chamber of Commerce and Industry, Seoul	Member	96
ITU Radiocommunication Sector (ITU-R)	Member	37
Korea Radio Promotion Association (RAPA)	Vice-Representative	28

SECTION 3: NATURAL CAPITAL

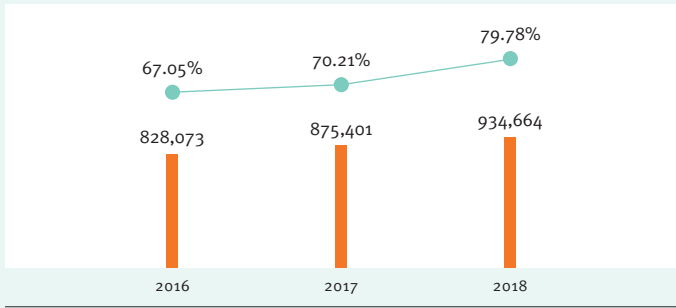
3.1 Greenhouse Gas (GHG) Emissions

SK Telecom’s GHG emissions are calculated based on the guidelines on preparing and managing statements for the Emission Trading Scheme (ETS), with data collected from the company’s 28 main buildings including data centers. The scope of this calculation includes emissions from all network facilities (base stations and equipment), but does not include emissions from subsidiaries and supply chains. Greenhouse gas intensity, on the other hand, is calculated by dividing total greenhouse gas emissions by SK Telecom’s parent-only revenues (data coverage). In 2018, SK Telecom’s total GHG emissions amounted to 934,664tCO₂e, a 6.3% increase from the previous year. Most of SK Telecom’s greenhouse gas emissions are generated by network devices due to the nature of the telecom industry. This was primarily a result of an increase in power consumption fueled by the establishment of more network equipment. To reduce GHG emissions, the company put forth a variety of efforts including the integration of network equipment at base stations, the replacement of worn-out air conditioners and the adjustment of air-conditioning and heating in office buildings. However, the amount of reduced emissions was dwarfed by the total amount that increased, resulting in an overall increase in emissions. SK Telecom set a mid- and long-term target to reduce greenhouse gas emissions by 82.41tCO₂e per KRW 1 billion by 2020. To meet this target, SK Telecom will carry out reduction activities such as the use of highly energy efficient repeaters and the integrated management of base stations. At the same time, by securing carbon off-sets based on the SK’s proprietary technologies and solutions, SK Telecom will actively participate in the Emissions Trading Scheme.

GREENHOUSE GAS EMISSIONS

		2016	2017	2018	2018 Target
Total Emissions	tCO ₂ e	828,073	875,401	934,664	949,000
Intensity	tCO ₂ e/ KRW billion	67.05	70.21	79.78	
Direct Emission	tCO ₂ e	7,152	6,820	7,603	
Stationary Combustion	tCO ₂ e	4,945	5,191	5,555	
Mobile Combustion	tCO ₂ e	2,207	1,629	2,048	
Indirect Emission	tCO ₂ e	820,921	868,581	927,062	
Electricity	tCO ₂ e	820,836	868,495	936,961	
Steam	tCO ₂ e	85	86	101	

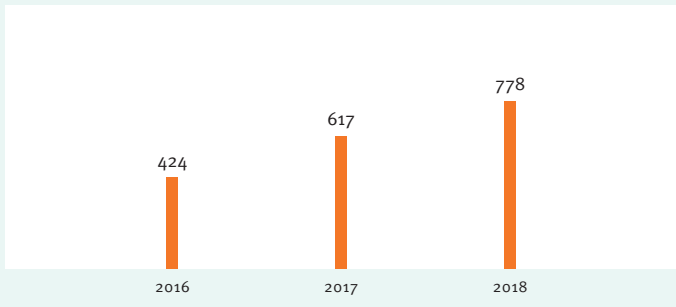
TOTAL GHG EMISSIONS AND INTENSITY



■ Total GHG Emissions (tCO₂e) ● GHG Intensity(tCO₂e/KRW billion)

SK Telecom is expanding the management scope of indirect GHG emissions (Scope 3) through research on social GHG emissions reduction and provision of environmental solutions utilizing ICT. Reducing social GHGs refers to reducing the GHG emissions that result from the activities of daily life using SK Telecom’s ICT services. As part of SK Telecom’s major activities to reduce social GHG emissions, the T map navigation service contributes to pruning fuel use and GHG emissions by informing drivers of optimal routes by taking into account distances and real-time road conditions between a user’s current location and destination. The volume of social GHGs that T map helped to reduce in 2018 is estimated to be about 778,000 tons annually. Hence, the reduction on cost of energy and GHG emission recorded KRW 130.8 billion and KRW 117.1 billion respectively.

ANNUAL SOCIAL GHG EMISSIONS REDUCTION(*)



(*) The effect of reduced social GHG from use of the T map service

3.2 Energy Consumption

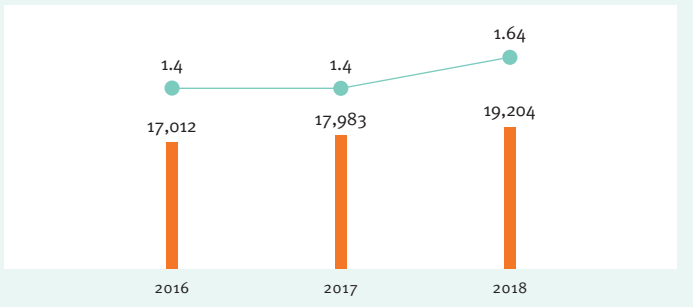
SK Telecom’s energy consumption is managed in compliance with guidelines on preparing and managing statements for the Emissions Trading Scheme (ETS), and numerical figures are aggregated by entering billing invoices received from energy suppliers into the system. Total energy consumption is calculated by including the consumption from all 28 of SK Telecom’s company buildings, data centers and network facilities (base stations and equipment), but the energy consumption by the company’s subsidiaries and supply chain is not included. The intensity of energy consumption is calculated by dividing 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 of measured data of the previous year (2012~2013) has been equally applied to 2018. SK Telecom has been steadily reducing energy consumption through energy saving activities such as reduction of cooling energy consumption through the elimination of heat from major equipment and incidental equipment, the integration of network equipment such as base stations and repeaters, and the replacement of old cooling equipment. In 2018, total energy consumption inflated 6.8% compared to last year due to network equipment that was expanded to 19,204TJ. SK Telecom’s energy consumption is mainly comprised by indirect energy consumption due to power use, and accounts for 99.3% of total energy consumption. As a result, SK Telecom is steadily striving to improve energy efficiency through managing office buildings and power generation by new and renewable energy facilities, centered by innovation of network structure and realizing slimness of network. In addition, we plan to boost energy efficiency and reduce energy consumption by integrating infrastructure equipment after take demand for telecommunications services into consideration. Given an increase in energy consumption due to 5G facility investment, SK Telecom plans to limit total energy consumption below 28,340TJ by 2020.

ENERGY CONSUMPTION(*)

		2016	2017	2018	2018 Target
Total Energy Consumption	TJ	17,012	17,983	19,204	19,500
Energy Intensity	TJ/ KRW billion	1.4	1.4	1.64	
Direct Consumption	TJ	119.0	118.7	131.2	
Natural Gas	TJ	68.0	71.1	76.4	
Diesel	TJ	10.2	7.7	11.5	
Kerosene	TJ	18.2	18.3	18.5	
Jet fuel	TJ	2.2	1.6	1.9	
Gasoline	TJ	23.7	19.7	22.5	
LPG	TJ	0.2	0.3	0.4	
Indirect Consumption	TJ	16,893.0	17,864.3	19,072.8	
Electricity	TJ	16,887.2	17,862.0	19,070	
Steam	TJ	2.3	2.3	2.8	
Total Power Consumption Reduction	MWh	46,838	45,139	45,309	
Reduction from Building Management	MWh	4,252	2,553	2,723	
Reduction from Natural Air-Conditioning System	MWh	39,857	39,857	39,857	
New Renewable Energy Generation Facilities	MWh	2,729	2,729	2,729	
Total Consumption of Renewable Energy	MWh	2,729	2,729	2,729	2,729

(*) The energy consumption standard is based on the methodology guidance from “verification principles and tasks outlined in the guidelines on the operation of GHG ETS”

TOTAL ENERGY CONSUMPTION AND INTENSITY



■ Total Energy Consumption(TJ) ● Intensity (TJ/KRW billion)

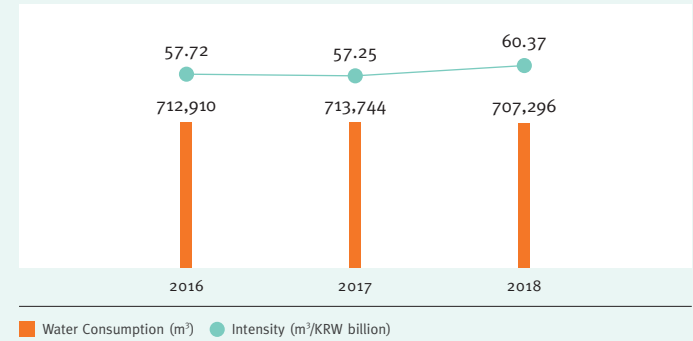
3.3 Water Consumption

Water consumption is estimated based on SK Telecom’s 28 main company buildings including data centers, according to invoices for water usage, and the calculated total does not include consumption by SK Telecom’s subsidiaries or supply chains. The intensity of water consumption is calculated by dividing the total water consumption by SK Telecom’s parent-only revenues (data coverage). In 2018, as part of our efforts to reduce water consumption, SK Telecom adjusted the drain volume of Seongsu Building’s cooling tower and installed water saving valves in toilet bowls and shower in the building and changed water for cooling towers on the mobile telephone switching office of the building. Thanks to these efforts, SK telecom successfully reduced annual water consumption to 707,296m³ in 2018, a 0.9% drop from the previous year.

WATER CONSUMPTION

		2016	2017	2018	2018 Target
Volume of Water Consumption	m³	712,910	713,744	707,296	YoY decrease
Waterworks Usage	m³	648,643	656,668	655,204	
Groundwater Usage	m³	64,567	57,076	52,092	
Intensity	m³/ KRW billion	57.72	57.25	60.37	

WATER CONSUMPTION AND INTENSITY



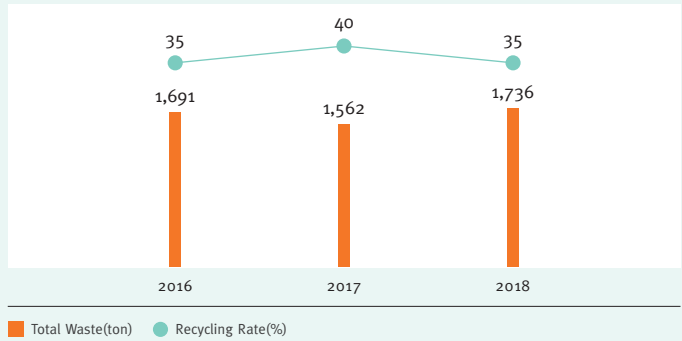
3.4 Waste and Recycling

Waste discharge volume is estimated based on SK Telecom’s 28 main company buildings including data centers, and the calculated total does not include the waste discharged by SK Telecom’s subsidiaries or supply chains. The intensity of waste discharge is calculated by dividing total waste discharge volume by SK Telecom’s parent-only revenues (data coverage). The total volume of waste discharge in 2018 decreased to 1,736 tons, a year-on-year decrease of 11.1%, showing a steady decline. Reinforcing the separate collection of garbage for recycling is keeping the recycling rate at 30% or higher.

WASTE AND RECYCLING STATUS

		2016	2017	2018
Total Waste	ton	1,691	1,562	1,736
Domestic Waste	ton	590	486	575
Large-sized Waste	ton	68	104	136
Food Waste	ton	406	339	396
Designated Waste	ton	41	11	22
Recyclable Waste	ton	587	622	607
Waste Discharge Intensity	ton/ KRW billion	0.137	0.125	0.148
Recycling Rate	%	35	40	35

WASTE VOLUME AND RECYCLING RATE



3.5 Using Resources

SK Telecom is bolstering its foundation to let customers participate in reducing the use of resources in the process of using SK Telecom services by issuing electronic bills and T-Membership Mobile Card and retrieving used handsets. The total number of electronic bill subscribers includes customers who receive their bills via smart phone, email or MMS. SK Telecom’s new electronic bill user rate is the percentage of customers who applied for the electronic billing service among new subscribers in one year. The use of electronic bills prevents the leakage of personal information due to lost bills and prevents the unnecessary waste of resources stemming from the use of paper bills. SK Telecom’s electronic bill users totaled 23.45 million at the end of 2018. Since the introduction of the electronic bill in 2010, its users have been on a steady rise. The new electronic bill user rate also increased slightly to 88.1% year on year.

ELECTRONIC BILLING SERVICES SUBSCRIPTIONS

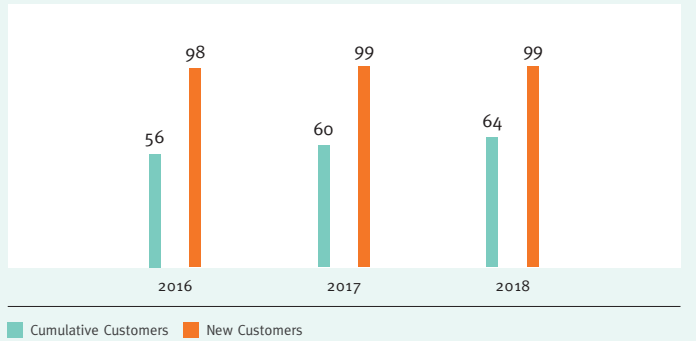
		2016	2017	2018
Total Electronic Bill Subscribers	1,000 people	22,402	22,855	23,451
Rate of New Subscriptions	%	87.0	87.6	88.1%

Since August 2013, SK Telecom has replaced its plastic T-Membership Card with Mobile T-membership Eco Card. Using Mobile T-membership Eco Card can reduce about 4.88g plastic per customer and about 12g in carbon emission reduction effects. This corresponds to saving four sheets of A4 paper or the breathing volume of 40 pine trees. SK Telecom has issued more than 5 million plastic membership cards per year in order to operate the T Membership program. When they are converted to mobile cards, SK Telecom can save about 24 tons of plastic resources per year and slash carbon emissions by about 55 tons per year. In 2018, the cumulative T-membership mobile card issuance rate has increased approximately 4% from the previous year to 64%, showing a steady increase every year. In particular, the T-membership mobile card issuance rate of new customers stood at 99% as of 2018. The cumulative customer issuance rate is expected to climb, setting off an increase in the effects of reducing carbon emissions.

T MEMBERSHIP MOBILE CARD USAGE

		2016	2017	2018
Rate of T membership Mobile Card Issuance to New Customers	%	98	99	99
Number of T membership Mobile Cards Issued (new/annual)	cases	2,031,727	2,014,292	1,932,624
Number of T membership Plastic Cards Issued (new/annual)	cases	45,981	15,990	11,495
Cumulative Rate of T membership Mobile Cards Issued	%	56	60	64
Number of T membership Mobile Cards Issued (cumulative/annual)	cases	6,711,262	7,555,355	8,469,377
Number of T membership Plastic Cards Issued (cumulative/annual)	cases	5,347,620	4,964,415	4,740,145

T MEMBERSHIP MOBILE CARD ISSUANCE RATE



The device retrieval rate is calculated by dividing the total number of devices retrieved in a year by the number of total devices sold in a year. In 2018, the device retrieval rate was 0.4%, down from the previous year. This is due to a decline in return requests attributed to changes in the exchange and return processes.

DEVICE RETRIEVAL RATE

		2016	2017	2018
T Devices Sold	in thousands	8,726	8,485	8,112
Devices Retrieved ^(*)	in thousands	222	131	36
Devices Retrieval Rate ^(*)	%	3.1	1.8	0.4

(*) The volume retrieved and the retrieval rate of the terminals in 2017 include the ‘Galaxy Note 7’ figures.

3.6 Environmental Expenditure and Investment

The environmental investment and cost is estimated on SK Telecom’s parent-only basis. Environmental costs are expenses incurred by SK Telecom for the purpose of reducing environmental impacts and improving eco-friendly performances. The company calculates and classifies environmental costs into energy conservation and climate change response costs, costs for waste and recycling consignment treatment, education and training costs, external nature conservation costs, and environmental tax and additional charges. In addition, SK Telecom implements and tracks green procurement. Green procurement costs include costs to buy products and services with energy consumption efficiency grades, high-efficiency energy equipment certificates, excellent recycling product certificates, environmental marks, environmental grade certificates, carbon label marks, low-carbon product certificates and are not included in environmental costs.

In 2018, total environmental costs inflated 144.6% year-on-year to KRW 1,717 million. SK Telecom is conducting long-term greenhouse gas reduction projects in order to secure greenhouse gas emission rights in reference to an increase in energy use by new infrastructure equipment such as 5G equipment. As a result, the main reason for an increase in environmental costs compared to 2017 was about KRW 880 million spent on the Myanmar Cook Stove project, a Clean Development Mechanism (CDM) project to reduce greenhouse gas emissions. The CDM is a greenhouse gas reduction system developed by the United Nations Framework Convention on Climate Change. Investment costs are covered in the form of carbon credits with a certain percentage of the carbon emissions reduced based on the CDM model. SK Telecom will utilize carbon credits secured by CDM project to spread cook stoves in Myanmar to offset an accumulated shortage in carbon credits during the second plan period for GHG emission rights (2018-2020), while consistently securing carbon credits in the long term as well.

TOTAL ENVIRONMENTAL COSTS

		2016	2017	2018
Total Environmental Costs ^(*)	KRW million	754	702	1,717
Energy Saving and Climate Change Response Cost	KRW million	271	195	236
Waste Disposal Service	KRW million	107	92	131
Waste Renewable service	KRW million	25	30	32
Education/Training Cost	KRW million	33	34	34
Nature Conservation Cost	KRW million	0	0	0
Charges & Taxes	KRW million	318	351	404
Miscellaneous	KRW million	0	0	880

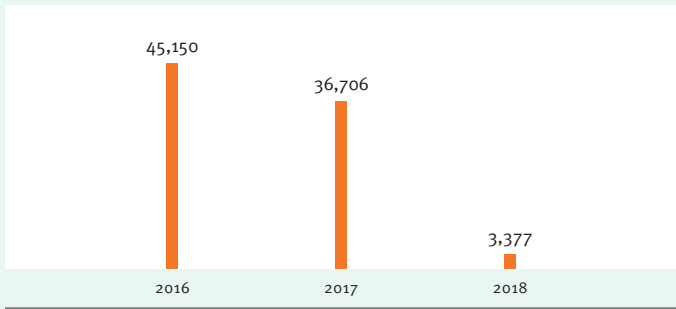
(*)excl. green procurement, GHG emission credits

PURCHASE OF GHG EMISSIONS CREDITS

		2016	2017	2018
Annual Cost of Purchasing GHG Emissions Credits	KRW million	1,316	1,833	0

GREEN PROCUREMENT COSTS

KRW million



Other Disclosures

SK Telecom complies with regulations of the Fair Trade Commission, the Korea Communications Commission, the Ministry of Science and ICT and carries out management activities by actively accepting demands of government and stakeholders who call for fair market competition. Despite such efforts, SK Telecom received the following punishments from the Korea Communications Commission and faithfully obeyed corrective orders from related organizations in 2018.

PUNISHMENTS AND TAKEN ACTION

Date of Punishment	Summary and taken action
	SK Telecom received an order to pay a fine of KRW 21.1 billion and a corrective order from the Korea Communications Commission (KCC) on in a decision on a trial over SK Telecom's and its distributors' violations of the handset distribution law. Accordingly, the company paid the fine and followed the corrective order and reported the results to the Korea Communications Commission.
Jan. 24, 2018	SK Telecom received an order to pay a fine of KRW 223.4 million and a corrective order from the Korea Communications Commission (KCC) on in a decision on a trial over SK Telecom's violation of the handset distribution law during sales activities for corporate customers. Accordingly, the company paid the fine and followed the corrective order and reported the results to the Korea Communications Commission.
	SK Telecom received an order to pay a fine of KRW 26.9 million and a corrective order from the Korea Communications Commission (KCC) on in a decision on a trial over a large SK Telecom distribution center's violation of the handset distribution law. Accordingly, the company paid the fine and followed the corrective order and reported the results to the Korea Communications Commission.

INDEPENDENT LIMITED ASSURANCE REPORT

INTRODUCTION

SK Telecom Inc. (“SK Telecom”) commissioned DNV GL Business Assurance Korea Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of the Integrated Annual Report 2018 (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 prepared in good faith.

SCOPE AND BASIS OF ASSURANCE

Based on non-financial data and sustainability activities and performance data of 2018 generated from SK Telecom, we have evaluated the adherence to AA1000 Accountability Principles (AP) 2018 and assessed the quality of sustainability performance information. We have reviewed that the Topic-specific disclosures of GRI Standards which are identified in the process for defining report content;

	Material Topic	GRI Disclosure		Material Topic	GRI Disclosure
1	5G leadership	Non-GRI	5	Network quality and its accessibility	Non-GRI
2	New ICT portfolio	Non-GRI	6	Customer value’s innovation	Non-GRI
3	Social Value Biz model	203-1	7	Personal Information Protection and Cybersecurity	418-1
4	Increase shareholder’s value	Non-GRI			

We performed our work using AA1000AS(2008) and DNV GL’s assurance methodology VeriSustain™ ¹⁾ which is based on our professional experience, international assurance best practices. DNV GL provides Type 1 and the moderate level of assurance, and we applied the Type 2 for the selected data. The assurance was carried out from May and till June 2019. The site visits were made to SK Telecom’s Headquarters in Seoul, 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 as they relate to selected content and performance data;
- reviewed the materiality assessment report.

LIMITATIONS

The engagement excludes the sustainability management, performance and reporting practices of SK Telecom’s subsidiaries, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. 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

1) The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

SK Telecom’s website (www.sktelecom.com). These documents, financial statements and the announcements are not included in this Assurance Engagement. 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. The Board of SK Telecom has sole responsibility for the integrity of the Report. In performing the assurance work, our responsibility is solely towards the management of SK Telecom in accordance with the terms of reference agreed on.

CONCLUSION

On the basis of the work undertaken, nothing comes to our attention to suggest that the reported data and information disclosed in the Report do not give a fair representation of SK Telecom’s related sustainability performance nor is prepared ‘in accordance’ with GRI Standards Core option. Further opinions with regards to the adherence to the Principles are made below;

Foundation Principle of Inclusivity

SK Telecom has identified 6 internal and external stakeholder groups such as Customers, Suppliers, Employees, Local Communities / NGOs, Shareholders and Regulators. Stakeholder engagement and communication channels are described in the Report. The assurance team has reviewed the process that significant concerns raised by stakeholder is reported to the Corporate Citizenship Committee and reflected in the development of sustainability management policies. SK Telecom tries to create both economic and social values in every management activities which is called the Double Bottom Line policy. SK Telecom provides the value creation story substantiated by the social-environmental profit-and-loss analysis in the Report.

Principle of Materiality

SK Telecom has conducted the materiality assessment to prepare the Report. The issues were pooled by analyzing the stakeholder concerns and expectations, business strategy and risk issues and international sustainability standards. SK Telecom prioritized the issues by rating the relevance with business and sustainability aspects and the impact on stakeholders. The prioritized issues were further evaluated in terms of the level of financial impact on the cost, the revenue and risk aspects and adjusting weight were given to each issue, which ended up with the final 11 material topics. The assurance team has reviewed the materiality assessment process and noted that the material topics are prioritized from the process as described in the Report.

Principle of Responsiveness

SK Telecom has established a communication process with its stakeholders. SK Telecom has identified by stakeholder survey stakeholders' main concerns and expectations which are integrated into the Report when defining the content of the Report. The Report presents sustainability background of material topics, its management approach, the methodology on how to evaluate the performance value associated with the selected material topics. The Corporate Citizenship Committee under the Board of Directors approves strategic directions for sustainability management such as customer-oriented management, mutual growth with suppliers, innovation of social value and charity policy, management of business ethics and environmental management. The committee periodically reviews major issues and achievements. In addition, SK Telecom analyzes social values it creates by using SK Group's Double Bottom Line measurement methodology. The assurance team considers these are a meaningful attempt to manage the performance from sustainability management based on economic, social and environmental values created by SK Telecom.

Principle of Impact

The Report presents the direct and indirect impacts of material topics identified materiality assessment. We have reviewed that SK Telecom identifies, monitors and assess the impacts of material topics to stakeholders.

Quality on sustainability performance information (Accuracy and Reliability)

We have tested data and information on a sampling basis. Further, selected data including water consumption, waste volume, and accident frequency rate are tested with Type 2 methodology. DNV GL has interviewed the data owners in order to figure out the data control process and verified the selected data against the relevant documents and records. The intentional error or misstatement is not noted from the data and information disclosed in the Report. Data owners were able to demonstrate the origin and interpretation of the data in a reliable manner. SK Telecom could report the information through consistent source that support comparability of data in the future reporting.

COMPETENCE AND INDEPENDENCE

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct²⁾ during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL has provided greenhouse gas emission verification in 2018. In our opinion, this does not affect the independence or impartiality of our work.



June 2019
Seoul, Korea



Country Representative **Jang-Sub Lee**
DNV GL Business Assurance Korea Ltd.

2) DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)

GREENHOUSE GAS EMISSIONS ASSURANCE REPORT

INTRODUCTION

DNV GL Business Assurance Korea Ltd. (“DNV GL”) was commissioned by SK Telecom Co., Ltd. (“SK Telecom”) to verify the SK Telecom’s Greenhouse Gas Inventory Report for the calendar year 2018 (“the report”) based upon a reasonable level of assurance. SK Telecom is responsible for the preparation of the GHG emissions and Energy consumption data on the basis set out within the guidelines on the operation of GHG emission trading scheme (“ETS” (Notification No. 2018-73 of Ministry of Environment)*). Our responsibility in performing this work is to the management of SK Telecom only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

SCOPE OF ASSURANCE

The GHG emissions and energy consumption data covered by our examination comprise Direct emissions (Scope 1 emissions) and Energy indirect emissions (Scope 2 emissions) from SK Telecom boundary of the report;

- GHG emissions under verification: GHG emissions from 2018
- Organizational boundary for reporting: SK Telecom Co., Ltd. (in Korea)

VERIFICATION APPROACH

The verification has been conducted by DNV GL on March 2019 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG ETS (Notification No.2018-73, Korean Ministry of Environment) and the verification guideline for GHG ETS (Notification No. 2018-70, Korean Ministry of Environment). We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO2 equivalent. As part of the verification process;

- We have reviewed the GHG emissions and energy consumption report for the calendar year 2018
- We have reviewed and verified the process to generate, aggregate and report the emissions and energy data

CONCLUSIONS

As a result of the work described above, in our opinion nothing has come to our attention that would cause us to believe that the GHG emissions and energy consumption set out in SK Telecom’s report are not fairly stated. The GHG emissions and energy consumption of SK Telecom for the year 2018 were confirmed as below;

GREENHOUSE GAS EMISSIONS OF SK TELECOM CO., LTD. FOR YR 2018				ton CO ₂ -equivalent
SK Telecom	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Total emissions	
Domestic (in Korea)	7,603	927,078	934,664	


June 2019

Seoul, Korea

Jang-Sub Lee

Country Manager

DNV GL Business Assurance Korea Ltd



* Total emissions might be different from the sum of direct and indirect emissions by applying the rule that emissions should be summed after truncating decimal places at the business site level.

* Total emissions = Direct emissions(Scope 1) + Energy indirect emissions(Scope 2)

This Assurance Statement is valid as of the date of the issuance 16th June 2019. Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of SK TELECOM is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

5 ADDITIONAL INFORMATION

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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, suppliers, partners 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: Ruggie Framework and pledges to fulfill its human rights responsibilities. SK Telecom will make every effort to prevent human rights abuses in course of business and also to avoid any abet or complicity in such abuses. Furthermore, the company will form transparent business structure to take measures and provide communication regarding responsible organization, operating structure, monitoring process and incidents under UNGC Human Rights / Labor Principles. 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:

1) Human Rights in 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.

2) Human Rights in Privacy Policy

- Demanding minimum personal information, recording and saving to comply with laws
- Notification and fiduciary duty prior to saving information, 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

3) 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

4) 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. (www.sktelecom.com/humanrights)

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.



Jung Ho Park
President and CEO, SK Telecom

June 2019

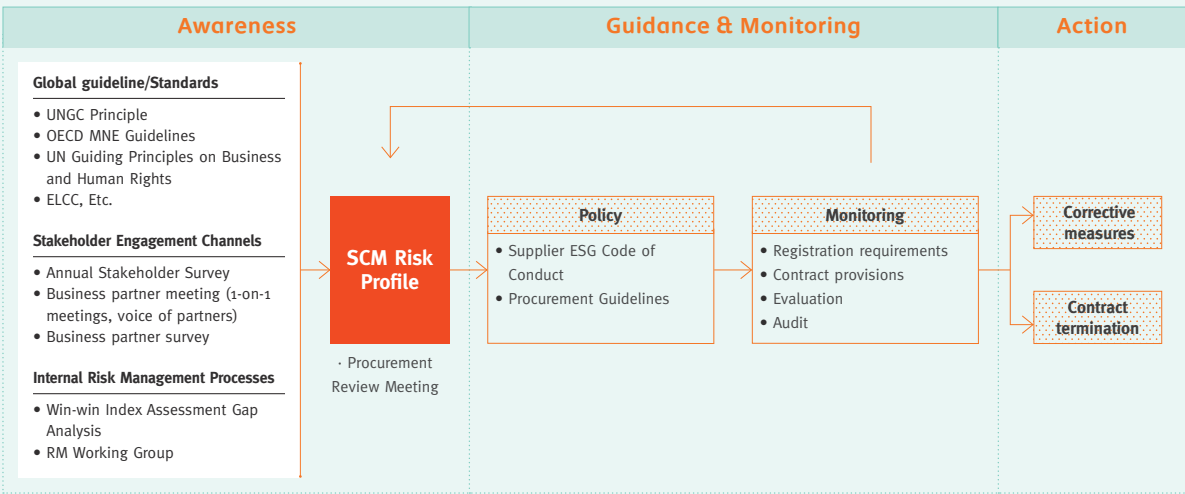
SUPPLIER ESG CODE OF CONDUCT

I. SCOPE

SK Telecom’s Supplier ESG Code of Conduct covers all suppliers that have transactions with the company. It also requires suppliers to comply with SK Telecom’s Business Principles and Practices in their transactions with sub-suppliers of SK Telecom.

II. PROCESSES FOR RESPONSIBLE SUPPLY CHAIN MANAGEMENT

SK TELECOM’S PROCESS FOR A RESPONSIBLE SUPPLY CHAIN



III. POLICY

The phrase “Supplier” in this Supplier Policy shall, where relevant, also include all employees, contractors, subcontractors and agents of the Supplier. As one of the world’s leading ICT companies, SK Telecom has adopted the Business Principles to ensure stakeholders’ trust and that its behavior meets the highest standards of integrity. Thus, SK Telecom requires all of its suppliers to adopt SK Telecom’s Business Principles and Practices as their code of conduct. Under the Business Principles, suppliers shall faithfully abide by the code of conduct to prevent risks that may arise in finance, reputation and business concerning SK Telecom and the suppliers themselves, and shall realize a win-win partnership for mutual benefits. SK Telecom ensures that its suppliers will achieve sustainability by managing their economic, environmental and social performances based on the Supplier ESG Code of Conduct, and to apply such a policy to their subcontractors under the overarching goal of realizing the sustainable supply chain management as defined by SK Telecom.

1. Anti-Bribery

Supplier shall act with honesty, integrity and fairness in its dealings both internally and externally. Supplier shall not tolerate any form of bribery, including improper offers of payments or gifts to or from employees. Supplier shall avoid any contracts that might lead to, or suggest, a conflict of interest between personal activities and the business. Supplier shall neither give nor accept hospitality or gifts that might appear to incur an obligation. Supplier shall pursue mutually beneficial relationships and seek to promote the application of SK Telecom’s Business Principles with relevant business partners and suppliers.

2. Fair-Competition & Compliance

Suppliers shall actively participate in SK Telecom’s endeavors for fair trade compliance and shall conduct business in compliance with fair trade laws and systems to ensure fair competition. Supplier shall comply with the provisions of all applicable domestic and international laws and appropriate standards and principles.

3. Privacy Protection

Suppliers shall protect the information they acquire in the course of the business operation related to SK Telecom, and shall not use such information for purposes other than for carrying out the Company’s rightful business activities, unless otherwise allowed under the relevant laws. Suppliers shall not acquire or use SK Telecom’s or other companies’ information or trade confidential information in an illegal or improper manner.

4. Financial integrity

SK Telecom will provide the best possible return for its shareholders over the longer term. Suppliers supports SK Telecom’s efforts to pursue corporate value based on continuous innovation and healthy financial condition through transparent and efficient management.

5. Public Policy

Suppliers recognize that SK Telecom maintains its political neutrality during its participation on public policies by avoiding contributions to any specific political parties, politicians or election campaigns.

6. Customer Value

Suppliers recognize that SK Telecom shall maintain the quality of products and services that customers expect, and create an environment in which customers can use the products and services safely and beneficially, thereby using its best efforts to increase its customer value.

7. Environment

Suppliers shall practice environment-friendly business management and abide by international standards and laws pertaining to environmental protection, and the internal regulations. Suppliers are also advised to establish an environment management system which includes an independent audit by a third party.

8. Health & Safety

Suppliers shall institute systems, and provide regular education and training that promote Employees’ health and safety, and comply with relevant international standards, laws and internal regulations governing employee health and safety. Suppliers shall exert its utmost efforts to encourage their Employees to present a spirit of challenge and creativity based on mutual trust and pride, and help the Employees pursue happiness together.

9. Contribution to Community

Suppliers recognize that SK Telecom will actively participate in social contribution activities including volunteer activities and disaster relief as a responsible corporate citizen in the community, and cooperate through voluntary participation.

10. Human Rights

Suppliers shall not engage in any form of discrimination against their stakeholders including but not limited to customers, employees and community members in all locations where they conduct business based on race, ethnicity, religion, gender, disability, etc. Suppliers, in all locations where they conduct business, shall recognize and protect basic human rights through various activities including but not limited to underage protection and customer privacy protection. Suppliers will also make the utmost efforts to maintain the optimum working conditions for their employees including work-hour compliance, a guarantee of minimum wages, prohibition on the use of child or forced labor, etc.

GRI STANDARDS INDEX

Topic	GRI Standards	Description	Material Issues	Location	Cross Reference / Direct Answer / Omission	External Assurance
General Disclosures						
Organizational Profile	102-1	Name of the organization	-	-	SK Telecom Co., Ltd.	√
	102-2	Primary brands, products, and services	-	· Our Business Model · Performance and Outlook > 2018 Performance	· p.26-27 · p.32-33	√
	102-3	Location of the headquarters	-	-	SK-T Tower, 65, Eulji-ro, Jung-gu, Seoul	√
	102-4	Number and name of countries where the main offices are located or sustainable business activities are conducted	-	· About SK Telecom > About Us · Non-Financial Statement > Scope of Data	· p.14 · p.141	√
	102-5	Nature of ownership and legal form	-	· About SK Telecom > About Us · Governance Report > 1. Stock and Capital Structure, 2. General Shareholders' Meeting	· p.14 · p.76-77	√
	102-6	Markets served (geographic breakdown, sectors served, and types of customers and beneficiaries)	-	· About SK Telecom > About Us · Our Business Model · Non-Financial Statement > Scope of Data	· p.14 · p.26-27 · p.141	√
	102-7	Scale of the organization (total number of employees, net sales, total capital, products and services, etc.)	-	· About SK Telecom > About Us · Performance and Outlook > 2018 Performance · Financial Statement > Statement Summary	· p.14 · p.32-33 · p.182-183	√
	102-8	Information on executives and employees	-	· Governance Report > 3. BOD · Non-Financial Statement > Management Discussion and Analysis > Section 1. Human Capital	· p.78-81 · p.142-146 · Please refer to p.406 of 2018 Business Report for the number of contract employees at SK Telecom.	√
	102-9	Organization's supply chain	-	· Supplier Responsibility Report	· p.110-115	√
	102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	-	· Performance and Outlook > 2018 Performance	· p.32-33	√
	102-11	Whether and how the precautionary approach is addressed and explanation on the adoption method	-	· Accountability > Risk Management Report	· p.88-97	√
	102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes	-	· About This Report > Global Initiatives and Partnerships · Reporting Standards > Sustainable Development Goals(SDGs)	· p.2 · p.180-181	√
	102-13	Memberships of associations and membership of national/international policy apparatus	-	· About This Report > Global Initiatives and Partnerships · Reporting Standards > Sustainable Development Goals(SDGs)	· p.2 · p.180-181	√
Strategy	102-14	Organization of the highest governance body and statement of its sustainability commitment	-	· Letter to Stakeholders · Policy Statements > CEO Human Rights Statement	· p.18-25 · p.164-165	√
	102-15	Key impacts, risks and opportunities	-	· Long-term Management Issues > 2. Results of Materiality Assessment, 3. Management of Material Issues · Accountability > Risk Management Report	· p.46-49 · p.88-97	√
Ethics and Integrity	102-16	Values, principles, standards and norms of behavior such as codes of conduct of an organization	-	· Accountability > Integrity Report	· p.98-103	√
	102-17	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior and grievance handling mechanism	-	· Integrity Report > Transparent Ethical Management	· p.99-100	√
	102-18	Report on the governance structure of the organization, including committees of the highest governance body.	-	· Governance Report > 3. BOD	· p.78-81	√
	102-19	Identify any committees responsible for decision-making on economic, environmental and social impacts.	-	· Governance Report > 3. BOD, 8. Corporate Citizenship Committee	· p.84	√
Governance	102-20	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	-	· Governance Report > 3. BOD, 8. Corporate Citizenship Committee	· p.84	√
	102-21	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics. And system within which the person delegated with such responsibility can directly report to the highest governance body	-	· Governance Report > 3. BOD, 8. Corporate Citizenship Committee	· p.84	√
	102-22	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	-	· Governance Report > 3. BOD, 8. Corporate Citizenship Committee	· p.84	√
	102-23	Composition of the highest governance body and its committee	-	· Governance Report > 3. BOD	· p.78-81	√
	102-24	Report whether the Chairman of the highest governance body is also an executive officer	-	· Governance Report > 3. BOD	· p.78-81	√
	102-25	Nomination and selection processes for the highest governance body and its committees, appointment and selection criteria of the highest governance body members. Processes for the highest governance body to ensure conflicts of interest are avoided and managed	-	· Governance Report > 3. BOD	· p.78-81	√

Topic	GRI Standards	Description	Material Issues	Location	Cross Reference / Direct Answer / Omission	External Assurance
General Disclosures						
Governance	102-26	Highest governance body's and senior executives' roles, from the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies and goals, to economic, environmental and social impacts	-	· Governance Report › 3.BOD, 8. Corporate Citizenship Committee	· p.78-81, 84	✓
	102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	-	· Governance Report › 8. Corporate Citizenship Committee	· p.84	✓
	102-28	Report on processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Whether the independent evaluations and self-assessments are implemented and measures taken based on the performance evaluation results	-	· Governance Report › 10. Performance Evaluation and Compensation	· p.86-87	✓
	102-29	Highest governance body's role in the identification and management of economic, environmental and social impacts and whether a stakeholders' meeting is held	-	· Long-term Management Issues › 4. Stakeholder Engagement and Communications on Material Issues · Governance Report › 8. Corporate Citizenship Committee	· p.50-51 · p.84	✓
	102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management process on economic, environmental and social topics	-	· Governance Report › 4. BOD's Committees	· p.80-83	✓
	102-31	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	-	· Long-term Management Issues › 1. Materiality Test Process · Governance Report › 8. Corporate Citizenship Committee	· p.43 · p.84	✓
	102-32	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	-	· Long-term Management Issues › 1. Materiality Test Process · Governance Report › 8. Corporate Citizenship Committee	· P.43 · P.84	✓
	102-33	Process for communicating critical concerns to the highest governance body	-	· Long-term Management Issues › 1. Materiality Test Process · Governance Report › 8. Corporate Citizenship Committee	· P.43 · P.84	✓
	102-34	Nature and total number of critical concerns that were communicated to the highest governance body, and policy to resolve the concerns	-	· Long-term Management Issues · Governance Report › 8. Corporate Citizenship Committee	· P.42-51 · P.84	✓
	102-35	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	-	· Governance Report › 10. Performance Evaluation and Compensation	· p.86-87	✓
	102-36	The process for determining remuneration and criteria. Whether a consultant related to remuneration is engaged and whether the consultant is independent of the management activities. Report on all the relationships between the consultant and the company	-	· Governance Report › 4. BOD's Committees	· p.82-84	✓
	102-37	How stakeholders' views are sought and taken into account regarding remuneration. If possible, include vote result and suggestion for remuneration policy	-	· Governance Report › 10. Performance Evaluation and Compensation	· p.86-87	✓
	102-38	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest- paid individual) in the same area	-	· Governance Report › 10. Performance Evaluation and Compensation	· p.86-87	✓
	102-39	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 (excluding the highest- paid individual) (between the same areas)	-	· Governance Report › 10. Performance Evaluation and Compensation	· p.86-87	✓
Stakeholder Engagement	102-40	List of stakeholder groups that have relationships with the organization	-	· Long-term Management Issues › 4. Stakeholder Engagement and Communications on Material Issues	· p.50-51	✓
	102-41	Total percentage of employees and executives covered by collective bargaining agreements	-	· Non-Financial Statement › Statement Summary	· p.139, 145	✓
	102-42	Basis for identification and selection of stakeholders	-	· Long-term Management Issues › 4. Stakeholder Engagement and Communications on Material Issues	· p.50-51	✓
	102-43	Status of stakeholders' engagement in the organization such as frequency of engagement of the stakeholders by type and group	-	· Long-term Management Issues › 1. Materiality Test Process	· p.42-43	✓
	102-44	Key topics and concerns raised by stakeholders such as publication of the report, and how the organization has responded to those topics	-	· Long-term Management Issues › 2. Results of Materiality Assessment	· p.44-45	✓
Reporting Practice	102-45	Entities and joint venture included in the organization's consolidated financial statements	-	-	Please refer to p.3 of 2018 Business Report for the entities list.	✓
	102-46	Process for defining the report content and the Aspect Boundaries and the application of reporting principles on the process	-	· Long-term Management Issues › 1. Materiality Test Process	· p.42-43	✓
	102-47	List of all material aspects identified in the process of determining the content of the report	-	· Long-term Management Issues › 2. Results of Materiality Assessment	· p.44-45	✓
	102-48	Impact of amendments to the information provided in the previous report and the reasons for such amendment report	-	· About This Report	· p.2	✓
	102-49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	-	-	Specific attention indicated as notes if necessary	✓
	102-50	Reporting period of the information provided (fiscal year or year)	-	· About This Report	· p.2	✓
	102-51	The date of the most recent report	-	· About This Report	· p.2	✓
	102-52	Reporting cycle (annual, biennial, etc.)	-	· About This Report	· p.2	✓
	102-53	Inquiries about reports and related contents	-	· Publication Information	· p.188	✓
	102-54	Method conforming to the report the organization selected according to the GRI Standards (Core/Comprehensive)	-	· About This Report	· p.2	✓
	102-55	GRI Index	-	· Reporting Standards › GRI	· p.168-177	✓
	102-56	The report on the 3rd party assurance of the report and the external assurance report, the independence of the relationship between the organization and the assurance agency, and whether the highest governance body or executive participates in the report assurance process	-	· Non-Financial Statement › Independent Limited Assurance Report	· p.159-161	✓

Topic	GRI Standards	Description	Material Issues
Management Approach			
	103-1	Explanation of material issues and their boundaries	0
	103-2	Reporting on how the organization manages its material issues, the objectives of its management policies, and whether management policies include policies, declarations, purposes and objectives, accountability, resources, grievance handling systems, processes and projects, programs and initiatives	0
	103-3	Explanation of how the organization evaluates the management policy on the material issues	0
Economy			-
Economic Performance	201-1	Direct economic value generated and distributed	-
	201-2	Financial implications and other risks and opportunities resulting from climate change	-
	201-3	Coverage of the organization's defined benefit plan obligations	-
	201-4	Financial assistance received from government	-
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage of key operation	-
	202-2	Proportion of senior management hired from the local community	-
Indirect Economic Impacts	203-1	Development and impact of infrastructure investments and services supported	0
	203-2	Significant indirect economic effects including scale of impacts	0
Procurement Practices	204-1	Proportion of spending on local suppliers at significant locations of operation	-
Anti-corruption	205-1	Assessment of corruption risk of an operation	-
	205-2	Communication and training on anti-corruption policies and procedures	-
	205-3	Confirmed incidents of corruption and actions taken	-
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, antitrust, and unfair practices	-
Environment			
Materials	301-1	Materials used by weight or volume	-
	301-2	Recycled input materials used	-
	301-3	Reclaimed products and their packaging materials	-
Energy	302-1	Energy consumption within the organization	-
	302-2	Energy consumption outside of the organization	-
	302-3	Energy intensity	-
	302-4	Reduction of energy consumption	-
	302-5	Reductions in energy requirements of products and services	-
Water	303-1	Total water withdrawal by source	-
	303-2	Management of water discharge-related impacts	-
	303-3	Water withdrawal	-

Location	Cross Reference / Direct Answer / Omission	External Assurance
· Long-term Management Issues	· p.42-51	√
· Long-term Management Issues › 3. Management of Material Issues · Our Business of Value Creation › New ICT Strategy · Our Business of Value Creation › Double Bottom Line Valuation · Accountability › Governance Report · Non-Financial Statement › Management Discussion and Analysis	· P.46-49 · P.56-59, 60-61 · P.66-71 · P.74-87 · P.146-148, 149, 150	√
· Long-term Management Issues › 3. Management of Material Issues	· p.46-49	√
· Financial Statement	· p.118-125	√
· Risk Management Report › 6. Internalization of Risk Management Culture · Non-Financial Statement › Management Discussion and Analysis	· p.88-97 · p.154-158	√
-	100% of employees are covered by SK Telecom's defined benefit plan obligations, during the reporting period.	√
· Governance Report › 1. Stock and Capital Structure	· p.76	√
-	[Confidentiality Constraints] SK Telecom provides entry level wages higher than the local minimum wage in all regional operations and does not discriminate according to gender. However, details were not disclosed due to internal information policies.	√
· Non-Financial Statement › Management Discussion and Analysis	· p.142	√
· Double Bottom Line Valuation · Non-Financial Statement › Statement Summary, Management Discussion and Analysis	· p.66 · p.147-148	√
· Double Bottom Line Valuation	· p.66	√
· Supplier Responsibility Report › SK Telecom's Supply Chain Status	· p.112	√
· Integrity Report › 2. Detection, 3. esponse	· p.100-101	√
· Integrity Report › 1. Prevention	· p.100	√
· Integrity Report › 2. Detection, 3. esponse	· p.100-101	√
· Integrity Report › 2. Detection, 3. esponse	· p.100-101	√
-	[N/A] Due to industry specific characteristics, SK Telecom's operations consume insignificant amount of materials in direct manufacture, process and use stages.	√
-	[N/A] Due to industry specific characteristics, SK Telecom's operations consume insignificant amount of materials in direct manufacture, process and use stages.	√
-	[N/A] Due to industry specific characteristics, SK Telecom's operations consume insignificant amount of materials in direct manufacture, process and use stages.	√
· Non-Financial Statement › Management Discussion and Analysis	· p.155	√
· Non-Financial Statement › Management Discussion and Analysis	· p.155	√
· Non-Financial Statement › Management Discussion and Analysis	· p.155	√
· Non-Financial Statement › Management Discussion and Analysis	· p.155	√
-	[N/A] During the reporting period, SK Telecom does not have a separate product energy requirement, and SK Telecom's services indirectly contributed in reducing energy consumption is included in p.154.	√
-	[Information unavailable] SK Telecom currently does not separately track data on water withdrawal and discharge, as we are unaware of any significant environmental impacts due to our water usage. However, we do track data on water usage and are implementing related reduction activities.	√
-	[Information unavailable] SK Telecom currently does not separately track data on water withdrawal and discharge, as we are unaware of any significant environmental impacts due to our water usage. However, we do track data on water usage and are implementing related reduction activities.	√
· Non-Financial Statement › Management Discussion and Analysis	· p.156	√

Topic	GRI Standards	Description	Material Issues
Environment			
Water	303-4	Water discharge	-
	303-5	Water consumption	-
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-
	304-2	Significant impacts of activities, products, and services on biodiversity	-
	304-3	Habitats protected or restored	-
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-
Emissions	305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	-
	305-2	Indirect greenhouse gas (GHG) emissions (Scope 2)	-
	305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	-
	305-4	Greenhouse gas (GHG) emissions intensity	-
	305-5	Reduction of greenhouse gas (GHG) emissions	-
	305-6	Emissions of ozone depleting substances (ODS)	-
	305-7	NOX, SOX, and other significant air emissions	-
Effluents and Waste	306-1	Water discharge by quality and destination	-
	306-2	Waste by type and disposal method	-
	306-3	Significant spills	-
	306-4	Transport of hazardous waste	-
	306-5	Water bodies affected by water discharges and/or runoff	-
Environmental Compliance	307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-
Supplier Environmental assessment	308-1	Percentage of new suppliers that were screened using environmental criteria	-
	308-2	Significant actual and potential negative environmental impacts in the supply chain and actions taken	-
Social			
Employment	401-1	Total number and rates of new employees hired and employee turnover	-
	401-2	Benefits provided to full -time employees that are not provided to temporary or part- time employees	-
	401-3	Return to work and retention rates after parental leave by gender	-
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	-
Occupational Health and Safety	403-1	Occupational health and safety management system	-
	403-2	Hazard identification, risk assessment, and incident investigation	-
	403-3	Employees who have a high incidence or risk of disease at work	-
	403-4	Worker participation, consultation, and communication on occupational health and safety	-
	403-5	Worker training on occupational health and safety	-
	403-6	Promotion of worker health	-
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-
	403-8	Workers covered by an occupational health and safety management system	-
	403-9	Work-related injuries	-
	403-10	Work-related ill health	-

Location	Cross Reference / Direct Answer / Omission	External Assurance
-	[Information Unavailable] SK Telecom currently does not separately track data on water withdrawal and discharge, as we are unaware of any significant environmental impacts due to our water usage. However, we do track data on water usage and are implementing related reduction activities.	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.156	✓
-	SK Telecom is unaware of any significant impacts on biodiversity in protected areas resulting directly from its activities, during the reporting period.	✓
-	SK Telecom is unaware of any significant impacts on biodiversity in protected areas resulting directly from its activities, during the reporting period.	✓
-	SK Telecom is unaware of any significant impacts on biodiversity in protected areas resulting directly from its activities, during the reporting period.	✓
-	[Information unavailable] SK Telecom's operations do not have a known impact on any endangered species. However, SK Telecom is managing environmental impact of the operations through the SK Group-wide social performance measurement methodology.	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.154	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.154	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.154	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.154	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.154	✓
-	[N/A] Due to industry specific characteristics, SK Telecom emits extremely insignificant amount of ODS.	✓
-	[N/A] Due to industry specific characteristics, SK Telecom emits extremely insignificant amount of NOx and SOx.	✓
-	[Information unavailable] SK Telecom does not separately track data on the discharge amount of water by quality and destinations. However, we do track data on water usage and are implementing related reduction activities.	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.156	✓
-	[N/A] Due to industry specific characteristics, SK Telecom's operations does not include any process of usage of hazardous materials; there has been no significant spills or accidents occurred.	✓
-	[N/A] The types of waste generated from SK Telecom's operations are limited to living, food, designated, and recycled waste. The waste are disposed in compliance with relevant environmental laws and regulations.	✓
-	[Information unavailable] SK Telecom is unaware of any significant impacts on biodiversity in protected areas resulting directly from generation of waste water, during the reporting period	✓
-	There are zero number of cases related to violations of environmental laws and regulations. There are no fines or penalties paid accordingly.	✓
· Accountability › Supplier Responsibility Report	· p.110-114	✓
· Accountability › Supplier Responsibility Report	· p.110-114	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.139, 142-143	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.143	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.143	✓
-	SK Telecom communicates changes in management through the labor union website (www. sktunion.com) and the Labor Management Council.	✓
· Accountability › Human Rights Report · Non-Financial Statement › Management Discussion and Analysis	· p.104-109 · p.139	✓
· Accountability › Human Rights Report	· p.104-109	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.142-146	✓
· Accountability › Human Rights Report · Non-Financial Statement › Management Discussion and Analysis	· p.107-108 · p.109	✓
· Accountability › Human Rights Report · Non-Financial Statement › Management Discussion and Analysis	· p.107-108 · p.142-146	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.142-146	✓
· Accountability › Human Rights Report · Non-Financial Statement › Management Discussion and Analysis	· p.107-108 · p.142-146	✓
· Non-Financial Statement › Management Discussion and Analysis	· p.142-146	✓
· Non-Financial Statement	· p.139	✓
-	SK Telecom is unaware of any work-related illness or diseases during the reporting period.	✓

Topic	GRI Standards	Description	Material Issues	Location	Cross Reference / Direct Answer / Omission	External Assurance
Social						
Training and Education	404-1	Average hours of training per year per employee (by gender, and by employee category)	-	· Non-Financial Statement › Management Discussion and Analysis	· p.142-146	√
	404-2	Programs for skills and lifelong learning that support the employees to continue the employment and manage life after retirement	-	· Non-Financial Statement › Management Discussion and Analysis	· p.142-146	√
	404-3	Percentage of employees receiving regular review of performance and career development (by gender and by employee category)	-	· Non-Financial Statement › Management Discussion and Analysis	· p.142-146	√
Diversity and Equal Opportunity	405-1	Composition of governance bodies and employees by category (by gender, age group, minority group, and other indicators of diversity)	-	· Non-Financial Statement › Management Discussion and Analysis	· p.142-146	√
	405-2	Ratio of basic salary and remuneration of women to men	-	-	Please refer to p.406 of 2018 Business Report for the ratio of basic salary and remuneration of women to men.	√
Non-Discrimination	406-1	Discrimination incidents and actions taken	-	-	There are zero number of cases related to discrimination of salary paid by gender.	√
Freedom of Association and Collective Bargaining	407-1	Operations and partner companies that are judged to seriously infringe on workers' freedom of association and collective bargaining	-	-	As of the end of the reporting period, SK Telecom's union membership rate is 90.0%. There are no operational sites that have been found to seriously violate freedom of association and collective bargaining during the reporting period.	√
Child Labor	408-1	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	-	· Accountability › Human Rights Report	· p.104-109	√
Forced or Compulsory Labor	409-1	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	-	· Accountability › Human Rights Report	· p.104-109	√
Security Practices	410-1	Percentage of security personnel who have received the training on the human rights policies and procedures related to the business	-	-	[Information unavailable] SK Telecom currently does not track the percentage of security personnel that have received human rights training.	√
Rights of Indigenous Peoples	411-1	Incidents of violations involving rights of indigenous peoples	-	· Accountability › Human Rights Report	· p.104-109	√
Human Rights Assessment	412-1	Workplaces subject to human rights impact assessment or human rights review	-	· Accountability › Human Rights Report	· p.104-109	√
	412-2	Employee training on human rights policies and procedures related to business	-	· Accountability › Human Rights Report	· p.104-109	√
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	-	SK Telecom is currently unaware of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	√
Local Communities	413-1	Percentage of operations with implemented local community engagement, impact assessment, and development programs	-	· Non-Financial Statement › Management Discussion and Analysis	· p.152	√
	413-2	Operations with significant actual and potential negative impacts on local communities	-	-	SK Telecom manages the positive and negative impact of our operations on local communities through the SK Group-wide social performance measurement methodology. There has been no significant negative impacts on local communities during the reporting period.	√
Supplier Social Assessment	414-1	New suppliers that were screened using environmental criteria	-	· Accountability › Supplier Responsibility Report	· p.110-114	√
	414-2	Significant actual and negative social impacts in the supply chain and actions taken	-	· Accountability › Supplier Responsibility Report	· p.110-114	√
Public Policy	415-1	Total value of political contributions (by country and recipient/ beneficiary)	-	· Accountability › Integrity Report	· p.98-103	√
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	-	-	SK Telecom is unaware of the percentage of products and services that receive assessments on health and safety impacts. However, SK Telecom manages customer health and safety impacts of products and services through the SK Group-wide social performance measurement methodology.	√
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	-	SK Telecom manages customer health and safety impacts of products and services through the SK Group-wide social performance measurement methodology. There are zero violations or laws and regulations related to safety and health effects of products and services during the reporting period.	√
Marketing and Labeling	417-1	Requirements for product and service information and labeling	-	-	[Information unavailable] SK Telecom is unaware of the percentage of products and services that are subject to information and labeling requirements. However, SK Telecom is managing the status of providing appropriate information to customers of products and services through the SK Group-wide social performance measurement methodology.	√
	417-2	Cases violating laws and self-autonomous regulations related to product and service information and labeling	-	-	There are zero number of violations related to law and regulations regarding product and service information labeling, during the reporting period.	√
	417-3	Number of cases violating laws and self-autonomous regulations related to marketing communication including advertisement, promotion and sponsor (according to deposition result)	-	-	There are zero number of cases related to violation of laws and regulations related to advertisement, promotion, sponsorship and marketing communications.	√
Customer Privacy	418-1	The number of complaints proven to violate customer privacy and lost customer information	0	· Long-term Management Issues › 3. Management of Material Issues · Accountability › Human Rights Report · Non-Financial Statement › Management Discussion and Analysis	· p.46-49 · p.107-108 · p.150 There are zero number of incidents related to information loss and customer privacy violation	√
Socioeconomic Compliance	419-1	Violation of laws and regulations in social and economic sectors	-		SK Telecom has not received any penalties related to fair trade.	√

SASB^(*) INDEX

(*)SASB:Sustainability Accounting Standards Board

ACTIVITY METRIC						
Accounting Metric	Category	Unit	Code	Location	Cross Reference / Direct Answer	
Wireless Subscribers	Quantitative	Number	TC-TL-000.A	· Financial Statement › Management Discussion and Analysis	· p.126-127	
Wireline Subscribers	Quantitative	Number	TC-TL-000.B	· Financial Statement › Management Discussion and Analysis	· p.126-127	
Broadband Subscribers	Quantitative	Number	TC-TL-000.C	· Financial Statement › Management Discussion and Analysis	· p.126-127	
Network traffic and proportions of mobile communication networks and fixed networks	Quantitative	Petabytes, %	TC-TL-000.D	· Non-Financial Statement › Management Discussion and Analysis	· p.147-148	

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS						
Topic	Accounting Metric	Category	Unit	Code	Location	Cross Reference / Direct Answer
Environmental Footprint of Operations	(1) Total consumed energy, (2) percentage of grid electricity, (3) percentage of renewable energy;	Quantitative	GJ / %	TC-TL-130a.1	· Non-Financial Statement › Management Discussion and Analysis	· p.155
Data Privacy	Ads and policies and practices relating to retention of customers' personal information	Discussion and Analysis	n/a	TC-TL-220a.1	· Human Rights Report › Human rights risk assessment and management · Non-Financial Statement › Management Discussion and Analysis	· p.107-108 · p.152
	Number of customers whose customer information is collected for secondary purpose	Quantitative	Number (persons)	TC-TL-220a.2	-	-
	Amount of legal and regulatory fines associated with customer privacy	Quantitative	KRW	TC-TL-220a.3	-	· p. 438 in Business Report
	(1) Number of legal punishments related to customer information (2) number of customers whose information was requested by government or law enforcement agencies percentage resulting in disclosure (3) percentage of disclosures	Quantitative	Number / %	TC-TL-220a.4	-	· p. 438 in Business Report
Data Security	(1) Number of data security breaches (2) percentage of breaches of personally identifiable information (PII) security (3) number of customers who suffered from such breaches	Quantitative	Number / %	TC-TL-230a.1	-	· p. 438 in Business Report
	Management approach to identifying data security risks including utilization of third parties' information security risk	Discussion and Analysis	n/a	TC-TL-230a.2	· Long-term Management Issues › 3. Management of Material Issues · Risk Management Report · Non-financial Statement › Management Discussion & Analysis	· p.48-49 · p.96-97 · p.150
Product End-of-Life Management	(1) Materials recycled through take- back programs (2) percentage of recycled materials (3) recycling rate (4) landfill rate	Quantitative	Ton and percentage by weight	TC-TL-440a.1	· Non-Financial Statement › Management Discussion & Analysis	· p.158
Fair Competition	Financial damage such as fines caused by violations of fair trade-related acts	Quantitative	KRW	TC-TL-520a.1	-	No fine related to unfair competition
	(1) Contents owned by company and commercially related contents (2) average download speed of unrelated contents	Quantitative	Mbps	TC-TL-520a.2	· Non-Financial Statement › Management Discussion & Analysis	· SK Telecom does not disclose download speed by content types (contents owned by the company, commercial contents, contents not commercially related).
	Explanations about risks and opportunities related to net neutrality, paid peering, and zero rating	Discussion and Analysis	n/a	TC-TL-520a.3	-	· SK Telecom complies with Guidelines for Network Neutrality and Internet Traffic Management drawn up by Ministry of Science and ICT.
Managing Systemic Risks from Technology Disruptions	(1) Telecommunication interruption frequency and average interruption duration per customer	Quantitative	Disruptions per customer, hours per customer	TC-TL-550a.1	· Non-Financial Statement › Management Discussion & Analysis	· p.148, In April 2018, a network failure occurred once and SK Telecom compensated customers for their trouble.
Technology Disruption	System for normal service operation/provision against service interruptions and other similar situations	Discussion and Analysis	n/a	TC-TL-550a.2	· Risk Management Report	· p.88-97

UN GLOBAL COMPACT (UNGC)

The UN supports the 10 principles of the UN Global Compact (UNGC) and advocates the 10 universal principles including those related to human rights, the environment, labor and anti-corruption, and requests support for a wide range of the UN’s development plans including the Sustainable Development Goals (SDGs). SK Telecom joined the UN Global Compact (UNGC), a UN organization that collaborates with businsses, in 2007. As a founding member of UNGC Korea, a local association of UNGC, SK Telecom not only adheres to the 10 principles but also broadly supports the UN's development plans such as the SDGs.

In April 2013, SK Telecom publicly 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. By complying with and supporting the UNGC principles, SK Telecom will undertake a variety of activities to solve domestic and international social issues and to spread global CSR trends in the future as well.


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

UN GLOBAL COMPACT ADVANCED CRITERIA INDEX				
			Location	Cross Reference / Direct Answer
Fulfillment of the UNGC 10 Principles in Strategy and Operation	Criterion 1	Commitment to integrate the UNGC 10 principles into business function and units	· About This Report	· p.2
	Criterion 2	Practicing the UNGC 10 principles across the value chain	· Integrity Report	· p.98-103
	Criterion 3	Human rights commitment, strategy, and policy	· Human Rights Report · Policy Statements › CEO Human Rights Statement	· p.104-109 · p.164-165
	Criterion 4	Effective management system to incorporate the human rights principles into business and management procedures	· Human Rights Report	· p.104-109
	Criterion 5	Monitoring and evaluation mechanism to ensure compliance with the human right principles in the business and management procedures	· Human Rights Report	· p.104-109
Definite Labor Policy and Procedure	Criterion 6	Labor commitment, strategy, and policy	· Human Rights Report · Non-Financial Statement › Management Discussion and Analysis	· p.104-109 · p.145
	Criterion 7	Effective management system to incorporate the labor principles into business and management procedures	· Non-Financial Statement › Management Discussion and Analysis	· p.145 ^(*)
	Criterion 8	Monitoring and evaluation mechanism to ensure compliance with the labor principles in the business and management procedures	· Long-term Management Issues › 4. Stakeholder Engagement and Communications on Material Issues	· p.50-51 ^(**)
Definite Environmental Policy and Procedure	Criterion 9	Environment commitment, strategy, and policy	· Double Bottom Line · Non-Financial Statement › Management Discussion and Analysis	· p.66-71 · p.154-158
	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	· Double Bottom Line · Non-Financial Statement › Management Discussion and Analysis	· p.66-71 · p.154-158
	Criterion 11	onitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures	· Double Bottom Line · Non-Financial Statement › Management Discussion and Analysis	· p.66-71 · p.154-158
Definite Ethics and Compliance Policy and Procedure	Criterion 12	Environment commitment, strategy, and policy	· Integrity Report	· p.98-103
	Criterion 13	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	· Integrity Report	· p.98-103
	Criterion 14	Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures	· Integrity Report	· p.98-103
Activities to Support the More Broad and Comprehensive UN Objectives and Goals	Criterion 15	Contribution through key businesses to help achieve the UN objectives and goals	· New ICT Strategy ›Creating New Value Through Shared Infrastructure · Sustainable Development Goals(SDGs)	· p.62-65 · p.180-181
	Criterion 16	Strategic community investment and charity work to help achieve the UN objectives and goals	· Double Bottom Line · Non-Financial Statement › Management Discussion and Analysis · Sustainable Development Goals(SDGs)	· p.66-71 · p.152-153 · p.180-181
	Criterion 17	Public engagement and communication to help achieve the UN objectives and goals	· Sustainable Development Goals(SDGs)	· p.180-181
Governance and Leadership for Sustainability	Criterion 18	Partnerships and outside initiatives to help achieve the UN objectives and goals	· About This Report	· p.2
	Criterion 19	CEO's sustainability commitment and leadership	· Letter to Stakeholders · Policy Statements › CEO Human Rights Statement	· p.18-25 · p.164-165
	Criterion 20	The Board of Directors' selection and oversight of sustainability agenda items	· Long-term Management Issues · Governance Report › 3. BOD, 8. Corporate Citizenship Committee	· p.42-51 · p.84
	Criterion 21	Stakeholder engagement	· Long-term Management Issues › 4. Stakeholder Engagement and Communications on Material Issues	· p.50-51

(*) Through the trade union and collective bargaining, the labor principles are integrated and the Labor Management Council is in operation
(**) The grievance channel for employees is in operation and the Labor Management Council checks the relevant issues

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

193 UN member nations and chief of states adopted the 17 sustainable development goals (SDGs) aimed at addressing humanity’s economic, environmental and social problems in September 2015. In order to take active in achieving the goals as one of companies which are key players in the implementation of the SDGs, SK Telecom is committed to reaching the goals by connecting them to the creation of social value based on the Double Bottom Line, SK Telecom’s strategy to create future value. By strengthening the connection with the SDGs and working towards the goals in our strategic directions to create social values with financial value in an integrated manner, we will minimize and maximize the positive impact in terms of the economic, environmental and social aspects.

SDG CONTEXT		SK TELECOM’S CONTRIBUTION
	Ensuring inclusive and equitable quality education and promote lifelong learning opportunities 4.4 Promoting ICT skills for senior citizens and teenagers 4.5 Providing equal education to marginalized groups such as the disabled and indigenous people	<ul style="list-style-type: none">• Smartphone education for senior citizens• Expanded ICT education at Happiness Community Center• Smartphone education for North Korean defectors• ICT Make-a-thon competition for disabled youths• Providing coding education program for children by utilizing smart robot ‘Albert’• Software education project
	Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work 8.3 Promoting creative and innovative policies for job creation and SMEs’ growth	<ul style="list-style-type: none">• Fostering ICT-based social enterprises and start-ups• Support for college students’ entrepreneurship• Fostering agricultural venture start-ups based on ICT
	Building resilient infrastructure, promoting sustainable industrialization and fostering innovation 9.1 Developing quality, reliable, sustainable and resilient infrastructure to support economic development and human well-being, with focus on affordable and equitable access for all	<ul style="list-style-type: none">• Building new ICT ecosystem by strengthening core infrastructure of 4th Industrial Revolution such as 5G and AI• Striving to secure new technologies to provide stable communication services and continuously improve network quality• Meet customer demand for network accessibility by disclosing 5G coverage map• Tariff discounts to expand service accessibility of low-income and socially disadvantaged groups
	Making cities inclusive, safe, resilient and sustainable 11.7 Providing universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities 11.A Supporting positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning	<ul style="list-style-type: none">• Taking care of senior citizens and prevent crimes by strengthening network and ICT convergence security services including AI and big data• Developing electronic devices and systems for strengthening social safety network and protecting marginalized people• Improving rescue mission efficiency through ICT public safety solutions• Investing in improvement of communication quality in areas with poor communication services such as remote mountainous areas and islands
	Climate action 13.2 Integrating climate change measures into national policies, strategies and planning	<ul style="list-style-type: none">• Devising measure with multi-pronged approach to respond to international emissions trading scheme• Providing ICT-based smart/green solutions such as energy management solutions• Making efforts to boost energy efficiency through innovation in network structures and new and renewable energy facilities• Reducing greenhouse gas emissions and saving energy by providing optimal route through T map navigation

In particular, as a New ICT leader, SK Telecom set five key SDG target areas where the company can display its core competencies and expertise in the 5G and AI sectors among others and is setting systematic goals and speeding up the implementation process from a long-term perspective. In the future, SK Telecom will continue to contribute to the creation of sustainable social values by pursuing SDGs, a common great goal of the international community and social value, part of SK Telecom’s future value creation strategy after connecting them.

DBL (Double Bottom Line)		MID- AND LONG-TERM GOALS
SOCIAL IMPACT	BUSINESS IMPACT	
<ul style="list-style-type: none">• Eliminating digital divide by providing ICT and smartphone education to marginalized people and senior citizens who have relatively low access to information	<ul style="list-style-type: none">• Expanding market by inducing transition into ICT-friendly lifestyles• Long-term improvement in profitability of business models thanks to increase in smartphone subscribers	<div>17,332</div> <div>Number of elderly participants in smartphone education (2007 to 2020)</div>
<ul style="list-style-type: none">• Creating opportunities and social infrastructure support by fostering core infrastructure and ICT-based social enterprises and start-ups	<ul style="list-style-type: none">• Expansion of business model innovation and open collaboration ecosystem through shared infrastructure	<div>80</div> <div>2020 Startup support programs in total</div>
<ul style="list-style-type: none">• Providing core infrastructure for 4th Industrial Revolution through 5G commercialization• Economic development and innovation of human lifestyle through 4th Industrial Revolution• Equal, comprehensive infrastructure access to all classes and regions	<ul style="list-style-type: none">• Creating new business opportunities including autonomous driving and smart factories powered by core infrastructure such as 5G and AI	<div>5G</div> <div>2020 Securing 5G leadership</div>
<ul style="list-style-type: none">• Pruning socio-economic losses through stronger ICT-based social safety network, crime prevention and reinforcement of responses to natural disasters• Strengthening inter-regional connectivity through generalizing telecommunication services	<ul style="list-style-type: none">• Expanding B2B business models related to security and safety solutions	<div>4</div> <div>2021 Value of next-generation security business</div>
<ul style="list-style-type: none">• Easing traffic congestion and slashing social GHG emissions by providing optimal route guidance services, considering real-time traffic conditions	<ul style="list-style-type: none">• Expanding opportunities in ICT-based environmental solution market	<div>600,000</div> <div>tCO₂e</div> <div>2020 Social GHG reduction</div>

FINANCIAL STATEMENTS (NON-CONSOLIDATED)

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION			KRW million
	2018	2017	2016
Assets			
Current Assets	4,679,378	3,768,098	3,661,115
Cash and cash equivalents	877,823	880,583	874,350
Short-term financial instruments	99,000	94,000	95,000
Short-term investment securities	47,849	47,383	97,340
Accounts receivable - trade, net	1,354,260	1,520,209	1,594,504
Short-term loans, net	54,336	54,403	54,143
Short-term accounts receivable - other, net	518,451	1,003,509	772,570
Short-term accrued revenue	410	659	460
Contract assets	1,689	0	0
Short-term advance payment	10,473	13,783	30,988
Prepaid expenses	1,688,234	121,121	107,989
Inventories, net	22,079	29,837	32,479
Advanced payments and other	4,774	2,611	1,292
Non-current Assets	24,168,645	21,789,424	21,787,459
Long-term financial instruments	382	382	102
Long-term investment securities	410,672	724,603	560,966
Investments in subsidiaries and associates	10,188,914	9,152,321	8,726,538
Property and equipment, net	6,943,490	6,923,133	7,298,539
Goodwill	1,306,236	1,306,236	1,306,236
Intangible assets, net	4,010,864	3,089,545	3,275,663
Long-term loans, net	7,236	7,512	11,160
Long-term accounts receivable	274,053	285,118	147,139
Long-term contract assets	5,842	0	0
Long-term prepaid expenses	753,181	25,169	27,918
Long-term guarantee deposits	184,887	173,513	173,287
Long-term derivative financial assets	50,805	30,608	176,465
Deferred tax assets	0	30,953	58,410
Defined benefit assets	31,834	40,082	24,787
Other non-current assets	249	249	249
Total Assets	28,848,023	25,557,522	25,448,574

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION			KRW million
	2018	2017	2016
Liabilities and Equity			
Current Liabilities	4,178,068	4,767,401	4,464,160
Short-term accrued payables - other	1,622,744	1,664,054	1,546,252
Short-term unearned revenue	0	76,126	71,431
Contract liabilities	46,075	0	0
Short-term withholdings	696,790	517,991	642,582
Short-term accrued expenses	664,286	790,368	663,918
Unpaid corporate tax	162,609	206,060	461,999
Short-term unearned income	0	3,705	1,360
Derivative financial liabilities	0	27,791	86,950
Current liabilities	49,303	48,508	59,027
Current portion of bonds payable and longterm borrowings	512,377	1,131,047	628,868
Long-term non-trade payable	423,884	301,751	301,773
Non-current liabilities	7,782,468	5,782,730	6,727,460
Debentures	5,222,865	4,334,848	4,991,067
Long-term borrowings	31,764	42,486	61,416
Long-term payables—other	1,939,082	1,328,630	1,602,943
Long-term contract liabilities	8,358	0	0
Long-term unearned revenue	0	7,033	2,389
Derivative financial liabilities	1,107	10,719	0
Other non-current liabilities	12,483	16,178	21,493
Deferred tax liabilities	523,732	0	0
Other non-current liabilities	43,077	42,836	48,152
Total Liabilities	11,960,536	10,550,131	11,191,620
Equity			
Share capital	44,639	44,639	44,639
Other paid up capital	415,324	371,895	371,481
Retained earnings	16,467,789	14,512,556	13,902,627
Reserves	(40,265)	78,301	(61,793)
Total Equity	16,887,487	15,007,391	14,256,954
Total Liabilities and Equity	28,848,023	25,557,522	25,448,574

NON-CONSOLIDATED STATEMENT OF INCOME

KRW million

	2018	2017	2016
Operating revenue	11,705,639	12,468,035	12,350,479
Revenue	11,705,639	12,468,035	12,350,479
Operating expense	10,398,145	10,770,326	10,568,307
Labor cost	684,777	624,900	634,754
Commissions paid	4,454,763	4,864,463	4,716,555
Depreciation and amortization	2,324,509	2,370,192	2,242,546
Network interconnection	606,452	628,610	687,048
Leased line	276,699	290,324	347,741
Advertising	169,003	150,361	174,186
Rent	445,122	435,170	424,929
Cost of products that have been resold	500,119	515,013	502,770
Other operating expense	936,701	891,293	837,778
Operating income(loss)	1,307,494	1,697,709	1,782,172
Finance income	279,059	188,025	323,563
Finance cost	255,455	274,098	261,393
Other non-operating income	41,265	18,471	54,288
Other non-operating expense	149,817	165,783	200,771
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	(1,302)	139,484	(135,077)
Profit before income tax	1,221,244	1,603,808	1,562,782
Corporate tax	287,342	272,694	345,508
Net profit(loss) for the term	933,902	1,331,114	1,217,274
Earnings per share			
Basic earnings per share (in won)	13,000	18,613	17,001
Diluted earnings per share (in won)	13,000	18,613	17,001

NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KRW million

	2018	2017	2016
Net profit(loss) for the term	933,902	1,331,114	1,217,274
Other Inclusive gains and losses	(90,548)	141,840	(18,884)
Items not reclassified as a profit or loss	(118,808)	1,746	(10,319)
Remeasurement factors of defined benefit systems	(16,354)	1,746	(10,319)
Valuation loss on financial assets at fair value through other comprehensive income	(102,454)	0	0
Items reclassified as a profit or loss	28,260	140,094	(8,565)
Gain or loss from appreciation of tradable financial assets	0	119,910	5,385
Gain or loss from appreciation of derivative products	28,260	20,184	(13,950)
Total inclusive gains and losses for the term	843,354	1,472,954	1,198,390

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KRW million

		Equity							Retained Earnings	Reserves	Total Equity
		Share Capital	Capital Excess of Par Value	Treasury Stock	Hybrid Bond	Stock Options	Other	Total			
2016.01.01(Basic Capital)		44,639	2,915,887	(2,260,626)	398,518	0	(684,333)	369,446	13,418,603	(53,228)	13,779,460
Increase (Decrease) due to changes in accounting policies		0	0	0	0	0	0	0	0	0	0
Total income	Profit for the year	0	0	0	0	0	0	0	1,217,274	0	1,217,274
	Other comprehensive income	0	0	0	0	0	0	0	(10,319)	(8,565)	(18,884)
Dividends paid		0	0	0	0	0	0	0	706,091	0	706,091
Business combination under common control		0	0	0	0	0	2,035	2,035	0	0	2,035
Stock compensation expense		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)
Repayments of hybrid bonds		0	0	0	0	0	0	0	0	0	0
Issuance of hybrid bonds		0	0	0	0	0	0	0	0	0	0
2016.12.31(End of term capital)		44,639	2,915,887	(2,260,626)	398,518	0	(682,298)	371,481	13,902,627	(61,793)	14,256,954
2017.01.01(Basic Capital)		44,639	2,915,887	(2,260,626)	398,518	0	(682,298)	371,481	13,902,627	(61,793)	14,256,954
Increase (Decrease) due to changes in accounting policies		0	0	0	0	0	0	0	0	0	0
Total income	Profit for the year	0	0	0	0	0	0	0	1,331,114	0	1,331,114
	Other comprehensive incom	0	0	0	0	0	0	0	1,746	140,094	141,840
Dividends paid		0	0	0	0	0	0	0	(706,091)	0	(706,091)
Business combination under common control		0	0	0	0	0	0	0	0	0	0
Stock compensation expense		0	0	0	0	414	0	414	0	0	414
Interest on hybrid bond		0	0	0	0	0	0	0	(16,840)	0	(16,840)
Repayments of hybrid bonds		0	0	0	0	0	0	0	0	0	0
Issuance of hybrid bonds		0	0	0	0	0	0	0	0	0	0
2017.12.31(End of term capital)		44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	14,512,556	78,301	15,007,391
2018.01.01(Basic Capital)		44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	14,512,556	78,301	15,007,391
Increase (Decrease) due to changes in accounting policies		0	0	0	0	0	0	0	1,773,596	(58,389)	1,715,207
Total income	Profit for the year	0	0	0	0	0	0	0	933,902	0	933,902
	Other comprehensive incom	0	0	0	0	0	0	0	(30,371)	(60,177)	(90,548)
Dividends paid		0	0	0	0	0	0	0	706,091	0	706,091
Business combination under common control		0	0	281,151	0	0	(237,074)	44,077	0	0	44,077
Stock compensation expense		0	0	0	0	593	0	593	0	0	593
Interest on hybrid bond		0	0	0	0	0	0	0	(15,803)	0	(15,803)
Repayments of hybrid bonds		0	0	0	(398,518)	0	(1,482)	(400,000)	0	0	(400,000)
Issuance of hybrid bonds		0	0	0	398,759	0	0	398,759	0	0	398,759
2018.12.31(End of term capital)		44,639	2,915,887	(1,979,475)	398,759	1,007	(920,854)	415,324	16,467,789	(40,265)	16,887,487

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2018	2017	2016
Cash flows from operating activities	3,965,028	3,257,470	3,575,572
Cash generated from operating activities	4,307,913	3,841,517	4,005,289
Net Profit for the term	933,902	1,331,114	1,217,274
Adjustment for income and expenses	2,863,632	2,804,239	2,931,278
Changes in assets and liabilities related to operating activities	510,379	(293,836)	(143,263)
Interest received	35,456	46,774	23,014
Dividends received	177,490	101,256	113,955
Interest paid	(183,023)	(183,939)	(199,332)
Income tax paid	(372,808)	(548,138)	(367,354)
Cash flows from investing activities	(3,109,284)	(2,151,918)	(1,974,842)
Cash inflows from investing activities	389,656	296,686	629,565
Decrease in short-term investment securities, net	0	50,000	0
Decrease in short-term financial instruments, net	0	1,000	36,500
Collection of short-term loans	110,261	206,932	232,745
Proceeds from disposal of long-term investment securities	189,083	15,276	336,669
Proceeds from disposal of investments in associates and joint ventures	78,548	0	1,063
Increase in cash flow from combining businesses	0	0	360
Proceeds from disposal of property and equipment	10,848	19,667	14,539
Proceeds from disposal of intangible assets	916	3,811	7,689
Cash outflows for investing activities	(3,498,940)	(2,448,604)	(2,604,407)
Increase in short-term investment securities, net	5,000	0	6,335
Increase in short-term loans	109,915	203,511	237,197
Increase in long-term financial instruments	0	0	40
Acquisition of long-term investment securities	990	12,863	19,501
Acquisition of investments in associates and joint ventures	1,045,713	286,298	87,088
Acquisition of property and equipment	1,893,284	1,870,634	1,674,027
Acquisition of intangible assets	444,038	75,298	580,219

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2018	2017	2016
Cash flows from financing activities	(858,073)	(1,099,286)	(1,158,738)
Cash inflows from financing activities	1,725,221	647,516	607,725
Issuance of debentures	1,326,346	647,328	607,474
Cash inflows from derivative transactions	116	188	251
Proceeds from issuance of hybrid bonds	398,759	0	0
Cash outflows for financing activities	(2,583,294)	(1,746,802)	(1,766,463)
Net decrease in short-term borrowings	0	0	230,000
Repayment of long-term borrowings	12,770	13,002	12,814
Repayments of hybrid bonds	400,000	0	0
Repayment of long-term non-trade payables	302,867	302,867	120,718
Repayment of debentures	1,116,550	602,733	680,000
Payment of dividends	706,091	706,091	706,091
Interest on hybrid bond	15,803	16,840	16,840
Outflow of cash due to transaction of derivative products	29,213	105,269	0
Net increase (decrease) in cash and cash equivalents	(2,329)	6,266	441,992
Cash and cash equivalent at beginning of the year	880,583	874,350	431,666
Effects of exchange rate changes on cash and cash equivalents	(431)	(33)	692
Cash and cash equivalents at end of the year	877,823	880,583	874,350

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