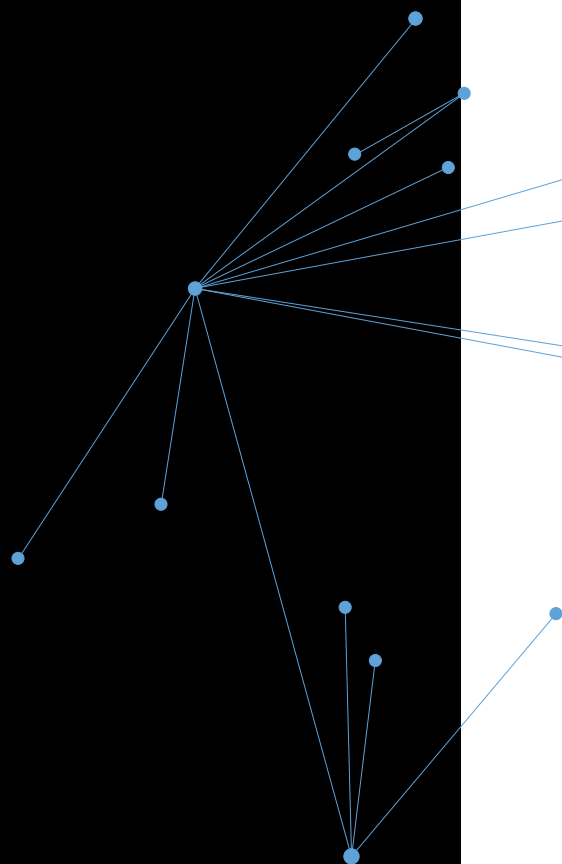


**BEYOND  
THE NEW  
NORMAL**

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**SK  
TELECOM  
ANNUAL  
REPORT  
2019**

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## 01

### MANAGEMENT OVERVIEW

LETTER TO STAKEHOLDERS	30
OUR BUSINESS MODEL	40
PERFORMANCE HIGHLIGHTS	42
OUR SUBSIDIARIES	44
MATERIALITY	46
STAKEHOLDER ENGAGEMENT	54

## 02

### ADVANCED TO NEW ICT

MID - TO LONG - TERM STRATEGY	59
STRENGTHENING ICT INFRASTRUCTURE	60
MAXIMIZING VALUE OF NEW ICT PORTFOLIO	63
CREATING NEW VALUE BY SHARING INFRASTRUCTURE	64

## 03

### SOCIAL VALUE

STRATEGIC DIRECTIONS FOR SOCIAL VALUE	69
SOCIAL VALUE CREATION IN LINE WITH STRATEGIC DIRECTIONS	70
SOCIAL VALUE MEASUREMENT	74

## 04

### SUSTAINABLE ISSUE

CREATING ECONOMIC VALUE	82
BUSINESS OPERATIONS	84
CUSTOMERS	86
MEMBERS	91
ENVIRONMENTAL MANAGEMENT	94
SOCIAL CONTRIBUTION	98

## 05

### ACCOUNTABILITY

GOVERNANCE REPORT	102
RISK MANAGEMENT REPORT	118
INTEGRITY REPORT	128
HUMAN RIGHTS REPORT	134
SUPPLIER RESPONSIBILITY REPORT	138

## 06

### APPENDIX

FINANCIAL STATEMENT	146
NON-FINANCIAL STATEMENT	166
INDEX	
GRI STANDARDS / SASB / UNGC / TCFD / UN SDGS	180
FINANCIAL STATEMENT(NON-CONSOLIDATED)	202
ABOUT THIS REPORT	208



## Beyond the new normal

The everyday lives that we will soon face, may be a world that no one has experienced and a future no one has ever imagined. However, SK Telecom believes that the approaching NEW NORMAL will be an era of opportunities and challenges. Based on its 5G and ICT technology, SK Telecom has fortified its competitiveness, expanded collaboration and created social value to diligently prepare for the NEW NORMAL before anyone else. Moving forward, SK Telecom pledges to grow into a new global ICT company that leads the global ICT industry, creating more opportunities and taking up bold challenges. New everyday lives with SK Telecom, the incredible experience is about to begin.



# TO GLOBAL NEW ICT COMPANY

As the first in the world, SK Telecom has opened the doors to hyper-generation through the commercialization of 5G and is leading a hyper-connected generation. In 2019, SK Telecom built 4 portfolios for the MNO, media, security and commerce business sectors and recorded the highest ever sales performance, establishing a foundation to take another step forward as a NEW GLOBAL ICT company. In 2020, the company plans to solidify its leadership in the 4 business sectors and create synergy among the businesses to grow as a leader in each sector.





## MNO

**We will solidify our leadership through differentiated services of 5G technology.**

In 2019, SK Telecom became the first company in the world to commercialize 5G and unlock the 5G hyper-generation. By offering differentiated services for 5G technology, we provided a foundation for MNO's re-growth. This is a result of our company proactively pursuing value-creating programs centered on customers with the maximization of 5G-based network technology, and executing scientific marketing that is integrated with Data and AI. We plan to exert multi-faceted efforts to secure continued growth of MNO and robust leadership, create a wide range of business models through close collaboration with global companies, and identify new opportunities for growth.



# MEDIA

**We will grow as an industry leader by building platforms and developing content.**

In order to be a step ahead in the global media market where competition is getting fiercer by day, SK Telecom is continuously accepting new challenges. SK Broadband, which has been merged with a domestic cable TV company, T-Broad, is continuing to grow with increased number of premium subscribers and heightened content utilization. In addition, by successfully launching "wave," a joint venture of the video streaming services oksusu and POOQ, we have solidified our position in the media market. Through the establishment of unique platforms and development of differentiated content, SK Telecom plans to strengthen product competitiveness and expand partnerships with domestic and international companies, in order to become the industry's leading comprehensive media company.







# SECURITY

**We lead the security industry by paving the way for convergent security.**

To bolster competitiveness in the security market, SK Telecom acquired ADT Caps and SK infosec and successfully established a convergent security system that covers physical and information security as well as quantum cryptography. Also, we are facilitating the growth of the security business by presenting new services such as Cloud security, unattended parking, senior care etc. with our enhanced technology and broad sales capacity. We are committed to creating a foundation for continued growth by securing the Number 1 spot in the information security business. To this end, we will strengthen the competitiveness of the convergent security business which embodies ICT technology and security, and pursue the expansion of synergy among the SK ICT affiliates as well as the enhancement of the global portfolio.



# COMMERCE

**We provide an optimal shopping experience using our advanced ICT technologies.**

Even in the midst of the competitive e-Commerce industry, 11th Street, which provides customized services based on enhanced technologies such as Big Data, AI etc. and offers new shopping experiences through varied and differentiated promotions, is solidifying its foundation for growth. Moreover, SK stoa expanded its business into TV, mobile, PC and other channels, thriving as a total T commerce company. While working to secure partnerships with major domestic and international partners and establish the foundation of 11st Street in the e-Commerce market through differentiated ICT technology, SK Telecom will also strive to accelerate the growth of T commerce through partnerships with media companies and nurture SK stoa as number 1 in the industry.





# WITH HYPER COLLABORA- TION

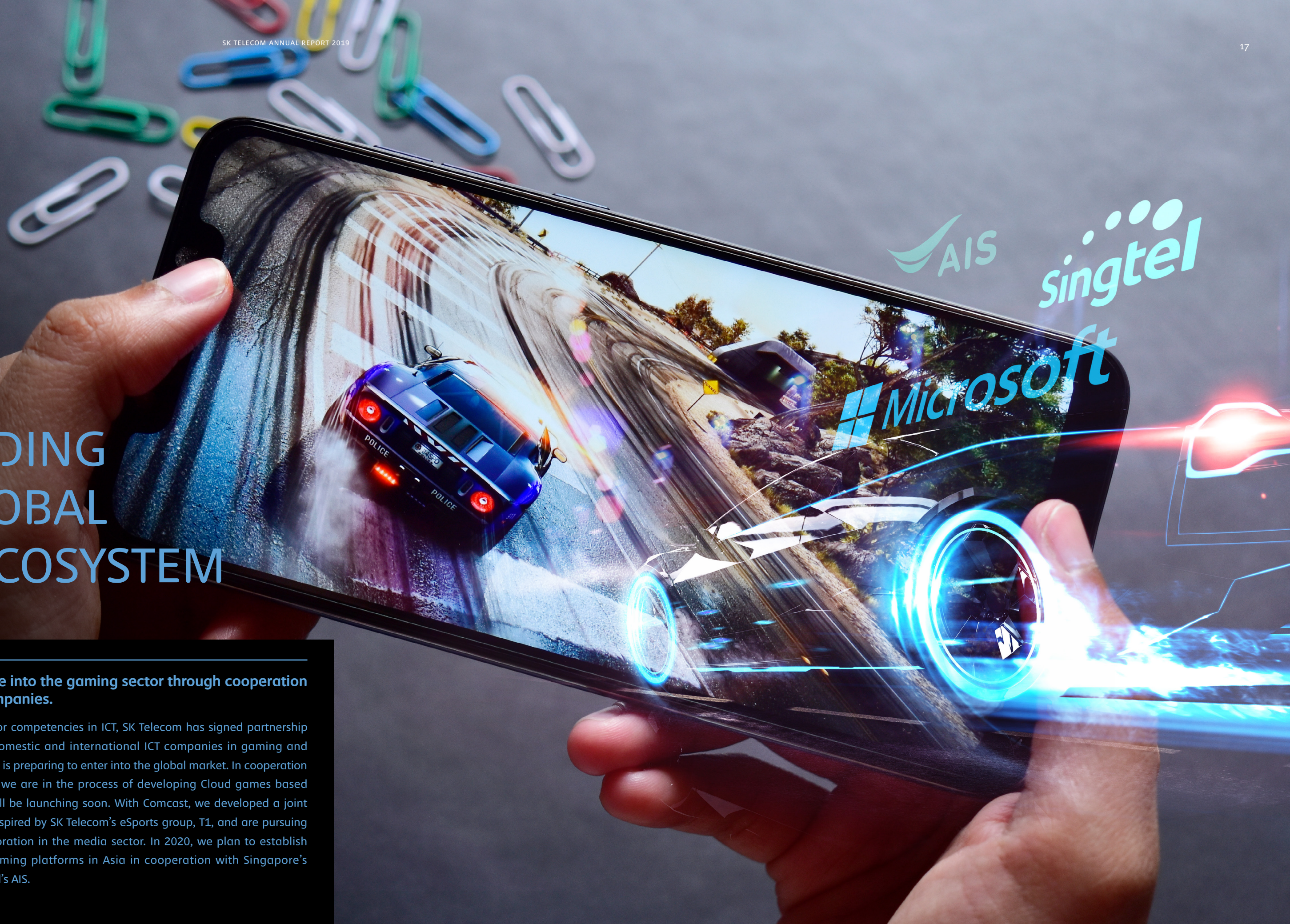
To survive and grow in the rapidly changing global ICT industry, it is essential to pursue hyper-collaboration that integrates companies from various sectors for cooperation. SK Telecom is strengthening its multifaceted collaboration in various sectors such as MNO, media, gaming etc. by signing strategic partnerships with domestic and international industry leaders for synergy creation. By establishing a new global ICT ecosystem with leading companies in various sectors, we will secure new growth engines and expand our global market reach.



# BUILDING A GLOBAL 5G ECOSYSTEM

**We will advance into the gaming sector through cooperation with global companies.**

Based on its superior competencies in ICT, SK Telecom has signed partnership agreements with domestic and international ICT companies in gaming and e-Sports sectors and is preparing to enter into the global market. In cooperation with the Microsoft, we are in the process of developing Cloud games based on 5G, which we will be launching soon. With Comcast, we developed a joint venture company inspired by SK Telecom's eSports group, T1, and are pursuing an inclusive collaboration in the media sector. In 2020, we plan to establish state-of-the-art gaming platforms in Asia in cooperation with Singapore's Singtel and Thailand's AIS.



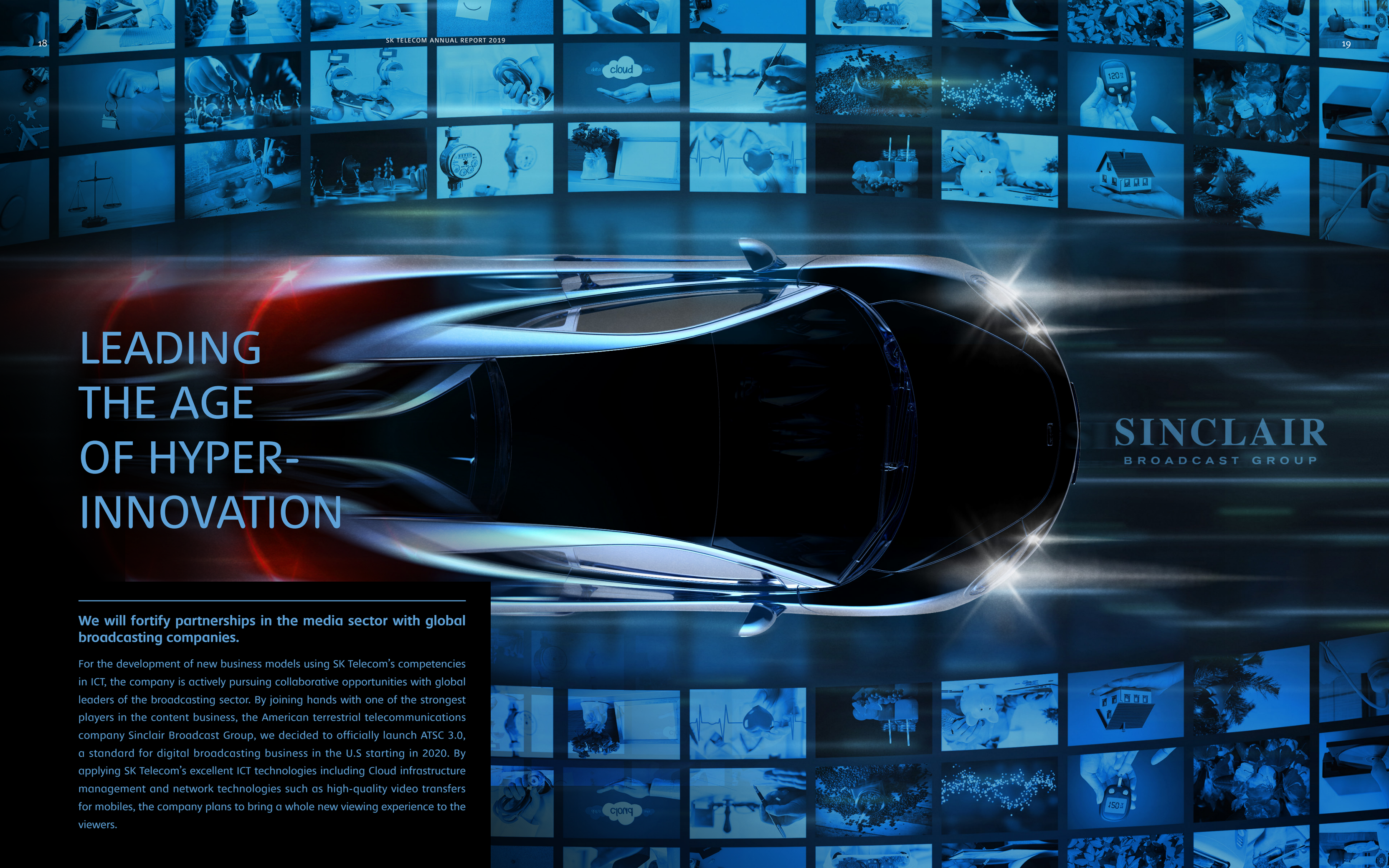


# LEADING THE AGE OF HYPER-INNOVATION

**SINCLAIR**  
BROADCAST GROUP

**We will fortify partnerships in the media sector with global broadcasting companies.**

For the development of new business models using SK Telecom's competencies in ICT, the company is actively pursuing collaborative opportunities with global leaders of the broadcasting sector. By joining hands with one of the strongest players in the content business, the American terrestrial telecommunications company Sinclair Broadcast Group, we decided to officially launch ATSC 3.0, a standard for digital broadcasting business in the U.S starting in 2020. By applying SK Telecom's excellent ICT technologies including Cloud infrastructure management and network technologies such as high-quality video transfers for mobiles, the company plans to bring a whole new viewing experience to the viewers.





# FOR CREATING SOCIAL VALUE

SK Telecom employs the Double Bottom Line, a principle that considers not only economic value but the creation of social value as part of economic performances, and pursues management that generates long-term and sustainable growth with the society. In particular, we are focused on operating a wide range of programs and services using cutting-edge ICT technologies and infrastructure, and on supporting the development of social enterprises and startups related to ICT, thereby creating social value.



## PROVIDING ICT WELFARE

**We are broadening welfare services for the socially vulnerable group with our ICT technology.**

SK Telecom is expanding its series of activities with the belief that ICT technology has the power to instill new hope for the socially vulnerable groups. We offer the "AI Care service" that alleviates issues of loneliness, safety and health such as dementia for seniors living alone, and as the first in the country, we have established and are operating an "AI-based dementia prevention programs". Also, through programs such as "ICT Make-a-thon," a competition for ICT challenge geared toward youths with disabilities, the "T-map Taxi" service for taxi drivers with hearing impairment, "Library for Happiness," providing cost-free audio content for people with visual impairment, we are enhancing welfare for people with disabilities through numerous programs that embody the ICT technology.





# REALIZING ICT EQUALITY

## We contribute to the mitigation of ICT information disparity through experiment-based educational programs.

ICT renders its true significance as a technology when it brings benefits to everyone, regardless of region, environment and age. In this respect, SK Telecom has been operating a variety of training programs to eliminate ICT information disparity. Through "T.um Mobile," an experiment-based visiting program that is offered for children and youths in all regions across the country, we offer exciting events for children to learn about ICT and dream about the future. Also, for the middle and old - aged group that may be experiencing ICT alienation, we have been operating "Smart phone trainings for adults," and we recently launched a new program called "Exciting Coding Class," that facilitates easy comprehension of coding for students with the help of educational robots.





# ABOUT SK TELECOM

SK Telecom is building New Biz business areas of media, security and commerce in addition to wired and wireless communications businesses. Based on 5G communication technology, we are making headway for technology development in various areas such as AI(artificial intelligence), Big Data, IoT, mobility, quantum cryptography etc. and stepping forward as a global ICT leader. In addition, as an ICT Synergy Company, we will continue contemplating on creating happiness and value for our customers, members and stakeholders using our infrastructure and technical competencies as an effort to progress with the society. For these efforts, we set a record for placing 1st in the 3 major customer satisfaction surveys in 2019 for the longest period of time.

## CORPORATE OVERVIEW

(As of the end of Dec. 2019)

<b>Date of establishment</b>	March 29, 1984
<b>Number of employees</b>	5,425
<b>Number of subsidiaries</b>	48
<b>Address of Headquarters</b>	SK T Tower, 65, Eulji-ro, Jung-gu, Seoul, Korea(04539)
<b>Corporate website</b>	<b>Korean</b> <a href="https://www.sktelecom.com">https://www.sktelecom.com</a> <b>English</b> <a href="https://www.sktelecom.com/index_en.html">https://www.sktelecom.com/index_en.html</a>

## INFORMATION FOR INVESTORS

(As of the end of Dec. 2019)

<b>Paid-in Capital</b>	KRW 44,639million	<b>Available Filings</b>	<b>Korean</b> <b>Electronic Disclosure System of Financial Supervisory Service:</b> <a href="http://dart.fss.or.kr">http://dart.fss.or.kr</a> > Search word: SK Telecom <b>Public Disclosure Channel of Korea Exchange:</b> <a href="http://kind.krx.co.kr">http://kind.krx.co.kr</a> > Search word: SK Telecom
<b>Number of issued shares in total</b>	80,745,711 shares		<b>English</b> <b>New York Stock Exchange:</b> <a href="http://www.sec.gov/edgar/searchedgar/companysearch.html">www.sec.gov/edgar/searchedgar/companysearch.html</a> > Company Name: Search 'SK Telecom' <b>London Stock Exchange:</b> <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a>
<b>Stock exchange registration status</b>	Korea Stock Exchange: 107670.KS (common stocks) New York Stock Exchange: SKM London Stock Exchange: SKMD		
<b>Transfer Agent and Register</b>	Securities Agency Dept. at KB Kookmin Bank 36-3, Yeouido-dong, Youngdeungpo-gu, Seoul, Korea T. 82-2-2073-8105 F. 82-2-2073-8111		
<b>Annual general shareholders meeting</b>	Thursday, March 26, 2020 SK T Tower, 65, Eulji-ro, Jung-gu, Seoul, Korea(04539)		
<b>Contact information</b>	Email: <a href="mailto:skt.ir@sk.com">skt.ir@sk.com</a> T. 82-2-6100-2114		

## GLOBAL NETWORK(AS OF THE END OF DEC. 2019)

(As of the end of Dec. 2019)

United States	China	Japan	Malaysia
SK Telecom Americas, Inc. 310 De Guigne Drive, Sunnyvale, CA 94085, USA T. 1-408-328-2900 F. 1-408-328-2931	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	SK Telecom Japan Inc. 8F, NBF Hibiya Bldg., 1-1-7, Uchisaiwai-cho, Chiyo-da-ku, Tokyo 100-0011, Japan T. 81-3-3591-3800	SK Malaysia Representative Office Suite 53A, Level 53, Vista Tower, The Intermark, 348 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia T. 603-2166-9011

# ICT Synergy Company that pursues the happiness of customers, members and stakeholders as number 1 priority

ICT Synergy Company

**Innovation and technology**

We utilize technology such as 5G and AI to create innovative products and services.

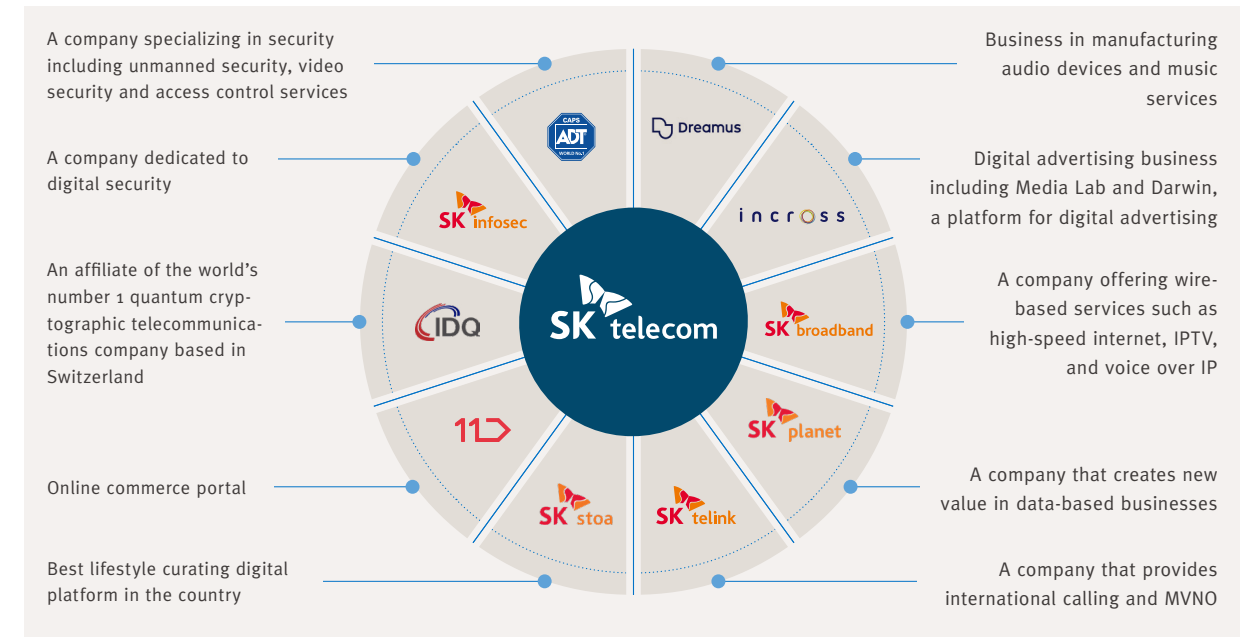
**New customer experiences**

We offer services that are tailored to our customers by applying the AI technology to various sectors including media, security, commerce, etc.

**Social value creation**

We work alongside our society on social challenges, and we find solutions through ICT innovation.

## SK Telecom's business sectors and affiliates



## Recognition of excellence in ESG

Recognized for superior ESG by various rating agencies including domestic and international institutions, NGOs, government, investment institutions etc.

**MEMBER OF Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

**Included in DJSI World for 12 consecutive years**  
First as a telecommunications company in Asia, longest as a domestic company

**A+ in Governance by Korea Corporate Governance Service, Grade A overall**

**Rated Excellent on the Win Win Index by Korea Commission for Corporate Partnership**  
Excellent Business of Honor for 7 consecutive years

**Received the Telecom Asia Award**  
Received 7 awards including "Best Mobile Carrier" in Asia

**KCCP**

**telecomasia Awards 2019**

## Number 1 in all three of Korea's major customer satisfaction surveys

SK Telecom has ranked number one on the National Customer Satisfaction Index (NCSI), the Korean Customer Satisfaction Index (KCSI) and the Korea Service Quality Index (KS-SQI) for the longest-running period.

**NCSI**  
23 consecutive years

**KCSI**  
22 consecutive years

**KS-SQI**  
20 consecutive years



# MANAGEMENT OVERVIEW

30	LETTER TO STAKEHOLDERS
40	OUR BUSINESS MODEL
42	PERFORMANCE HIGHLIGHTS
44	OUR SUBSIDIARIES
46	MATERIALITY
54	STAKEHOLDER ENGAGEMENT



## LETTER TO STAKEHOLDERS



President and CEO of SK Telecom  
Jung Ho Park

### Dear respected stakeholders, I'm Jung Ho Park, President and CEO of SK Telecom.

It has already been 3 years since taking office as CEO of SK Telecom.

Over the past 3 years, our company has built 4 business portfolios by fostering the media, security, and commerce sectors in addition to creating a base for another leap forward for the MNO business. We strengthened the growth capacities for each business sector to take a step forward toward bigger synergies including the profit conversion of 11st Street, acquisition of the country's number 2 physical security services provider, ADT Caps, the number 1 information security service provider SK infosec, and T-Broad, the number 2 cable TV company in addition to the launch of "wavve," a mobile media service.

In 2019, we reached the highest consolidated sales revenue since the company's establishment. In particular, the non-MNO business's share of sales rose from 31% in 2018 to 36% in 2019, and operating profit recorded a surplus, making the first year in which non-MNO businesses contribute to consolidated operating profit.

Another noteworthy accomplishment was that SK Telecom was able to break the frame of being a telecommunications company that settles in Korea but stepped up as a global enterprise. The environment of today's global ICT industry is not one that any company, including SK Telecom can endure on its own. The hyper-collaboration, in which we are collaborating with major business partners representing each sector by extending our hands and breaking boundaries, is not a choice but a prerequisite to future survival.

Our company is fortifying its efforts to create social values as well as economic achievements. A business needs to be examined with a long-term perspective, and only when this is put into practice, the company is capable of growing sustainably. We identify methods to measure social value and pursue them systematically, and these efforts are being recognized on a global level as shown by the inclusion of our company in the DJSI World Index for the longest period.

In 2020, we surpassed ourselves as an MNO company and transitioned as a New ICT company that possesses 4 business portfolios that maximizes synergy, and are creating synergy in each sector with big players in Korea and overseas. Moving on, we plan to gain sufficient trust as a New ICT company in the market and officially elevate our corporate value.

Please read further for our detailed performance and strategies.



## 2019 performance MNO, Turnaround

The foundation of MNO needs to start from the customers' trust. In order to grow sustainably, we recognize that positive changes to the SK Telecom's sustainable growth will occur if we seek for fundamental changes rather than short-term market competitions and momentary profit. Realizing that pursuing MNO's sustainable growth through the conventional practices and methods of communication may be difficult, we began to drive fundamental changes and innovation.

We will look at an example of the international roaming service. In 2017, the Parliamentary audit noted that our roaming charges were too high. As a response, our company accepted short-term loss by providing short calls free of charge and drastically improving call qualities. Ultimately, we achieved the revitalization of roaming services and an increase in sales. As such, in 2018 we pursued innovative programs for customer value to become a company that is cherished by our customers and as a result, the MNO business shifted its direction upwards in 2019. Acknowledging our goal of offering sincere communication rather than simple conversations, the government changed directions from cutting costs to supporting the revitalization of 5G, and the MNO's quarterly sales for the 1st quarter of 2019 made an upward transition.

With the customers' support, focused on scientific marketing of MNO by integrating Data and AI. As a result, the marketing process was dramatically shortened while our productivity significantly increased. Moving on, we plan to continuously maximize business operation by converging Data and AI technologies.

On April 3rd 2019, we faced another turning point for advancement into the hyper-generation of 5G with the world's first launch of 5G memberships. Within 9 months of the launch, 5G subscribers surpassed 2 million for the first time in the nation, and we provided a platform for new growth and global partnerships based on our advanced 5G technical competencies and services. Also by collaborating with a global enterprise of Microsoft, we are pursuing the development of a 5G-based Cloud gaming service and plan to launch the service this year.

### OUR ACHIEVEMENTS IN THE 3 MAJOR CUSTOMER SATISFACTION SURVEYS

Name	Organizer	Content
Korean Customer Satisfaction Index	Korea Management Association Consultants	#1 for 22 consecutive years
National Customer Satisfaction Index	Korea Productivity Center	#1 for 23 consecutive years
Korea Service Quality Index	Korean Standards Association	#1 for 20 consecutive years

## Establishing media, an unrivaled TV platform

With IPTV recording over 10% growth in 2019 for the media business, the sales of SK Broadband recorded its largest ever. On April 29th of this year, the merger and acquisition agreement of T-Broad and SK Broadband, which was signed in April of 2019, was finalized. After the merger, SK Broadband is growing into a comprehensive media company with a base of 8 million subscribers.

Also, we launched a Korean mobile media content service "wavve," in cooperation with the 3 major broadcasting companies of KBS, MBC, and SBS, firmly establishing our presence in the media market. With this, we are strengthening what is one of the most important elements of media, content competitiveness, and have secured 10 million paid subscribers which enables bold investments.

With paid services and OTT at its side, the media business was recognized for its high corporate value. SK Broadband merged with T-Broad at a value of KRW 3.6 trillion, and wavve also was recognized for its KRW 1 trillion value in the market last December, attracting an investment of KRW 200 billion. To sum up, the worth of our media business with the ownership ratio in consideration has a scale of about KRW 4 trillion.

## Security, a new axis of growth

The security sector is a market that is soon to amplify with the coming of the 4th Industrial Revolution. Since the revolution centers on ICT technology, we acknowledged that the security business is a sector that may create the biggest synergy and acquired ADT Caps and SK infosec in 2018.

A new level of security services may arise as our company's ICT technology, SK infosec's information security platform, and ADT Caps' physical security platform converges.

In 2019, the security business proved its synergy with SK Telecom to the market even in terms of profit, by recording a double-digit growth in both revenue and operating profit.

Moving forward, we will continue to consolidate the capabilities in physical and information security to drive the market's changes and innovation as well as lead the convergent security industry.



## Commerce, reaching BEP

The commerce industry was sustaining on operating deficit within the fierce competition and opinions that achieving both scale and profitability would be impossible were dominant due to the domestic situation where numerous businesses are competing.

Even in this environment, we executed a corporate spin-off where we separated 11st Street from SK Planet in 2018 and restructured it to solely concentrate on e-Commerce, and focused on efficient marketing and service differentiation to offer an optimal shopping experience from the customers' perspectives. This resulted in improved profitability of about KRW 70 billion in 2019 compared to the previous year, and operating profit.

Meanwhile, SK stoa that runs TV home shopping, grew to be the second largest T-commerce company in the industry through channel expansion strategies in TV, mobile, PC etc. and launch of various self-established products, contributing to the growth in sales in the commerce sector.

## Financial performance and dividends

Sales of 2019 rose 5.2% year on year and reached its highest ever with 17 trillion KRW 743.7 billion. In line with the successful launch of 5G, MNO secured a foundation for subscribers, and New Biz such as media and security contributed to the increase in consolidated sales with their significant growth.

Operating profit recorded KRW 1.11 trillion, a 7.6% decrease compared to the previous year. MNO's operating profit decreased due to the influence of marketing expenses for the commercialization of 5G and the increase of depreciation. However, we were able to offset the amount of decrease in MNO through surplus in the commerce industry which resulted from service differentiation and efficient marketing, and the acquisition of ADT Caps and SK infosec in the security business, which drastically improved the New ICT portfolio.

The dividend was determined at the general meeting of shareholders of maintaining 10,000 KRW, including the interim dividend of 1,000 KRW. SK Telecom adheres to the basic principles of balancing shareholder return and securing resources for growth, and will strive to let the transformation and growth of the company be extended to that of the shareholders, and for all stakeholders' value to be expanded.

### FINANCIAL PERFORMANCE AND DIVIDENDS

(Consolidated, unit: KRW 100 million)

Category	2018	2019	YoY
Sales	168,740	177,437	5.2%
MNO	117,056	114,162	Δ2.5%
New Biz	42,175	51,266	21.6%
Operating profit	12,018	11,100	Δ7.6%
EBITDA	44,853	50,452	12.5%
Net income	31,320	8,619	Δ72.5%
Dividend per share (KRW)	10,000	10,000	-
Dividend payout*	77%	74%	Δ3%p

\*Non-consolidated



## Hyper-collaboration, partnership with domestic and international industry leaders

Now that our company possess the foundation for omnidirectional cooperation in the ICT sector beyond domestic companies, our competency is being acknowledged by both domestic and international companies.

In 2019, we focused on signing strategic partnerships with companies worldwide for synergy creation in various sectors such as MNO, media, and gaming.

The eSports JV company, which was established in conjunction with Comcast is an example of hyper collaboration, through which we transformed our assets into a strong base for the new market. The T1 team of eSports was one of the company's marketing tools, but was recognized for its KRW 110 billion value by Comcast and drew investments. Currently, we are developing this project as a new business asset. Additionally, by utilizing our company's broadcasting technology called ATSC, we established a JV with US' Sinclair through hyper collaboration, tapping into the US broadcast technology market. Based on the strategic partnership with Microsoft for 5G, we developed Cloud games that is soon to be commercialized. Through the MEC joint company with Amazon Web Services, we not only secured growth engines for B2B but are preparing to advance into the global market.

In Korea, we solidified a strategic partnership with Kakao by acquiring KRW 300 billion in mutual shares, leading a new structure of competition and collaboration in Korea's ICT ecosystem.

In such ways, we are building a platform for collaboration with domestic and international players based on the groundwork of hyper collaboration. We will continue to broaden the scope of hyper collaboration to monetize our assets and unlock new markets.

### CURRENT PARTNERSHIPS WITH MAJOR COMPANIES

Period	Major contents
Feb. 2019	Signed an MOU with Singtel for gaming and eSports business
Jun. 2019	Signed for JV of a tech company with Deutsche Telekom for core technologies related to 5G
Sep. 2019	Pursuing JV with Microsoft for 5G-based Cloud gaming platform
Oct. 2019	Established an eSports JV, SK Telecom CS T1 with Comcast
Oct. 2019	Established a strategic partnership and exchanged shares with Kakao
Dec. 2019	Joined AWS for global 5G mobile edge computing (MEC) business
Jan. 2020	Officially launched Cast.era, a JV with Sinclair Broadcast Group and the broadcasting service based in the U.S, ATSC 3.0
Mar. 2020	Signed to establish a JV with Singtel and AIS for a gaming platform

## Social Value

SK Telecom pursues the Double Bottom Line, a principle that counts the creation of social value in addition to economic value during the company's operation as a part of its economic performance to ultimately achieve long-term and sustainable growth with the society. We are managing social values in ESG (environmental, social and governance) as indicators of economic performance and are reflecting them in management decision-making.

Based on our competence in AI and data analysis, we launched the "Happy Community AI Care" service to resolve issues of loneliness, safety and dementia for isolated seniors along with social enterprises and local governments. The GSMA (Global System for Mobile Communications) also mentioned that this project will contribute to the alleviation of social problems and extended their apprehension and support for the paths SK Telecom is taking.

This year, our company emphasized the pursuit of continued happiness of our members, and included the phrase that our members will strive for the shareholder's long-term value and the stakeholders' happiness in the Articles of Incorporation. Now, the pursuit of social value is a foundation for SK Telecom's management that is stated in the Articles of Incorporation.

Moving forward, we will continue striving to establish a long-term oriented relationship of trust with our stakeholders and pursue the enhancement of a sustainable future corporate value.



## 2020, Growing as a company that represents New ICT

2020 will be a year in which the 4 major business sectors will form robust leadership in each sector and create synergy among the businesses, leaping forward as leading companies in each sector.

MNO will continue its revenue growth that was made tangible last year through innovation of the 5G services and solidify its leadership. Based on its quality and service leadership in the 5G sector, we will amplify our partnerships with global companies and will continue to write stories of growth and cooperation through new services and products such as Cloud gaming, real-life experience services, eSports etc.









For the media sector, we secured its competitive advantage in the paid broadcasting market as well as the basis of 10 million media subscribers by merging with T-Broad this year. From this point on, we will strengthen competitiveness in contents by developing original content and expanding partnerships with domestic and international companies, nurturing our global market power.

The security business will pursue the increase in its value by creating synergy with the ICT technology-based business models. We will strengthen our competitiveness in new sectors of Cloud security and technology-based convergent security in which we have exclusive capabilities. We will also continue to explore growth opportunities by expanding synergy among SK's ICT families and fortifying global portfolio.

11th Street which made a transition to surplus last year despite the intense competition in the commerce industry, will continue to establish partnerships with major domestic and international companies and solidify its position in the market with differentiated ICT technologies.

Additionally, we will solidify the connection between commerce and media through SK stoa and accelerate the growth of the T commerce market.

### ICT PORTFOLIO

NO.1 MNO	NO.1 MEDIA PLATFORM	NO.1 CONVERGENCE SECURITY	NO.1 COMMERCE PROFIT + GROWTH
	  	 	 
<b>5G + AI</b>			

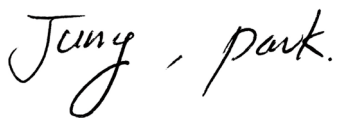
## Dear respected stakeholders,

Our company achieved the innovation of transforming from the nation's number 1 "Telecommunications Company" to Korea's representative "New ICT Company" in the last 3 years. We are now standing at a significant turning point where we need to speed up the growth of our portfolio which we have boldly built to gain recognition in the market for its bigger value.

In order to nurture the fruits of the New ICT portfolio even more, our company adopted the Dual Operating System and rearranged our organization so that the New Biz which has different characteristics than that of our existing businesses, can independently make optimal decisions. Through the new management system, we will stabilize the New ICT business and develop its scale and competitiveness to officially maximize our corporate value.

Dear stakeholders,

We are continuing to make bold and profound changes to become a 'New Global ICT Company' that can be recognized and loved by society and all customers, partners, and shareholders in Korea and abroad. We sincerely ask for your continued trust and encouragement during the coming generation of opportunities and challenges.



President and CEO of SK Telecom **Jung Ho Park**



# OUR BUSINESS MODEL

## A NEW GLOBAL ICT LEADER THAT LEADS TRANSITION INTO ICT

SK Telecom has successfully built a portfolio for its 4 business sectors, expanding its business areas into media, security, and commerce, as well as establishing a relaunching base for its mobile communications (MNO) business. Using the synergy created through domestically and internationally shared infrastructures, we maximized competitiveness among the sectors and optimized the company value, stepping out as a New Global ICT company with new growth engines of innovative services and leading technologies. In addition, SK Telecom is fulfilling its social responsibility in a dedicated manner by exerting efforts in New ICT-based economic performances and in creating social values.





# PERFORMANCE HIGHLIGHTS

## YEARLY ACTIVITIES AND ACHIEVEMENTS OF 5G INFRASTRUCTURE

1

### Successfully launched the world's first TV live broadcasting through 5G commercial networks

SK Telecom successfully achieved the world's first commercialization of 5G as well as TV live broadcasting. We also succeeded in high-quality broadcasting even in areas of high data traffic by using "T Live Caster," a solution of 5G commercialized services and live broadcasting. Starting with the success of the 5G live broadcasting, we plan to support innovation of the media industry such as improving the quality of T Live Caster, pursuing interconnected platforms for personal broadcasting and upgrades for 5G smartphone applications.

3

### Introduced core technologies for next-generation media and mobility in the 5G era

We introduced next-generation media and mobility technologies at the "World's largest IT and electronics exhibition, CES 2019." With SM Entertainment, we brought various next generation media content such as social VR, Holobox and AI media technologies to life. Also, with SK innovation and SK hynix, we revealed HD map updates and Single Photon LiDARs, which are proven to be key technologies for autonomous driving that will come into full swing in the 5G era. We are in the process of securing core technologies in the media and mobility sectors through proactive partnerships with domestic and international companies, and look forward to providing new experiences for our customers.

2

### Led the media ecosystem through OTT 'wavve'

In response to changes in the media market, we integrated terrestrial content streaming platform POOQ and oksusu to establish a media ecosystem in Korea. Along with quality content of POOQ and SK Telecom's integration of new technologies, the base for advancement into the international markets is becoming firmer.

We are also speeding up the globalization of the media business by securing rights of terrestrial content needed for global advancement as well as the rights for content distribution for partner companies in Asia. Moving forward, we plan to lead the global content industry by making bold investments to wavve.

4

### Targeted the e-Sports market through the SKT and Comcast partnership

SK Telecom is pursuing ongoing collaboration to explore future growth engines based on ICT technology. We signed an agreement for strategic partnership with the world-renowned media entertainment company, Comcast, and are in the process of pursuing joint development of a game streaming business and contents. As the e-Sports industry is expected to expand into the media market, we plan to secure competitiveness by building innovative platforms and developing a variety of contents in addition to e-Sports and gaming.



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### Launched 'Happy Community - AI care' service for the socially disadvantaged class utilizing AI-IoT technology

Along with the local government and social enterprises, we are offering care services using AI for isolated senior citizens. The AI care service, which is a pilot project targeted for seniors living alone, is expected to provide convenience and safety in their daily lives through the distribution AI speakers called "NUGU." We promise to contribute to resolving social issues by sharing and opening up advanced ICT technologies such as AI and IoT.

7

### Generating social value with innovative ICT technology

By sharing the company's exclusive infrastructure and innovative ICT technology, we are conducting trainings in coding and young adult galleries etc. We offer the program of "Exciting coding classes" for students at the company's branches and offices in major cities across the nation, contributing to the development of ICT talents. In addition, we offer opportunities for emerging artists to showcase their work for promotion of their pieces while presenting new experiences for the clients.

6

### Launched "Sonnuri" for people with hearing impairment facing difficulties in voice calling

To improve issues with voice calling for people with hearing impairment, we launched the "Sonnuri" service in partnership with Seoul National School for the Deaf and Associations for the Deaf across the nation. The Sonnuri service alerts callers that are trying to reach people with hearing impairment saying, "This is a mobile phone for customers with hearing impairment. Please contact via text messages." With this service, we look forward to alleviating the difficulties of customers with hearing impairment regarding calls for mail and delivery services, banks as well as notification and guidance calls from public offices.

8

### Fulfilled social responsibilities by expanding supply business for "Cookstove," eco-friendly and highly efficient cookware

For creation of social and economic values, we have expanded Myanmar's Cookstove business to 11 affiliated companies of SK, and are operating them, which we have been pursuing since last year. This year, we plan to dramatically increase the size of the business and supply 4.32 million units across Myanmar. Through the Cookstove business, we are able to contribute to local job creation and the revitalization of the local economy and address environmental issues such as reduction of GHG gases. Moving forward, we plan to explore and pursue a wide range of projects for the creation of social values.

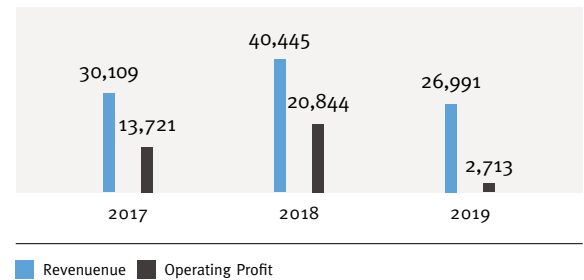


# OUR SUBSIDIARIES

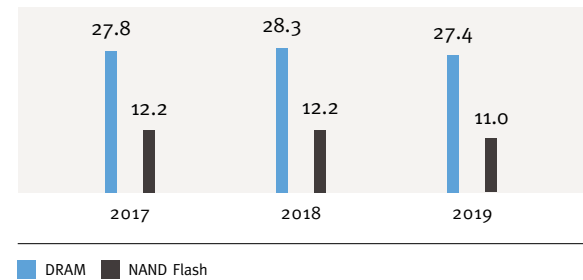
Established in 1983, SK hynix is a global manufacturer of semiconductors with 4 manufacturing subsidiaries in Icheon and Cheongju, Korea as well as Wuxi and Chongqing, China. It also has 5 R&D corporations and 10 sales subsidiaries worldwide. Its major products are memory semiconductors such as DRAM, NAND flashes and MCP (Multi-chip-Package) and with its re-entry into the CIS (CMOS Image Sensor) in the LSI sector, the company is being recognized as an industry leader with its accumulated semiconductor manufacturing know-how of 30 years. In response to the developing ICT industry, SK hynix is continuing its efforts to strengthen semiconductor technologies and product competitiveness, and is striving to secure market competitiveness in the mobile, server, and storage solution sectors that are especially being emphasized for their significance. In addition, it operates its business activities based on the Double Bottom Line Management System (DBLMS), which integrates economic and social value. Due to the changes in demands and cost following the uncertain internal and external environment in 2019, there were difficulties in growth. However in 2020, the company will focus on recovery by accelerating its investments and strategic production in the market environment of recovered server demands of DRAM market and expansion of 5G smartphones.



**SK HYNIX'S FINANCIAL ACHIEVEMENTS** KRW billion



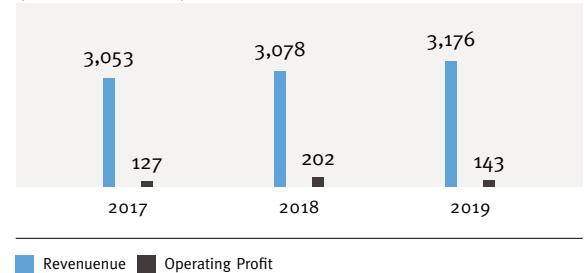
**MARKET SHARE** %



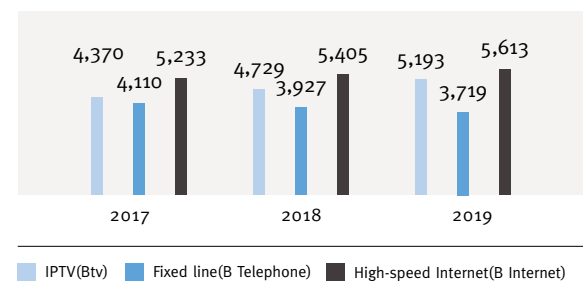
SK Broadband is a wired media platform company established in 1997 and is leading media technology and services encompassing multimedia business such as IPTV. It is leading the next-generation media business using AI and Big Data and in 2019, it created new customer experiences by launching new services that suits life patterns such as home training and home schooling. Moreover, it developed solutions for 5 Giga transfers and AI2 Setup boxes and played a significant role in enhancing customer convenience. By merging with T-Broad, it is exerting its efforts in developing the content business. In 2019, SK Broadband's sales revenue is KRW 3 trillion 176 billion with a 3% growth from the previous year. From among these, sales revenue in IPTV and media, which shows remarkable growth, recorded KRW 1 trillion 298.5 billion with a 10% growth from the previous year due to increased subscribers of IPTV Premium and content consumption. In 2020, competition in the paid services market is expected to intensify, so the company will strive for content creation through partnerships with wave and synergy among OTT and pay-per-view.



**SK BROADBAND'S FINANCIAL ACHIEVEMENTS (CONSOLIDATED)** KRW billion



**NUMBER OF SUBSCRIBERS** 1,000 persons

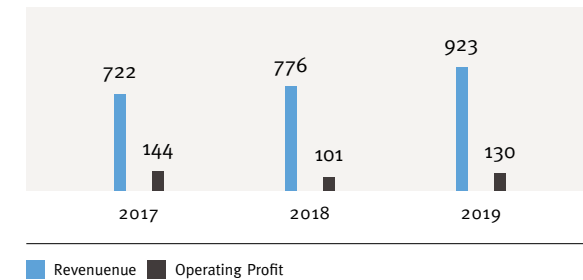


\* Profit or loss from discontinued business excluded

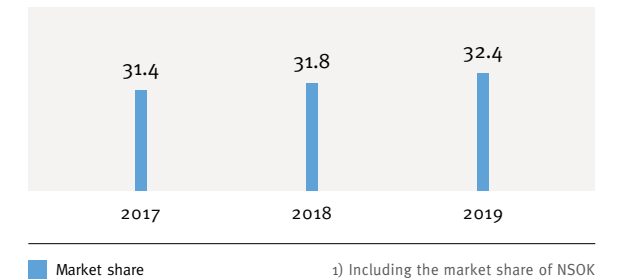


ADT Caps Co., Ltd. was established in 1971 as a company for unmanned machine security and manpower security and have developed to provide high-quality security services by using next-level technologies in addition to its 48-year accumulated knowledge on security services. By providing integrated physical security services based on dispatch security and video security, it is furthering its efforts for the increase of customer value along with approximately 4,000 security professionals. In 2019, ADP Caps strengthened its dispatch security services with synergy created with SK ICT Family, expanded new businesses of unmanned parking and home security, and presented convergent security services that covers SK infosec's information security along with SK Telecom's ICT technology. As a result, ADP Caps and SK infosec reached KRW 1 trillion 193.2 billion in sales in 2019 and recorded a 17.4% in growth rate since the previous year. Operating profit rose 21.9% to KRW 153.5 billion. While securing steadfast leadership in conventional physical security, the company plans to strengthen security technologies through AI-based technology and analyzing competency to be positioned as a leading company in the convergent security market.

**ADT CAPS' FINANCIAL ACHIEVEMENTS** KRW billion



**MARKET SHARE(IN TERMS OF REVENUE)<sup>1)</sup>** %

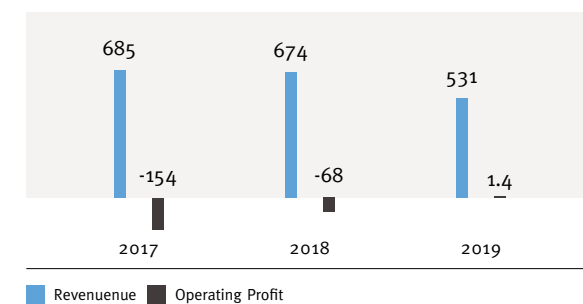


<sup>1)</sup> Including the market share of NSOK

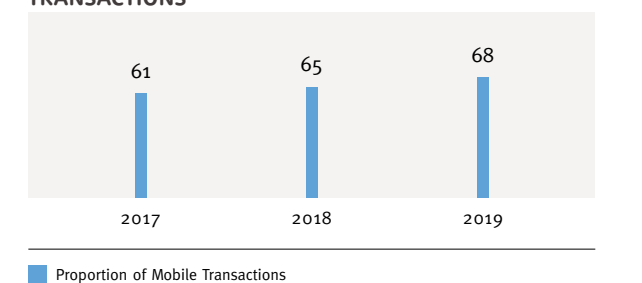


Since its launch in 2008, 11st Street has grown into an open market platform where sellers and buyers can safely make transactions through its ongoing service improvements and technology innovation. As of now, it is growing into a leading company in the e-Commerce market with 34 million members and is striving to become a "commerce portal" that offers convenience to our customers in the overall process of shopping including searching via online and mobiles, making purchases, simple transactions etc. on top of providing high-quality products at affordable costs. In 2019, the "All-PRIME" membership was launched to offer an integrated customer service that covers various benefits including SKT's paid content as well as benefits for 11th Street. Though such strategic approach for improving revenue, such as providing customer-aligned promotions and reducing inefficient businesses, the company reached KRW 530.5 billion in sales in 2019, and KRW 1.4 billion in operating profit, achieving KRW 69.2 billion in profit gains compared to the previous year. From this point on, 11st Street will strengthen its search functions and launch customer involvement-based services to actively promote strategies for solidifying "commerce portals".

**FINANCIAL ACHIEVEMENT OF 11ST** KRW billion



**PROPORTION OF MOBILE TRANSACTIONS IN TOTAL TRANSACTIONS** %





# MATERIALITY

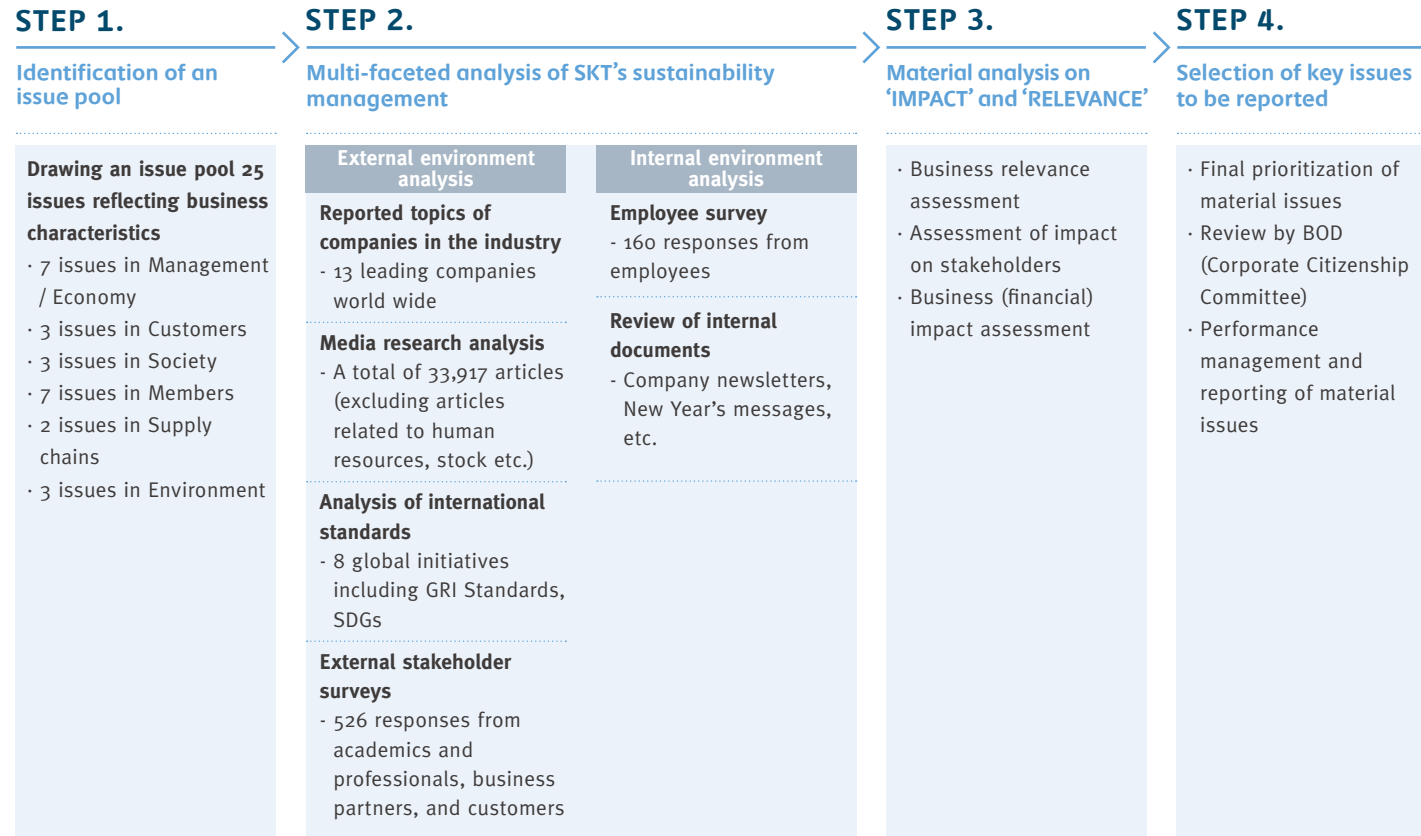
Every year, SK telecom reviews material economic, social and environmental issues related to new value creation and sustainability, discloses our response and achievements on each issue.

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.

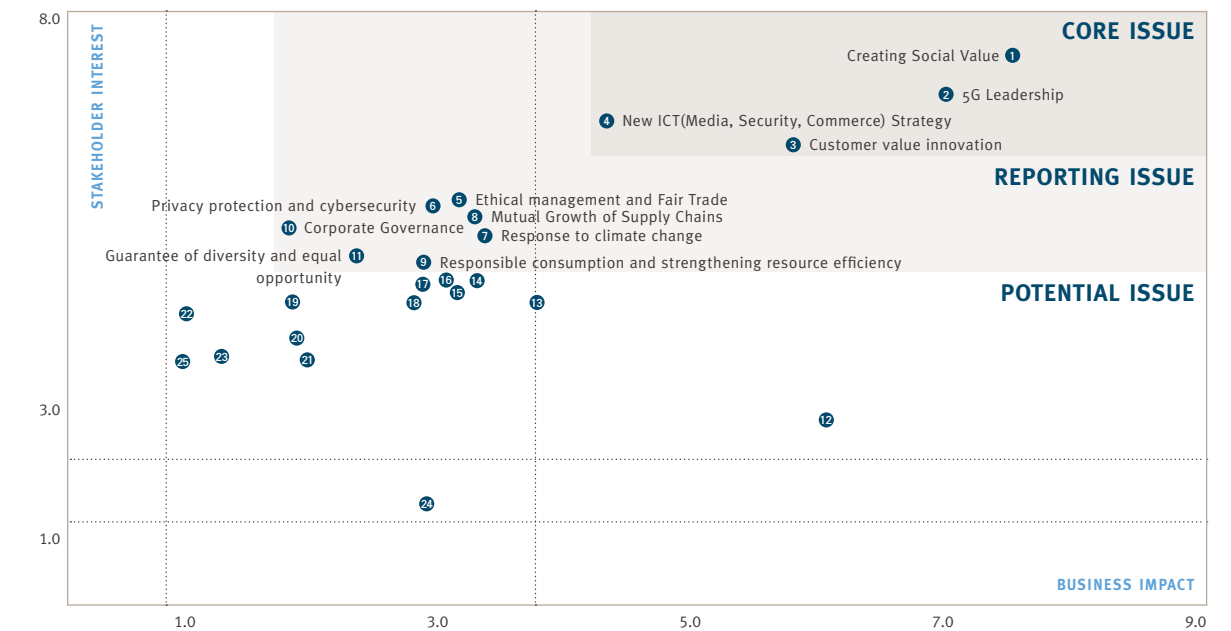
## MATERIALITY TEST PROCESS



## RESULTS OF MATERIALITY ASSESSMENT

According to the result of materiality assessment, SK Telecom identified a total of 25 material issues, including Social Value creation, Customer Value Innovation, 5G leadership and New ICT Technology. Among them, we identified 4 key issues and 7 reporting issues. The company is disclosing major achievements, goals, and business cases related to the issues in detail throughout this report.

**MATERIALITY MAP**



Topics	Stakeholders						Financial Materiality			Reporting Location
	Employees	Customers	Partners	government	local communities	Shareholders	Cost	Revenue	Risk	
① Creating Social Value(Society)	●	●	●	●	●	●	●	●	●	p.70-79
② 5G Leadership(Management/ Economy)	●					●	●	●	●	p.60-62
③ Customer value innovation(Customers)		●				●	●	●	●	p.86-90
④ New ICT(Media, Security, Commerce) Strategy (Management/ Economy)	●					●	●	●	●	p.63-65
⑤ Ethical management and Fair Trade (Management/ Economy)			●				○	○	○	p.128-133
⑥ Privacy protection and cybersecurity(Customers)		●					○	○	●	p.90
⑦ Response to climate change(Environment)			●	●	●		○	○	○	p.95
⑧ Mutual Growth of Supply Chains(Supply chain)			●				○	○	●	p.142-143
⑨ Responsible consumption and strengthening resource efficiency(Environment)		●	●		●		○	○	○	p.96-97
⑩ Corporate Governance(Management/ Economy)						●	○	○	●	p.102-117
⑪ Guarantee of diversity and equal opportunity (Members)	●						○	○	●	p.92

● High ○ Medium ○ Low



MANAGEMENT OF MATERIAL ISSUES




TOPIC	CONTEXT	OUR APPROACH
 <p><b>Creating Social Value</b></p>	<p>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.</p>	<p>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.</p>
 <p><b>5G Leadership</b></p>	<p>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.</p>	<p>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 2019. 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.</p>
 <p><b>Customer Value Innovation</b></p>	<p>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 to 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.</p>	<p>In order to become a trusted company for customers, in 2019, which includes silver calling plan, Military Soldier calling plan etc. 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.</p>

RECENT PROGRESS	RECENT PROGRESS	LONG TERM TARGET
<ul style="list-style-type: none"> <li>• We are operating programs for social value creation based on ICT technology and infrastructure.                             <ul style="list-style-type: none"> <li>- ICT training to alleviate information disparity and programs to care for seniors using AI.</li> <li>- Creating various social values based on 5G technology and Big Data in sectors of natural disasters, safety, fine dust etc.</li> </ul> </li> <li>• We are fostering the growth of ICT-based social enterprises and startups and striving to develop outstanding talents by supporting ICT education for college students and youths.</li> </ul> <p><b>SOCIAL VALUE CREATION IN LINE WITH STRATEGIC DIRECTIONS, pp.70-73</b> </p>		<p>Grow into a global leading company of social value creation in the mid to long term, create social value at similar level/amount of financial value (by 2028)</p>
<ul style="list-style-type: none"> <li>• We are realizing core technologies for media and next-generation mobility followed by the success of TV live broadcasting using the world's first 5G commercial network.</li> <li>• We are strengthening 5G networks and enhancing the Mobile Edge Computing (MEC) businesses, endlessly innovating ICT infrastructure.</li> <li>• We are suggesting new solutions through integrated 5G technology and AI, while presenting new media content based on 5G, using VR and AR. In addition, we are offering opportunities for 5G experiences by building 5G clusters.</li> </ul> <p><b>STRENGTHENING ICT INFRASTRUCTURE, pp.60-62</b> </p>		<ul style="list-style-type: none"> <li>• Maintaining No. 1 in 5G M/S</li> <li>• Continuous expansion of sales for the mobile business and new 5G-driven BM</li> </ul>
<ul style="list-style-type: none"> <li>• We are diagnosing our customer's experiences by hosting monthly "Customer Value Innovation Meetings" to improve products and services from the customers' point-of-view.</li> <li>• We have declared to provide customer services from all aspects of ICT by announcing "Customer Value Innovation 2.0" in 2019.</li> <li>• We are maintaining 78 points on customer satisfaction of the CSI evaluations that we conduct regularly.                             <ul style="list-style-type: none"> <li>- Achieved number 1 on top 3 domestic customer satisfaction surveys (23 consecutive years for NCSI, 22 consecutive years for KCSI, and 20 consecutive years for KS-SQI)</li> </ul> </li> </ul> <p><b>CUSTOMERS - CUSTOMER VALUE INNOVATION, pp.87-88</b> </p>		<p>Keeping first place for longest period in the mobile telecommunications sector of NCSI</p>

\* Determined by core achievements and level of contributions to attaining long-term targets in 2019.






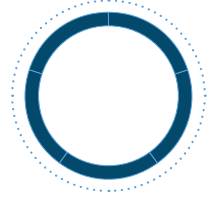

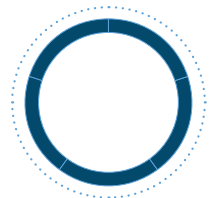

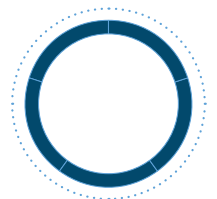
TOPIC	CONTEXT	OUR APPROACH
 <p data-bbox="129 592 423 652"><b>New ICT (Media, Security, Commerce) Strategy</b></p>	<p data-bbox="480 320 917 652">As we move into the 5G era, ICT brings innovation to our lives as intelligent information technology that has a great impact on society and industry as a whole. 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, New ICT industry 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.</p>	<p data-bbox="936 320 1423 677">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.</p>
 <p data-bbox="155 986 398 1045"><b>Ethical management and Fair Trade</b></p>	<p data-bbox="480 771 917 990">A company should communicate with various stakeholders and any unfair acts and unethical behavior that arises internally during various activities of the company can act as a significant threat to the company's competitiveness. Therefore, awareness on the significance of ethical management and fair trade and its consistent management of overall behaviors of the company is essential.</p>	<p data-bbox="936 771 1423 1015">SK Telecom creates value with various stakeholders in mind based on SKMS (SK Management System) that acts as a backbone of SK's corporate management and is implementing corporate management that contributes to the happiness of mankind. The company is setting an example by implementing ethical management within employee's fair business operations, transparent management centered on the BOD and fair trades with business partners and adherence to social policies.</p>
 <p data-bbox="145 1417 414 1477"><b>Privacy protection and cybersecurity</b></p>	<p data-bbox="480 1141 917 1526">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.</p>	<p data-bbox="936 1141 1423 1387">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.</p>
 <p data-bbox="113 1795 436 1824"><b>Response to climate change</b></p>	<p data-bbox="480 1566 917 1813">Due to a variety of environmental causes for climate change including greenhouse gas emissions, wastewater and waste, deforestation etc., the importance of reduction in GHG emissions and energy conservation is being highlighted. Worldwide joint cooperation is required for climate change response to slow down global warming and reduce risks of occurrence of natural disasters and changes in the ecosystem.</p>	<p data-bbox="936 1566 1423 1755">SK Telecom recognizes the need for an active response to climate change and works in a variety of ways to leverage our capabilities, including ICT infrastructure and networks. The company is working to fulfill its social value through local job creation, reduction of GHG emissions through the Cookstove business in Myanmar and the development of 5G-based smart energy solutions.</p>

RECENT PROGRESS	RECENT PROGRESS	LONG TERM TARGET
<ul data-bbox="1721 320 2379 652" style="list-style-type: none"> <li>• We are pioneering new value-added creation for the MNO business by offering hyper-experiences such as 5G-based cluster composition and strengthening of the network infrastructure.</li> <li>• In January of 2019, we strengthened our media business by amplifying our partnerships and investments with global partners and advancing into the U.S.' next-generation broadcasting solutions markets. And in September, we launched the integrated domestic OTT service called "wavve" along with the 3 terrestrial broadcasting companies, expanding our media business.</li> <li>• In March of 2019, we presented a new business model of convergent security in the security sector with ADP Caps and SK infosec, suggesting new security solutions. In the commerce sector, we are offering new shopping experiences by strengthening ICT synergy.</li> </ul> <p data-bbox="1721 681 2164 737"><b>BUSINESS MODEL, pp.40-41</b>  <b>MAXIMIZING VALUE OF NEW ICT PORTFOLIO, p.63</b> </p>		<ul data-bbox="2746 320 3056 483" style="list-style-type: none"> <li>• No. 1 Media platform company (by 2022)</li> <li>• No. 1 Tech-based security company (by 2022)</li> <li>• Establish a basis for successful IPO (by 2022)</li> </ul>
<ul data-bbox="1721 771 2379 990" style="list-style-type: none"> <li>• In 2018, we strengthened practicing guidelines for ethical management and refined practicing areas by linking them to the company's core values. We have implemented and elaborated the code of conduct framework by establishing rules of ethics, HR regulations, CP guidelines, customer information protection regulations for all members, and by establishing fair trade agreements for partners.</li> <li>• For fair trades with business partners, we are consistently expanding the percentage of ESG diagnoses for the supply chain network, and 100% of business partners newly registered in 2019 have completed the early screening.</li> </ul> <p data-bbox="1721 1019 2335 1099"><b>INTEGRITY REPORT, pp.128-133</b>  <b>SUPPLIER RESPONSIBILITY REPORT - Advance Screening of Supply Chain, pp 139</b> </p>		
<ul data-bbox="1721 1141 2347 1248" style="list-style-type: none"> <li>• There were zero cases of customer information leakage in 2019.</li> <li>• In 2019, we maintained 100% inspection rate for customer information protection in the distribution network, and fulfilled improvement measures found through the diagnosis of information security management.</li> </ul> <p data-bbox="1721 1278 2360 1298"><b>HUMAN RIGHT REPORT - Protection of Personal Information, pp.136-137</b> </p>		<ul data-bbox="2746 1141 3056 1327" style="list-style-type: none"> <li>• Accomplishing zero leakage of customer information through advanced diagnosis of distribution networks' information protection (by 2022)</li> <li>• Maintaining 100% inspection rate of customer information protection in distribution networks</li> </ul>
<ul data-bbox="1721 1566 2379 1813" style="list-style-type: none"> <li>• The Myanmar Cookstove business, which started in 2018, expanded to the level of SK's affiliates in November 2019, supplying 4.32 million cookstoves throughout Myanmar.</li> <li>• In November of 2019, SK Telecom installed a smart grid in Gwangju to reduce indiscriminate consumption of electricity and produce energy efficiently and announced that it will pursue future energy businesses by utilizing solar panels and distributed energy resources.</li> <li>• In accordance to GSMA's (Global System for Mobile Communications) goal of net-zero emissions by 2050, we have declared our implementation plans.</li> </ul> <p data-bbox="1721 1842 2347 1862"><b>ENVIRONMENTAL MANAGEMENT - RESPONSE TO CLIMATE CHANGE, p.95</b> </p>		<ul data-bbox="2746 1566 2904 1586" style="list-style-type: none"> <li>• 2030 Green Parity</li> </ul>

\* Determined by core achievements and level of contributions to attaining long-term targets in 2019.



TOPIC	CONTEXT	OUR APPROACH
 <p><b>Mutual Growth of Supply Chains</b></p>	<p>With the expansion of the scale and influence of companies today, there is a higher need for partnership among the supply chain as well as the companies' management of supply chains. The importance of acknowledging and minimizing supply chain risks and mutual growth and co-prosperous partnerships with goals of long-term growth is being even more emphasized.</p>	<p>SK Telecom is striving to strengthen mutual growth with its partners and competitiveness of SMEs. In particular, we are strengthening partner relations through advisory and consulting support and sharing of technologies with SMEs in the 5G and IoT technology sectors and we are also expanding a culture of mutual growth with programs to support SMEs capital and finances. Also, by hosting the "New ICT Prize Awards," we are providing a platform to discuss yearly achievements as well as next year's directions and goals with our partner companies.</p>
 <p><b>Responsible consumption and strengthening resource efficiency</b></p>	<p>Since industrialization, resource depletion has become a major problem worldwide. Sustainable management with efforts in increasing the efficiency of renewable energy use and developing new resources such as renewable energy is in demand.</p>	<p>SK Telecom recognizes the seriousness of resource depletion issues and works to increase resource conservation and efficiency. In addition to minimizing the amount of plastic consumption by reducing the size of sim cards, we collectively use telecommunication equipment to reduce cost and prevent redundant investments to pursue efficient resource management. Also, we are committed to identifying new energy resources such as smart grid development for infrastructure of renewable energy and future energy.</p>
 <p><b>Corporate Governance</b></p>	<p>Transparency of corporate governance can suggest genuine corporate value in business operations. Soundness of corporate governance enables effective risk management and therefore, many companies are working to improve corporate governance.</p>	<p>For robust shareholder profit and enhancing corporate value, SK Telecom is making reasonable decisions centered on the BOD. We are solidifying corporate transparency and responsible management and was recognized for our excellent responsible management system by acquiring an A+ rating for governance at the Corporate Governance Assessment hosted by the Korea Corporate Governance Service in 2019.</p>
 <p><b>Guarantee of diversity and equal opportunity</b></p>	<p>In the midst of a social atmosphere where demands for diversity and equal job opportunities are on the rise, many companies are respecting diversity of gender, regional and national backgrounds, academic and educational backgrounds, religion, marital status, political orientation and membership in labor unions etc. Also, recruitment and retention, talent development and competency strengthening programs are offered to guarantee equal opportunities for our employees.</p>	<p>SK Telecom continues to increase employment of female workers, and encourages the use of maternity and childcare leaves without feeling pressure. In such methods, we are respecting the characteristics of female workers and other employees that need to balance family duties. Moreover, we are continuing to create jobs and benefits for the vulnerable group including employees with disabilities.</p>

RECENT PROGRESS	RECENT PROGRESS	LONG TERM TARGET
<ul style="list-style-type: none"> <li>To establish a healthy ecosystem in the ICT industry, we are establishing and implementing key plans for mutual growth.                             <ul style="list-style-type: none"> <li>Signed partnership agreement for inclusive growth with 189 corporate partners</li> <li>Developed infrastructure for conference, education, and seminar by opening 'SK Telecom's Inclusive Growth Center'</li> </ul> </li> <li>In July of 2019, we opened a job recruitment fair for business partners called "Hope for Recruitment, Do Dream" and conducted employee competency trainings and job matching for our partners.</li> <li>We held the "New ICT Collaboration Day" and discussed New ICT business and the development of an ICT ecosystem.</li> <li>We received an Excellent rating (for 7 consecutive years) on the Win Win Index in 2019 and were selected as an Excellent Business of Honor.</li> </ul> <p><b>SUPPLIER RESPONSIBILITY REPORT - MUTUAL GROWTH WITH BUSINESS PARTNERS, pp.142-143</b> </p>		<ul style="list-style-type: none"> <li>Maintaining 100% on ESG pre-screening</li> </ul>
<ul style="list-style-type: none"> <li>We are strengthening efficiency and reducing costs.                             <ul style="list-style-type: none"> <li>Issuing electronic bills, mobile cards for T members and retrieving card readers. (Users of electronic bills is continuing to grow with 25.14 million members as of the end of 2019)</li> <li>Converting plastic T memberships cards to mobile cards(Saving around 24 tons of plastic annually)</li> <li>Release of half-sized USIM (reduction of around 5.5 ton of plastic waste expected)</li> </ul> </li> </ul> <p><b>ENVIRONMENTAL MANAGEMENT-REDUCTION OF RESOURCE CONSUMPTION, pp.96-97</b> </p>		<ul style="list-style-type: none"> <li>Transitioning to electronic billing</li> <li>Terminating plastic membership cards</li> </ul>
<ul style="list-style-type: none"> <li>We have been recognized by Korea Corporate Governance Service (KCGS) in their 2019 Corporate Governance Evaluation for excellent responsible management with an A+ rating.                             <ul style="list-style-type: none"> <li>Maintaining 62.5% of outside directors</li> <li>Specified standards for judging independence and transparency of outside directors in the Board Of Directors regulation.</li> <li>Secured independence of Board of Directors by outside director proportion of Affiliate Board of Directors specifying in the management guidelines</li> </ul> </li> <li>In March of 2019, we held a general meeting of shareholders in open methods where the CEO directly moderated questionnaires and the Head of the 4 major businesses gave presentations, providing a platform for direct communication among the management and the shareholders.</li> </ul> <p><b>GOVERNANCE REPORT, pp.102-117</b> </p>		<ul style="list-style-type: none"> <li>Maintaining more than 60% of outside directors(by 2022)</li> </ul>
<ul style="list-style-type: none"> <li>In 2019, the percentage of female members was 18.7%, an increase of 1.8%p compared to 2018, while the percentage of female managers was 7.4%, an increase of 0.5%p.</li> <li>SK Telecom is committed to fostering female managers by conducting leadership training for female members.</li> <li>In 2019, we established a subsidiary-type Standard Workplace for people with disabilities called the "Happy Hanool" to create jobs for people with disabilities.</li> </ul> <p><b>MEMBERS-Respect for Diversity, p.92</b> </p>		

\* Determined by core achievements and level of contributions to attaining long-term targets in 2019.



# STAKEHOLDER ENGAGEMENT

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 reflected corporate Articles of Incorporation pursuing stakeholders' happiness in 2020.

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 established its stakeholder engagement policies and both internally and externally expressed its commitment to stakeholder engagement. 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

### MEMBERS

- Labor Union (website for labor unions)
- Letter to HR (in-house intranet)
- My Counselor (in-house intranet)

HR related issues such as changes in management environment, salary negotiations etc.

### SHAREHOLDERS

- Corporate Day
- Regular general meeting of shareholders once a year
- Quarterly Results Announcement and NDR

Issues in stock price changes and dividend fluctuations, changes in the management environment and management performance, general meeting of shareholders

### CUSTOMERS

- T world (customer website), customer centers
- Blogs, Facebook and other SNS channels
- Hosting annual conferences and events

Inquiries on products and services, suggestions and other comments



### BUSINESS PARTNERS

- Hosting the Win Win Council
- Conducting BP satisfaction surveys

Mutual cooperation related issues such as fair contract signing, unfair trading, etc.

### GOVERNMENT

- Holding regular meetings and discussions

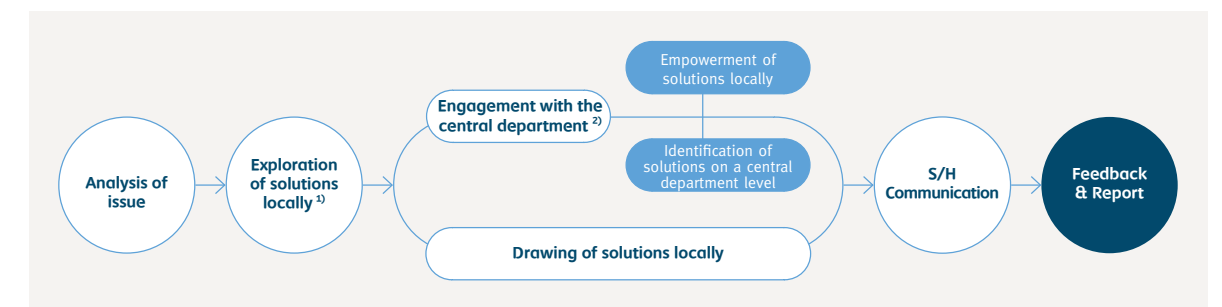
Telecommunication policies, business opportunities and risks

### NGO & LOCAL COMMUNITIES

- Hosting biannual meetings with NGOs

Consumer complaints, communication policies, environmental protection issues etc.

## PROCESS UPON THE OCCURRENCE OF AN ISSUE



**1) Exploration of solutions locally** If the locally responsible department that first encounters the issue deems that it is unable to derive a solution in terms of the issue's urgency, impact, and solution methods, it engages the central department for the issue.

**2) Engagement with the central department** Additionally, if it is deemed possible to resolve the issue through the involvement of R&C and delegation of rights, the local department is empowered for issue resolution. If it is judged that a company-wide response is required, the company's responsible department-in-charge solves the issue.

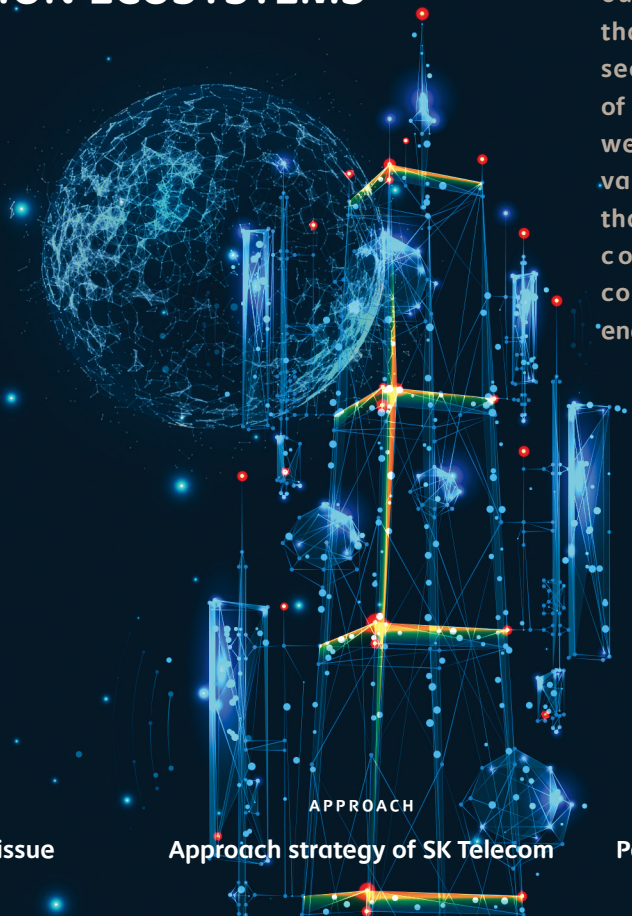


# ADVANCED TO NEW ICT

- 59 MID - TO LONG - TERM STRATEGY
- 60 STRENGTHENING ICT INFRASTRUCTURE
- 63 MAXIMIZING VALUE OF NEW ICT PORTFOLIO
- 64 CREATING NEW VALUE BY SHARING INFRASTRUCTURE



# GLOBAL NEW ICT COMPANY TAKING LEAD IN ICT SHARING AND COLLABORATION ECOSYSTEMS



SK Telecom is stepping up as a global ICT synergy company beyond mobile communications. We are solidifying the base for our businesses and expanding the business fields into various sectors, leading the innovation of the ICT ecosystem. In addition, we are creating new economic values by setting expansion of the ICT industry through hyper-collaboration with global companies as the new growth engine.

**ISSUE**  
Importance of an issue

With the 4<sup>th</sup> Industrial Revolution impending, convergence among industries is actively progressing on a global level. In particular, development of solutions using AI is already impacting our lives. In such environment, it is necessary for companies to identify new opportunities of growth and establish methods to expand and revitalize their businesses in order to become global ICT companies.

**APPROACH**  
Approach strategy of SK Telecom

By adopting the Dual OS system, SK Telecom has rearranged the business structure to MNO (telecommunications) and New Biz (Media, security, commerce) and with the two sectors as its major business, the company is operating multi-faceted businesses in media, security, and commerce in addition to telecommunications. Particularly, we are operating focused management so that each business can effectively grow with our sector-specific management. We are creating new values for the hyper-generation by building a system of hyper-collaboration with global companies based on our 5G technologies and network infrastructure.

**VALUE CREATION**  
Performance achievements and management

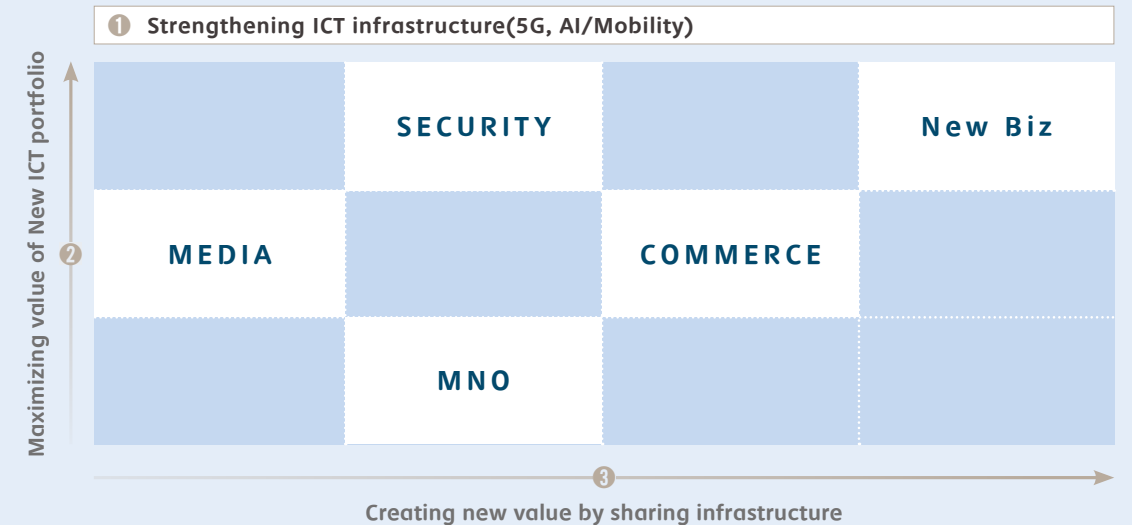
**5G:** Based on the network capacity, innovate marketing and build new business models to increase number of subscribers and to achieve a higher ratio of new businesses within 3 years of reaching the goal of expanding ARPU and sales

**Media:** Enhance platforms, increase customer base, and expand business models to leap forward as the number 1 media platform company based on AI/DT in all areas including sales and memberships by 2020

**Security:** Reaching successful IPO by corporate value maximizing through new business developments such as innovation of technology-based business models, convergent security, parking, etc., and global business expansion.

**Commerce:** Strengthen customer influx and activity, fortify growth of existing business models, pursue proactive external partnerships and provide a base of sustainable growth, securing a foundation for IPO

# MID - TO LONG - TERM STRATEGY



- 1 **Strengthening ICT infrastructure**
  - “Securing differentiated competitiveness by establishing best technology and infrastructure to lead global ICT ecosystem”
  - Taking lead in 5G technology and services and completing 5G Infrastructure
  - Strengthening competitiveness of business portfolios with support by AI/ data in all directions
- 2 **Maximizing value of New ICT portfolio**
  - “Boosting value of media, security, and commerce business through reinforcement of MNO innovation capacity as anchor business and synergies among businesses”
  - Portfolio expansion
    - Accomplishing 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 area
  - Realizing growth of portfolios
    - Reaching major subsidiary IPO through independent growth and increase in value of each portfolio
- 3 **Creating new value by sharing infrastructure**
  - “Creating new value through opening and cooperation with various players”
  - 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
    - Become a global leading company of social value creation within 10 years, create social value at similar level of financial value



# STRENGTHENING ICT INFRASTRUCTURE

SK Telecom is strengthening ICT infrastructure by innovating 5G and infrastructure through the development of new technologies. We are continuously innovating the information and communication infrastructure that acts as the foundation for development into a global ICT company.

## LEADING GLOBAL 5G

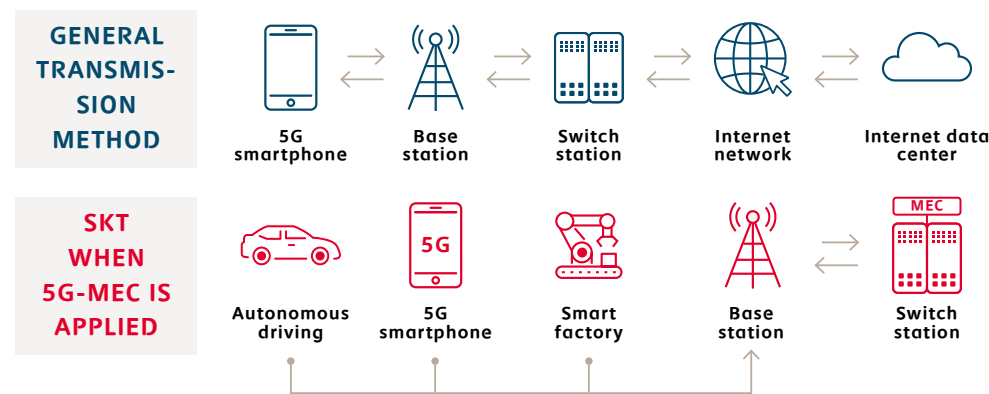
### Elaborating on the 5G Network Design

We are building 5G coverage by sophisticating our self-developed 3D coverage design system with real 3D data. The “Real 3D Data” that we acquired by signing an MOU with Space En Co., Ltd under the Ministry of Land, Infrastructure and Transport was manufactured by applying the 3D precision model after shooting actual geographic features with a flight measuring camera. By using this, SK Telecom was able to design the optimal location and height for equipment installation from the building stage of the base station and also by using the regularly delivered spatial information, the company is now able to efficiently manage network quality in line with the environmental changes.

### 5G MEC (Mobile Edge Computing) Business

MEC is a technology that provides the core of 5G, which are hyper-low latency services that are made possible from reduced data transfer intervals through a small-scale data center installed in close proximity to the customers. SK Telecom is building MEC centers in a total of 12 major 5G locations across the country, and in August 2019 the company unveiled a differentiated 5GX MEC platform by applying MEC to the base station that is closest to customer contact as the world’s first. We also work with Amazon Web Services (AWS) to prepare infrastructure that maximizes the functions of user services through AWS Wavelength. By building a computing and storage infrastructure at the edge of the 5G network, AWS Wavelength created an environment where developers can develop new applications by using the hyper-low latency speed of 1/1,000 seconds per minute. SK Telecom plans to combine its network competitiveness with AWS’s outstanding Cloud services to build a MEC ecosystem that encompasses both individual and corporate customers. We will continue to work with leading companies in each industry to lead the domestic digital transmission market.

### 5G MOBILE EDGE COMPUTING(MEC) BUSINESS



- 1) Technology to ensure traffic quality customized to customers' circumstances by separating the networks into physical and virtual networks
- 2) Technology to quickly provide new services by combining features as if they were building blocks

## Customer Value Innovation through Ultra-Fast 5G

We are developing our data communication technology to deliver faster 5G to our customers. In December of 2018, SK Telecom succeeded in service 5G as the world’s first based on 5G NSA (5G-LTE composite standard, non-standalone), which significantly increases transmission speed by simultaneously utilizing 5G and LTE networks for data transmission and reception. Furthermore, as the first for a domestic mobile operator, we succeeded in 5G SA (5G single standard, 5G standalone) data communication by using only the 5G system. With this, we shortened the access time and increased the efficiency for data processing in three folds. In addition, core technologies for 5G such network slicing<sup>3)</sup>, and function modularization<sup>3)</sup> became possible. Once the 5G era comes into full swing, 80% of all traffic is expected to occur indoors. For issues that may arise as a result including traffic overload and barriers, we developed the 5GX inbuilding solution. In the future, we hope to continue providing customers with high quality 5G services in densely populated areas such as subways and indoor areas that are difficult for radiowaves to reach.

### NETWORK CAPITAL EXPENDITURES (CAPEX)

\*Non-consolidated basis



2019 **KRW 2.5 trillion**

### R&D COST



**KRW 582.5 billion**

### R&D MANPOWER



**1,538 persons**



The world's first 5G launch

### Sophisticating 5G-Based Services

Following the world’s first 5G launch, we also started the 5G roaming service as the first in the world. This is the result of exerting our efforts for the commercialization of 5G roaming after signing an agreement for a strategic partnership with Swisscom, the number 1 telecommunications service based in Switzerland. When using roaming services in Switzerland, customers are able to use streaming services with high frequency of use and traffic such as Youtube and wavve as well as a variety of 5G services such as AR and VR, at the same quality as they would in Korea. Meanwhile, SK Telecom launched the Callar 2.0 which enables video calls in QHD(Quad High Definition) in 5G networks. The existing video call service, “Callar” was released in 2018 and recorded a cumulative call volume of 150 million calls. The upgraded “Callar 2.0” enables QHD video calls up to four times sharper than that of HD quality. We will continue enhancing customer satisfaction by applying 5G in various services such as roaming and video calls.

### Expanding Business Portfolio

As a provider for LTE-R (Long Term Evolution-Railway,) SK Telecom is building a control system for the main center for railway sections such as the Incheon Subway and the Jeolla Line. LTE-R is a wireless communication system with LTE technology applied on railways that increases convenience and safety of railway operations by enabling receiving and sending of information among the control center, rail operator and safety personnel concurrently. Based on the 5G technology, we plan to proactively pursue various businesses by exploring opportunities for open collaboration in the future.

## SECURING COMPETITIVENESS BY DEVELOPING NEXT-GENERATION TECHNOLOGY

### Technological Innovation for Quality Improvement

We are continuously conducting R&D to improve quality for data and calls. As part of the effort, we have applied for a patent for technology in antenna adjustment, and with this technology, we are expected to reduce battery consumption and heighten call and data quality by adjusting the antennas’ electrical characteristics even when the user environment, for example, the user’s way of holding

### SECURING COMPETITIVENESS BY DEVELOPING NEXT-GENERATION TECHNOLOGY



WBA Industry Awards

**Awarded for 7 consecutive years as the world’s first**



the smartphone changes. Also, to offer uninterrupted Wi-Fi to our customers, we have developed and commercialized “Wi-Fi 6” as world premier and also developed the wireless mesh technology. “Wi-Fi 6” offers up to 4.8 Gbps speed, which is 4 times faster than the existing system, and provides excellent quality even when multiple users are connected at the same time. SK Telecom installed “Wi-Fi 6” in traffic-heavy areas such as Coex in Samsung-dong to improve quality that customers can feel. For wireless mesh technology, a large number of Wi-Fi devices are installed in a walled and spacious indoor space and are interconnected. Therefore, it allows the users to access the best Wi-Fi device according to their location. In recognition of its development and use of Wi-Fi 6 as the world’s first, and its commitment to developing wireless mesh technology, SK Telecom was awarded the “Best Indoor Wi-Fi Network” at the WBA broadband Alliance Industry Awards. With this, we also won the WBA Industries Award for 7 consecutive years for the first time in the world. We will continue to develop innovative solutions and equipment to deliver the best network service for our customers.

### HYPER INNOVATION THROUGH THE COMBINATION OF 5G AND AI

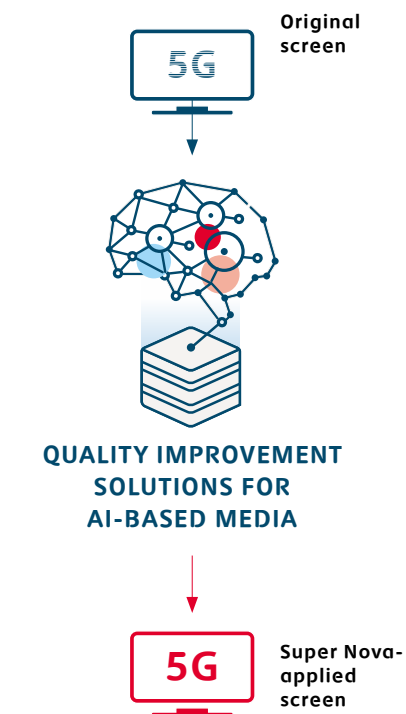
#### Suggesting New Solutions

The new combination of AI analyzing a vast amount of information produced by 5G and suggesting solutions is affecting a variety of sectors including quality improvement solutions. AI-based media quality improvement solution, “Super Nova,” analyzes media files in various ways to improve quality of videos and audio files and dramatically reduces processing time. For this, technology based on deep learning algorithm that process images, videos and audio data was applied. SK Telecom applied “Super Nova” in the quality assessment process of SK hynix’s semiconductors, and continuously improved functions to drastically reduce time required to assess wafer images, providing productivity. In addition, by applying “Super Nova” to SK Broadband’s IPTV infrastructure, we provided viewers with original footage sent by the broadcasting company at higher quality. In addition to “Super Nova,” we used “Machine Vision,” which quickly checks for defects in products to enable workers to increase productivity by up to two times per person.

#### Enhancing NUGU Service

Through continued innovation, AI speaker has been established as a staple in our daily lives. Moving a step ahead, SK Telecom developed “NUGU Nemo,” an AI speaker that has evolved into an AI device that users listen to and watch with an added display to the existing speaker. With this product, users can now check information that was provided only in audio form in a more accurate and quicker way. Customers are now able to make calls in a more convenient way with NUGU Call service that allows making and receiving calls. On the other hand, we launched a product that combines NUGU and a two-way English language learning content, enabling AI speakers to act not only as communication functions, but also as learning content. In the future, we will continue to add a variety of communication services based on AI.

#### QUALITY IMPROVEMENT SOLUTIONS FOR AI-BASED MEDIA



### //..CASE 1

#### HOSTING THE AI CONFERENCE, AI.X 2019

On June 25, 2019, SK Telecom held a conference called AI.X 2019 with global AI leaders and academics in AI to discuss the evolution of AI. This conference which was held under the theme of “Human-centered AI,” and Tom Gruber, co-founder of Siri and Professor James Randy participated to give their speeches, along with other major participants to discuss and explore the developmental direction of AI technology. SK Telecom will continue to provide a platform for sharing knowledge on AI development and personal exchanges to provide true value that customers want.

## MAXIMIZING VALUE OF NEW ICT PORTFOLIO

### ENHANCEMENT OF CORPORATE VALUE THROUGH EXPANSION OF MAJOR BUSINESSES

MNO will officially initiate its growth based on the full-fledged expansion of 5G services. By providing even higher values to our existing customers through 5G services, we plan to promote natural growth in sales. Also, by expanding new B2B platforms including new subscription-type services, new B3B Cloud businesses based on MEC, and messaging/ verification/ and transaction etc., we will identify new sources for sales. Along with these service developments, we plan to realize sustainable value with marketing innovation, such as digital innovation in distribution. In the media sector, we plan to advance the media platform through technology innovation that includes new monthly plans, innovation of products, expansion of channels, maximization of AI-driven scheduling/recommendation systems etc. Additionally, through growth in partnerships with affiliated companies and reinforcement of online competencies, we plan to expand services for customers and BM including advertisements, contents etc. to create additional value and leap forward as the No.1 media platform company. As for the security sector, we plan to convert the human-driven business structure to a technology-driven business structure and expand the fundamentals of convergent security based on “Safety & Care,” going beyond the conventional physical “security.” In addition, we plan to take the scope of business that is currently within the national boundary and expand it to a global scale, gaining the title of the No. 1 technology-based security company. Moving forward, we plan to maximize our corporate value through our advancement in the market. With its efforts to improve search quality, provide customer-led shopping information, and expand SK Pay etc., the commerce sector is reinforcing customer attraction and activity, broadening partnerships, diversifying products and strengthening delivery competitiveness. Moving forward, we will pursue successful IPO and secure a foundation for sustainable value creation through proactive external partnerships, such as maximizing the growth of the existing Open Market model, partnerships with domestic and international top players, vertical competencies for markets and fashion etc.

### 5G-BASED MEDIA INNOVATION

Based on 5G, we are showcasing the next generation of media content. Through this service, we offer various content such as live broadcasting for TV and professional baseball games using 5G commercial networks, while proactively pursuing business for 5G virtual world. In this process, we are working with domestic and foreign platform and content companies such as Facebook, Kakao and Nexon. We plan to release VR games using Kakao Friends IP with Kakao VX and are in the process of developing VR games using Nexon’s popular games. Moreover, in January of 2019, we brought into life next-generation media content with SM Entertainment at the world’s largest IT and electronics exhibition of CES 2019. The exhibition featured a variety of media technologies, including Holobox which combined AI NUGU with virtual reality platforms such as social VR and hologram as well as FLO’s song recommendation functions. In the future, we will collaborate with a variety of companies to deliver new experiences to our customers through new content.

### MOBILITY TECHNOLOGY DEVELOPMENT

We have developed mobility technology in conformity with the age of autonomous driving. The bilateral security gateway that prevents hacking of 5G autonomous vehicles is an integrated device that can be installed to the interior of the vehicles and protects various electronic units for vehicle operation and networks from external attacks. We also featured autonomous-driving AI technology for 5G carsharing, an innovative technology that locates the best driving routes and calls vehicles to locations of customers’ preference.



## CREATING NEW VALUE THROUGH SHARED INFRASTRUCTURE

SK Telecom is sharing its internal infrastructure to explore new business opportunities. By sharing infrastructure for mobile telecommunications (MNO), media, security, and commerce, we achieve the assimilation of various services in autonomous driving and health care based on data and network infrastructure. For the SK ICT Family, an ICT affiliate within the SK Group, we hope to build an advanced cooperation system. Internally and externally, we plan to build new business models through a variety of hyper-collaboration with domestic and international companies. We are creating synergy by acting as a Hyper Connector at the center of hyper-collaboration of Insuretech, smart construction etc. We also share infrastructure with the society to create social value in a variety of areas. SK Telecom will continue to serve as a corporate citizen by expanding social value in addition to economic value.

### SHARING CAPACITY AND INFRASTRUCTURE FOR 4 MAJOR BUSINESSES AND BUILDING A HYPER-COLLABORATION SYSTEM

#### Sharing Technologies with Global Companies

Based on our leading 5G technology, we are sharing our technology and operational know-how with prominent companies overseas. For commercialization of 5G in Guam and Saipan, we have shared information with IT&E, telecommunications company, regarding designing and building 5G networks, and quality optimizing solutions, and with Rakuten, Japan's telecommunications company, we signed a contract for export of network related technology. Also, we have actively begun the 5G business collaboration by providing B2B solutions including new technologies, inbuilding solutions, private corporate networks with the Philippines's Now Corporation Group. At the APAC 5G Summit held in May 2019, over 20 global carriers shared core technologies for 5G commercialization, cases of overcoming obstructive factors, and 5G killer services under development, contributing to growth of a global 5G ecosystem. Further, we provided experimental opportunities by introducing our company's innovative ICT technologies to leaders of OECD telecommunications infrastructure and service policy using T.um, our company's ICT exhibition gallery. In addition, SK Telecom has presented on its current ICT technologies including quantum cryptography technologies and internet service solutions, and discussed policies for enhancing networks and transitioning into the digital stage with OECD's ICT policy leaders, contributing to the future-oriented growth of OECD member countries.

#### Business Model Innovation

We are developing new business opportunities by collaborating with various business areas including insurance, finance, distribution, construction, sports etc. In conjunction with Hanwha Insurance and Hyundai Motor Group, we established Insuretech, an insurance company using AI, establishing even more convenient insurance services. In the financial sector, we provided NH Card with card services that use artificial intelligence platforms and achieved innovation of financial services by integrating 5G, IoT and Big Data with the Industrial Bank of Korea. Also, we suggested future-oriented shopping solutions with ICT technology applied to the overall process of shopping with Sinsegye and collaborated with them to establish distribution stores based on 5G. In the field of construction, we collaborated with Hyundai Construction and SK Construction to manage construction sites in real time using remote monitoring and drone control. We also succeeded in demonstrating smart road constructions by applying ICT technology in the overall process of measurement, design, construction and management stages. In addition, in the mobility sector, we successfully demonstrated 5G-based broadcasting in a running vehicle and added Car-to-Home and Home-to-Car services which allow remote bilateral controlling of electronics at home and cars. In the sports sector, we used IoT and adopted technology that innovates golf services by providing location information within golf courses

and distance measurement. In the future, we will continue to build a system of hyper-collaboration with various companies within the industry.

#### Smart Public Service

By introducing 5G technology to public services, we are improving the convenience of various areas. First, through an agreement with the Korea Military Academy, we carried out integrated combat training that resembles real life situations using VR and AR. We also built the Smart Military Academy integrated with 5G infrastructure throughout the campus with smart lectures and physical fitness using AI and Big Data technology. In addition, the introduction of AI, quantum cryptography, and AR technologies increased convenience in medical areas. We build a 5G network within the Yongin Severance Hospital and introduced innovative technologies through the hospital such as hologram visits, advanced security solutions, location guides etc. using AR.

Furthermore, in cooperation with Ucon System, we developed 5G drone solutions and focused on developing technologies applicable to various sectors such as public safety and security, and together with Busan Silla University, the 53rd Division of the Army, and Hanbit Drone, we established a social safety network by assessing collective response systems for illegal drone use.

Moreover, by signing with Korea Hydro & Nuclear Power to establish smart plants, we are in the process of developing future energy solutions and new energy businesses using ICT technology. With Korea Rail Network Authority, we established highly dense railway communication networks, improving the speed and safety of railway telecommunications.

#### Cooperation with Local Organizations

Together with each local municipality, we are leading the development of transportation services and infrastructure for autonomous-driving. By using T map service, we collected data on public parking lots in cooperation with local municipalities in Suwon City and Anyang City. Through this, we offered a convenient parking system by delivering information on location of the parking lot and remaining parking spaces in real time. Also, by working with the National Police Agency, we linked traffic signal data to T map and amplified services by increasing the accuracy of routes and estimated arrival time. We also contributed to traffic issues by alleviating high traffic during rush hours by providing traffic information instantaneously. Meanwhile, by cooperating with Seoul city, we pursued demonstration of Cooperative-Intelligent Transport Systems(C-ITS) to establish cutting-edge transportation infrastructure. We built 5G sensors and IoT on major roads, installed 5G ADAS on public transportation vehicles to deliver traffic information, lane departure warnings, anti-collision systems, thereby reducing risks of accidents. Furthermore, we officially kicked off building the 5G infrastructure for autonomous driving such as advanced driver assistance systems and developed technology for real-time updates of HD maps. As a result, in June 2019, we successfully completed a demonstration of autonomous driving on buses with added autonomous driving technology.



### //..CASE 2

#### T map LOGISTICS SHIPPING SERVICE

SK Telecom increased the efficiency of logistics delivery by expanding and revamping T map's programming interface. We enhanced multi-stop capabilities and increased shipping efficiency, and developed image path APIs to help drivers find optimal routes. Also, we introduced new solutions in the delivery sector including enhancement of TMS functions that distributes multiple deliveries for multiple vehicles on optimal routes. The application of the new map engine (Java-script) has also improved the loading and movement speed of maps. Through improved services, we are heightening convenience by adding estimated delivery time, delivery proficiency, assignment options for vehicle count etc.

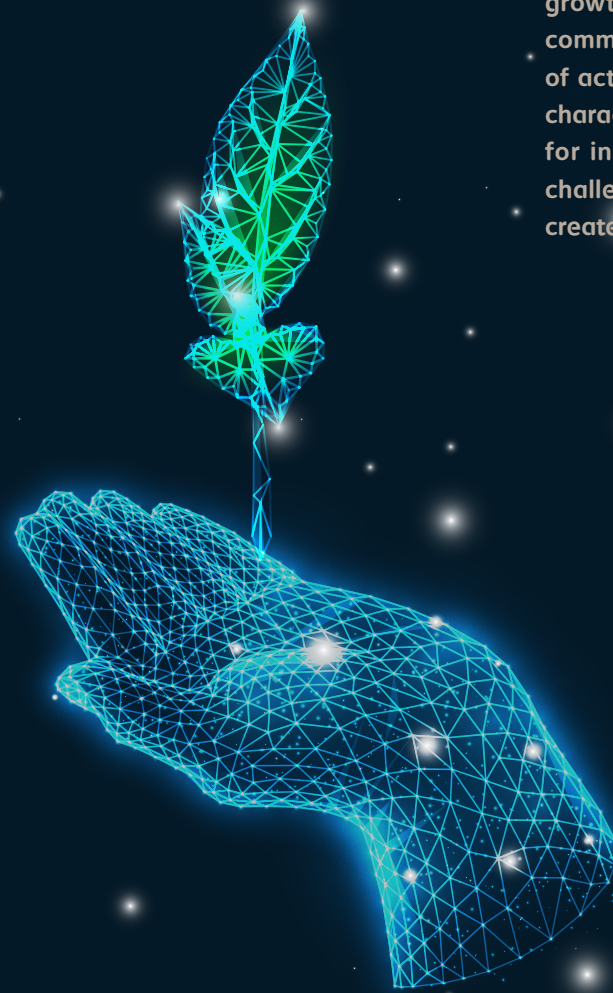


# SOCIAL VALUE

- 69 | STRATEGIC DIRECTIONS FOR SV
- 70 | SOCIAL VALUE CREATION IN LINE WITH STRATEGIC DIRECTIONS
- 74 | SOCIAL VALUE MEASUREMENT



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



To maximize the creation of future value, SK Telecom employs the Double Bottom Line which pursues economic and social value simultaneously. To accomplish sustainable growth in tandem with the wider community, we carry out a range of activities that reflect our firm's characteristics and endlessly strive for innovation in tackling social challenges and exploring ways to create differentiated social value.

ISSUE

**Importance of an issue**

As corporate social responsibility and corporate citizenship are getting more emphasized, a corporate start to monitor economic and social value at the same time, out of traditional 'profit seeking focused' approach. SK Group set the Double Bottom Line, based on both economic and social value, as its performance measurement standard for social value, and build monitoring and management system for social value of corporate operation based on it.

APPROACH

**SK Telecom's strategies**

SK Telecom reflects social value creation and responsibility in its corporate philosophy. Through a variety of institutional support programs, social value measurement and performance analysis, we are exploring opportunities to positively impact our society and resolve social challenges. SK Telecom plans to contribute to the creation of social value as well as the expansion of the ecosystem by applying enhanced social value measuring methodologies to various areas.

VALUE CREATION

**Performance achievements and management**

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

## STRATEGIC DIRECTIONS FOR SOCIAL VALUE

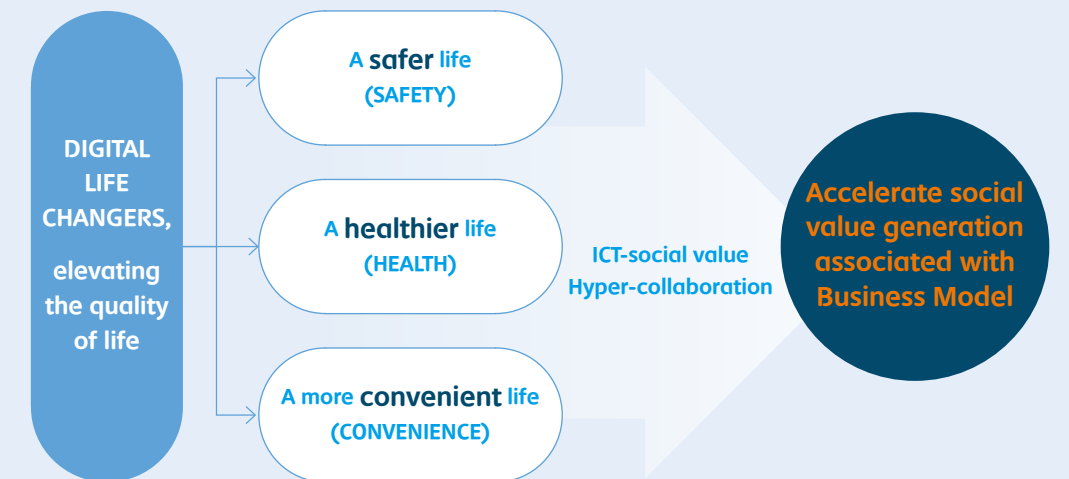
### Social Value - New Management Strategies for Survival and Growth

With the development of digital technology, the broad paradigm shift taking place in politics, the economy, society, and culture is accelerating. Also, the arrival of the hyper-connected society is expanding the scope of stakeholders that surround the company, and impact of business activities on them is broadening. Corporates are expected not only to create conventional economic value, but also serve more significant roles as members of society.

SK Telecom believes that the pursuit of social value is not an option but a prerequisite to survival, and so it is pursuing a transformation which not only includes economic value for shareholders and customers, but also social value that fulfills the various demands of the stakeholders.

### Strategic Directions for Social Value - DIGITAL LIFE CHANGER

By combing unique characteristics of SK Telecom and the needs of external stakeholders like the New Normal to come post-COVID-19, SK Telecom seeks to create new values that goes beyond simple social contribution activities to ones that can be sensed in our daily lives. As Digital Life Changers, we will continue to innovate the new ICT business model and accelerate the creation of social value through hyper-cooperation with various entities so that customers can enjoy safer, healthier, and more convenient lives.





# SOCIAL VALUE CREATION IN LINE WITH STRATEGIC DIRECTIONS

SK Telecom shares ICT and distribution infrastructure to pursue projects that create a variety of social values. We are committed to creating social value by improving the quality of life through utilizing our ICT capabilities and organizing various programs such as IT education.

## INCREASING SOCIAL VALUE BY USING ICT

### “AI Care,” the role of social safety nets for isolated senior citizens

Based on SKT’s (AI) (Artificial Intelligence) technology and data analyzing capabilities, in April 2019 we launched a social value business in conjunction with social enterprises (Happy Connect) and local municipalities (Local Government Association for Social and Solidarity Economy, etc.) to address the issues of loneliness, safety, and dementia among socially vulnerable groups, including senior citizens and the people with disabilities. The ‘AI Care’ service is provided by the company to share and support AI as well as home IoT(Internet of Things) and data analytics technologies, together with local organizations that create local jobs where workers carry out on-site care services for the company’s service targets and operate the ‘ICT Care Center’ which is the backbone of on-site projects. Through the AI care service, which was developed for isolated senior citizens, we set up AI speakers in 13 municipalities and public institutions (LH, Korean Land and Housing Corporation) 3,200 households across the country in 2019. With an AI speaker, senior citizens can feel less lonely by asking it questions about music, lifestyle information, and carrying on conversations. When users call for help, AI speakers recognize this as an emergency and automatically notify an ICT Care Center, responsible care managers, and ADT Caps (at night-time/holiday) so that emergency services can be immediately alerted if monitoring personnel determine the situation to be an emergency. With the service especially useful for senior citizens who are not very familiar with information and communication devices, we were able to rescue 15 isolated senior citizens in response to calls for help made through AI speakers. Also, by developing the nation’s first AI-based “Dementia Prevention” program along with Seoul National University’s College of Medicine, we are establishing our company as a trustworthy keeper of the physical and mental wellbeing of senior citizens. Thanks to advanced ICT and accumulated infrastructure, the company will exert its efforts to create social value and tackle social challenges.

### ICT training to reduce digital divide

Since November 2019, we have been operating “Easy T Smartphone Classes” and “Exciting Coding Classes” with the Association of Elementary Computing Teachers. With our stores and branches in major cities nationwide acting as educational centers, we help students easily understand coding with the help of our educational robot, ALBERT. Currently, more than 300 elementary schools are receiving coding lessons in regular and after-school classes, and more than 10 countries overseas are also conducting pilot programs. Through coding education, we are contributing to children’s creative learning and the development of future ICT talent.

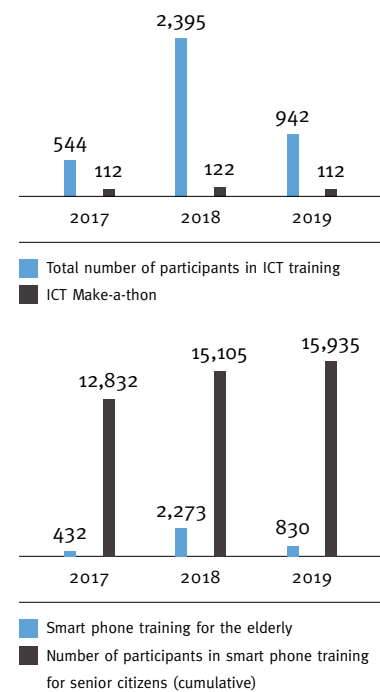
### SKT Happy Insight

To identify social value creating items based on ICT, SK Telecom has been hosting the “SKT Happy Insight” contest each year since 2017. Any one that is a Korean national can participate in the contest, and the company plans to support businesses of innovative items that were selected as a solution for social issues using ICT. SK Telecom strives to create social values and to build a social safety network along with all citizens.

### “Red Connect,” the world’s first health management service for blood donors

As the world’s first, we developed and are operating “Red Connect,” which is an innovative application that provides health management services by utilizing Big Data on health care and health information of blood donors. With this, we are contributing to the expansion of a life-sharing culture by supporting healthy, transparent, and easy blood donations of 1.3 million donors in Korea.

CURRENT ICT TRAINING PROGRAMS



### Launch of services for people with hearing impairment

To enable people with hearing impairments to advance into the taxi industry, we launched the “T map Taxi” app for hearing impaired people in cooperation with Co:actus, a social enterprise. By proactively accommodating taxi drivers with a hearing impairment, we are providing significant assistance in their business activities such as blinking alerts to prevent missed calls, messaging functions between customers and drivers for communication of special requests, etc. Also, to ease discomfort caused by voice calls, we launched the “Sonnuri Ring” service in conjunction with the Seoul National School for the Deaf as well as nationwide associations for the deaf. The service informs callers that are trying to reach people with a hearing impairment, “This is a mobile phone for customers with a hearing impairment. Please contact via text message.” With this service, we hope to alleviate telephony-related difficulties of hearing impaired customers. SK Telecom plans to continue its efforts to create social value for socially vulnerable groups.

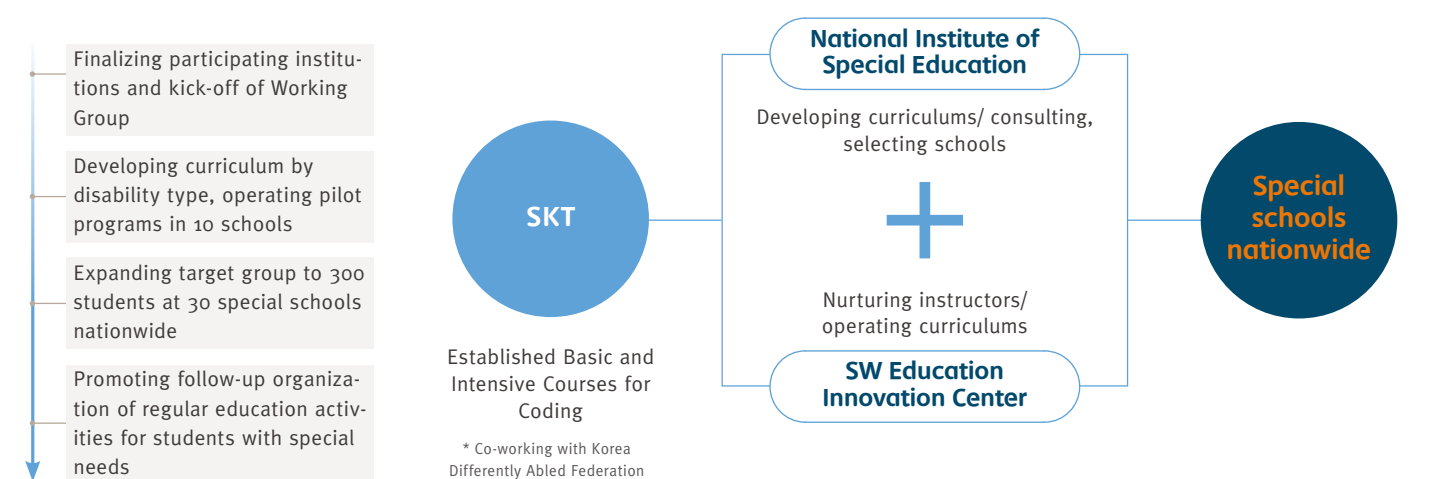
### Happy Coding School for youths with disabilities

Back in 2018, SK Telecom decided to promote a new program to support socially vulnerable groups with company members and the company working as a team. Starting in 2019, for the past 2 years the company has been operating Happy Coding Schools targeting approximately 100 special education schools or special needs classes around the country. To facilitate specialized coding education for youths with disabilities, we completed the development of 14 different Korean and English textbooks classified by disability-type. Also, by conducting classes with professional instructors on-site, we are contributing to the improvement of the ICT competencies and the establishment of their plans for further schooling and future careers. As a recognition of these efforts, we were awarded the mobile STEAM Activity for Children Award by the highest renowned awards in the telecommunication sector, the GSMA Global Mobile Awards.

### Support for small business owners

With services equipped with 5G technology, we are supporting small business owners across the country. By applying AR (augmented reality) technology in Daegu’s Jung-gu, and Incheon’s Namdong-gu, we diversified content for local tourism. Also, we are offering T membership services, such as open streets and open bakeries, in which users can enjoy discounts and promotional benefits at local business districts. Additionally, to enhance information accessibility for small business owners, we opened off-line consulting centers called “Centers for the happiness of small business owners” in Seoul and Daejeon and are providing guidance on various support systems, consultations about specialized ICT services for small business owners, analysis on business districts, consultations for SK Smile microcredit loan etc. Moreover, we launched and are operating Bizit (www.skbizit.co.kr), an online platform that handles not only the tasks related to startup launch and management which

STATUS QUO AT HAPPY CODING SCHOOL FOR YOUNG DISABLED PEOPLE





small business owners need, such as taxes, market analysis, policy fund information, hiring part-time employees, sales management etc. but also handles financial tasks such as applications for loans and deposit products.

### T map Parking

We released “T map Parking” with ADT Caps. This is a “one-stop” parking-related service app that provides details about parking space availability in real-time, in addition to discounts and automatic payment systems. Through the T map service, we are maximizing the efficiency of the operation of parking lots while eliminating parking-related inconveniences. ADT Caps handles real-time complaints through a 24-hour call center with over 2,000 patrol crews across the country and plans to expand the number of directly-managed and affiliated parking lots to more than 600 locations by 2020 (about 100,000 parking space). In addition, along with the launch of T map Parking, we have established our own standard guidelines for parking guidance systems and equipment for entering and exiting parking lots. With the parking operation platform that enables the remote control of a variety of parking equipment, we are offering a new parking paradigm for both suppliers and users in the domestic parking market. Moreover, we are enhancing the efficiency of parking lot operations by analyzing supply and demand for parking by each day and hour for specific areas through pre-analysis and operation based on Big Data.

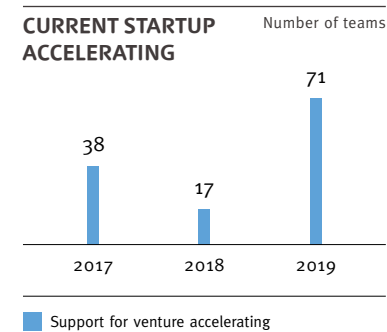
### Social Value Creation Based on Public Data

For the balanced development of regional communities and data-based economic revitalization, we signed an agreement on data cooperation with the Ministry of the Interior and Safety. By using Big Data from the telecommunications sector for location-based map services, population flow, fine dust, etc. and the government’s publicly available data, we are generating social value in various sectors such as natural disasters and health. Through data cooperation, we are also contributing to economic revitalization by jointly implementing analyzing activities for social value creation and providing data to ministries and municipalities to create new business models that cater to local characteristics. And from mid- to long-term perspectives, we are providing online analysis services using data for Insight, the Ministry of the Interior and Safety’s Big Data platform. We strive to bridge regional gaps by providing quality data and facilitate high-quality administrative services. Furthermore, with Seoul Metro, we signed a cooperation agreement to research the safety of public transportation and the alleviation of traffic congestion. By combining SK Telecom’s communication data and Seoul Metro’s transportation card usage as well as their load sensor data of subway trains, we are providing optimal routes for users. Additionally, we are exploring methods to simplify the entering and exiting of subway platforms by using wireless communication and sending notification messages to customers in case an accident occurs on a subway nearby. By using our communication infrastructure and ICT, we are striving to improve convenience for customers including enhancing the efficiency of train operation management and securing passenger safety. We will explore further ways to improve our services based on our analysis of Big Data.

## SOCIAL IMPACT CREATION BASED ON OPEN COLLABO

### Accelerating ICT-based social enterprises and startups

By Accelerating startups, we are contributing to the growth of new industries and job creation. Since 2013, we have operated various programs such as “Bravo Restart,” a support program for ICT-convergent venture startups that is operated by middle-aged people, the “SK Young Adult Launch” program kickstart startups by university students, the “Dream Venture Star” to establish a startup ecosystem in the Daejeon region, the “Agriculture Venture Star” for the development of ventures specializing in ICT-based agriculture, the “101 Startup Korea,” a startup accelerating program for young adults and so on. We have launched and are currently operating a more evolved and systemized program called “True Innovation,” which is composed of a “Collabo Project” that leads innovation through collaboration with domestic and international partner companies, and an “Accelerator,” that links innovative companies with potential partners. In 2019, we revamped the program with a new name: “True Innovation Accelerator,” which



identifies and develops innovative startups specializing in sectors such as 5G, Mobility, and AI. Moreover, we conducted the “2019 Smart Tour App. Development Competition” to find an outstanding tourism-related smartphone app by working with the Korea Tourism Organization. So far, we have accelerated 268 innovative startups and helped around 100 teams receive investment funds worth approximately KRW 260 billion. As a result, 24 innovative startups directly have linked their businesses to SK Telecom. In addition, we launched the “ImpactUps” program with 11 innovative startups that address social issues by using technology. We set social value and impact goals that these 11 companies can create together, and we publicize them through business cooperation and exhibitions, PR, etc. In this way, we are striving to contribute to the expansion of an ecosystem for social value by heightening the possibility of reaching the impact goals and collaborating on tackling social challenges.

### Curriculum development through cooperation with universities

We are amplifying collaboration with nationally distinguished universities to nurture AI talent that will lead the new generation. Starting with the off-line “AI Curriculum” established with Seoul National University, we pursued industry and academic cooperation for AI curriculums with Hanyang, Sogang, and Kwangwoon Universities. Also, we are pursuing joint research for the expansion of the AI ecosystem by signing agreements. With the AI education curriculum created through business-academia partnerships, we are looking forward to not only delivering theoretical knowledge but also practical skills required on-site. Moving forward, we plan to provide the students with business opportunities that can be applied to SK Telecom’s AI services.

### Development of young talent

To support the development of outstanding young talent with creative ideas in ICT, we launched the “SmarTeen App Challenge (STAC) 2019,” the nation’s largest app development competition for teens, along with SK Planet and the Ministry of SMEs and startups. In addition, we are operating a Youth Technology Class, a knowledge-sharing platform that introduces global ICT trends in a comprehensible way to science prodigies across the nation. Company members in corresponding departments in 5G and AI directly visit locations and give lectures on current trends and technologies in future ICT such as AI, machine learning, Big Data, blockchain etc., helping these talented people to dream new dreams.

## PURSUIT OF GLOBAL SV COLLABORATION

### Coding Training Using the Game, Minecraft

We are working with Microsoft to provide coding training free of charge. We offer cost-free coding classes by using the block-type construction game Minecraft, in the 5 cities of Seoul, Busan, Daejeon, Daegu, and Gwangju. Minecraft is a game in which players can build and explore virtual worlds with different types of blocks, and is useful for improving coding skills, digital competence and creativity. Microsoft has been operating a global coding education program called “Hour of Code” and in collaboration with that firm we have expanded the target to higher elementary grade levels and are supporting good quality computer science education. SK Telecom is proactively working with various partners and sharing the company’s vision for the creation of social value. For the development of future talent in the 5G era, we will actively open up our tangible and intangible assets and build strategic partnerships.

### Technology development collaboration in the field of 5G and AI with Minerva School

With a Minerva School that is currently collaborating with global ICT companies such as Apple and Amazon, we conducted joint programs for technology development and new businesses related to 5G and AI. For 3 months, SK Telecom and Minerva freely shared ideas via on-site visits, emails, and SNS messaging with a focus on 5 tasks in new business development in 5G, language learning solutions based on 5G and AI, etc. SK Telecom defines the innovation key for the 5G era to be sharing and collaboration based on Digital Transformation. Therefore, the company will pursue continuous collaboration with competent talent and key global companies and strive to provide platforms for a wide range of opportunities to create next-generation growth business.

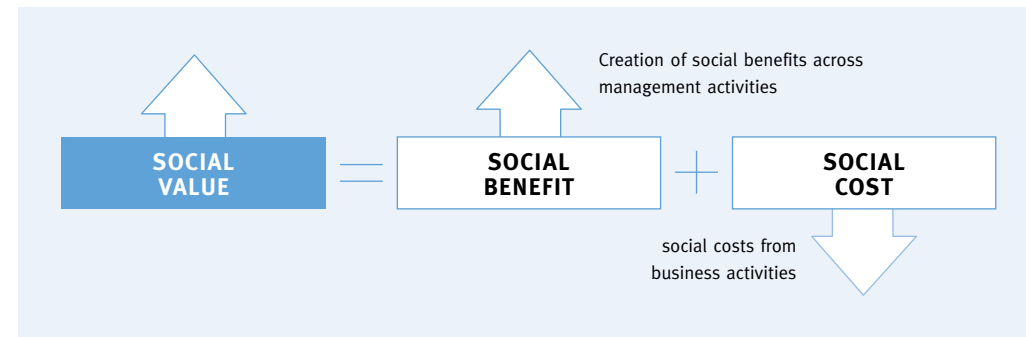


# SOCIAL VALUE MEASUREMENT

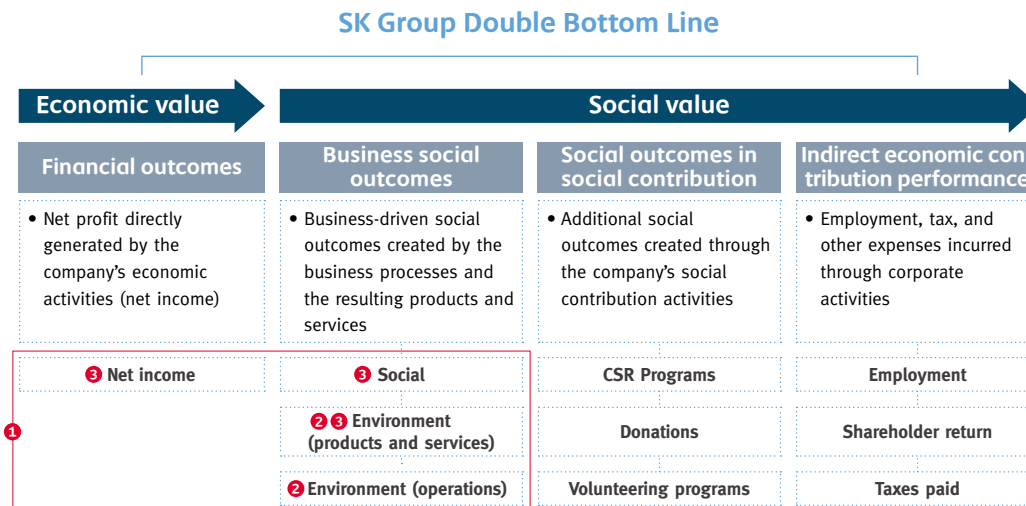
## DOUBLE BOTTOM LINE

With the rise in the importance of social responsibility activities in corporate management, SK Telecom adopted the Double Bottom Line (DBL), which considers both economic and social value and deems the creation of social value by tackling social challenges as a component of corporate management. In accordance to SK Group's DBL measurement methodology, SK Telecom measures social value created through management activities in monetary value, and annually discloses the results to the public. In addition, we established a company-wide social value fostering system and assigned social value KPI assignments to all organizations, and for all employees we are conducting social value creation workshops as part of our efforts to create more social value.

### DEFINITION OF SOCIAL OUTCOMES OF THE DOUBLE BOTTOM LINE



### SK GROUP AND SK TELECOM'S SOCIAL OUTCOMES MEASUREMENT AND REPORTING RANGE



- 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)

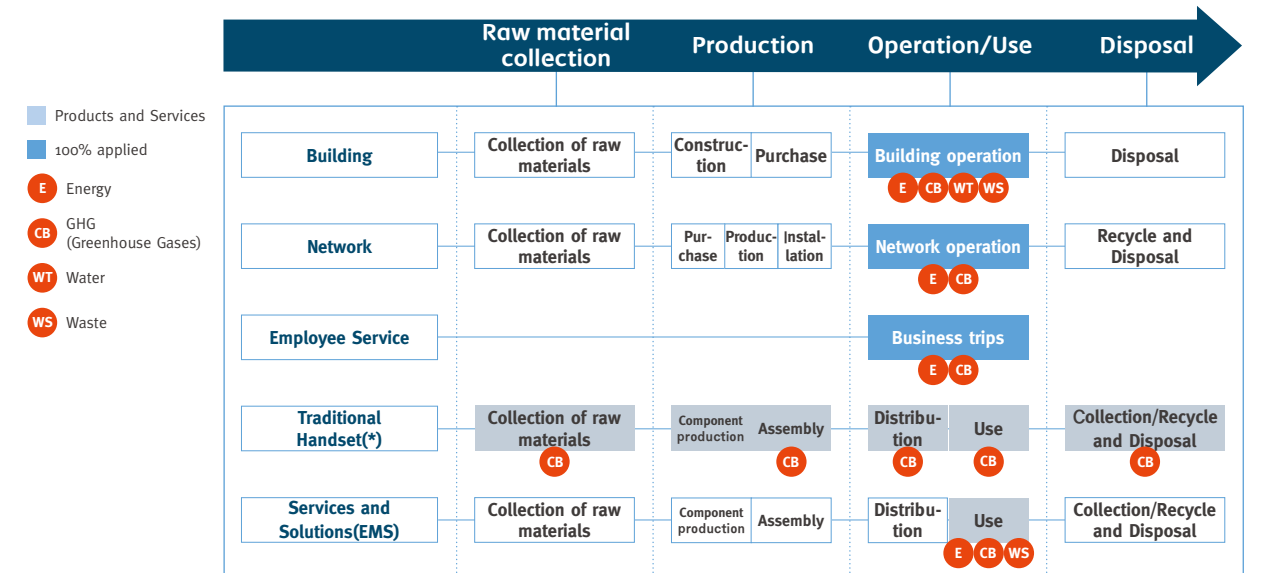
The Double Bottom Line comprises “financial outcomes” for economic value, “business social outcomes” for social value “social outcomes in social contribution” and “indirect economic contribution outcomes.”

In the area of “business social outcomes,” SK Telecom analyzed the social value outcomes and the financial outcomes that occur directly from process operations and products and services to calculate the “social-environment profit and loss.” The social value outcomes were calculated based on the Group's DBL measurement guide, and the “social-environmental profit and loss” was calculated by applying the 2019 data to the environmental profit and loss, the reporting methodology that was applied to the 2018 SK Telecom Annual Report.

## 1. SK TELECOM'S ENVIRONMENTAL PROFIT AND LOSS ANALYSIS

To measure impact of the entire value chain on the environment, SK Telecom uses a step-by-step process in calculating an environmental profit and loss. We then analyze this through 3 stages: setting the scope of the value chain, collecting data and calculating value.

### SETTING THE SCOPE IN THE ENVIRONMENTAL PROFIT AND LOSS ANALYSIS



(\*) Handset: Environmental or carbon label, CTS and LCA Certification Standard: Galaxy S8, Galaxy S7 Edge, iPhone 7, iPhone 8, iPhone X, iPhone Xs, iPhone XR, iPhone XS MAX, iPhone 11 Pro MAX, iPhone 11 Pro, iPhone 11

### Setting Scope and Data Collection

In order to analyze the environmental profit and loss, SK Telecom divided the value chain into 5 categories: buildings, networks, employees, handsets, and services and solutions. Based on this, environmental data was identified from the perspective of Life Cycle Assessment (LCA): the collection, production, operation, use and disposal of raw materials.



Regarding building and network, only the operation phase (of the entire life cycle) in which data is constantly managed is included in our assessment. The standard device is set as the most widely used smartphones of Apple and Samsung that is verified by Environmental Product Declaration. And we have recalculated the result of overall environmental impact assessment conducted by the manufacturer as all users. Environmental social performance that occurs from the manufacturing process is classified into resource consumption and environmental pollution. The total amount of resource consumption was measured by calculating the use/discharge of water resources and environmental unit costs, and environmental pollution was measured by the same method while being classified into waste and greenhouse gases. In the impact assessment, SK Telecom included the environmental performance in product and service areas such as FEMS (Factory Energy Management System), BEMS (Building Energy Management System), recycling of T-rental recovery phones, reduction of USIM card package, and introduction of electronic application system for sales stores.

#### ENVIRONMENTAL OUTCOMES OF PRODUCTS AND SERVICES

Names of products and services	Description of products and services	Measurement of environmental outcomes
Factory Energy Management System (FEMS)	Energy Management System in factory operation	Actual outcomes 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 outcomes compared to annual reductions of greenhouse gas emissions and energy consumption in contracts
Reuse of T rental phones	Renting out used T rentalphones	Reduction of impact of resource consumption on environment by using reused phones
Reduction of SIM card packages	Shrinking packages for SIM cards for sale (packaging materials, etc.)	Achieved resource conservation from reduction of package size
Introduction of electronic application for sales outlets	Introduced the electronic application form that can be substituted for the existing paper application	Achieved reduction of paper use

#### Valuation

Results of profit and loss analysis are calculated as monetary value, and our company has applied the results that generate minimal negative impact by analyzing 'total performance (total amount of environmental impact)' and 'relative performance (reduction of environmental impact in the current period compared to the prior term).' However, regarding environmental value calculation such as energy solutions (FEMS and BEMS), we have applied 'relative performance' to recognize client and user environmental impact benefits as social performance.

We strive to accurately measure and manage the social value of business activities by upgrading the way social and environmental impacts are calculated. In particular, when measuring the impact of greenhouse has emissions, we have recognized limitations that market prices in the emission trading system do not reflect all potential effects of global warming. Therefore, since 2017, the results have been calculated by Eco-Cost<sup>1)</sup>, a substitute measure that is used to calculate environmental burden generated by products and services. In addition, from 2018, we tried to convert environmental outcome and impact regarding business operations into currency value, going further from the existing input-based measurement. To this end, we were able to calculate a more complete and comprehensive environmental impact, as a result of re-exporting the environmental impact indicators and coefficients based on major domestic/foreign indicators and research data.

1) Eco-Cost: EVR (Eco-costs /Value Ratio) A standard for measuring the environmental impacts of products and services based on models. Calculates costs generated to reduce environmental pollution and resource depletion of products and services to a level acceptable for the earth

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

Impact Area	Impact	2018		2019		
		Output	Impact value	Output	Impact value	
Building	Building management	Energy use	3,198 TJ	(-) 99,351,279,481	3,099TJ	(-) 96,275,677,020
		GHG emissions	157,149 tCO <sub>2</sub> e	(-) 2,972,630,484	150,983 tCO <sub>2</sub> e	(-) 2,855,994,428
		Water use	707,296 m <sup>3</sup>	(-) 623,622,883	714,281 m <sup>3</sup>	(-) 629,781,558
		Waste discharge	1,736 ton	(-) 263,243,568	1,371ton	(-) 207,895,698
Network	Network operation	Energy use	16,006 TJ	(-) 497,253,464,469	17,349TJ	(-) 538,976,031,180
		GHG emissions	777,516 tCO <sub>2</sub> e	(-) 14,707,492,656	842,607 tCO <sub>2</sub> e	(-) 15,938,754,012
Employee Service	Business trips	Energy use	72 TJ	(-) 2,236,801,789	82TJ	(-) 2,547,468,705
		GHG emissions	4,142 tCO <sub>2</sub> e	(-) 78,350,072	4,635 tCO <sub>2</sub> e	(-) 87,675,660
Traditional Handset	Raw material collection and production	GHG emissions	810,276 tCO <sub>2</sub> e	(-) 15,327,181	1,335,495 tCO <sub>2</sub> e	(-) 25,262,223
	Use	GHG emissions	669,793 tCO <sub>2</sub> e	(-) 13,237,284	1,116,849 tCO <sub>2</sub> e	(-) 21,126,316
	Collection and reuse	GHG emissions	16,077 tCO <sub>2</sub> e	(-) 304,113	26,124 tCO <sub>2</sub> e	(-) 494,162



## 2. SOCIAL PROFIT AND LOSS ANALYSIS

Using the Social Capital Protocol of the WBCSD (World Business Council for Sustainable Development) as our guide, we have selected a limited set of targets and measurable impacts.

### Setting Scope and Data Collection

The Social profit and loss analysis measures the social outcomes in the product/service business. We included 8 products and services that create social value, enhance customer convenience, eliminate inequality based on the outcomes in safety, ICT-based crime prevention, support for disadvantaged groups, etc. to conduct the social profit and loss analysis.

#### ENVIRONMENTAL OUTCOMES OF PRODUCTS AND SERVICES

Names of products and services	Description of products and services	Measurement of social outcomes
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
V2X real-time traffic and safety alerts	Notification alerts for sudden braking on the highway	
LBS IoT business (electronic anklet, Criminlas location tracking)	Criminals location tracking based on IoT	Reduced social costs by crime type
Happy Community AI care services	Care services for the elderly using AI speakers and IoT devices	Provision of emergency safety services and reduction of social costs by alleviating depression
Blocking text and voice spam	Blocking spam calls and messages	Reduction of social cost through prevention of voice and SMS phishing
Discounts for people with disabilities	Customized monthly plans for hearing (Sonnuri) and visually impaired people (Sorinuri)	Enhancing accessibility to communication services for the vulnerable groups with increased convenience and discounted rates
Digitization for low income earners / Harmful content blocking services	Discounted rate for socially disadvantaged groups	Increasing accessibility to telecommunication services with discounted rates
T World direct sales by social enterprises	Supporting the expansion of social enterprises' sales networks through sale of Happy Happy Connect in T World	Commissions to enter open market platform

### Valuation

In looking at our business' social outcomes of products and services, we calculated the values by applying individual methodologies. For example, T map Safe Driving leads to social outcomes that lower the accident rates and create a safe traffic environment. However, as outcomes cannot be measured directly, we calculated the value of creating a safe traffic environment by calculating the cost of dealing with traffic accident damages before and after use. In the case of the electronic anklets, we used a direct valuation method to measure the reduction in social costs caused by crime prevention. We have calculated the fall in crime thanks to electronic monitoring devices, and the resulting drop in crime-related costs was measured as a drop in social costs.

In 2019, new indicators have generated broader business social performances. We have measured social value of traffic accident prevention effects generated by the emergency safety notification and depression reduction effects of Happy Community AI Care Service and real-time notification service to rear vehicles based on V2X<sup>1)</sup> technology in case of sudden stops while driving on a highway.

1) V2X (Vehicle to Everything): Technology that provides wired and wireless network information surrounding vehicles

- 1) Includes V2X traffic safety notifications
- 2) LBS IoT business (ankle monitor) + spam filtering
- 3) Rate plans customized for people with disabilities/ digitization for marginalized groups/ services for blocking harmful information/ Happy Community AI Care Services' emergency safety/ reduced depression

Also, the performances of preventing voice phishing through VSFS (VOICE SPAM FILTERING SYSTEM) and reducing time for arrest with improved location mapping for suspects using LBS (Location-based service) were counted as new social values.

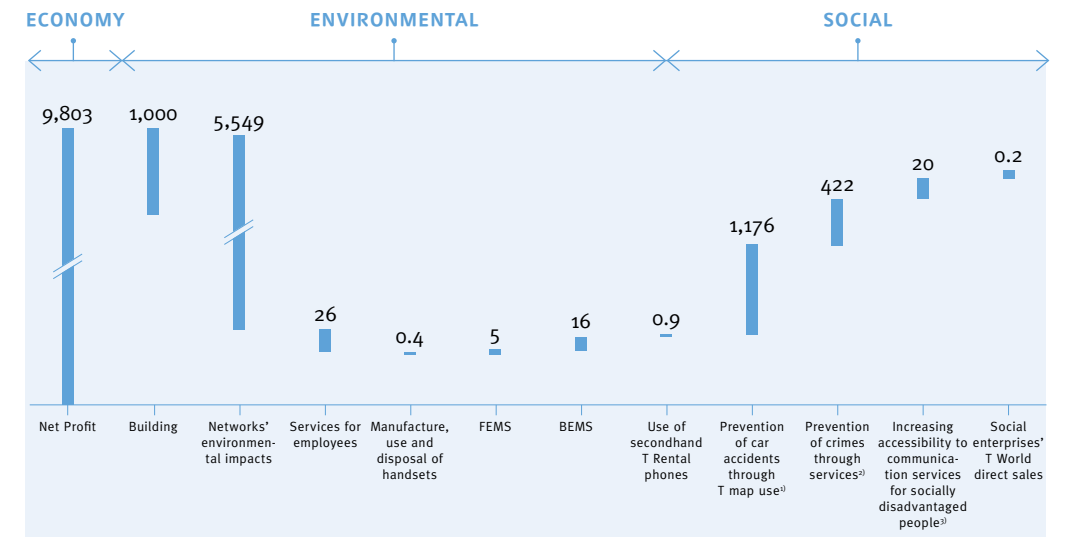
## COMPREHENSIVE RESULTS OF THE SOCIAL-ENVIRONMENTAL PROFIT AND LOSS ANALYSIS

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 980.3 billion in 2019. In the course of business operations, we estimated the environmental impact of buildings, networks, employee business travel, and the environmental impact of the handset manufacturing-use-disposal phases by applying the domestic standard environmental costs to estimate an environmental net loss of about KRW 657.5 billion. In the environmental product and service area, we recorded an environmental cost saving of KRW 2.1 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 655.4 billion.

In the social aspect, we generated about KRW 161.8 billion in social outcomes through social value creation and achievements using products/services, such as T map safe driving, electronic ankle monitor devices, and specialized monthly plans for people with disabilities. This analysis does not include "additional social outcomes through social contributions" which includes CSR programs, donations and volunteering activities due to the issues of externality, measurement precision, and the advancement of calculation methods. SK Telecom will continue to lead the process of tackling social problems and creating innovative social value based on its 5G and ICT leadership while systemizing social environment profit and loss analyses of the whole of its business model down the road.

#### COMPREHENSIVE RESULTS OF THE SOCIO-ECONOMIC PROFIT AND LOSS ANALYSIS

(As of the late December 2019)  
Non-consolidated, KRW 100 million



※ All calculated data on this page have been rounded up to a decimal point.



# SUSTAINABLE ISSUE

82	CREATING ECONOMIC VALUE
84	BUSINESS OPERATIONS
86	CUSTOMERS
91	MEMBERS
94	ENVIRONMENTAL MANAGEMENT
98	SOCIAL CONTRIBUTION



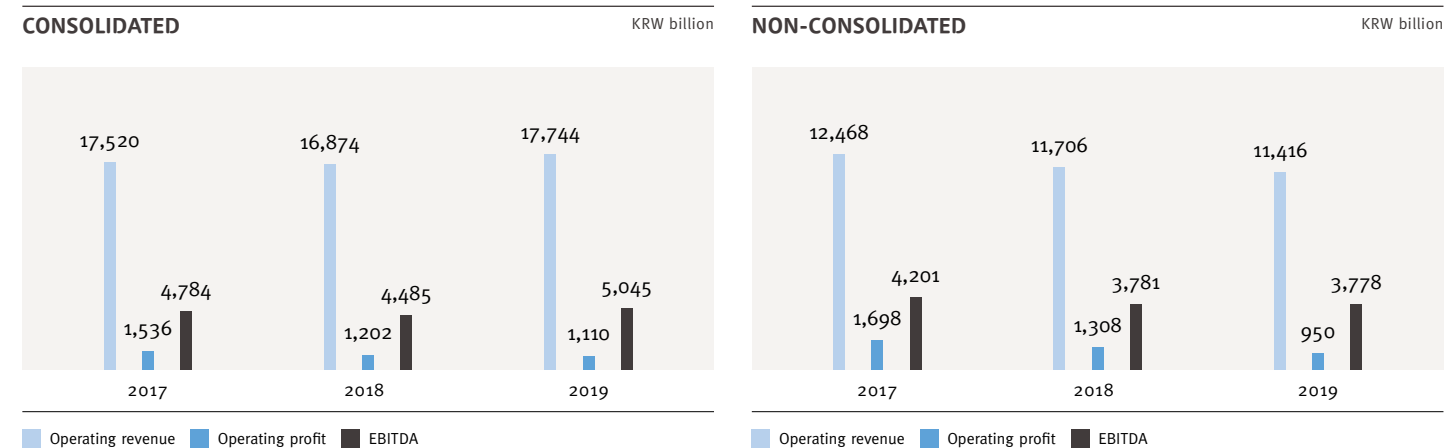
## CREATING ECONOMIC VALUE

With the MNO business, SK Telecom will continue to pursue NEW ICT businesses that encompass the security, media and commerce sectors, and will provide corporate value by establishing the businesses as major growth engines. In response, SK Telecom adopted the Dual OS management system and is building a strong basis from which to grow as an ICT Synergy Company. In the MNO business, the foundation for mobile operators, we are not only researching and developing 5G's high-speed and hyper-low latency services, but are continuously strengthening network infrastructure to offer 5G services at a stable quality. Also, by fortifying 5G-driven B2B business, we are in the process of developing a variety of content and services using VR and AR. Moreover, we are leading a wide range of technology development that can be launched based on 5G including AI, MEC (mobile edge computing), Cloud etc. With this technology innovation, we are partnering with a number of global companies and are creating economic value in a variety of business sectors.

### 2019 PERFORMANCE

#### Financial outcomes

Based on the consolidated financial statement of K-IFRS (Korean version of International Financial Reporting Standards,) we achieved KRW 17.74 billion in operating revenue in 2019 and KRW 1.11 billion in operating profit (based on IFRS15). Revenue rose 5.2% compared to last year, and recorded the largest on an annual basis. This is the result of SK Telecom being the first to commercialize 5G and achieving growth in the New Biz sectors of media, security, and commerce. Operating profit fell 7.6% year-on-year due to the capex of network facilities including 5G frequencies, but by 2020, investment in network infrastructure is expected to be less and we will be able to redeem the loss. Net income recorded KRW 861.9 billion, a reduction of 72.5% due to the impact of SK Hynix's equity gains. SK Telecom is continuing to grow into a hyper-ICT company through significant achievements based on the increase of 5G subscribers following the commercialization of 5G, and growth in media, security, and commerce businesses. Meanwhile, stand alone capex rose 37.1% over the last year, reaching KRW 2,915 billion due to investments to expand 5G coverage in 2019.



In the media business, we are striving to strengthen capacity in media content such as evolving our comprehensive media platform with SK Broadband, and entering and establishing development plans for the domestic OTT (over-the-top) market. Further, we plan to build collaborative relationships with the goal of international advancement through pan-Asian contents. In security and commerce businesses, we are focusing on enhancing competitiveness and value by introducing state-of-the-art technologies that utilize 5G-based ICT infrastructure. We are reinforcing our leadership as a new ICT company by setting the growth engines in motion for each of our business sectors, including enhanced convergent security services, ICT-based security technology capabilities, and expanded commerce portals across ICT. We also strive to provide differentiated customer value through mobility platform services such as T map and T map Taxi, and are leading innovation in various business sectors such as building new business models using AI and Big Data, and Smart Home and Smart Office covering even the IoT. In 2020, we will further coordinate the Dual OS system and effectively operate mobility and AI businesses, and build a robust hyper-collaboration system by working together with numerous global companies. In addition, we will strive to address social challenges based on our firm's unique capabilities. We pledge to continue strengthening our new ICT infrastructure and to advance as a global ICT synergy company.

### STRATEGIES FOR 2020

In 2020, SK Telecom will strengthen the synergies of its four major business areas: MNO (mobile network operator), media, security and commerce, all based on 5G and AI, resulting in a boost as an ICT synergy company. SK Telecom will strive to achieve higher sales on a consolidated basis in 2020 than the previous year even in the current COVID-19 situation. As for the proportion of revenue by business sector, sales of non-communication sectors, which stood at 35% in 2019, are expected to grow in 2020 as a result of accelerated growth from the expansion of the media industry, ADT Caps' contribution to earnings, as well as increased profitability of 11 Street.

#### STRATEGIES FOR 2020

- 1) Pursue achieving higher sales than the previous year with the turnaround of sales in telecommunications and improved performances in the growth ICT sector
- 2) Become an ICT synergy company based on convergences among MNO, media, security, and commerce businesses
- 3) Continue to strengthen competencies and core technology of ICT such as 5G and AI through partnerships with leading domestic/ international companies

#### 2020 OUTLOOK

We are anticipating that the goals for sales (on a consolidated basis) and sales ratio of non-MNO business will grow compared to that of last year, even in the midst of COVID-19 uncertainties.



# BUSINESS OPERATIONS

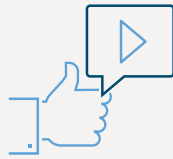
SK Telecom led the commercialization of 5G in 2019, establishing itself as the number one telecommunications company in Korea and created a wide range of customer experiences using 5G infrastructure. In addition, by establishing the 4 core business sectors of media, security, and commerce as non-communication sectors, we are growing into a New ICT Synergy Company.

## 2019



### MNO

- Increase in membership through commercialization of 5G → Increase in ARPU (Average revenue per user)
- An increase of KRW 80 billion in revenue compared to the previous year
- Achieved the world's first million subscribers
- Reached approximately 28.65 million wireless subscribers
- Pursued Customer Value Innovation 2.0, diversified customer experiences
- Placed first in customer satisfaction surveys for 22 consecutive years
- Enhanced quality and inspected equipment for reliable 5G services
- Secured exclusive partnerships with Amazon & Microsoft



### Media

- Growth in revenue in the IPTV business due to increase in premium subscribers and increased content usage
- Secured 5.19 million IPTV subscribers, 2.7 million monthly users of wavve
- Launched wavve by combining SK Telecom's oksusu and 3 terrestrial broadcasters' collective OTT (over-the-top, video media platforms), POOQ
- Initiated acquiring and integrating of cable TV operator T-Broad > secured platform and paid broadcasting subscribers due to expansion into the cable TV business
- Advanced into the American broadcasting market based on media technology > suggested next-generation broadcasting solutions
- Signed a partnership with Kakao Corp. > collaboratively pursued communication, commerce, content, and future ICT sectors



### Security

- 17.4% growth in year-on-year sales, 21.9% expansion in operating profit**  
**Strengthened existing businesses, expanded new businesses, launched a convergent security market based on synergy between technology and sales capacity of SK ICT Family**
- Enhanced presence of existing businesses
  - Increase in net share for patrol security services
  - Solidified position as number 1 in the information security industry
  - Expanded new businesses
  - Continued growth in sales for unmanned parking business
  - Real growth of the home security business
  - Led the Cloud security market
  - Pioneered the convergent security market
  - Secured use cases for the convergent security business
  - Officially executed Cross-Sell
  - New technology of quantum cryptography → adopted as an international standard
  - Unveiled "quantum security solutions" – to prevent hacking
  - Preliminary approval of "Security Considerations for Quantum Key Distribution Network" at the ITU-T meeting



### Commerce

- Recorded a surplus operating profit of KRW 1.4 billion and KRW 531 billion in sales through the "Commerce Portal" based on ICT infrastructure and elimination of inefficient businesses
- Provided customer-oriented services with advanced technology, such as Big Data and AI → strengthened IT technology-based partnerships, pursued development of solutions that encompass the overall shopping process
- Fortified service competitiveness by providing various promotional offers
- Normalized promotion of monthly "11th Days"
- Acquired SK stoa → built infrastructure for AR, VR content creation

In 2020, SK Telecom seeks to maximize its corporate value by maintaining the stability of its wireless communications business as well as supporting the development of its new ICT business. We are pursuing growth in the scale of business by creating business value in the non-communication sectors and expanding the ICT portfolio through shared infrastructures.

## 2020

### Full-scale kick-off of 5G-based growth

- Pursuit of the fundamental growth of the mobile business through increase in the number of 5G subscribers and ARPU augmentation
- Continued expansion of subscription-type services, launching 5G new BM with MEC (mobile edge computing) Cloud business and B2B platform business
- Fortification of 5G customer experience-based marketing through reasonable market operation, cluster-centric 5G network establishment & marketing, digital-oriented distribution innovation

- Reorganization of monthly plan movie products, expansion of B tv Device, enhancement of schedule/ recommendation systems using AI → Increase in monthly plan subscribers, revenue increase in PPC per capita
- Acceleration of customer-oriented service expansion including competitiveness enhancement for Kids products, 2nd TV Repackage, affiliate base expansion, empowerment of online sign-ins.
- Expansion of business models such as addressable TV ads, content value chain, IDC, and submarine communications cable business etc.

### Continued revenue growth in the security business based on technical leadership in ICT and SK ICT Family's synergy

- Innovation of business model based on technology leadership
- Strengthening of competitiveness of existing businesses through technological innovation in AI/DT and Cloud sectors and explore New BM (e.g. AI CCTV based on video analysis etc.)
- Creation of businesses value based on growth

### ADT Caps

- Strengthening of leadership in patrol security through expansion of differentiated value-added services
- Acceleration of growth of unmanned parking and home security markets
- Provision of DT-based operational efficiency

### SK infosec

- Solidification of our position as number 1 in information security by strengthening industry-specific security services
- Visible development of growth businesses such as cloud and remote control
- Enhancement of DT-based control technology

### Creation of synergy from ADT Caps and SK infosec

- Expansion of the convergent security market by widening the integrated (physical/ information) control platform and strengthening the 'One-team' order system

- Integrated search bars → improve search quality, provide shopping information based on customer participation, expand SK Pay & SK Pay Point to increase customer expansion and activity
- Expansion of affiliation with top brands, diversification of products, securing growth of the existing BM (Open Market) by strengthening competitiveness in delivery based on "Today's groceries."
- Active partnerships with top players at home and abroad, promotion of partnerships with grocery stores and fashion companies to enhance vertical capabilities
- SK stoa, securing differentiated tech-based services by establishing virtual studios with full 3D VR applied



# CUSTOMERS

With intensified competition in the ICT industry, securing competitiveness through customer-centered management is growing in importance by the day. As a new global ICT company, SK Telecom strives to lead 5G and deliver the best products and services to its customers. In addition, we are expanding convenience services for socially vulnerable groups and are establishing long-term trust relationships through active communication with our customers.

## ACCESSIBILITY TO SERVICE

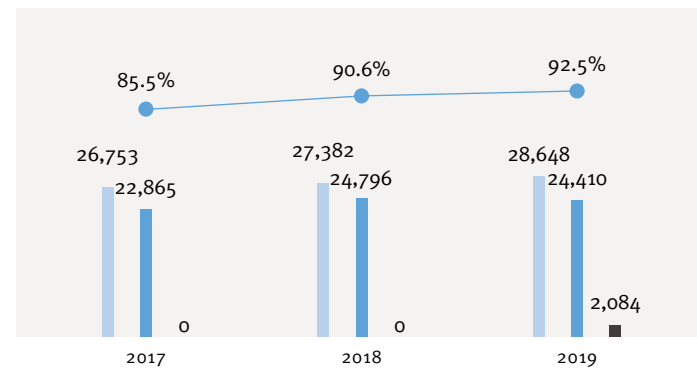
SK Telecom strives to ensure equal accessibility to mobile communication services. By securing and maintaining subscribers and connecting 2nd devices to increase customer satisfaction and lower churn rates, we are strengthening our subscriber base. In addition, in order to reduce the digital divide for vulnerable groups with limited access to information, we provide a variety of educational programs and fee reduction plans, and work to expand the communication range for efficient communication services in the region.

### Number of Subscribers

The level of mobile internet access can be ascertained from the proportion of LTE subscribers and the number of second device subscribers. After the world's first 5G commercialization in April 2019, the number of subscribers grew exponentially. By the end of 2019, the number of 5G subscribers stood at around 2.08 million, placing SK Telecom first in the domestic communications industry. By the end of 2019, SK Telecom's combined subscriber rate for LTE and 5G was 92.5%, a 1.9% increase on the previous year.

### LTE AND 5G SERVICES PENETRATION

1,000 People



● LTE/5G Subscriber Rate ■ Total Number of Subscribers ■ Number of LTE Subscribers ■ Number of 5G Subscribers

### Tariff discounts for vulnerable groups

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, the low-income households and basic pension recipients stood at KRW 360.2 billion in 2019. Increased by 34.5% compared to the previous year due to the expansion of fee reduction benefits for marginalized groups enacted in December of 2017 and the fee reduction services for basic pension recipients established in July of 2018.

#### TARIFF DISCOUNTS <sup>1)</sup>

		2017	2018	2019
Total Bill Reduction for Disadvantaged Groups	KRW million	197,890	267,720	360,129
Disabled	KRW million	127,224	129,213	130,036
Low-income	KRW million	60,074	105,711	121,172
Veterans	KRW million	10,507	11,002	11,387
Basic pension recipients	KRW million	-	21,794	97,534
Miscellaneous	KRW million	66	77	72

<sup>1)</sup> Change in classification standards in 2018: Due to revision announced in a related notice in 2018, tariff discounts to basic pension recipients (the bottom 70% of senior citizens aged 65 and over in terms of income & assets) were implemented on 13 July 2018. The amount of tariff discounts to basic pension recipients is classified under a different category

### Support for Underserved Areas

To help residents in remote areas with weak network connections, e.g. on mountains and on remote islands, we continue to grow our telecommunications service coverage areas. In a recent Communications Service Quality Evaluation carried out by the Ministry of Science and ICT, we placed first for communication quality in rural areas, in recognition of our work to expand coverage, which is shrinking the scale of areas with weak coverage and the number of new installations.

#### SUPPORT FOR UNDERSERVED AREAS

		2017	2018	2019
Remote Mountainous Areas	Sites	6,737	2,705	1,015
Hiking Trails	Sites	520	330	136
Island Areas	Sites	358	120	89

### Digital Inclusion

In order to ease and resolve the digital divide issue of disadvantaged groups in terms of access to information, SK Telecom is consistently offering a variety of ICT educations. To help senior citizens learn smartphone use, we operate training programs called "Generational empathy! Happy Mobile World" and "Easy Smartphone Classes." In 2019, we pursued the "Spring, Again" programs where outstanding students from previous smartphone courses were promoted to be senior smartphone instructors. Feedback was received that our company effectively enhanced senior citizens' digital facility, by for example engaging instructors who understand the course participants' perspective and speak to their needs. In addition, the company runs programs such as ICT Make-a-thons and Happy Coding School, aimed at reducing the "digital divide" experienced by young people with disabilities. Also, we are developing and supporting the platform called "Library that reads happiness" to alleviate information disparity for people with visual impairment. "Library that reads happiness" is the nation's largest mobile platform for audio library for people that are blind, and in 2019, it completed joint development with NUGU, the AI speaker. Through smartphone and AI speakers, we are offering a variety of books and supporting the use of audio information, contributing to the improvement of information accessibility for people with disabilities.

#### PARTICIPATION IN EDUCATION TO RESOLVE THE ICT DIGITAL DIVIDE

		2017	2018	2019
Smartphone Education for Senior Citizens	persons	432	2,273	830
ICT Make-a-thon	persons	112	122	112
Happy Coding School	persons			450

## CUSTOMER VALUE INNOVATION

In order to provide optimal products and services, we are operating preemptive CEM (CUSTOMER EXPERIENCE MANAGEMENT). SK Telecom won first place in the industry for the longest period, winning major domestic customer satisfaction surveys (the NCSI, KCSI and KSSQI) in 2019. Especially, in NCSI we won first place for 23 consecutive years. In addition, in 2019, we received a "Very Excellent" rating on the "Telecommunications User Protection Evaluation," which was conducted by the Korea Communications Commission, in recognition of our efforts in handling customer grievances and preventing damages. As a result of the regular CSI evaluation conducted twice a year by SK Telecom, customer satisfaction in 2019 stood at 78 points.

#### CSI, CUSTOMER SATISFACTION INDEX <sup>1)</sup>

	2017	2018	2019	
NCSI (Korea Productivity Center)	76	77	77	No.1 for 23 consecutive years
KCSI (Korea Management Association)	80.2	78.4	80.1	No.1 for 22 consecutive years
KS-SQI (Korea Standards Association)	74.2	74.5	74.8	No.1 for 20 consecutive years
Telecommunications User Protection Evaluation (Korea Communications Commission)	Excellent rate	Excellent rate	Excellent rate	Highest out of all 22 companies assessed
SK Telecom Internal CSI Index Result <sup>2)</sup>	78	78	78	No. 1 for 24 consecutive surveys

<sup>1)</sup> Based on a 100-point scale  
<sup>2)</sup> The average of internal CSI analysis survey results conducted twice a year (in the first & second half)



### //..CASE Spring, Again program

Last year, SK Telecom recruited outstanding students from "Easy Smartphone Classes" as senior instructors for smartphone use trainings. Sixty-seven percent of the students of "Easy Smartphone Classes" were senior citizens with difficulties in using smartphones, and the average age of new senior instructors that were recruited this year is 79.7. By recruiting instructors who can really understand course participants from their own experience, SK Telecom provided participants a more comfortable learning environment. Through this program, we helped alleviate the digital divide of the 5G-era by providing training that can be closely applied to real-life situations including using financial applications, booking transportation tickets, and preventing voice phishing.



**Customer Value Innovation Programs**

We are dedicated to creating authentic innovation of customer value by providing special programs for customers and applying their needs to our services, as analyzed from the customer’s perspective. Each month, we host the “Customer Value Innovation meeting” with CEOs and key employees and executives in participation and eagerly work towards diagnosing customer experiences and reflecting the voice of customers. Also, we operate an “Internal Evaluation Division” to consolidate products and services from customers’ perspectives and to find and ameliorate inconveniences. We also applied advanced ICT to the customer service center and are transforming it so that it becomes even more “customer-oriented.” Based on Big Data analysis, we provide a customized list of consultation topics by predicting the purpose of customer requests. We also operate special consultancy systems for senior citizens and children under the age of 13. In 2019, SK Telecom announced “Customer Value Innovation 2.0”, which will focus on new services, customer-oriented benefits, and social value creation, and expanded innovation across ICT sectors, declaring that we will evolve into a Win-Win service company for customers, partners, and society.

**Launch of 5G-based innovative services**

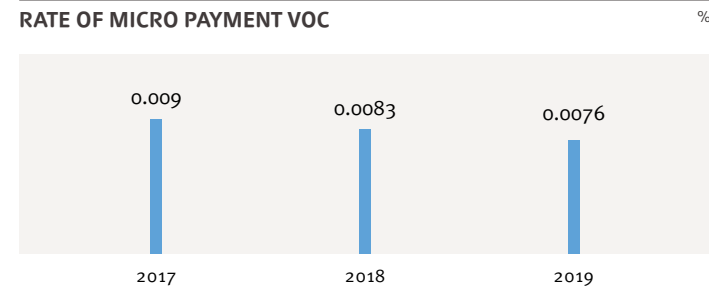
- The world’s first 5G was commercialized in April 2019, and we operated 72 Boost Parks where customers can experience a variety of 5G-based services and benefits.
- Promotions are offered at LOL Park, Olympic Park, Busan Haeundae, etc. taking advantage of local characteristics at each venue.
- More than 700,000 people a year participate as experience guests, and their 5G conversion rate is twice as high as that of general subscribers

**Creation of social value using ICT**

AI care services	We use AI speakers to provide care for senior citizens, and have supplied them to 14 local municipalities.
Open membership	We contribute to the revitalization of local business districts by establishing memberships with 125 small businesses in 10 regions across the nation, including Gwanghwamun, Jamsil, Hongdae in Seoul; Nampo-dong and Seomyeon in Busan; Dongseong-ro in Daegu; Sangmu district in Gwangju and Dunsan in Daejeon.

**Rate Of Micro-Payment VOC**

As a key customer security index, the small-payments VOC occurrence rate, which means the number of micro payment VOC complaints per annum compare to usage, decreased remarkably every year, reaching 0.0076% in 2019.



**Customer-oriented benefits**

- We operate segmented services to meet various needs of customers
- We have a specialized rate plan for soldiers: 133,000 subscribers of o Hero (M/S of 49% among soldier-only plans at 3 mobile telephony companies)
- We launched Zem, a brand dedicated to children aged 12 years and under. Currently there are 340,000 parent and 270,000 children members
- We expanded linked marketing for 1020-only communication brand “o” - 1.06 million subscribers of the “o” plan

Segmented service offering

**//..CASE**

**Roaming service “Baro”**

SK Telecom’s roaming service “Baro” reached 11.5 million calls worldwide in the two months following its launch, and has surpassed 2 million total calls in Vietnam and Japan. Through “Baro”, we provided high-quality call roaming services in 169 countries around the world free-of-charge to ease the burden of data costs that customers have while traveling. This service is available in 98 countries, securing the largest range of data roaming in the world, enabling customers to use roaming services without a burden when travelling between various countries. Also, by linking to regional data networks, we have drastically improved call quality and shortened the connection time for calls, increasing customer convenience. In recognition of the excellent services, Baro won the “Best Mobile Technology Breakthrough in Asia” at the 19th MWC Asian Mobile Awards that was held in Shanghai in 2019.

**NETWORK QUALITY AND RELIABILITY**

Optimal network service is SK Telecom’s competitive edge and in order to maintain and strengthen the service, the company is doing its best to invest in networks and upgrade technology. In 2019, our annual wireless communication capacity totaled 43.13 million accounts, which tallies to 137% of the total number of subscribers (31.53 million). Annual processed data traffic is maintaining its sharp rise with a year-on-year increase of 37%.

**Date Traffic Processed**

SK Telecom maintains a high level of network quality by flexibly handling dense data traffic through detailed demand analyses and monitoring. For example, with the success of pure 5G communications achieved by combining “5G SA” packet exchanges and core equipment in 2019, SK Telecom established a basis for handling large-scale data traffic.

**WIRELESS NETWORK CAPACITY AND DATA TRAFFIC PROCESSED ANNUALLY**

		2017	2018	2019
Wireless Network Capacity	wireless lines in thousands	45,210	40,910	43,310
Annual Data Traffic Processed	TB	1,527,634	1,862,177	2,552,071

**Network Failures**

In order to provide stabilized communication services, we are focusing on managing risks and preventing communication disruptions, and are responding with emergency recovery systems for network failures. Further, at peak holiday times and at year-end when we can predict high communications traffic, we implement “Special Communication Responses” to provide quick response systems and preemptive management for service quality. By strengthening its communications infrastructure surveillance system, SK Telecom is working to further increase the efficiency of its response systems to disruptions.

**NETWORK FAILURES**

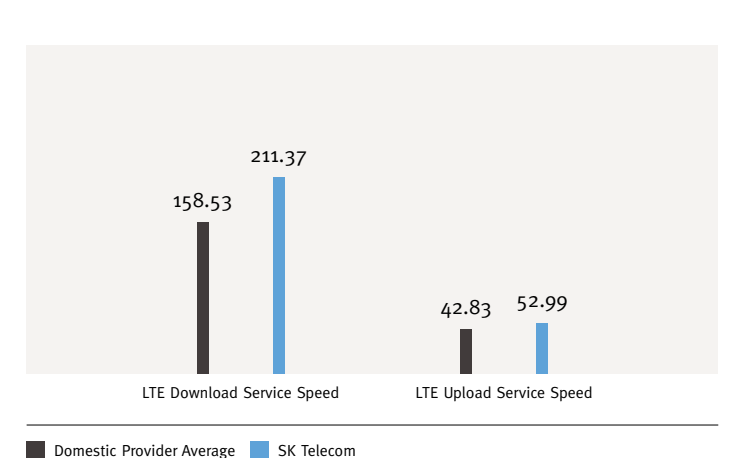
	2017	2018	2019
Number of Large-Scale Network Failure Cases <sup>1)</sup>	0	1	0

<sup>1)</sup> Failures of user notifications needed or failures of a similar scale based on the Enforcement Decree of the Telecommunications Business Act amended in 2019

**LTE Service Speed**

SK Telecom was acknowledged for its outstanding telecommunication quality as it was selected as a company that offers the fastest LTE service on the Communications Service Quality Evaluation by the Ministry of Science and ICT. Further, through continued technology R&D and adoption, SK Telecom continuously improves network quality. In 2016, we secured technologies such as 5 Band CA (Carrier Aggregation) and 4T4R (4 antenna technology) and we were the first in Korea to commercialize LTE-A pro services at a speed of 500Mbps. By 2017, we provided LTE at a speed of 900Mbps. In 2018, we launched LTE Cat.M1 and in 2019, subscribers to our company’s own (Low-Power-Wide-Area, LPWA) network surpassed 1 million, the first network in the country to achieve that feat. Through these services, we are leading the charge into the hyper-connected generation. In addition, we improved the speed of data transmission by 60% by applying MEC to the base station terminals and preemptively adopting LTE services at 1.2Gbps. This creates a high-speed and ultra-low latency communication environment that allows customers to download 2GB movies in 13 seconds.

**LTE SERVICE TRANSMISSION SPEED**





## PERSONAL INFORMATION PROTECTION

SK Telecom take various action and measures in order to cope promptly with the increasing information security issues. The company is striving to identify and eliminate potential risk factors preemptive, strengthening the information protection system, and reinforcing the inspection of the distribution network and subsidiaries facts. In 2019 in particular, SK Telecom significantly fortified its company-wide customer information protection governance by appointing a dedicated officer (CISO, Chief Information Security Officer) and secured professional talents for information protection.

In particular, we established and distributed the “Self-assessment checklists for handling customer information” for subsidiaries and contract companies that handle customer information. We also carried out a diagnosis for customer information protection management for major subsidiaries and all contract companies who handle customer information to strengthen our customer information protection management.

### Personal data collection

SK Telecom notifies all subscribers of personal information items, the collection purposes, and retention periods in accordance with the Personal Information Protection Act and receives subscribers’ prior consent (opt-in method). Collected personal information is used only within the scope of agreed-upon purposes. Accordingly, we make every effort to protect personal information under strict principles of providing personal information to third-parties only under customers’ prior consent. In addition, SK Telecom has 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.

### CUSTOMER INFORMATION LEAKAGES

		2017	2018	2019
Customer information leakages	Cases	0	0	0

### Responses to Governmental Institution’s Data Requests

When there is a request for documents from government agencies under Telecommunications Business Act (Clause 6 of Article 83) and Protection of Communications Secrets Act (Article 13), SK Telecom is providing related documents abiding by the legal system and criteria. Also, we are reporting our quarterly statistics every year to the ministry in charge (Ministry of Science and ICT). During this process, we are minimizing human rights risks by conducting internal due diligence and in-depth review of potential risk factors that might infringe on the user’s rights.

### RESPONSES TO GOVERNMENTAL INSTITUTION’S DATA REQUESTS

		2017	2018	2019
No. of “Communications Data” Requests	Cases	309,054	308,335	313,220
No. of “Communications Verification Data” Requests	Cases	63,837	55,892	55,343

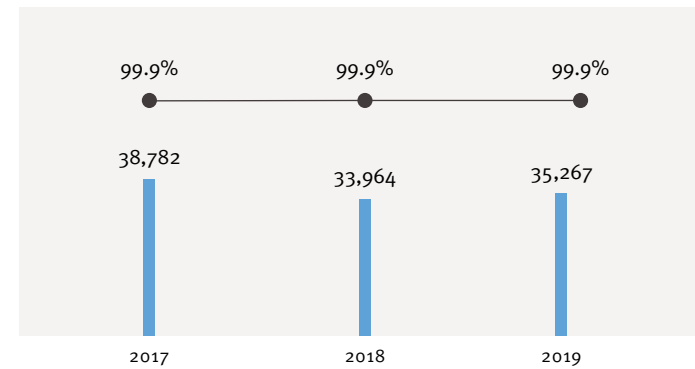
- 1) Communications Data: The user’s name, resident registration number, address, phone number, ID, subscription start and end dates. The courts, prosecutors and investigative agencies may request such data when investigating a crime, executing sentences or conducting trials according to the Telecommunications Business Act.
- 2) 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 a request by submitting a warrant received from a court, their reasons for the request, the connection to the subscriber in question, as well as the scope of the data needed.

## ELECTROMAGNETIC FIELDS

SK Telecom diligently measures the intensity of electromagnetic fields for customer safety and maintains them at an appropriate level. Since the implementation of mandatory electromagnetic fields measurement in June 2007 until the present, SK Telecom has been faithfully abiding by this regulation. 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 and guarantee the customers’ safety. In 2019, a total of 35,267 measurements of electromagnetic fields at wireless stations were carried out by the company. 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. In addition, SK Telecom has been supporting a 5-year study on the effects of electromagnetic waves on the human body carried out by the Korean Institute of Electromagnetic Engineering and Science since September of 2019. From the total funding of KRW 1.5 billion, we are sponsoring 50%. As of June 2020, the study is in its first year.

### MEASUREMENT OF ELECTROMAGNETIC FIELD INTENSITY AT BASE STATIONS

Billion KRW



● Proportion of wireless stations at level 1 of the electromagnetic field rating system (%) ■ Number of intensity measurements taken at wireless stations

## MEMBERS

For a company to grow, it is important to create an environment where its employees can work and develop their competencies through proactive learning, and to build an organizational culture that promotes mutual learning and growth. In response, SK Telecom established a number of regular training support systems and platforms for securing and fostering professional talent and operates a variety of competence-building programs.

### HUMAN CAPITAL IMPROVEMENT

So that our employees can exert their competencies to the fullest and grow, we are supporting with securing fundamental & expert knowledge on New ICT and strengthening business development capabilities as top our priorities.

#### Securing basic & expert knowledge on New ICT

In order to grow into a global ICT company, building employee capacity is key. In response, through the company’s flagship job training brands NEW ICT Academy and Data Camp, we offered 155 offline courses to a total of 3,932 employees. We created our own curriculum classified according to difficulty and Biz./Tech. sector topics such as AI, Big Data, 5G, media, and security, which are directly related to business units. We also established goals for non-technical talent (planning & management etc.) to acquire basic knowledge of ICT and for technical talent (development & research etc.) to build ICT expertise. In addition, through exhibitions with a total of 71 topic presentations and 98 items, we hosted an SK ICT Tech Summit that showcases the comprehensive ICT that SK Group possesses, assembling the technical capacities of the Group, creating synergy, and structuring an internal and external technology ecosystem. Moreover, as technology experts, we operated the T.E.B (Tech Expert Board) system to lead the dissemination of the company’s technological competencies. In 2019, a total of 101 TEB members were active in continuously expanding ICT-related trends in the company by hosting T-T.O.C for recent AI research papers and T-Square, the monthly in-house lecture platform.

#### Strengthening business development capabilities

Since the launch of the Start @ Program in December 2017, an in-house venture program in which all employees can suggest ideas and commercialize them, 757 ideas were proposed, of which 46 were refined and 5 were commercialized. Through the Idea-thon event, which explores new technologies and potential business ideas related to key issues in business and which we host in collaboration with the business department, we encourage the participation of employees,

provide seminars on BM development methodologies and consulting with external BM experts, and guarantee immersion time and support funds for businesses, contributing to the development of in-house entrepreneurs. In 2019, we provided the teams that are participating in the business refinement phase with opportunities to experience the Startup Acceleration program in Silicon Valley and the SKT Innovation Discovery (SID) program that enhances BM completion, offering additional support for business ideas to be commercialized.

#### Realizing Customer Value

In order to create unique customer experiences, our employees needed to make changes in their experiences. Therefore, SK Telecom diffused a culture through “Customer empathy Camp” 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 improvements to a hierarchical culture that hinders employees’ devotion to work contributed to making a sharing/collaboration-based working style part of our everyday routine.

Through the implementation of 3 major tasks, SK Telecom operated 289 training courses in 2019, an increase of about 15% compared the previous year, providing members with a more diverse selection of training. With a decrease in collective training that targets all employees, the number of annual training hours and participants in annual training sessions was reduced, but we are providing a more active voluntary learning environment by offering approximately 1,300 types of micro-learning contents through the in-house learning platform (DLP), which reached a view count of 24,049 in 2019. Through this institutional basis, SK Telecom will further strengthen its existing sessions and seek out the direction of human capacity building that befits our Dual OS systems and our role as a New Global ICT leader company.

### STATUS OF EMPLOYEE TRAINING

		2017	2018	2019
Training Expense per Employee	KRW million	1.91	2.10	1.67
Average Annual Training Hours	Hour	51	70	51
Number of Training Courses Given Annually	Courses	281	250	289
Number of Training Course Participants Annually	persons	17,325	21,575	13,962



## FAIR PERFORMANCE EVALUATIONS

Through performance evaluations based on fair processes and procedures, we assess the level of our employees' performances and competencies and enhance their motivation. 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 2019. We 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 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

		2017	2018	2019
Rate of employees' performance evaluations	%	99	99	99

## EMPLOYEE ENGAGEMENT

SK Telecom conducts a survey of its employees to measure employee engagement once a year (at the end of August). The survey measures the "implementation of Voluntary & Willing Brain Engagement (VWBE)," the "sense of belonging and pride as an employee," and "feeling rewarded and fulfilled." The results of the level of engagement are calculated from the positive response rate to each question in the survey. In 2019, we continuously pursued the fundamental innovation of systems and guides covering our overall organizational culture. In particular, there were changes directly connected to the daily working lives of our employees such as addressing each other by name rather than job title, "Smart Office", etc., but the changes felt by employees weren't very significant, resulting in reduced engagement compared to the previous year. The Employee Engagement Survey was conducted on all employees in 2019 and a total of 3,206 employees responded. According to the results, SK Telecom's employee engagement totaled 80% in 2019, 81% (2,804 respondents) for male employees and 73% (402) for female employees.

### EMPLOYEE ENGAGEMENT

		2017	2018	2019
Employee engagement analysis results	%	88	85	80

### Maternity and Parental Leave

SK Telecom actively implements policies to ease employees' burdens related to childbirth and childcare and encourages a healthy work-life balance. Periods of parental leave of up to one year are available for both male and female employees. For female employees, we offer maternity leave, which is included in the maximum of 2 years of parental leave. The company also provides various support programs such as nursing rooms, congratulatory allowances for childbirth, scholarships for children, operation of in-house daycare centers, a flexible working hour system, and camps for employees' children. With systematic support that covers every phase of an employee's life, we were awarded the Presidential Award for Outstanding Family-friendly Company in 2018, and in 2019 we systematically strengthened the basis for a health work-life balance for our employees, by for instance lengthening parental leave for spouses and implementing shorter work hours during infant childcare.

### Respect for Diversity

SK Telecom pursues diversity and actively recruits female talent to improve career opportunities for women. The ratio of female employees stood at 18.7%, an increase of 1.8%p from the previous year, and the ratio of female managers stood at 7.4%, a 0.5%p increase. We strive to secure female leaders through an increase in female role models and provision of leadership training. Also, to broaden job opportunities for people with disabilities, we established "Happy Hanool" a subsidiary-type standard workplace for people with disabilities in 2019. We continue to evolve and develop as a company that proactively creates social value that goes beyond respect for diversity.

## FORMATION OF A HAPPY ORGANIZATIONAL CULTURE

SK Telecom strives to create a happy workplace by ensuring a work-life balance for our employees and innovating our organizational culture. In addition, we have built a system to pursue happiness management that pursues the happiness of all stakeholders, and we have reflected this idea in our Articles of Incorporation.

### Communication and Engagement, Horizontal Relationships, Sharing and Collaboration

In order to build a culture where employees are offered happy workplace experiences and a workplace where they can work joyfully and efficiently, SK Telecom has established the strategic directions of our organizational culture to be "communication and engagement", "horizontal relationships", and "sharing and collaboration" and has pursued systematic transformation. First, to convert the existing top-down communication methods into horizontal communication, we conducted a live cast of New Normal Shift meeting (company-wide management meeting) online and made it available for all employees to view. Through real-time surveys, we encouraged employees to participate in the meeting and meetings with global companies were also disclosed. In addition, based on the idea that horizontal relationships start from "freedom from authority," we strived to eliminate the pervasive hierarchical culture or rank. Starting in 2018, we have begun calling our colleagues by name only, omitting titles, positions and ranks and simply adding the honorific "-nim" after the names of all employees, including executives. Going further, we worked to expand a flexible organizational culture and enhance efficiency throughout the organization by unifying the levels of executives such as "Vice President, Executive Directors and Directors." With the belief that horizontal workplaces also mean workers taking more initiative, we established a 4-week selective working system (160 hours in 4 weeks) on top of the existing 2-week selective working system (80 hours in 2 weeks) and we now enable each team to autonomously select their working hours for each quarter by reflecting the characteristics of the

team's duties and the needs of the employees. We also implement the internal recruiting system(CDC + Care Development Challenge) to help members challenge themselves and work on what they want according to their expertise, competency, and career vision. In order to create an environment that promotes sharing and collaboration between employees, we have created an infrastructure that allows joint document drafting and sharing as well as video conferencing. Based on our New ICT capabilities, we have also built the 5G Smart Office, a workspace that is accessible at anytime and anywhere.

### Major content of evolved and advanced management philosophy

- Define management direction to be "the continued happiness of employees"
- Emphasize the need to pursue the happiness of employees and stakeholders simultaneously
- Clarify the concept of stakeholder happiness to be "social value"
- Emphasize the roles and practices of "employees" in implementing the management philosophy

### REDEFINING SUPEX COMPANY

As management directions change towards the happiness of employees, SUPEX Company goals and our work expands.

#### SUPEX COMPANY'S 3 duties



Creating economic value



Creating social value



Creating our happiness

## //..CASE

### Working 4 days a week once a month

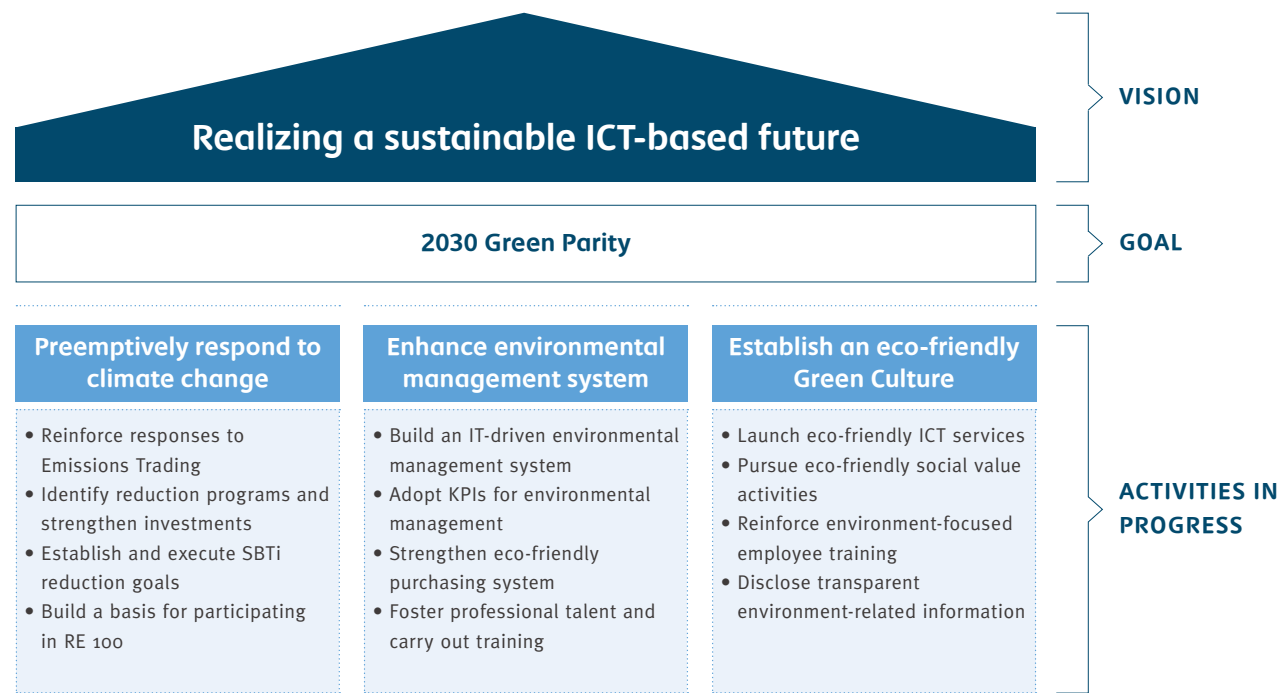
We had previously designated a Super Friday to ensure that employees could leave the office at 3:00 pm one Friday a month, and we expanded this to Happy Friday in January 2020 to introduce a four-day-a-week work week once a month. This is applicable to all employees other than essential personnel that oversee network management, the customer centers, and the distribution networks. For days in between two holidays or for meaningful days such as Father's Day, we allow employees to change their days off, flexibly operating the "4-day work week" system. This increases the effectiveness and efficiency of the work by ensuring our employees' work-life balance.



# ENVIRONMENTAL MANAGEMENT

SK Telecom is stepping up its company-wide efforts to fulfill its social obligations based on its environmental management system. We do not spare any expenditure or investment to implement environmental management including green purchasing, in addition to efforts to reduce GHG emissions and energy consumption. We will continue to work towards sustainable development through continuous communication with our stakeholders.

## STRATEGIC SYSTEM FOR ENVIRONMENTAL MANAGEMENT



With the growing impact of environmental, energy and resources issues, such as the dangers of climate change, an ICT company's roles in climate change responses are becoming more important. Therefore, to achieve social value and secure competitiveness, SK Telecom is reinforcing its company-wide efforts for environmental management. With a vision of achieving a sustainable future based on ICT, our unique asset, and the goal of achieving Green Parity by 2030, we strive to transition into green management for future generations.

### Steering committee for environmental management

In order to strengthen company-wide efforts for environmental management, SK Telecom in 2009 established a Green ICT Committee that meets regularly with executives from each business sector related to environmental management. It discusses policies related to environmental management from a company-wide perspective and establishes strategies to be implemented. When major issues related to environmental management occur, the Green ICT Committee reports it to the Corporate Citizenship Committee, the highest decision-making body of the company for sustainable growth, and supports the board of directors in understanding the issue and making appropriate decisions.

## RESPONSE TO CLIMATE CHANGE

### Greenhouse Gas (GHG) Emissions

SK Telecom is committed to ensuring that it fulfills its social obligations on a company-wide level with a sense of responsibility for its impacts on society and the environment. Based on the guidelines for preparing and managing statements for the Emission Trading Scheme (ETS), our GHG emissions are calculated using data gathered from our 37 domestic business sites. 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. In 2019, total GHG emissions amounted to 1,005,576tCO<sub>2</sub>e, up 7.6% from 2018. Greenhouse gas intensity is calculated by dividing total emissions by SK Telecom's stand alone revenues. This is mainly due to greater power consumption necessitated by the installation of more network equipment for 5G etc. To this end, we have strived to reduce GHG emissions by integrating our network equipment, developing and adopting high-efficiency communication equipment, and adjusting air-conditioning and heating in office buildings. However, the overall amount of emissions increased even with these efforts. The company plans to carry out steadfast efforts to reduce GHG through the management of energy-efficient repeaters and integrated management of the base stations.

In addition, to prevent energy consumption by new equipment infrastructure from surpassing the GHG emissions trading scheme, we operate emission reduction programs. As a part of its efforts, SK Telecom last year began executing the cookstove supply business in Myanmar to not only create social value that protects nature within Myanmar and enhances the lives of the residents, but also to work towards securing carbon off-sets. The business was expanded to 13 affiliates of SK Group including SK Telecom this year, and we supplied around 1 million cookstove units across Myanmar. Due to business expenses, environmental costs increased in 2019, but we plan to compensate for a portion of GHG emissions in the form of emission rights obtained through the use of cookstoves, in accordance with the UN Convention on Climate Change's CDM (Clean Development Mechanism.)

In February 2019, GSMA (Global System for Mobile Communications) established an initiative for the telecommunications industry to reach net zero GHG emissions by 2050 in line with the Paris Agreement. As a board member of GSMA, SK Telecom submitted its SBTi Commitment Letter on January 29, 2020, as the first domestic communications company to participate in the initiative. Currently, we are assessing reduction methods to set our reduction goals and establish a roadmap. We plan to work towards achieving net zero by carrying out proactive reduction activities such as transitioning to low energy communications equipment infrastructure, efficient N/W, and introducing renewable energy sources etc.

1) The Paris Agreement: an agreement made in Paris, France on December 12, 2015 for a worldwide effort to reduce greenhouse gases. The goal is to limit the average temperature rise to 1.5°C compared to the pre-industrial era

2) Science Based Target initiative (SBTi): a joint initiative of the WWF, CDP, and UNGC to establish a scientific and practical plan for achieving the 1.5°C reduction target. Within 24 months of submitting our commitment letter, we need to submit reduction goals and achievement methods to get approved.

### //..CASE

#### Greenhouse gas reduction through T map navigation

By conducting research on social GHG emission reductions and providing ICT-based environmental solutions, we are continuously expanding the scope for GHG management. Social GHG reduction means reducing greenhouse gas emissions from our everyday lives by using the company's ICT services. By analyzing the distance between the user's current location and destination as well as real-time traffic conditions, T map navigation finds optimal paths and contributes to conserving fuel usage and reducing greenhouse gas emissions. Through this service, the amount of 2019 GHG reductions made nationwide stood at 982 thousand tons, resulting in KRW 103.8 billion and KRW 117.1 billion for energy reduction and GHG conservation costs respectively.



### Energy Consumption

Our total energy consumption is calculated using data gathered from our 37 domestic business sites but excludes figures from subsidiaries and supply chains. Managed in compliance with guidelines on preparing and managing statements for the Emissions Trading Scheme (ETS), and numerical figures are aggregated by billing invoices received from energy suppliers. The intensity of energy consumption is calculated by dividing total energy consumption by SK Telecom’s stand alone revenues. In calculating energy reductions from the use of natural air-conditioning and generation of renewable energy, estimates were calculated using past data (from the year 2012-2013) and applied equally up to 2019. We have saved energy by, for instance, lowering the consumption of cooling energy (through the elimination of heat given off by equipment), integrating network equipment such as base stations and repeaters, and replacing old cooling equipment. All this has worked to steadily reduce SK Telecom’s consumption of energy, which is mostly indirect energy consumption due to power use, and accounts for 99.3% of the total. Accordingly, we are steadily striving to improve energy efficiency through smart management of office buildings and the use of new and renewable energy facilities for power generation. All this is centered around innovation of network structures and making networks leaner. Further, by 2020, SK Telecom plans to limit total energy consumption to no more than 28,340TJ.

## REDUCTION OF RESOURCE CONSUMPTION

### Water Consumption

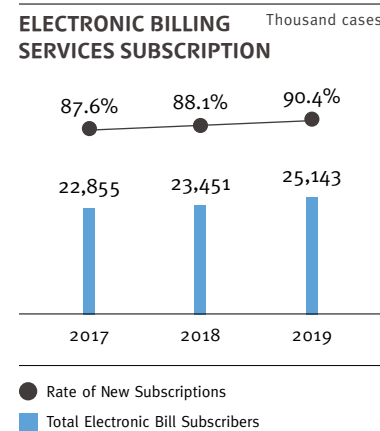
Our total water consumption is estimated using invoices for water usage at our 37 domestic business sites, but excludes figures from subsidiaries and supply chains. Meanwhile, intensity of water consumption is calculated by dividing total water consumption by SK Telecom’s stand alone revenues. The drainage volume of the cooling tower on SK Telecom’s Seongsu Building was adjusted downwards and water-saving valves in toilets and showers in the building were installed in order to reduce overall consumption of water. The makeup water in the cooling tower on the mobile telephone switching office building was changed, but water consumption grew 2% on the previous year to 719,552m<sup>3</sup>, because of equipment expansion.

### Waste and Recycling

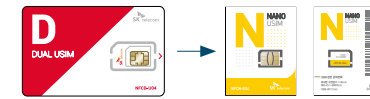
Our total waste discharge volume is estimated based on data from our 37 domestic business sites, but excludes figures from subsidiaries and supply chains. Meanwhile, intensity of waste discharge is calculated by dividing total waste discharge by SK Telecom’s stand alone revenues. In 2019 the total volume fell to 1,705 tons, a big drop of 2% from the previous year. Our rate of recycling is stable at 30% or higher, thanks to strict separation of garbage by type for collection.

### 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 users of electronic bills have been growing steadily, and this prevents the leakage of personal information due to lost bills and the unnecessary waste of resources stemming from the use of paper bills. SK Telecom’s electronic bill users totaled 25.14 million at the end of 2019. Since the introduction of the electronic bill in 2010, its users have been on a steady rise. The rate of subscription for new electronic bill also increased 2.3%p to 90.4%. SK Telecom began phasing out plastic T-Membership Cards in August 2013, replacing them with Mobile T-membership Eco Cards. Each year over 5 million of the plastic cards were previously issued, so switching entirely to electronic membership cards will reduce plastic consumption by about 24 tons and carbon emissions by 55 tons



**Minimized packaging for SIM cards**  
 “Reduction of wastes (plastic, paper, vinyl)”



**Introduced the “Sales branch planner” for electronic subscriptions**  
 “Reduction of wastes (paper)”



### DEVICE RETRIEVAL RATE

		2017	2018	2019
T Devices Sold	in 10 thousands	848	811	767
Devices Retrieved	in 10 thousands	13	18	26
Devices Retrieval Rate	%	1.53	2.22	3.39

annually. Per customer, having a Mobile T-membership Eco Card can save approx. 4.88g of plastic and about 12g in carbon emission. That’s about four A4 sheets of paper or the respiration of 40 pine trees. In 2019, the cumulative proportion of SK Telecom customers with Mobile T-membership Eco Cards grew roughly 4%p from 2018 to 68%, continuing its annual growth trend. In the same year, the Eco Card issuance rate for new customers hit 99%. These figures are expected to increase, leading to even less carbon emissions being produced. In addition to the Mobile T-membership Eco Card, we began making SIM card plates that are half the size of existing ones to reduce plastic waste. This was a method to solve the issue of only 3% of the actual plate being used for the IC chip, while the size of SIM card plates were about the size of credit cards. With the launch of smaller SIM cards, about 1.1 grams of plastic per card was saved, and based on our annual production of 5 million SIM cards, we are expecting about 5.5 tons less plastic waste to be produced each year. We are also looking forward to a reduction in the cost of product packaging and delivery. In addition to this, we introduced the “sales branch planner” upon subscribing to SK Telecom products and services, achieving a reduction in waste (paper) from the sales branches. To calculate the rate of old handsets being turned in, we divided the number of devices retrieved in a year by the number of devices sold in the same period. The rate for 2019 was 3.39%, an increase from 2018. This is due to a revitalization of programs for exchanging used terminal devices for new ones such as T Safe Reimbursement and Club device exchange programs.

## ENVIRONMENTAL EXPENDITURE AND INVESTMENT

We are expanding our expenses and investments for environmental protection by executing Green Procurement and GHG emission reduction programs. The environmental investment and cost is estimated on SK Telecom’s stand alone basis. We divide those “environmental costs” into classifications for energy conservation and climate change response, waste and recycling treatment and disposal, education and training, conserving the natural environment outside the company, and environmental taxes and additional charges, and we calculate them accordingly. Not included in environmental costs are expenditure associated with green procurement, but the costs of buying products and services with energy consumption efficiency grades, high-efficiency energy equipment certification, Good Recycled Product certification, Eco-Label certification, Environmental Product Declaration certification, Carbon Footprint Labeling, and low-carbon product certification are included. In 2019, SK Telecom’s total environmental costs were KRW 4.01 billion.



### //..CASE LEADING THE “ENERGY PROSUMER” ERA WITH AN INTELLIGENT POWER GRID

Through the SKT consortium, SK Telecom has entered into a future smart grid demonstration business agreement with Gwangju City. We plan to reduce the burdens of household electricity bills by installing smart meters in homes, analyzing the electricity usage by hour and by device, and applying a progressive payment plan. Also, through our “electricity service for the renewable energy sharing community,” solar panels will be installed on public sites such as apartment rooftops. In addition, we plan to ensure the stability of electricity trading with our “virtual energy trading service for a collection of distributed services” that integrates distributed energy resources and manages them as if they were a single power plant. Through this agreement with Gwangju City, SK Telecom will strive to create an ecosystem for the future energy industry and develop technologies related to renewable energy.



# SOCIAL CONTRIBUTION

As a member of society, SK Telecom continuously supports the tackling of society’s fundamental challenges and provides assistance to socially marginalized people. Moving forward, we will create a more integrated society by maximizing the happiness of its members through the pursuit of social value-seeking activities.

## CREATING A SOCIETY FOR ALL

### Support for the Socially Vulnerable Groups

We support groups that may be socially marginalized, fulfilling our responsibility as a member of society. For the creation of jobs for people with disabilities, SK Telecom has entered into an agreement to establish a “subsidiary-type standard workplace” together with the Korea Employment Agency for Persons with Disabilities. Under that scheme, if a subsidiary of a company meets certain requirements such as hiring 10 or more persons with disabilities, they are recognized as employees of the subsidiary’s parent company and can be factored in when calculating the proportion workers with disabilities, and the company can also be exempted from charges. Through this agreement, SK Telecom is contributing to the creation of high-quality jobs for people with disabilities. Also, to improve awareness and revitalize sports for the disabled, we signed an agreement with Incheon City’s Federation of Disabled Cyclists to support its activities and are now actively executing that agreement. We signed an agreement with the Korea Wheelchair Basketball Federation to assist people with developmental disabilities to gain social skills by playing team sports, encouraging the development of healthy lives through physical activities. We are also collaborating with the Federation to train people with developmental disabilities to become basketball players.

We are expanding scholarship support for students from vulnerable groups. SK Telecom’s Central Regional Infrastructure Office has signed an agreement with the chungcheongnamdo office of education to support students at vocational schools by collecting scholarship funds that come from voluntary contributions by employees and business partners. Since 2017, we have collected around KRW 16 million each year to support the students. SK Telecom’s Western Regional Infrastructure Office awarded around KRW 230 million to 230 local students between 2007 and 2018 through the voluntary participation of its employees. Since 2014, the company is also offering students opportunities to experience various career options through its ICT career mentoring business. In addition, by signing an agreement with the Gwangju Metropolitan Office of Education for a scholarship program for students in the Gwangju region, the company has awarded a total of KRW 20 million in scholarships to 20 students with outstanding grades from socially vulnerable groups. The company also offers middle and high school students opportunities to experience various career options in the ICT-related industry.

### Operation of Youth Galleries

Each T WORLD branch operates a Youth Gallery that offers new artists an opportunity to showcase their work. By exhibiting young artist’ work, we provide new experiences for the customers to appreciate art and offer valuable opportunities for young artists to showcase their work. For youths with dreams of becoming artists, we plan to regularly operate Youth Gallery. We will strive to supply quality lifestyles by providing cost-free art classes for children from low-income families and also improve access to art and culture by hosting exhibitions for graduation projects of art major students.

### Donation platform operation

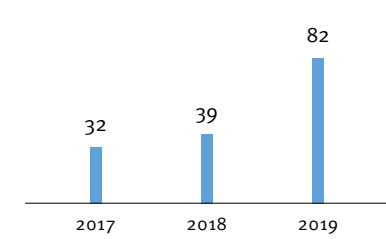
SK Telecom developed and is running a donation platform called “GiveU” and a community service platform called “WithU.” According to the expansion of a platform-based social contribution culture,

the total amount of donations through GiveU climbed 40% compared to the previous year to KRW 490 million, and for WithU, a total of 45,107 services were registered, acting as a connector that efficiently links volunteers to organizations that need volunteers.

## PROVIDING TECHNOLOGY-BASED PLATFORMS FOR LOCAL COMMUNITIES

		2017	2018	2019
Donations collected on GiveU	KRW million	300	350	490
Volunteer opportunities registered on WithU	Cases	24,332	53,583	45,107

## RATE OF SPECIALIZED VOLUNTEERING BY EMPLOYEES<sup>1)</sup>



1) Ratio of specialized volunteer activities: Volunteer hours performed by ICT volunteers and pro bono volunteer groups / Total number of volunteer hours

## Talent donations by employees using their specialized competencies

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. In 2019, ICT-related volunteer activities on the organizational level increased, with the proportion of employees engaging in specialized volunteer activities doubling from the previous year. As part of the project, the company launched the “Happy Community Project” in cooperation with the Republic of Korea National Red Cross, and is executing volunteer activities once a month for isolated senior citizens. This project combines the expertise of outreach activities of the Republic of Korea National Red Cross with SK Telecom’s Happy Community Project. The volunteer group consists of a total of 241 members, including employees and volunteers of the two companies. These volunteers conduct outreach activities by directly visiting the homes of beneficiaries of our “AI care service”, guiding them in the use of AI care services, such as NUGU, and becoming companions that senior citizens can have conversations with.



## EXPENDITURE FOR VOLUNTEER ACTIVITIES BY CONTRIBUTION TYPE

KRW million

Type of social contribution	Expenditure
Cash donations	16,441
Cost calculated based on employee's volunteer hours during work hours	77
In-kind donations <sup>1)</sup>	10,236
Indirect costs <sup>2)</sup>	1,935

1) In-kind donations: Cash equivalents of products/ services, projects/ products

2) Indirect costs: Costs spent on managing programs other than costs spent on social contribution programs



# ACCOUNTABILITY

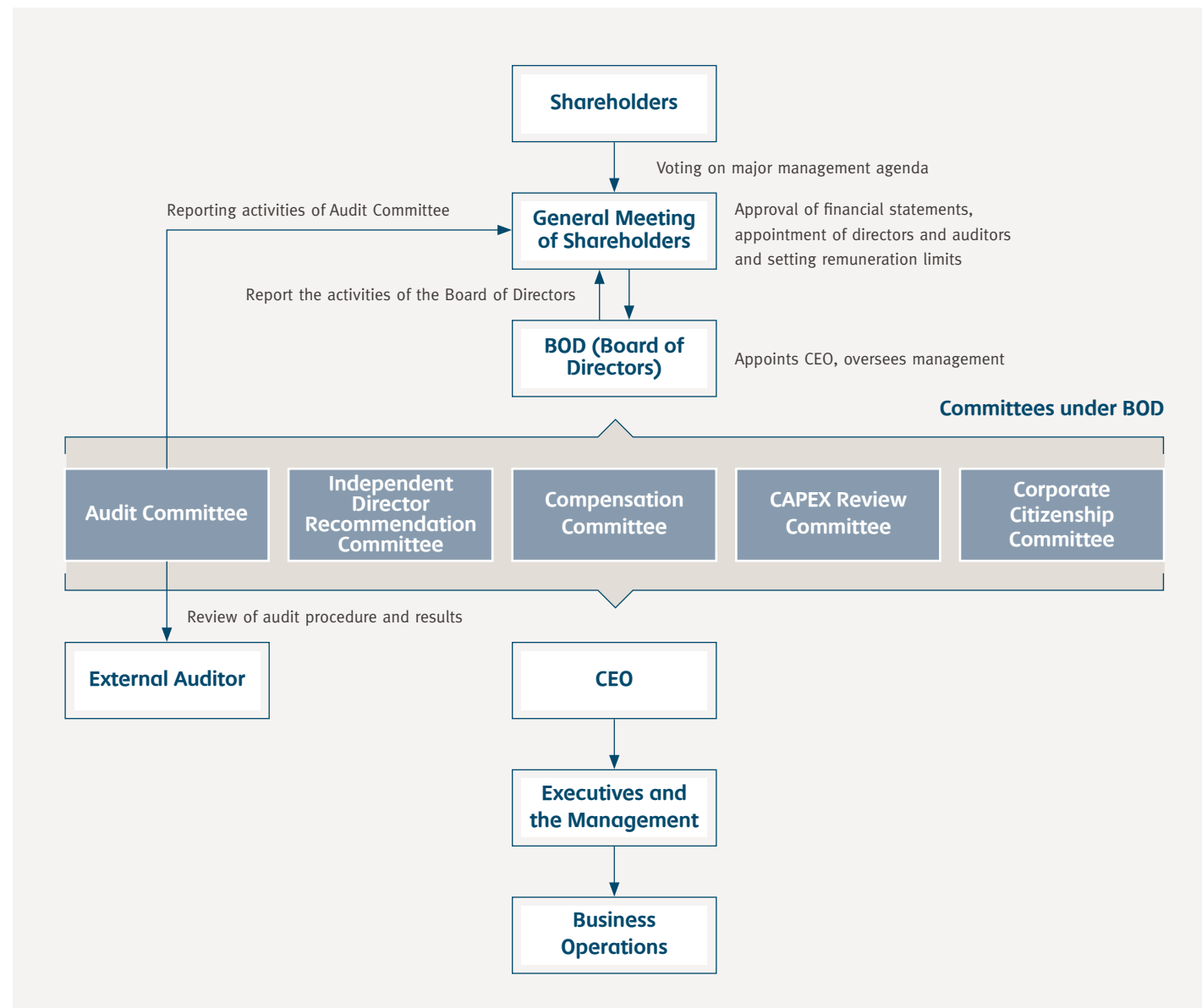
102	GOVERNANCE REPORT
118	RISK MANAGEMENT REPORT
128	INTEGRITY REPORT
134	HUMAN RIGHTS REPORT
138	SUPPLIER RESPONSIBILITY REPORT



# GOVERNANCE REPORT

SK Telecom is committed to responsible management and sound and transparent corporate governance. This commitment forms the basis for SK Telecom’s corporate governance charter, that spells out that SK Telecom simultaneously pursues the enhancement of the value for not just shareholders but for all stakeholders, as well as the company’s own sustainable growth and development. Under this charter, we seek to protect the interests of shareholders by building and operating a balanced corporate governance structure, and ultimately to enhance future corporate value. Our charter can be found on our website and complies with the best practice standards set by the Korea Corporate Governance Service (KCGS).

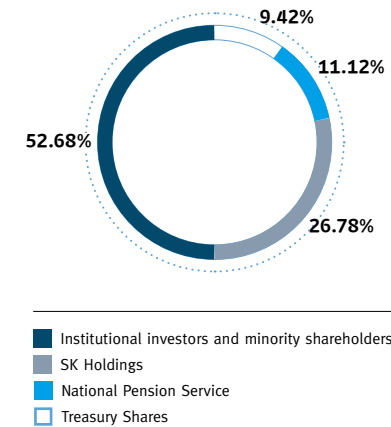
## GOVERNANCE STRUCTURE



## SHAREHOLDERS

SK Telecom follows the one-share, one-vote principle, and its stock is composed of common shares without preferred shares. SK Telecom does not have a differential voting stock system that grants multiple voting rights to specific shares. The treasury stock of 7,609,263 shares are prevented from voting under the Commercial Act of Korea; and as of 31 of December 2019, 73,136,448 shares (90.581% of total issued shares) have been granted voting rights.

MAJOR SHAREHOLDERS OF SK TELECOM



TYPE OF SHARES AND VOTING RIGHTS

Classification	Number of shares issued (Unit: No. of shares)	Ratio	Miscellaneous
Preferred Shares	-	0%	Without voting rights
Common Shares – With voting stock	73,136,448	90.58%	With voting rights
Treasury Shares	7,609,263	9.42%	Without voting rights
Total Issued Shares	80,745,711	100%	-

The CEO and executives of SK Telecom are encouraged to be shareholder themselves, so that the interests of management and shareholder can align. Further, on the basis of mid- to long-term performance, SK Telecom pursues responsible management activities.

The government of the Republic of Korea does not possess any SK Telecom shares, as of late December 2019. In relation to the founder & founding family ownership, Tae Won Chey 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. Tae Won Chey holds 18.44% of stake in SK Holdings, and SK Holdings holds 26.78% stake of SK Telecom.

OWNERSHIP BY EXECUTIVES<sup>1)</sup> AND SPECIAL INTEREST GROUPS

As of December 31, 2019

	Name	Shares	Stock options	Total (No. of Shares)
CEO	Jung Ho Park	1,000	66,504	67,504
President of MNO	Young Sang Ryu	-	3,092	3,092
Executive of affiliated company	Tae Won Chey	100	-	100
Executive of affiliated company	Dong Hyun Jang	251	-	251

1) Only the equity of registered executives is indicated.



### Dividend Policy and Shareholder Return

The size of dividends is determined comprehensively based on business outcomes, investment plans, financial conditions and forecasts in accordance with the company's articles of incorporation. Dividends can be paid to shareholders in the form of cash (or cash equivalents) or stocks. In the case of issuing stock dividends, if the company has issued several series of stocks, it may decide on a 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 10,000 KRW, including an interim dividend. The dividend yield at the end of 2019 recorded 4.1%.

By achieving stable cash dividends based on company performances and heightened corporate value, the company defines its shareholder return as a long-term policy. To this end, we are maintaining a balance between investment for growth and shareholder return, facilitating increased corporate value based on the principle of capital management. In 2019 in particular, SK Telecom was the first corporation in Korea to successfully issue 30-year bonds, and was recognized for its outstanding business stability and financial soundness.

### GENERAL MEETING OF SHAREHOLDERS

In accordance with national laws and the articles of incorporation of SK Telecom, the exercise of shareholder rights is protected and equitable treatment of all shareholders is guaranteed. This is equally true for minority and foreign shareholders.

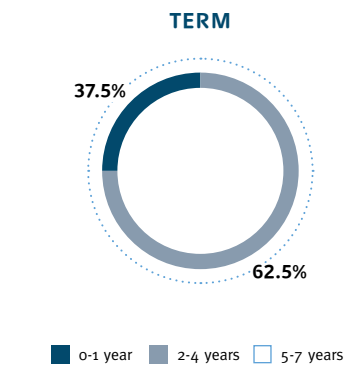
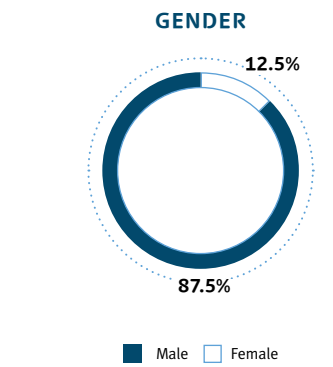
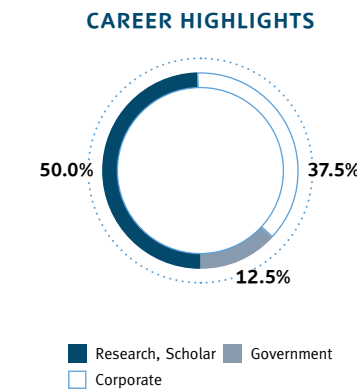
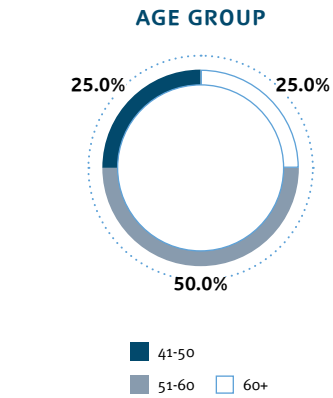
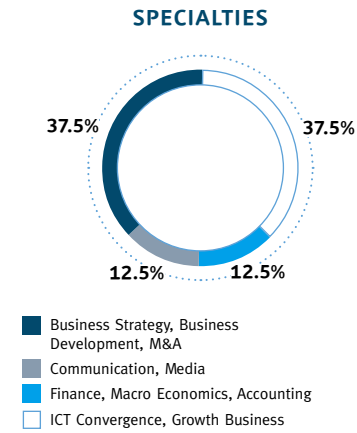
#### Management Oversight Function

At the 36th General meeting of shareholders held on March 26, 2020, SK Telecom appointed Yong Hak Kim, Jun Mo Kim and Jung Ho Ahn as Independent Directors, and nominated Yong Hak Kim and Jung Ho Ahn as members of the Audit Committee. Moreover, the General meeting of shareholders implemented its management oversight function by approving the remuneration limit for directors and stock options for executives.

#### Shareholder-Friendly Management

SK Telecom has a concentrated voting system to encourage general shareholders who do not own a controlling share to voice their opinions. In 2018, SK Telecom became the first company in the Korean telecommunications industry to adopt an electronic voting system to enhance voting rights of minority shareholders. Whereas other corporations in Korea generally hold their shareholder meetings on the last Friday of the month, since 2018 we have avoided holding our annual general meetings of shareholders on such days in order to make it easy for shareholders to exercise their rights. Since the beginning of 2019, we have significantly expanded shareholder-friendly factors. In order that shareholders be able to receive sufficient information on SK Telecom's key management performance and direction prior to a general meeting of shareholders, the company changed the notice announcing a general meeting of shareholders into a Letter to Shareholders from the CEO. At the start of the 2019 meeting, the company demonstrated its state-of-the-art information & communications technology and 5G services to its shareholders. During the general meeting, SK Telecom CEO Jung Ho Park and the heads of the four major business units - MNO, media, security and commerce - each presented the business performances and the management plans and visions to shareholders. A Q&A session was held after the presentations for shareholders to put inquiries to the executives. The 2020 General meeting of shareholders was conducted online in real-time, to practice social distancing following the outbreak of COVID-19 and to facilitate the efficient participation of all shareholders. Moving forward, SK Telecom plans to create a shareholder-friendly management environment, creating a platform for proactive communication.

#### COMPOSITION OF BOD

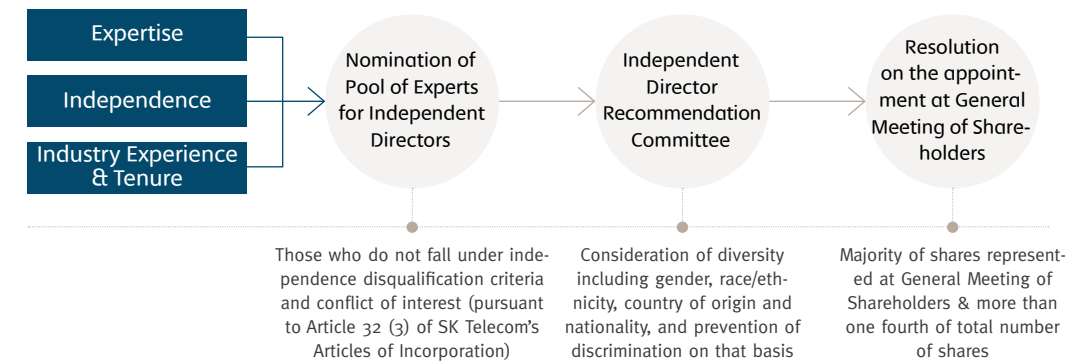


### BOD (BOARD OF DIRECTORS)

#### Composition and Operation

In its role as the highest decision-making body of the company, the BOD of SK Telecom mediates diverse stakeholders' interests and approves management decisions. Under relevant statutes and the company's Articles of Incorporation, the shareholders have granted the BOD the highest decision-making authority on all matters related to the management of the company. The board seeks to ensure the realization of stable management activities and profit creation and strives to increase long-term corporate value by implementing growth strategies through strategic decision-making. Accordingly, the Board deliberates and decides upon matters such as plans for company investment, deals with instances of conflict of interest or insider trading, establishes transparent compensation, and examines matters related to general corporate risk. When a meeting of the BOD or BOD sub-committee is held, operational expertise is enhanced through the formation of supporting organizations, such as the BOD secretariat, which thoroughly explains the management status quo and the details of each agenda item, answers questions and provides relevant data in advance for directors' review. In 2019, a total of 10 board meetings were held, with a participation rate of 97.5%.

#### BOARD OF DIRECTORS NOMINATION PROCESS



#### A Diversity and Expertise of BOD

SK Telecom is forming a diverse pool of potential BOD members with a varied range of expertise and industrial experience in order to represent the diversity of members of the company and its stakeholders. We have established a process to recommend and select directors from a variety of genders, races, ethnicities, national origins, or nationalities, without discrimination. 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. In addition, with the belief that director of SK Telecom, New ICT leader that leads innovation in daily life, must have related expertise, 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. As of May 2020, the average tenure of BOD members is 2 years, and there are 8 industry experts on the board.

#### EDUCATION FOR INDEPENDENT DIRECTORS IN 2019

Date of Education	Organizer	Participant(s)	Highlights
2019.04.16	BOD Secretariat	Seok Dong Kim	<b>Orientation for new independent director</b> - Enhancing understanding of company business by reporting SK Telecom management status quo and issues, assisting him soft-landing into the company
2019.05.08	SK Group SUPLEX Promotion Committee	Seok Dong Kim	<b>Enhancing new independent directors' understanding of SK Group's management philosophy and business</b> - History of SK, management status of SK Group, discussions on managerial issues with SK Group executives, site visits



## BOD (BOARD OF DIRECTORS)

(AS OF MAY, 2020)



### Yong Hak Kim

Independent Director, Chairman of the Board

<b>Term of office</b>	March 2020 to March 2023
<b>Career in Brief</b>	Bachelors in Social Sciences from Yonsei University, Masters and Ph.D in Social Sciences from the University of Chicago Current Professor emeritus, Yonsei University Former President of Yonsei University Former Member of BK Planning Committee, Ministry of Education Former Member of the Presidential Commission on Policy Planning
<b>Expertise</b>	Social value creation
<b>Committee</b>	Audit Committee, Compensation Committee, CAPEX Review Committee



### Jung Ho Park

SK Telecom Executive Director

<b>Term of office</b>	March 2017 to March 2023
<b>Career in Brief</b>	Bachelor's degree in Business Administration, Korea University Master's degree in Business Management, George Washington University Current President & CEO, SK Telecom Former President & CEO, SK Broadband Former President & CEO, SK Holdings Former EVP, Corporate Development Division at SK C&C Former EVP of Business Development Division, SK Telecom
<b>Expertise</b>	ICT, M&A/Business Development, Investment and Risk Management
<b>Committee</b>	Independent Director Recommendation Committee



### Young Min Yoon

Independent Director

<b>Term of office</b>	March 2018 to March 2021
<b>Career in Brief</b>	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
<b>Expertise</b>	Media Industry Policy and Strategy, Communications
<b>Committee</b>	Audit Committee, CAPEX Review Committee, Corporate Citizenship Committee



### Jun Mo Kim

Independent Director

<b>Term of office</b>	March 2020 to March 2023
<b>Career in Brief</b>	Bachelors in Electrical Engineering, Seoul National University Masters and Ph.D, MIT EECS Current Associate Professor of Electrical & Electronic Engineering at KAIST Former Assistant Professor of Electrical & Electronic Engineering at KAIST Former Professional research fellow at Samsung Advanced Institute of Technology
<b>Expertise</b>	AI, Data growth strategy
<b>Committee</b>	Compensation Committee, CAPEX Review Committee, Corporate Citizenship Committee



### Seok Dong Kim

Independent Director

<b>Term of office</b>	March 2019 March 2022
<b>Career in Brief</b>	Bachelor's degree in Business Administration, Seoul National University Passed the 23rd Public Administration Examination Current Chairman, Jipyong Institute of Humanities & Society Former Chairman, Financial Services Commission Former Vice Minister, Ministry of Finance & Economy Former Vice Chairman, Financial Supervisory Commission
<b>Expertise</b>	Financial Policy, Finance, Accounting
<b>Committee</b>	Audit Committee, Independent Director Recommendation Committee, Compensation Committee, CAPEX Review Committee



### Jung Ho Ahn

Independent Director

<b>Term of office</b>	March 2017 to March 2023
<b>Career in Brief</b>	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
<b>Expertise</b>	ICT Science and Convergence, Growth Strategy
<b>Committee</b>	Audit Committee, Independent Director Recommendation Committee, CAPEX Review Committee, Corporate Citizenship Committee



### Daesik Cho

Non-executive Director

<b>Term of office</b>	March 2017 to March 2023
<b>Career in Brief</b>	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
<b>Expertise</b>	Finance, Business Development, Business Strategy, Risk Management



### Young Sang Ryu

SK Telecom Executive Director

<b>Term of office</b>	March 2018 to March 2021
<b>Career in Brief</b>	Bachelor's & Master's degrees in Industrial Engineering, Seoul National University Master of Business Administration (MBA), University of Washington Current President of MNO, 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
<b>Expertise</b>	M&A/Business Development, Finance, Investment, Management of company-wide information security
<b>Committee</b>	CAPEX Review Committee



**BOD ACTIVITIES (2019)**

No.	Date	Key agenda items	Attendance rate
421	2019.1.30	Donation to employee welfare fund in 2019 Contribution to Korea Fencing Association in 2019 Establishment of the Internal accounting control policy Entrusting provision of long-term borrowings in 2019 The 35th financial statement The 35th business report Participation in capital increase for invested companies, SK SEA Investment Evaluation of internal accounting control system Follow-up reports from Q4 2018	100%
422	2019.2.22	Grant of stock options Calling for the 35th Annual General Meeting of Shareholders Approval for the CEO of SK Telecom to serve simultaneously as Director of SK Broadband Trade with SK Broadband in 2019 Donations for social value creation Evaluation results of internal accounting control system	100%
423	2019.3.26	Appointment of BOD chairperson Appointment of committee members Trade with SK Holdings in Q2 2019 Donation to The Happiness Foundation in 2019 Donation to Chey Institute for Advanced Studies in 2019 Establishment of eSports subsidiary	100%
424	2019.4.25	Payment of operating expenses to SUPEX Promotion Committee in 2019 Purchase of shares in SK stoa Investment in Atlas, overseas investment firm for fund investments by DTCP (Deutsche Telekom Capital Partners) Follow-up report for establishment of eSports subsidiary Report of merger of SK Broadband and T-Broad Follow-up reports from Q1 2019	100%
425	2019.6.27	Trade with SK Holdings in Q3 2019 Cost settlement among related companies for joint R&D promotion Amendment of a section of the Audit Committee Policy	87.5%

No.	Date	Key agenda items	Attendance rate
426	2019.7.25	Establishment of subsidiary-type standard workplace for people with disabilities Interim dividends Real estate equity sale with SK Planet Reporting settlement of accounts for the 1st half of 2019 Follow-up reports from Q2 2019	87.5%
427	2019.9.26	Trade with SK Holdings in Q4 2019 Changes to investment plans in 2019 Entrusting provision of long-term borrowings Changes to wired and wireless infrastructure construction in 2019	100%
428	2019.10.28	Participation in capital increase for Kakao Corp. Disposal of treasury stocks Follow-up reports from Q3 2019	100%
429	2019.11.28	Lease agreement on SUPEX Center on Indeung Mountain for 2020 Landscape and facility management services deal with SK Forestry for 2020 2020 joint agreement on management of business aircraft Results of compliance assessment and validity	100%
430	2019.12.20	Trade with SK Holdings in Q1 2019 Resale agreement of wired products with SK Broadband in 2020 Real estate lease deal with SK Broadband in 2020 Approval of limits in issuance of short-term electronic corporate bonds Purchase of PS&M customer terminal credits in 2020 Establishment of internal accounting management standards Cost for SK Academy operation in 2020 Subcontracting operation of customer contact channels in 2020 Wired and wireless infrastructure construction in 2020 Subcontracting maintenance services for base stations in 2020 Trade of products and services with SK Planet in 2020	100%



## Independence and Efficiency of BOD

SK Telecom is continuing to strengthen the independency of the BOD. Currently, the percentage of independent directors is 62.5%, which is higher than the average of that of other major corporates in South Korea (51.3%, according to the large corporation governance status reported to the Fair Trade Commission in December 2019). We plan to maintain ratio of Independent Directors over 60%. Since March 2012, an independent director has been appointed as the Chairman of the Board to secure independence of BOD's operation. 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 regulations. In the interests of improving the Board's efficiency, independent directors and auditors are also limited to holding a maximum of two concurrent positions.

### INDEPENDENCY AND CONFLICTS OF INTEREST STATEMENT

Independence	
<b>Reasons for disqualification within Board's regulations (abiding by the national Commercial Act, Fair Trade Act, and other legislations)</b>	<ol style="list-style-type: none"> <li>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</li> <li>2. The largest shareholder of the company, and his/her spouse and lineal descendants and ascendants</li> <li>3. In case the largest shareholder is a corporate body, its directors, auditors, executive officers and employees</li> <li>4. Spouses and lineal descendants and ascendants of the directors, auditors and executive officers of the company</li> <li>5. The directors, auditors, executive officers and employees of the parent company or subsidiaries</li> <li>6. The directors, auditors, executive officers and employees of corporate bodies who are major stakeholders</li> <li>7. The directors, auditors, executive officers and employees of other companies at which a director, executive officer or employee of the company is serving as a director or executive officer</li> </ol>
Transparency	
<b>Conflicts of Interest</b>	<ol style="list-style-type: none"> <li>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 related to such a person</li> <li>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</li> <li>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</li> </ol>

## COMMITTEES OF THE BOD

To foster efficiency and expertise, five committees are established under the Board. 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. Especially, in order to safeguard fairness and transparency, Audit Committee, Compensation Committee, and Corporate Citizenship Committee are entirely composed of independent directors.

As of April, 2020

Committee	Chairperson	Members
Audit Committee	Seok Dong Kim	Seok Dong Kim, Yong Hak Kim, Jung Ho Ahn, Young Min Yoon
Independent Director Recommendation Committee	Seok Dong Kim	Seok Dong Kim, Jung Ho Ahn, Jung Ho Park
Compensation Committee	Yong Hak Kim	Yong Hak Kim, Seok Dong Kim, Jun Mo Kim
CAPEX Review Committee	Jung Ho Ahn	Jung Ho Ahn, Yong Hak Kim, Seok Dong Kim, Young Min Yoon, Jun Mo Kim, Young Sang Ryu
Corporate Citizenship Committee	Young Min Yoon	Young Min Yoon, Jung Ho Ahn, Jun Mo Kim

## Audit Committee

The Audit Committee is operated with regulated structure, operations, rights, and responsibilities in accordance with the Commercial Act, the Financial Investment Services and Capital Markets Act, and the Articles of Incorporation. The Audit Committee conducts accounting and business audits and focuses on securing the independence and soundness of the governance. 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, the company's major issues, and 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 and approves specific transactions such as private contracts with affiliated companies of a certain scale or larger. Moreover, the committee evaluates/approves directors' execution of duties and conducts investigation/audits on directors' financial and property conditions. It also conducts investigations on the board, 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 evaluation/audits and major activities to the general meeting of shareholders, and disclose them through the Business Report.

### OPERATIONS OF AUDIT COMMITTEE IN 2019

Date	Agenda	Attendance rate
2019.1.29	Operation of internal accounting control system Results of management diagnosis/audit in '18 2H and plans for 2019 Auditor's written opinion on internal monitoring system Establishment of the Internal accounting control regulations Services with SK Hynix in 2019 regarding SK Academy	75%
2019.2.7	Agreement on advisory for SK Telecom's publication of Annual Reports for FY2018	100%
2019.2.21	Results of FY 2018 audit Results of FY 2018 internal accounting control system evaluation Evaluation of Internal Accounting Control System Operation Confirmation of agenda of 35th Annual General Meeting of Shareholders and opinions about document reviews 35th Audit Report Contract on payment of gifts to customers in 2019	100%
2019.3.25	Optical cable maintenance service in 2019 Transmission equipment maintenance service in 2019	75%



**OPERATIONS OF AUDIT COMMITTEE IN 2019**

Date	Agenda	Attendance rate
2019.4.24	Appointment of chairperson (Seok Dong Kim) Approval of external audit service in 2019 Audit plan for 2019	100%
2019.6.26	Facility construction of transfer equipment with Ubins Co., Ltd. in 2019	75%
2019.7.24	Results of external auditor's semi-annual review of FY 2019	75%
2019.9.25	Purchase of consumable materials/goods from HappyNarae in 2019 Changes to the contract on payment of gifts to customers in 2019	75%
2019.10.23	Understanding the Internal accounting control system under the enforcement of the new Act on external auditing Operation of the Internal accounting control system in 2020	100%
2019.11.27	Current status of the designated audit system of 2020 Entrusting collection of accounts receivable in 2020	100%
2019.12.19	Switch maintenance service in 2020 Telecommunications equipment lease in 2020 Purchase of consumable materials/goods from HappyNarae in 2020 Trade of products/services with SK M& Service Co., Ltd Trade of products/services with 11st Street Trade of services with SK Wyverns in 2020 Partnership contract with One store in 2020 Trade of products/services with Dreamus Company in 2020 Trade of products/services with Contents wavve in 2020 Trade with SK infosec in 2020 Trade of products/services with ADT Caps in 2020 Audit fees for external auditors in 2020 Audit plan for 2020 Progress of the Internal control test for financial reporting in 2019	100%

**Independent Director Recommendations Committee**

In order to fairly recommend candidates for independent directors, the BOD operates the Independent Director Recommendation Committee. The committee controls nomination and selection of candidate to establish transparent process for independent director recommendation. The Independent Director Recommendation Committee nominates candidates with independence and expertise and the nominees must receive majority of votes to be appointed as independent director candidates.

**OPERATIONS OF INDEPENDENT DIRECTOR RECOMMENDATIONS COMMITTEE IN 2019**

Date	Agenda	Attendance rate
2019.2.22	Recommendation of candidate for independent director in 35th General Meeting of Shareholders (Seok Dong Kim)	100%
2019.4.24	Appointment of chairperson (Jung Ho Park)	100%

**Compensation Committee**

The Compensation Committee 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. The Compensation Committee is fully composed of independent directors to secure fairness and transparency.

**OPERATIONS OF COMPENSATION COMMITTEE IN 2019**

Date	Agenda	Attendance rate
2019.4.24	Appointment of chairperson (Jae Hoon Lee)	100%

**CAPEX Review Committee**

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 2019**

Date	Agenda	Attendance rate
2019.4.24	Appointment of chairperson (Jae Hyun Ahn)	100%
2019.9.25	Changes of investment plan for 2019	83%

**Corporate Citizenship Committee**

The Corporate Citizenship Committee is the highest decision-making body for sustainability whose purpose of long-term enhancement of corporate value and fulfill of social responsibilities as a sustainable and global company. Its responsibilities include the carrying out of relevant decision-making. In particular, the committee set 5 strategic directions of sustainability - customer-oriented management, mutual growth, social value innovation, transparent ethical management, and environmental management and reviews the performance. The committee also conducts a comprehensive review of the company's mid to long-term risks and opportunities, and material issues obtained by stakeholder communications. 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 of the company's financial and nonfinancial performances and plans for performances of the company's social responsibility management. The Corporate Citizenship Committee reviews the materiality assessment process and the material issues of the annual report.

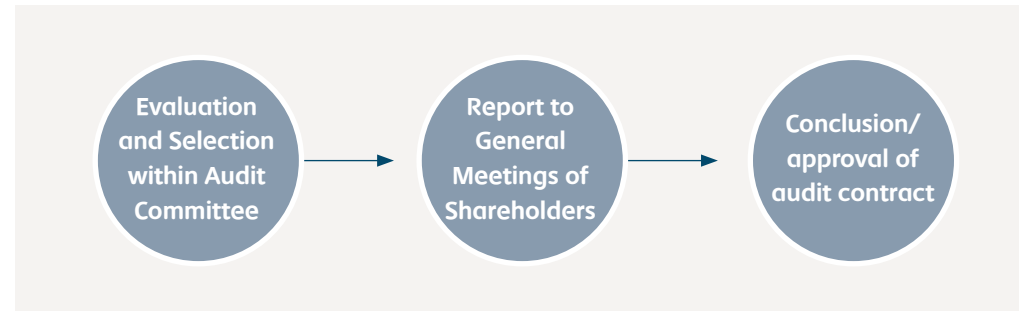
**OPERATIONS OF CORPORATE CITIZENSHIP COMMITTEE IN 2019**

Date	Agenda	Attendance rate
2019.4.24	Appointment of chairperson (Jung Ho Ahn)	100%
2019.5.22	Main contents of FY 2018 Annual Report	67%
2019.10.23	SV promotion activities in 2019 Major achievements of Win-Win growth in 2019 and strategic directions for 2020 Current status of Customer Value Innovation in 2019	100%



## EXTERNAL AUDITORS

### EXTERNAL AUDITOR SELECTION PROCESS



An independent external auditing firm audits SK Telecom's financial statements and appendices to secure fairness and transparency. After the external audit, the Audit Committee reviews of the procedure and results of the audit to confirm properness. The external auditing firm selected for the 2018-2020 period is KPMG Samjong Accounting Corporation, which rated SK Telecom's 36th fiscal year as 'fair' with no other issues.

### AUDITOR'S OPINION

Business Year	Auditor	Auditor's opinion	Explanatory paragraph
36th year (2019)	KPMG Samjong Accounting Corp.	Unqualified Opinion	None
35th year (2018)	KPMG Samjong Accounting Corp.	Unqualified Opinion	None
34th year (2017)	KPMG Samjong Accounting Corp.	Unqualified Opinion	None

### AUDITING CONTRACT

Business Year	Auditor	Contents	Fee	Hours
36th year (2019)	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 Audits on the Internal accounting control system	KRW 1,860 million	23,040 hours

## FAIR PERFORMANCE EVALUATION AND COMPENSATION

### Evaluation of Management performance

Through fair performance evaluations, we are conducting reviews on the execution of the duties of the executive management including the CEO. The evaluation of job performances is undertaken in a comprehensive manner in consideration of financial and non-financial performances. We evaluate the performances of internal and external directors, and utilize the results of the evaluation when considering whether to reappoint, them or for the recommendation of them by the Independent Director Recommendation Committee following the end of their terms. The annual performance evaluation of independent directors includes a review of their BOD and committee meeting attendance rates, their business and technological expertise related to the company and contribution levels and whether or not they enthusiastically carried out their board of directors activities. Beginning in 2019, we expanded the measured amount of social value to 50% of the CEO's KPI, and currently are applying the yearly measured amount and the strategic performances of social value to the evaluations. Through this, SK Telecom aims to enhance managements' responsibility to create long-term corporate value by pursuing business model innovation based on social value in addition to create non-financial performances to promote social justice and prevent corporate risk.

### Remuneration of Executives

Directors' salaries and severance pays are paid fairly and transparently through a resolution at the general shareholders' meeting. The remuneration of executives, including the CEO, is calculated based on the performance within the limits determined at the general shareholders' meeting. Remuneration consists of Target Incentives and Profit Sharing and we pay performance-based compensation of up to 250% of the annual salary determined by a comprehensive evaluation of measurable indicators, such as revenue, operating profit, EVA and non-measurable indicators composed of leadership, strategic task achievement, expertise and other company management performances. Meanwhile, SK Telecom provides stock options in order to match the interest of 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 are currently operating a system which pursues longer-term performances by setting the vesting period up to a maximum of 4 years. To enhance the transparency of remuneration for 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 (2019)

	Total number (persons)	Total payment (KRW million)	Average remuneration (KRW million)
Registered director <sup>1)</sup>	3	5,548	1,849
Independent director <sup>2)</sup>	1	84	84
Audit committee member or auditor	4	336	84

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

2) Excluding audit committee members



## CEO-EMPLOYEE REMUNERATION RATIO (2019)

Total CEO remuneration (KRW million)	Average employee remuneration (KRW million)	Ratio <sup>1)</sup>
4,531	116	39.1

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

## STOCK OPTIONS FOR EXECUTIVES

As of December 31, 2019

Date	Name	Base exercise price <sup>1)</sup>	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. 20	Young Sang Ryu	KRW 254,120	1,358	-	1,358	2020.2.21~2023.2.20
			KRW 254,120	1,358	-	1,358	
2019	Feb. 22	Sung Ho Ha		1,369	-	1,369	2021.2.23~2024.2.22
			Peter Ha	1,564	-	1,564	
			Jin Hyo Park	1,300	-	1,300	
	Poong Young Yoon		1,244	-	1,244		
		Sub-total	KRW 265,260	5,477	-	5,477	
	Mar. 26	Young Sang Ryu	KRW 254,310	1,734	-	1,734	2021.3.27~2024.3.26
Sub-total			KRW 254,310	1,734	-	1,734	
	Total		75,073		75,073		

\* Includes stock options of unregistered executives, executives currently in office

1) 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 December 31, 2019

Name	Total payment (KRW million)	Results
		<p><b>[Earned income-salary] KRW 1,300 million</b>  <b>Calculation standard</b>            Based on standards on remuneration of directors, the CEO's yearly base salary was set at KRW 1.3 billion as the company took into account the CEO's title, position, leadership, specialties and contribution to the growth of the company, with KRW 108.3 million, one twelfth of the amount paid each month in 2019.</p>
		<p><b>[Earned income-bonus] KRW 3,288 million</b>  <b>Calculation standard</b>            - A management incentive for 2018 performance was paid in February 2019. The payment of the CEO's performance-based compensation is determined by a comprehensive evaluation of measurable indices such as financial performance including revenue and operating profit and non-measurable indices such as leadership, achievement of strategic goals, expertise and contribution to the company's management performance            - SK Telecom's revenue in 2018 was KRW 16.874 trillion, while operating profit was KRW 1.2018 trillion (on a consolidated basis.) The company gained trust in its 8 customer value innovation activities including MNO, plan recommendation, roaming, and membership etc., resulting in an increase of around 185,000 subscribers increased within one year. We also recorded the lowest contract termination rate of 1.22% in terms of quantifiable indicators. In 2018, the company once again placed first in the three major customer satisfaction surveys - NCSI, KS-SQI and KCSI - setting a record for doing so for the longest-running period. Moreover, in the new growth sectors of media, SK Broadband recorded revenue of KRW 3.2537 trillion and operating profit of KRW 175.6 billion a new record, resulting in growth in terms of quantity and quality. In the security sector, we established an integrated service system that encompasses physical and information security by acquiring ADT and successfully merging it with NSOK, and through the acquisition of SK infosec. In our commerce business, we provided a basis for substantial business growth by securing the independence of 11th Street and attracting external investments as a pure commerce company. Based on the outstanding performance of SK Telecom's mid- to long-term creation of corporate value through the establishment of a new ICT business portfolio in 4 major sectors of including MNO, media, security and commerce, we paid a performance bonus of KRW 3.23 billion.</p>
Jung Ho Park	4,531	<p><b>[Earned income-others] KRW 3 million</b>            Reward for long-term services, medical expenses etc.</p>
		<p><b>[Earned income-salary] KRW 460 million</b>  <b>Calculation standard</b>            Based on standards on remuneration of directors, the basic salary was set at KRW 460 million in total by taking into account title, position, leadership, specialties and contribution to the growth of the company within the limits of the remuneration of directors in 2019. An amount of KRW 38.8 million, one twelfth of the total amount, was paid each month.</p>
		<p><b>[Earned income-bonus] KRW 553 million</b>  <b>Calculation standard</b>            - We paid a performance bonus in February of 2019 for achievements made during his tenure as a head of Corporate Center in 2018. The payment of the performance-based compensation 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            - As a result of leading change and innovation strategies of MNO, successfully securing 5G frequency, pursuing the company's re-entry into the music business, FLO, creating opportunities for business synergy in ICT convergent security by acquiring the Swiss quantum cryptography communications company IDQ, achieving 11st Street's independence and attracting external investments, and successfully reorganizing the new ICT portfolio, all of which contribute to the solidification of a stable basis of growth as an ICT synergy company, we paid a performance bonus of KRW 553 million.</p>
Young Sang Ryu	1,017	<p><b>[Earned income-others] KRW 4 million</b>            School and medical expenses</p>



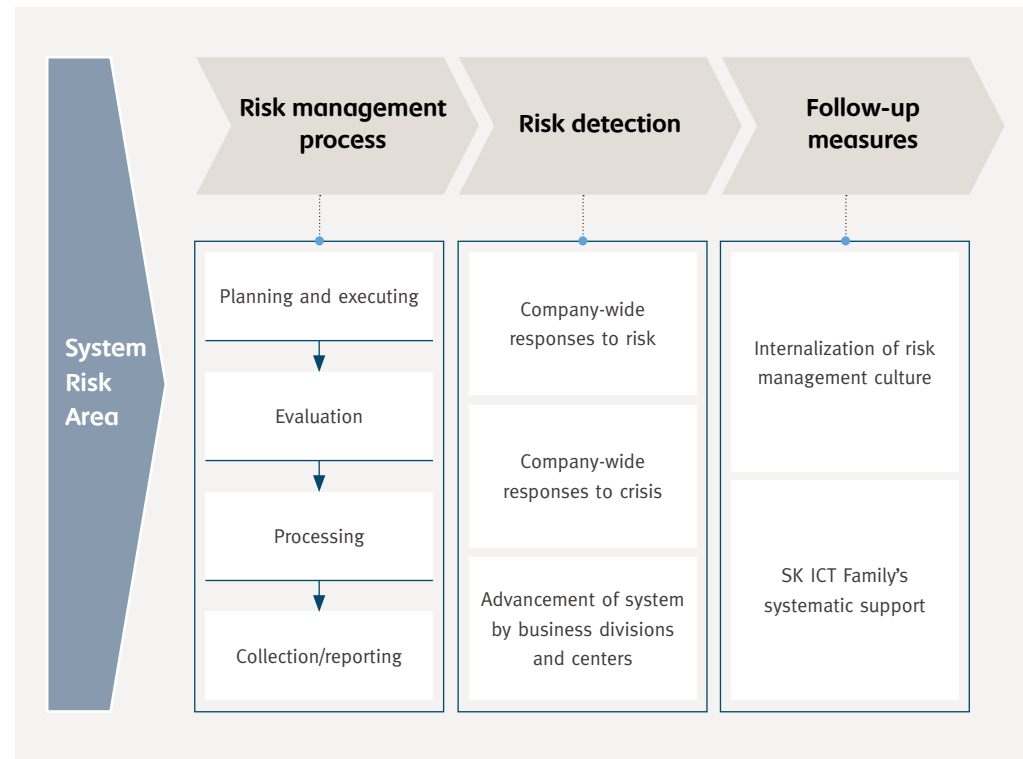
# RISK MANAGEMENT REPORT

SK Telecom strives to effectively identify and prevent potential risk factors in the managing environment through systematic risk management. By establishing an enterprise-wide integrated risk management system that includes risk management processes, response systems and culture, SK Telecom will set a foundation for long-term corporate operations performance and increased organizational flexibility.

## INTEGRATED RISK MANAGEMENT SYSTEM

SK Telecom operates a systematic 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. When risk is detected or happened, we operate company-wide risk management system and crisis countermeasure system led by Change Management Office, and establish self-controlled responding system by business divisions and centers. In addition to prompt risk control in the organization, we are conducting various programs to spread risk management culture company-wide. We are also establishing intertwined risk management system through SK ICT family to cope with the risk with cooperative manners.

### RISK MANAGEMENT STRUCTURE



## RANGE OF RISK MANAGEMENT

We have a wide scope of comprehensive and systematic management that takes into consideration both financial and non-financial risks. 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 (serious customer complaints, customer information leakages and network failures) and reputational/social responsibility risks (unfair trade, bribery, and illegal gifts). We are expanding the strategic response system based on the key elements of each stakeholder related 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

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



## RISK MANAGEMENT PROCESS

SK Telecom is establishing a risk management process according to changes in the internal and external environments and the needs of stakeholders. Risk management process consists of evaluation planning, risk assessment, risk handling and risk collection reporting. The company performs risk management in a sophisticated manner based on collaboration between risk managers and managers of each operation process. Risk managers are responsible for overall risk assessment and progress monitoring and process managers are responsible for the overall management of risks and opportunities and management review reports, based on an approved annual risk evaluation plan.

### Risk Evaluation

The risk evaluation process is conducted in the order of identification, analysis and level determination.

#### ① Risk identification

Risk identification refers to the process of finding, identifying and describing factors that cause risks, and aims to create opportunities through this. 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.

#### ② Risk analysis

Risk analysis is the process of understanding the characteristics of identified risks, determining the impacts on risks and opportunities, and defining the possibility of the company facing them as high, medium or low.

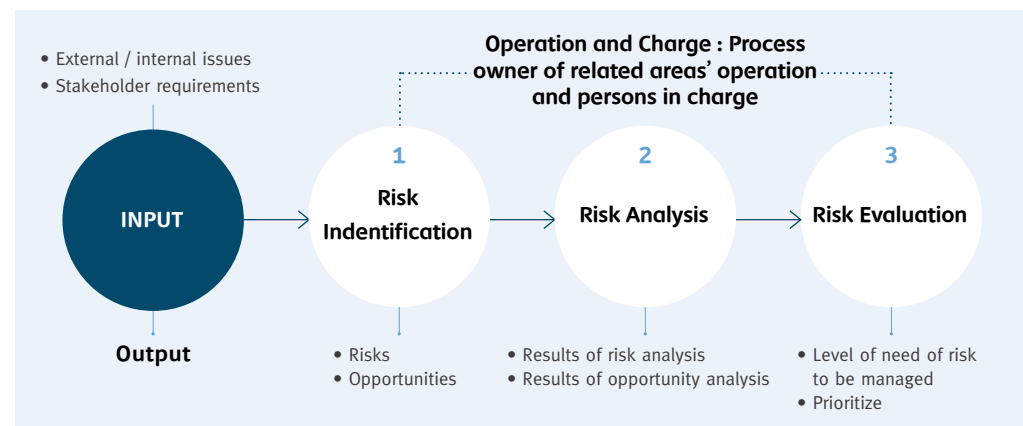
#### ③ Risk-level determination

Risk-level determination involves an 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.

### Follow-Up Management

We map out appropriate risk management and action plans through risk management processes including decisions on risk management methodology and an effectiveness assessment. Risks that have undergone a risk evaluation and the risk management process are 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 is useful as an effective asset for SK Telecom's future risk management strategies.

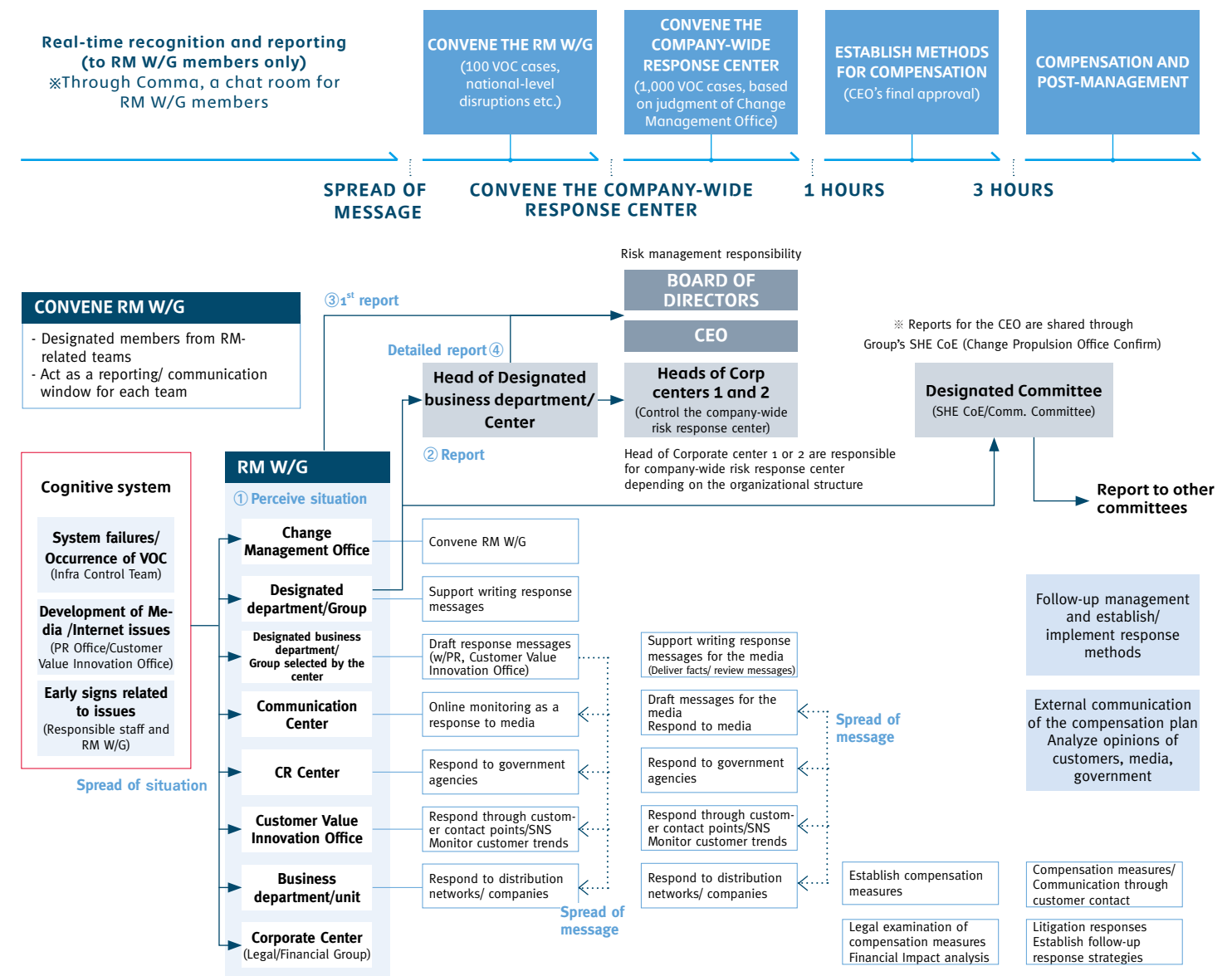
## RISK MANAGEMENT PROCESS



## COMPANY-WIDE RISK MANAGEMENT RESPONSE SYSTEM

In order to enhance rapid response systems and follow-up management of risks, we have put into place an efficient system for monitoring and response. We designated multiple managers by role and are operating an online channel where risks are managed and shared. The Change Management Office, which is directly under the CEO, is responsible for monitoring and responding to SK Telecom's enterprise-wide risk. It reports to the CEO when an emergency risk occurs and has the authority to convene a crisis response meeting supervised by the heads of the Corporate Center 1 and 2. The office defines the management of the risk profile, mapping responsible departments to major risks and countermeasures for each risk. In the occurrence of risks that may have significant effects on business operations and the internal organization, the heads of the Corporate centers 1 and 2, calls for a company-wide risk response center for risk management, in order to formulate a quick responses. RM W/G is operated regularly when signs of risks are identified through on (Comma chat room) and offline channels. Also, the Board has final responsibility for risk management decisions, including enterprise risk profiles and risk-specific limit definitions.

## COMPANY-WIDE RESPONSE SYSTEM FOR RISK INCIDENTS

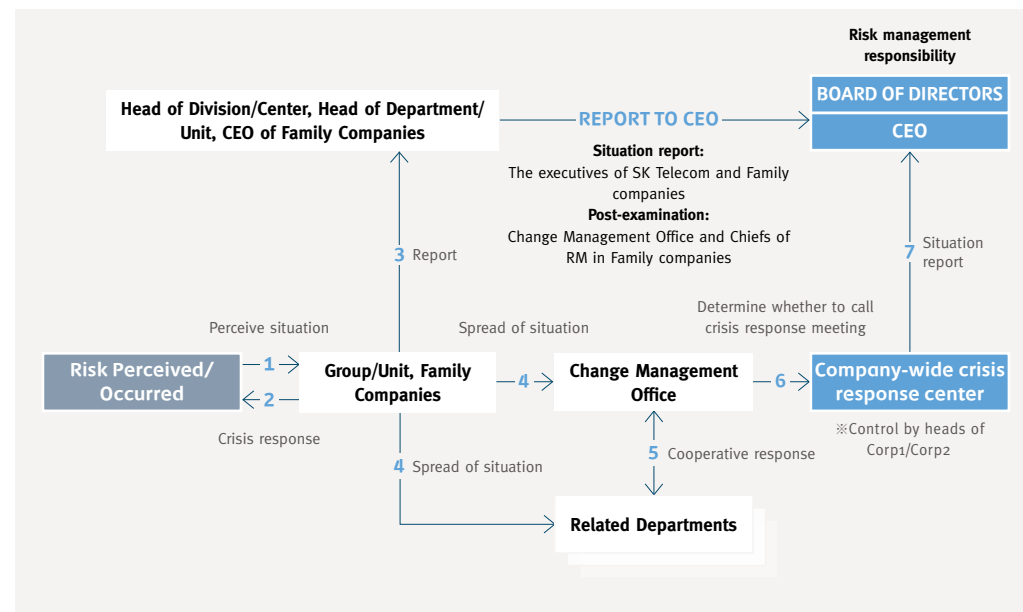




### SUPPORT FOR RISK MANAGEMENT SYSTEMS OF SK ICT FAMILY

With the aim of establishing organic response system for the risks, SK Telecom is operating a company-wide risk management working group which also include SK ICT Family company. 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. We have 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 processes.

#### RISK MANAGEMENT AND DISSEMINATION SYSTEM FOR FAMILY COMPANIES



\* Subject organizations: SKB, SKP, SKTelink, ADT Caps, SK infosec, 11st, SK ons, Servcie ACE, Service TOP, F&U, PS&M, FSK, L&S, SK Comms, One store, SK Wyverns, Dreamus, SK M&Service, SK stoa(including subsidiaries)

### ADVANCEMENT OF SYSTEMS BY BUSINESS DIVISIONS AND CENTERS

We established efficient risk management system through self-controlled risk response system for each divisions and centers. With this, we developed specific risk response process that matches the characteristics and situations of business divisions and centers, and heightened the level of risk management by advancing preceding diagnosis structure for potential risks of each divisions and centers. 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 our manuals.

### INTERNALIZATION OF RISK MANAGEMENT CULTURE

We have created an environment for faster reporting of risks. We strive to spread a voluntary risk management culture throughout the organization so that all members including employees, executives, and board members can recognize their own responsibility for risks. To this end, we are improving executives and employees' awareness of risks and preemptive risk management capabilities by conducting pre-education after selecting risks that are becoming increasingly influential mid- to long-term, sharing risk analysis data on our system, and conducting regular mock training. Furthermore, based on the principle of risk prevention, we are operating a detailed response system by including risks that are unpredictable but can have significant long-term effects such as climate change and natural disasters in our risk management area.

#### CEO REPORTING CRITERIA BY TYPE

Type of Risk	CEO Reporting Criteria
Risks of service failures	<ul style="list-style-type: none"> <li>If more than 1,000 VOCs                             <ul style="list-style-type: none"> <li>- Strengthen to 500 cases for emergency and special communication periods</li> </ul> </li> <li>If more than 100 VOCs or more for roaming</li> <li>If over 3 hours of complete failure of core services*                             <ul style="list-style-type: none"> <li>*Among our major services, we are referring to services that are difficult for RM responses with VOC standards</li> <li>※ T world, T world direct, T membership, MoVIOS, ZEM, T ID, T phone, NUGU, T map, T map taxi, T map transit, T View, PASS, Jump AR, Jump VR, RCS, Bill Letter, B tv, FLO, 11th Street, wavve, One store</li> </ul> </li> <li>When SWING experiences complete failure for more than one hour</li> <li>When a risk becomes an issue on the Internet                             <ul style="list-style-type: none"> <li>- Placing in Top 10 live search words</li> <li>- Spreading through online news reports, SNS</li> </ul> </li> </ul>
Risks related to the reputation of company such as information security, BR, GR, etc.	<ul style="list-style-type: none"> <li>If reported on terrestrial broadcasting and newspapers/portals                             <ul style="list-style-type: none"> <li>- Terrestrial broadcasting companies: KBS, MBC, SBS</li> <li>- Major newspapers: Chosun/ Dong-a/ JoongAng/ Maeil Business</li> <li>- 3 major portals: Naver, Daum, Nate</li> </ul> </li> <li>If trending on the top 10 live search words of major portals and SNS</li> </ul>
Risks related to family company issues	<ul style="list-style-type: none"> <li>Each family company follows the CEO reporting criteria, but follows SK Telecom's CEO reporting criteria for reports on major media platforms and online SNS issues                             <ul style="list-style-type: none"> <li>- A rapid rise in customer complaints or failures of major services on a national level</li> <li>- Leakage of customer information and trending on other media platforms</li> </ul> </li> </ul>





**RISK & OPPORTUNITIES**

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

RISKS & OPPORTUNITIES	CONTEXT	STATUS
 <p><b>Matured Mobile Telecommunications Market</b></p>	<ul style="list-style-type: none"> <li>• There is a limit to growth due to the saturation of the mobile communication market, namely 51 million units of smartphones and a 133.23% penetration rate of wireless communication services in Korea as of December 2019.</li> <li>• In addition, the specifications of flagship devices have been elevated, thus weakening demand for the latest devices and extending replacement periods. As a result, competition in the telecommunications market is staggering.</li> <li>• 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 strive to find and develop new sources of revenue and create value.</li> </ul>	<p>Matured</p>
 <p><b>Strengthened Regulatory Pressure on Tariff Discounts</b></p>	<ul style="list-style-type: none"> <li>• NGOs and political circles have steadily demanded for rate discounts for the purpose of easing the burden of telecommunication expense burdens on households and increasing service accessibility.</li> <li>• From 2017 to 2018, the government expanded the tariff discount on the socially disadvantaged and increased the selective tariff discount rate in accordance with government regulations. Following the revision of the Telecommunications Business Act in June 2019, entry barriers to the telecommunications sector will be lowered and the current licensing system will be mitigated to a registration system in the mid- to long-term.</li> <li>• In May of 2020, the decision for the termination of rate authorization systems was made but we predict that the monitoring of telecommunication charges by external parties including government, and consumers will continue.</li> </ul>	<p>Matured</p>
 <p><b>Launch of 5G Era</b></p>	<ul style="list-style-type: none"> <li>• In 2019, global competition for 5G leadership became fiercer. 5G services were commercialized in Korea, the United States, and China and are expected to launch in India in 2020. As a result, many companies are fighting to uncover new services and contents on hyper-speed and hyper-low latency technology.</li> <li>• On April 3, 2019, we were first in the world to succeed in commercializing. Within about 140 days, the number of subscribers surpassed 1 million and the company is drawing attention for its network quality and service differentiation.</li> <li>• By the end of 2019, the total number of domestic 5G subscribers exceeded 4.67 million, representing 6.8% of all mobile phone subscribers. We are predicting rapid growth for 2020 as well, namely that more than 20% of mobile phone subscribers will be 5G subscribers.</li> </ul>	<p>Emerging</p>

POTENTIAL IMPACT ON SKT	WHAT WE ARE DOING ABOUT IT?
<ul style="list-style-type: none"> <li>• The domestic wireless telecommunication service market is maturing and mobile telecommunication demand is stabilizing.</li> <li>• As a result, we are expecting to reach a limit in the long-term growth of profitability of the mobile telecom business, but by launching 5G and a variety of services based on 5G, and differentiated customer value-adding services, we are creating new profit structures.</li> </ul>	<ul style="list-style-type: none"> <li>• We have steadily realized growth in the number of subscribers and the innovation of products/services amidst fierce market competition and tariff discounts.</li> <li>• As of December 2019, SK Telecom enjoys the largest domestic market share (46.4%, as of December 2019) through its highest-quality data and voice call services, distribution network quality management, customer benefits and retention-oriented marketing activities.</li> <li>• 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 offer customers practical benefits. At the same time, we are looking for opportunities to expand revenue by providing a variety of services and contents based on 5G.</li> <li>• In addition, we have attempted to restructure our business based on the core competencies of the existing mobile communication business. By pursuing balanced growth in media, security, and commerce sectors in addition to telecommunications, we are exerting efforts to create new profit models as a new global ICT company.</li> </ul>
<ul style="list-style-type: none"> <li>• Due to the government's measures to reduce household telecom costs and staggered growth in the mobile telecom industry, profit for wireless communications decreased for the first half of 2019. However, SKT succeeded in making a turnaround for wireless communication in the second-half of 2019 with the commercialization of 5G.</li> <li>• The artificial intervention of the government may bring with it the risk of hindering the total structure of market competition, although positive changes in market such as strengthened customer benefits and a relief in pressure on telecom costs for normal households have resulted.</li> <li>• Meanwhile, if a rational conclusion can be made related to the self-sufficiency policy of handsets, termination of rate authorization systems and plan liberation, we are looking to ease customer inconvenience while revitalizing the market competition, thus creating a basis to provide higher product/service quality.</li> </ul>	<ul style="list-style-type: none"> <li>• SK Telecom is working to innovate customer value through differentiated product and service competitiveness including next-generation messaging service (RCS) and quality enhancement of voice and video calls.</li> <li>• In particular, in order to ease the burden of socially disadvantaged subscribers such as low-income individuals, senior citizens, and people with disabilities, we are providing various tariff discount benefits and through these, we are increasing accessibility to the mobile services.</li> <li>• We are striving to help governments make appropriate policies by actively discussing with the Ministry of Science and ICT and the Korea Communications Commission in terms of our role and investment ability in 5G and growing business areas.</li> <li>• With the decision to terminate rate authorization systems in May of 2020, we built the basis to revitalize the market competition based on product/service quality.</li> </ul>
<ul style="list-style-type: none"> <li>• 5G is expected to create markets worth a total of KRW 1,161 trillion by 2026, which will primarily be generated by major related industries such as network equipments and devices, advanced devices/security and convergence service.</li> <li>• Convergence between 5G and other industries is expected to accelerate, resulting in KRW 682 trillion new value by 2026 in the fields of immersive contents, smart factories, autonomous vehicles, smart cities and healthcare. * Overseas Market Outlook Survey, KISDI, January 2019</li> <li>• The excessive cost of buying 5G frequencies and massive network investment can be a risk to mobile operators until the establishment of 5G-related business models. This may hinder MNOs' efforts to gain a competitive advantage in the global 5G sector.</li> </ul>	<ul style="list-style-type: none"> <li>• SK Telecom contributed to establishing international standards on core 5G technologies such as 5G Front Hole, network slicing, and quantum cryptography. We proved our global leading technical capabilities in the 5G era, by successfully commercializing 5G for the first time in the world in 2019.</li> <li>• In addition, we are leading the revitalization of the 5G ecosystem by expanding media business in VR and AR using 5G, and by increasing various 5G-based business collaboration.</li> <li>• In June 2018, at the frequency auction held by government, SK Telecom secured a bandwidth of 100MHz in the C band, which is easy to expand and free from interference from neighboring bands in 3.5Ghz and 800Mhz in 28Ghz.</li> <li>• SK Telecom will effectively make investment at a level which will enable the company to take the lead in the market by closely monitoring market demand. At the same time, the company will position itself as the New ICT Leader in the 5G era by discovering new business models that can realize hyper-connections and hyper-low latency which epitomize 5G and creating synergies among new ICT portfolios.</li> </ul>



RISKS & OPPORTUNITIES	CONTEXT	STATUS
 <p><b>Privacy Risk</b></p>	<ul style="list-style-type: none"> <li>The protection of personal information is not only the basis of customer trust but also a basic obligation of business operators.</li> <li>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.</li> <li>Mobile carriers have a duty to protect customers from hacking and virus infections with respect to their personal information.</li> <li>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 a Chief Information Security Officer) to take responsibility on technological measure and legally respond in regard to the company's information security.</li> </ul>	<p>Emerging</p>
 <p><b>Climate Change Risk and Pressure to Increase Energy Efficiency</b></p>	<ul style="list-style-type: none"> <li>As climate change risk has emerged as a major global issue, 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.</li> <li>As the post-Kyoto Protocol was completed at the COP21 (Paris Agreement) at the end of 2015, the Korean government has set the national greenhouse gas emissions reduction target to 37% compared to Business as Usual (BAU) by 2030, and to this end is strengthening market and non-market regulations.</li> <li>The government announced its nuclear phase-out policy in 2017 as well as a roadmap for promoting renewable energy and improving the national energy system.</li> <li>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 improve upon energy efficiency.</li> <li>Telecommunications companies are making preemptive steps such as the Global System for Mobile Communications goal of net-zero emissions by 2050 in February of 2019 to comply with the Paris Agreement.</li> </ul>	<p>Emerging</p>

POTENTIAL IMPACT ON SKT	WHAT WE ARE DOING ABOUT IT?
<ul style="list-style-type: none"> <li>SK Telecom must establish policy which balances user rights and cooperation with government agencies in regard to protecting personal information and thus, we are considering this issue from a long-term risk perspective.</li> <li>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.</li> <li>The number of communications data SK Telecom offered on behalf of government agencies including the Prosecution, Police, and National Intelligence Service was 313,220 'communications data' and 55,343 'communication confirmation data' in 2019, which demonstrated a slight increase compared to the previous year. It is predicted that the use of personal information for criminal investigation purposes will continue to rise.</li> </ul>	<ul style="list-style-type: none"> <li>SK Telecom established formalized corporate human rights policies and is committed to protecting the rights of users and human rights by protecting personal information.</li> <li>We are pursuing a zero-incidents policy in regard to information protection through company-wide efforts such as the enhancement of functionality of a control tower and diagnosis system, and also by structuring data based intelligent security system, strengthening security diagnosis of mobile network IT systems and through the advancement of according defense system as well as strengthening security structure on both human resources and physical systems due to changes in ICT environment.</li> <li>In accordance with an amendment to a related act in June 2019, we made responsibilities for information security clear and reinforced our roles in protecting information by appointing a chief information security officer in charge of independently formulating technological measures for information security and legal responsibilities.</li> <li>Cooperation on telecommunication data, telecommunication record checks, and restriction measures is conducted according to strict procedures and restrictions stipulated by current law.</li> </ul>
<ul style="list-style-type: none"> <li>SK Telecom is consuming a substantial amount of electricity for its nation-wide network systems to operate networks and base stations, and thus the need to closely manage energy efficiency and GHG emissions is increasing.</li> <li>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 and could also negatively impact our business operations in the future. Thus, we are paying close attention to this issue.</li> </ul>	<ul style="list-style-type: none"> <li>SK Telecom is actively responding to issues of the Emissions Trading Scheme and reducing GHG emissions. SK Telecom is preparing diversified countermeasures such as ongoing discussions with the Corporate Citizenship Committee of the Board of Directors about Emissions Trading Scheme, 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.</li> <li>Through our Cookstove<sup>1)</sup> project, we supplied about 54,000 cookstoves to the dry zone in the north central region of Myanmar in 2018, and in 2019, we supplied approximately 4.32 million cookstoves across the country. We signed an agreement to lead locals to reduce approximately 106,000 tons of carbon emissions annually. In addition, by promoting this program as a UN Clean Development Mechanism (CDM) model, SK Telecom will create both social and economic value in the form of securing certified emission reductions of around 300,000 tons for a portion of reduced carbon emissions.</li> <li>We are pursuing various eco-efficiency projects based on 5G such as the Building Energy Management System (BEMS), the Factory Energy Management System (FEMS), next generation smart grid project, and various ICT-based smart/green solutions by approaching climate change risk from a new market opportunity perspective.</li> </ul> <p><small>1) Cook Stove: A stove-shaped cooking tool which is made of cement material in order to reduce carbon emissions and the use of firewood by increasing thermal efficiency, and is also effective in shortening cooking time.</small></p>



# INTEGRITY REPORT

In the process of developing corporate activities, we are pursuing corporate ethics as a top priority. For more transparent and fair business conduct, all members of the company will take on awareness of corporate ethics and build a relationship of trust with our stakeholders, thus leading to a healthy corporate culture.

## TRANSPARENT ETHICAL MANAGEMENT

SK Telecom proclaims its responsibilities for stakeholders and clearly presents ethical policies and regulations by which its employees must abide, as well as 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 being 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 the connection with the core values of the company and segmenting ethical practices into ‘Customers, Business Partners, the Company, Employees and I.’

### SK TELECOM'S CODE OF CONDUCT FRAMEWORK

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

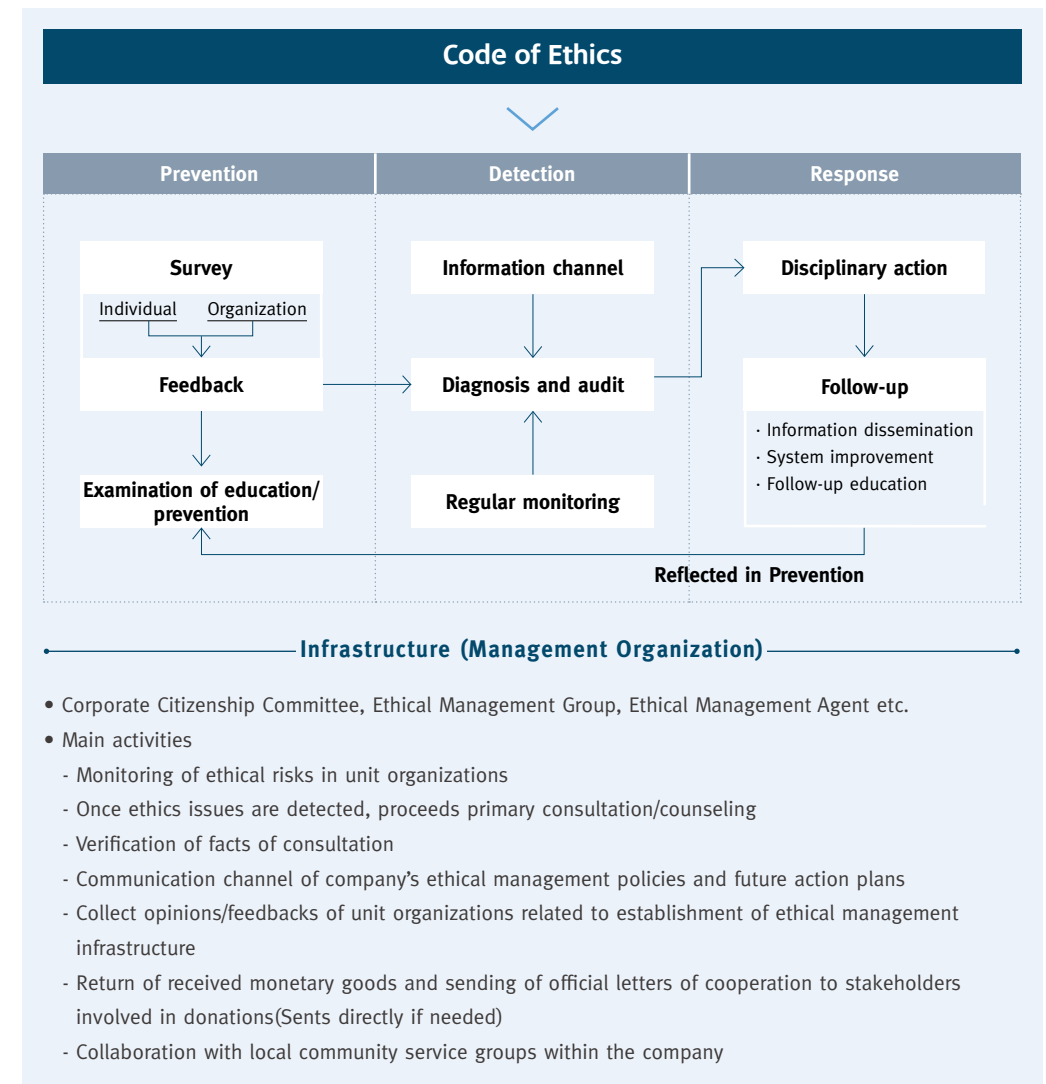
### COMMITMENT

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

## ETHICAL MANAGEMENT FRAMEWORK

In regard to management activities, securing legitimacy, ethics, transparency, and fairness among shareholders, customers, business partners, and employees, is becoming one of the most significant competitive factors. 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, by establishing an ethical counseling and reporting center as well as systemizing follow-up measures in order to respond preemptively to complementary factors by stages and the external environment.

### SK TELECOM ETHICAL MANAGEMENT FRAMEWORK

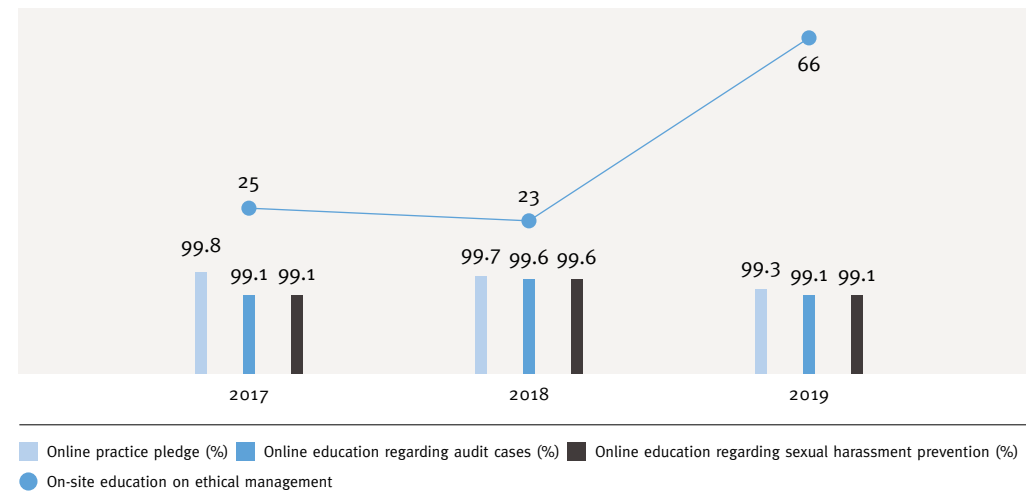




**Prevention**

SK Telecom conducts an ethical management practice surveys in order to identify preemptively potential risk in ethical management and improve vulnerable areas. An annual diagnosis of ethical management practice precludes all employees of SK Telecom and subsidiaries. In 2019, SK Telecom improved its practice of corporate ethics management by deriving improvement tasks based on the results and feedback derived from the 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 to internalize ethical management practices. We regularly implement ethical practice pledges and ethics education for all employees, and have 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 invested companies to spread our ethical management culture throughout all of our business activities. We issue an ethical practice letter every other month to provide specific guidelines on ethical practice. In 2019, we held a total of 66 ethical management training sessions. We are achieving nearly 100% participation rate and ethical management internalization.

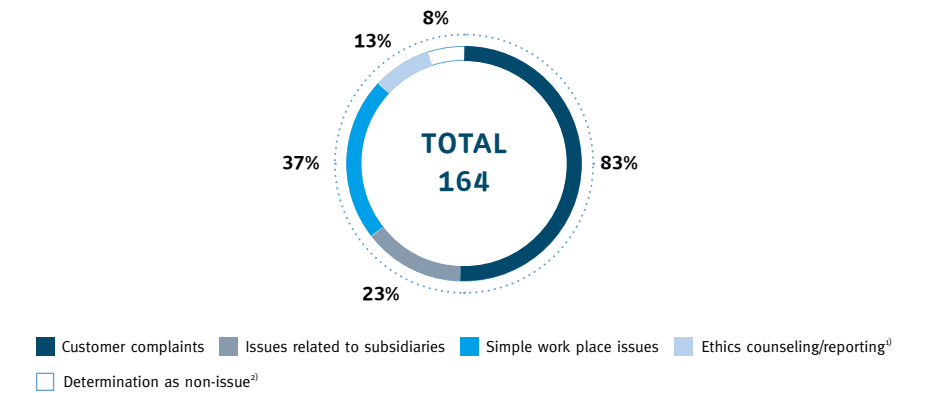
**STATUS OF EMPLOYEE ETHICAL MANAGEMENT EDUCATION**



**Detection**

SK Telecom operates the Ethics Counseling Center to all of SK Telecom's stakeholders for free and easy access. It is operated through online and offline channels such as a corporate website, face-to-face counseling and mail correspondence. This center includes My Counselor, Letter to HR, female counselors for sexual harassment cases, intranet channels and anonymous message boards, all of which 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. Moreover, we protect the identity of not only the counseled individual, but also the counsel/investigation collaborator as well as the details of the counseling report to prevent any disadvantages caused by counseling or reporting.

**ETHICS COUNSELING CENTER OPERATION (2019)**



1) Center investigations are implemented for ethics counseling/reporting cases and cases that are handled by the relevant department.  
 2) Investigations not implemented due to incomplete reported information/withdrawal of the report

SK Telecom is carrying out inspections to prevent operation units' business, management, and ethic risks in serial order through twenty-seven internal control audit support scenarios based on the SK Group Ethical Management Policy (2015). In addition, we conduct regular diagnosis and undertake audits to determine whether or not leaders take the initiative in putting ethical management into practice. In 2019 in particular, diagnoses and audits were conducted on family plan discounts, regulations on policies supporting distributions, and prevention of large-scale failures among others, and improvement measures were taken by relevant business departments according to the results of the diagnosis.

**Response**

We classified cases of a violation of ethics regulations as categories and when they happen takes actions accordingly. SK Telecom determines their factuality through further investigations when necessary and takes strict measures based on general company rules. If an employee of a partner company violates our ethics regulations, SK Telecom imposes restrictions on the amount of transactions with the partner company, in some cases terminates the contract, and keeps records for the sake of further inspections and improvements.

**ACTIONS TAKEN AGAINST CODE OF ETHICS VIOLATIONS (2019)**

Type	No. of Cases	Actions
Negligence of duties	4	Reprimands 4
Violations of regulations	2	Dismissal 1, Reprimands 1
Sexual harassment and workplace conduct	6	Suspension 1, Salary reduction 1, Reprimands 4
<b>Total</b>	<b>12</b>	

## COMPLIANCE

SK Telecom recognized that for a sustainable growth, it is a prerequisite to actively create a fair competition environment rather than complying passively with related laws and regulations by regulating organizations. Accordingly, to establish SKT group - wide fair trade culture, 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 with all business partner companies in order to encourage their practices of fair and transparent trade. 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. 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 cancelling 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 2019. 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 law. We do not provide any political funding, including political funds, election funds for specific political groups, or 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, and the protection of socially vulnerable groups, while we comply with anti-corruption and fair trade as a sound corporate citizen. 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 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

	2017	2018	2019
Political Donations	0	0	0
Total Contributions to Associations	3,274	575	573

### LARGEST DONATIONS TO ASSOCIATIONS (2019)

KRW million

Name of Association	Position	Donation
Korea Telecommunications Operators Association (KTOA)	Vice-Representative	207
Korea Association for ICT Promotion (KAIT)	Representative	200
Korea Chamber of Commerce and Industry, Seoul	Member	102
ITU Radiocommunication Sector (ITU-R)	Member	36
Korea Radio Promotion Association (RAPA)	Vice-Representative	28



# HUMAN RIGHTS REPORT

SK Telecom is doing its best to respect dignity and guarantee the rights of human beings. The company is committed to respecting human rights as accorded in the Universal Declaration on Human Rights and by integrating the UN Guiding Principles on Business and Human Rights into our overall business process. In order to prevent human rights violations in business management processes, the company established a human rights policy which includes migrant worker and the local community, and does its best to adhere to its social responsibilities and regulations.

## HUMAN RIGHTS RISK

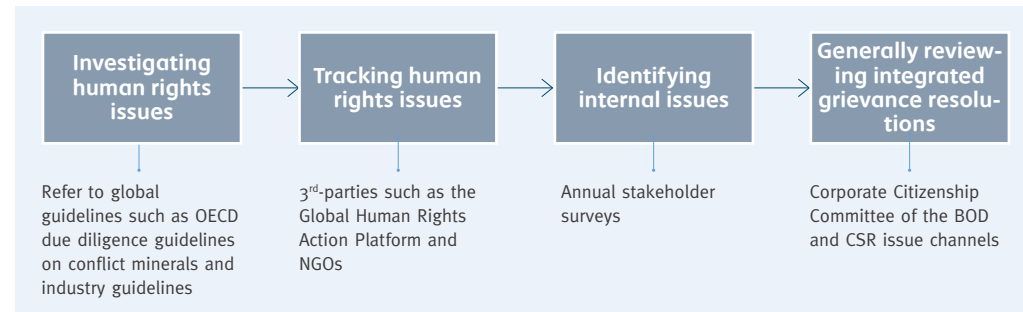
### Scope of Survey

SK Telecom introduced human rights policies on a corporate level in 2012 and since then, has continuously strengthened its management practices in regard to human rights. In particular, the company adheres to a policy of “Protect, Respect, Remedy” in all of its business procedures with utmost significance by complying with the United Nations’ Guiding Principles on Business and Human Rights. By doing so, the company respects human rights, prevents violations, and proactively manages negative issues. The company recognizes the following as key human rights risk 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, and evaluates and manages in this regards. In addition, 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 increased the efficiency of the human rights managements by prioritizing issue among them. 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.

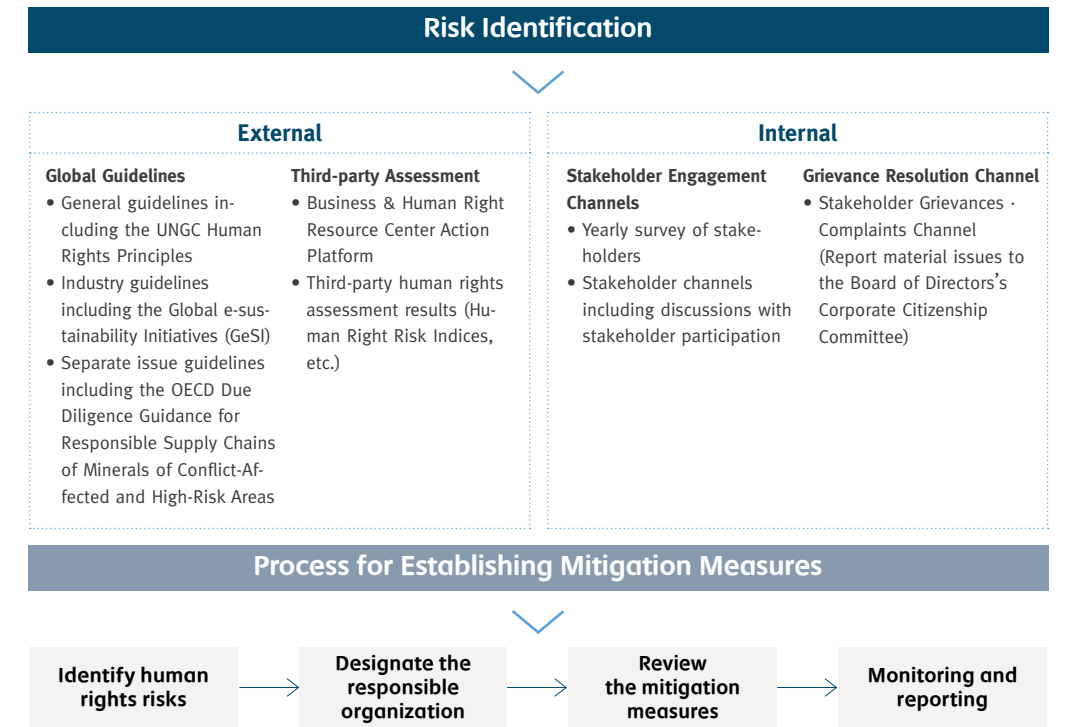
### HUMAN RIGHTS RISK IDENTIFICATION PROCEDURE



### Risk Mitigation Process

In 2019, 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. We are conducting due diligence and finding facts for the identified major issues, and allocating those issues to the designated units to take relief and mitigation measures. We enhanced the efficiency and continuity of the issue management by having the SCM Office deal with issues regarding conflict minerals which are among the main risks, while the Customer Value Innovation Office’s Customer Care Team is responsible for call center work environment issues.

## HUMAN RIGHTS RISK IDENTIFICATION AND MITIGATION MEASURES ESTABLISHMENT PROCESS



## 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 10 African nations in conflicts. With the human right issues related spreading of conflicts and labor exploitation, it became a major human rights issue in the telecommunications and electronics industries. SK Telecom is identifying products’ countries of origin and conducting due diligence, utilizing the Conflict Minerals Reporting Template(CRMT) provided by the Responsible Business Alliance(RBA, 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 2019 did not show any direct purchase of conflict minerals or 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.

### Network Operators’ Safety and Working Hours

We recognize and manage potential human rights risk in the network development and maintenance. 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 including by checking the status of safety equipment (helmets, etc.) use and carrying out a campaign for vehicle safety. We are also preventing human rights violations due to excessive labor by complying with the working hour reduction regulations which reduces the legal maximum working hours (including overtime work.) In particular, we focused on ensuring the prevention of risks related to working hours in a circumstance of having to install additional base stations and devices for stable quality of 5G services. SKons is regulating policies for the management of the employees’ working hours and prevention of overtime labor including getting pre-approval for holiday/night shift work from the associated teams and registering working hours on the work management system.

USE OF CONFLICT MINERALS			
	2017	2018	2019
SK Telecom's Use of Conflict Minerals	0	0	0
Measures for Resolution	Continuous monitoring of whether conflict minerals are used in domestic business sites		

NETWORK OPERATORS’ SAFETY AND WORKING HOURS			
	2017	2018	2019
Work hours per person (Hours / Week)	52.6	50.8	46.6
Measures for resolution	Required mandatory registration of work hour status through system and management/exercise of work hours following approval from team leader in advance, in case of work during off-duty or night shifts		

### Service Consultant Safety

Service consultants taking various calls from customers are vulnerable to emotional labor risk at all times and go through verbal abuse and profanity. SK Telecom has taken protective measures such as improving the treatment of service consultants and enhancing their work environment by regularly cooperating with its call center subsidiaries. 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 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 the case of Service ACE in 2019, the diagnosis period and the reorganization period overlapped, creating lower participation in the diagnosis due to employees adapting to new organizations and working environments. 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. In addition, in April 2018, the company started to guarantee service consultant's 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.

#### EMOTIONAL HEALTH DIAGNOSES AND CONSULTATION

		2017	2018	2019
<b>Service Top</b>				
Number of Participants in Diagnoses	persons	3,214 (100%)	3,839 (100%)	3,638 (100%)
Measures for resolution - Personal consultation	persons	721	677	724
Measures for resolution - Group consultation	persons	679	792	1,450
<b>Service Ace</b>				
Number of Participants in Diagnoses	persons	3,204 (96.3%)	3,159 (94.7%)	2,708 (61.6%)
Measures for resolution - Personal consultation	persons	127	123	129
Measures for resolution - Group consultation	persons	218	423	571

### Protection of Personal Information

SK telecom prevents information leaks and protect personal information and privacy through deliberate diagnosis and investigation. We 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. The company conducts regular evaluations for all its business partners including distribution branches to assess distribution sampling and stricter customer information protection. Through such thorough assessments, we discover risks in blind spots and analyze the level of risk exposure to implement corrective actions. Since 2015, SK Telecom has conducted a survey on the personal information protection audit of over 3,800 stores of sales agencies in its marketing and solution distribution networks. The company conducts remote diagnosis of about 20,000 PCs regarding information leaks annually. In 2019, we also implemented diagnoses and inspection of customer information throughout our distribution network and take improvement measures against 234 risks found in sampling diagnosis. The company discovered 196 matters which need improving in detailed diagnosis of customer information in the distribution channel and fully implemented improvements to all issues.

#### SAMPLING DIAGNOSIS OF CUSTOMER INFORMATION PROTECTION LEVEL IN THE DISTRIBUTION CHANNEL (2019)

Type	Number of diagnosis (cases)	Improvement and mitigation cases	Notes
Diagnosis of the customer information management status in the distribution channel <sup>1)</sup>	2,520	234	Identify risks in distribution channel blind spots and implement improvement measures

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

- 1) 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.
- 2) Introduced the Customer Privacy Scoring System (CPSS) 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
- 3) Assessed all distribution channels using the CPSS, and conducted diagnosis on customers' information management to support self-improvement activities.
- 4) Conducted improvement measures for 9.5% of 2,064 stores that were diagnosed by CPSS

#### DETAILED DIAGNOSIS OF CUSTOMER INFORMATION PROTECTION LEVEL IN THE DISTRIBUTION CHANNEL

		2017	2018	2019
Rate of inspection among all stores within distribution network	%	100 <sup>1)</sup>	100 <sup>2)</sup>	100 <sup>3)</sup>
Discovered cases requiring improved security	Cases	153	137	196
Corrective measures- Rate of completed measures	%	100	100	100
Short-term measures taken	Cases	90	137 <sup>3)</sup>	196 <sup>4)</sup>
Long-term measures taken	Cases	63	0	0

### POTENTIAL HUMAN RIGHTS ISSUES REQUIRING ADDITIONAL ATTENTION

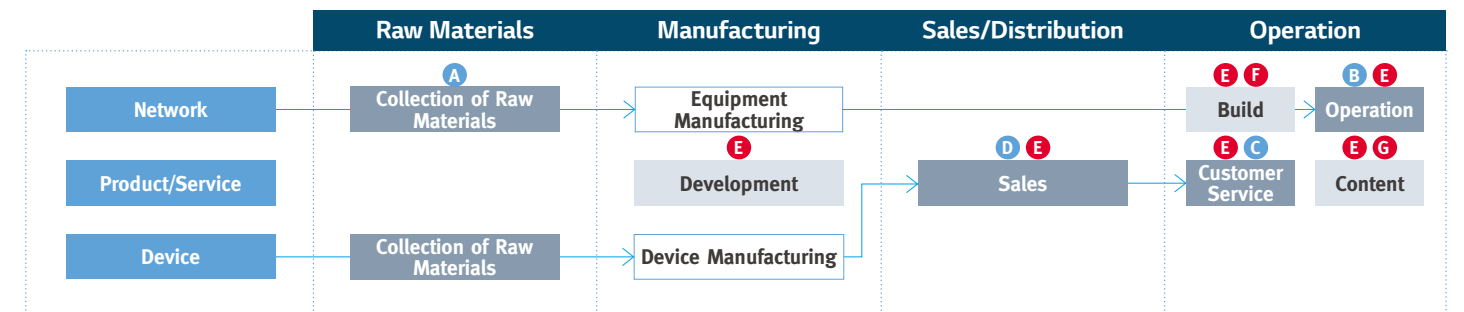
#### Residents' Property Rights

SK Telecom has low risk in violating such property rights, as more than 99% of the company's revenue is generated in Korea. Currently there are no plans to advance overseas in the MNO sector. When constructing domestic business sites, base stations, and network infrastructures, SK Telecom conducts 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

SK Telecom is implementing digital inclusion through various approaches. As the information is getting more important, digital divide can lead to restrictions on civil rights and political participation. We recognize potential risk regarding this issue. So, we take measures such as 1)the reduction of fees for disadvantaged groups, 2)the improvement of accessibility through education and 3)network expansion for universal information access. In addition, SK Telecom supports universal measures (restriction on adult content, blocking illegal content, etc.) to ensure that children have safe access to online information and responsible content as an important rights.

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



Key Human Rights Issues	Vulnerable Groups	Subjects of Review	Nature of Issues	Risk Level	2019 Due Diligence Results		
					Survey Scope	Issues Discovered <sup>d)</sup>	Measures Taken
<b>A</b> 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>B</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%	0%	100%
<b>C</b> 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	79%	35.7%	100%
<b>D</b> Privacy Protection	General	Subsidiaries, Partners	Protection of personal information and privacy, an important rights of the information age	Subject to Due Diligence	100% <sup>1)</sup>	9.5%	100%
<b>E</b> Work Hours	Internal Employees	SK Telecom	Issues regarding forced labor in employees' work environment, child labor and rights violations	Precautionary Attention	100%	0%	100%
<b>F</b> Indigenous Rights	Indigenous people	Local communities	Direct violations of indigenous rights such as the use of land and property during business expansion	Precautionary Attention	-	-	-
<b>G</b> Access to Information	Children, General	SK Telecom	Protection of the universal right to access information and content responsibility toward children	Precautionary Attention	-	-	-

1) On average of 11.9% of issues were found to be in A) Conflict minerals, B) Work hours/Safety, and C) Humane treatment, while 100% of them have been handled  
 2) 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 SNS



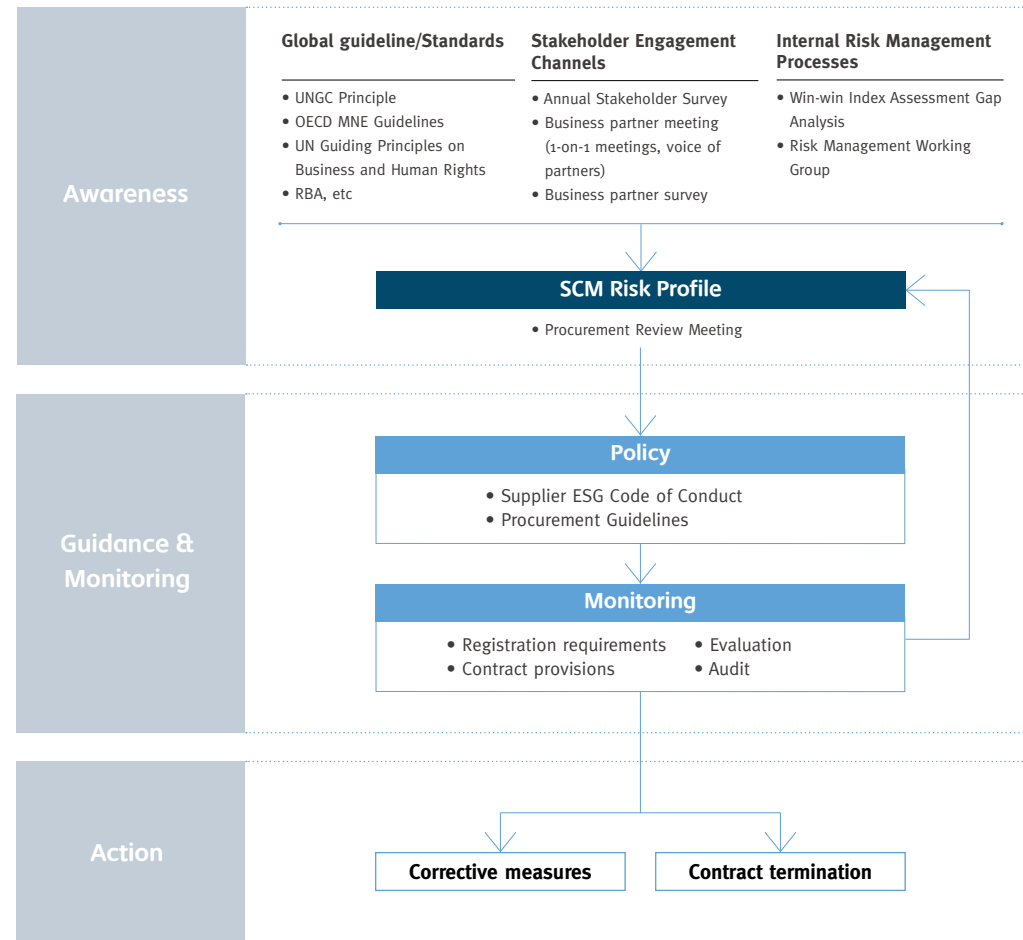
# SUPPLIER RESPONSIBILITY REPORT

SK Telecom has supply chain sustainability management policies and procedures in place. As SK Telecom collaborates with various partners to develop and distribute network devices, build and operate network infrastructure, and develop and provide platform contents, we strive to build effective and systematic communication channels with them. We provide stakeholders with information about the responsibilities and guarantee for products and services and closely monitor risks in terms of value chains. We are strengthening our competitiveness by managing entire value chains in a responsible manner with the ability to mitigate risk factors of operation process and flexible mind.

## SK TELECOM'S SUPPLY CHAIN STATUS

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 192 out of a total of 1,074 registered partner companies were classified into the Tier 1 critical supplier group in 2019, and 36 companies were categorized into Non-Tier 1 critical supplier group.

### SK TELECOM'S PROCESS FOR A RESPONSIBLE SUPPLY CHAIN



### SUPPLY CHAIN SPEND ANALYSIS IN 2019

Partner Category	Number of Partners	Proportion of Procurement (%)
Tier 1	Total number of registered suppliers	1,074
	Equipment (Network and infrastructure)	131
	Services (Software and solution development)	688
	Goods	96
	Construction	159
	Critical suppliers	192
Non-Tier 1	Critical suppliers	36

## SELECTION AND EVALUATION OF SUSTAINABLE SUPPLY CHAIN

### Supplier ESG Code of Conduct

SK Telecom defines CSR compliance requirements for our partner companies through the Supplier ESG Code of Conduct. To all of our direct business partners and subcontractor, we recommend to comply with them. SK Telecom is carrying out management of sustainable supply chains based on a total of 10 categories within the supply chain policy.<sup>1)</sup> In addition, as a representative UNGC LEAD company, SK Telecom factors 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 according to compliance monitoring activities.

<sup>1)</sup> Please refer to the corporate website ([www.sktelecom.com/supplychain](http://www.sktelecom.com/supplychain)) for details of SK Telecom's supply chain policy.

### Advance Screening of Supply Chain

To select sustainable supplier companies, we are operating a 3-step process. At first, through the electronic contract system (OPEN2U), SK Telecom screens newly registered partner companies. In this step, we request them to comply with the 'Fair Trade/Transparent Transactions and CSR Practice Agreement,' and the supply chain policy in the contract. The company also requests partner companies to sign a compliance of ethical practices pledge that corresponds to SK Telecom's Code of Conduct throughout the company's business practices and contracts with all second tier suppliers. According to the screening results, no partner company that fails to meet the predetermined criteria can be a supplier of SK Telecom. SK Telecom is preemptively screening for supply chain ESG elements such as human rights, the environment, ethics and society before the registration of new suppliers. All new business partners registered in 2019 underwent preliminary screenings, while we plan to consistently manage preliminary screenings to maintain 100% by 2022.

### SUPPLY CHAIN ESG ASSESSMENT (PRELIMINARY SCREENING)

Partner Category	2017	2018	2019	Notes
Total Number of Newly Registered Partner Companies	615	505	568	
Screening on Human Rights-Environment-Ethics-Social issues	615	505	568	Service/ Construction/ Equipment/ Goods Suppliers
Rate of Advanced Assessments	100	100	100	

### Identification and Analysis of Key Supply Chain Risks

To identify major risk in supply chain and mitigate them, SK Telecom conduct win-win growth satisfaction surveys twice or more times a year. The research methods include surveys of business partners, meeting with partners, voice of partners(communication channels), and risk management working group. The risk gap analyses and risk mapping prepared by research is reviewed in purchasing performance improvement meetings every month. SK Telecom defines major risks from a supply chain perspective as follows and factors them in managing the supply chain sustainability process. The identified risk factors are reflected into the “Code of Conducts for Business Partners’ in ESG” and “Consent to Fair and Transparent Trades and CSR Execution” and are applied 100% to business partner evaluations thereafter. In 2019, the company conducted risk identifications and analyses for 1,074 first tier partners and 36 partners in second-tier or higher. For risks judged to be at “High Risk” to exposure, we preemptively prevented their potential to occur through supply chain network audits, such as on-site and third-party assessments.

#### SUPPLY CHAIN RISK IDENTIFICATION & ANALYSIS RESULTS IN 2019

Main Risk Factors	Risk Level	Assessed Sourcing Group		High Risk Rate <sup>1)</sup>		
		Assessed Group	Rate (No. of companies)	Rate (No. of companies)		
Overall	Overall Risks	-	-	100% (1,074)	1.8% (19)	
Economic Risks	Ethical and Anti-corruption Principle Violation in the Contract Process	High	All suppliers	100% (1,074)	0% (0)	
	Collusion and Other Unfair Trade Practices	High	All suppliers	100% (1,074)	0% (0)	
	Delayed Payment to Subcontractors	High	All suppliers	100% (1,074)	0% (0)	
	Unsound Financial Structure (low credit rating)	High	All suppliers	100% (1,074)	1.8% (19)	
Tier 1	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	79% (847)	0% (0)
		Conflict Minerals	Low	Equipment suppliers	12% (131)	0% (0)
	Environmental Risks	Violations of Environmental Regulations	Moderate	Equipment suppliers	12% (131)	0% (0)
High GHG Emissions		Moderate	Equipment suppliers	12% (131)	0% (0)	
Non-Tier 1	Overall Risks	Failure to Adopt an Environmental Management System	Low	Construction suppliers/ Equipment suppliers	27% (290)	0% (0)
		Overall Risks	-	Subcontract suppliers <sup>2)</sup>	100% (36)	0% (0)

1) Rate of suppliers determined to have a high risk level according to the risk analysis results.

2) Calculation limited to cases when an interim contract instead of a direct contract is made with the small and medium-sized suppliers for construction on N/W facilities or the supply of general goods (SK TNS, 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 2019, SK Telecom investigated 1,072 of 1,074 first-tier suppliers on paper, equal to 99.8% of all registered suppliers. In addition, 189 companies participating in the company’s mutual growth agreements were assessed by third-party external auditors and evaluators in 2019, 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 9.8 billion (0.2%) of total purchases (about KRW 4.7

trillion), while regional performance indicators are managed mainly in Korea. These are managed with a goal of over 95% for Tier 1 and over 80% for Non-Tier 1 by 2022.

#### SUPPLY CHAIN ESG RISK ASSESSMENT (BY TIER)

	2017	2018	2019	
Tier 1	Total number of registered suppliers <sup>1)</sup>	1,444	1,357	1,074
	Number of suppliers evaluated	1,340	1,342	1,072
	Number of suppliers surveyed in writing (audit)	1,056	1,085	1,072
	Assessment rate of suppliers	93	98	99
Non-Tier 1	Total number of core suppliers <sup>2)</sup>	47	49	36
	Number of core suppliers evaluated <sup>3)</sup>	35	40	31
	Ratio of core suppliers evaluated	74	82	86

1) This number includes all suppliers including those which did not have transactions with SK Telecom in the past 3 years

2) 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 TNS, HappyNarae)

3) SK TNS’s N/W facilities construction began in 2015 and an interim contract with HappyNarae was implemented starting in 2016

#### RISK MONITORING AND ASSESSMENT IN 2019 (BY TYPE)<sup>1)</sup>

Category	No. of Companies	No. of Companies Assessed	Rate	Notes
Core suppliers	228	223	98	
Suppliers at a high risk level	19	19	100	

1) 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 and Incentives

Using diagnosis and assessment results, SK Telecom mapped out a corrective measure plan for partner companies that need improvements and requested them to enhance their ESG performances accordingly. No company received corrective measures according to the diagnosis and assessment results of partner companies in 2019.

Meanwhile, based on the results of diagnosis and evaluation of the suppliers, SK Telecom provides a capability improvement program and incentives to high performing suppliers to motivate effort to the sustainable supply chain. Through incentive program, we provide capability improvement program and training for risk management. The capability improvement program that SK Telecom provides includes technical support and protection activities such as technology transfers and open collaboration, as well as access to the SK Win-win Growth Academy, CEO seminars and MBA programs for suppliers and training for risk management. Training for risk management includes education 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.



**RISK-RELATED CORRECTIVE MEASURES FOR PARTNER COMPANIES**

Partner Companies	2017	2018	2019	2022 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	2	2	0		Reviewed by the Procurement Review Committee
Banned Temporarily	0	0	0		One year suspension
Banned Permanently	2	2	0		Permanent suspension

**Procurement Strategy and Supply Chain Sustainability**

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. The company is breaking away from unnecessary procedures, forms, practices, and so on, to optimize procurement strategy based on efficiency. 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.

**MUTUAL GROWTH WITH BUSINESS PARTNERS**

SK Telecom is seeking mutual growth with partner companies contribute to creating a healthy corporate ecosystem and value creation in the ICT industry. To this end, we build and implement a key growth plan for mutual growth, and 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, human resource, and welfare support for SMEs. We signed a shared growth agreement with 198 partner companies selected based on their business areas and objectives and the proportions of transactions. In addition, SK Telecom opened the ‘SK Telecom Win-Win Growth Center’ to share its infrastructure by allowing its partners to use the space as training, seminar, and meeting spaces. By hosting a Job Fair in July of 2019 for outstanding business partners, we not only offered job matching services but also conducted training sessions on building employee competency for our business partners. More specifically, by partnering with the National IT Industry Promotion Agency among others for building an ecosystem for 5G IoT, we are acting as role models for mutual growth in the era of hyper-connection. In 2019, our continuous effort of mutual growth with partners earned SK Telecom the highest rank for the seventh 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 lead the mutual collaboration in the ICT sectors.

**MAJOR ACCOMPLISHMENTS FOR MUTUAL GROWTH IN 2019**

Category	Contents	Progress
Support for partner companies to generate increased revenue	- Supported revenue increases of KRW 45.1 billion for 182 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 159.5 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%



**///..CASE OPEN COMMUNICATION FOR MUTUAL GROWTH**

In January of 2019, we conducted a New ICT Collabo Day event in order to provide a platform on which to share business and development plans with our business partners. Representative executives of our company’s business sectors, SK ICT Family companies and outstanding business partners participated to share their heartfelt opinions on the development and growth of the global ICT ecosystem. New opportunities in the ICT sector were also discussed in depth. These included innovation of customer value, direction of mobile telecom businesses through the discovery of 5G business models, 5G content-driven media innovation, and convergent security services that cover physical and information security. Every year since 2006, the company has been sharing its achievements for the year and plans for the following year through the New ICT Pride Awards.

# APPENDIX

146	FINANCIAL STATEMENT
166	NON-FINANCIAL STATEMENT
180	INDEX
	GRI STANDARDS/SASB/UNGC/TCFD/UN SDGS
202	FINANCIAL STATEMENT SUMMARY (NON-CONSOLIDATED)
208	ABOUT THIS REPORT



# FINANCIAL STATEMENT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KRW million

	2019	2018	2017
<b>Assets</b>			
Current Assets	8,102,294	7,958,839	6,201,799
Cash and cash equivalents	1,270,824	1,506,699	1,457,735
Short-term financial instruments	830,647	1,045,676	616,780
Short-term investment securities	166,666	195,080	144,386
Accounts receivable	2,230,979	2,008,640	2,126,007
Short-term loans, net	66,123	59,094	62,830
Account receivable	905,436	937,837	1,260,835
Contract assets	127,499	90,072	0
Accrued revenue	3,811	6,066	3,979
Advance payment	34,556	32,368	49,860
Prepaid expenses	2,030,550	1,768,343	197,046
Current tax assets	63,748	1,216	0
Derivative financial assets	26,253	13	0
Inventory, net	162,882	288,053	272,403
Other current assets	182,320	19,682	9,938
Non-current assets	36,509,326	34,410,272	27,226,870
Long-term financial instruments	990	1,221	1,222
Long-term investment securities	857,215	664,726	887,007
Investments in associates and joint ventures	13,385,264	12,811,771	9,538,438
Property and equipment, net	12,334,280	10,718,354	10,144,882
Goodwill	2,949,530	2,938,563	1,915,017
Intangible assets, net	4,866,092	5,513,510	3,586,965
Long-term contract assets	64,359	43,821	0
Long-term loans, net	33,760	29,034	50,874
Long-term accounts receivable	344,662	274,053	287,048
Long-term prepaid expenses	1,241,429	895,272	90,834
Long-term guarantee deposits	164,734	313,140	292,590
Long-term derivative financial assets	124,707	55,444	253,213
Deferred tax assets	109,057	92,465	88,132
Defined benefit assets	1,125	31,926	45,952
Other non-current assets	32,122	26,972	44,696
<b>Total Assets</b>	<b>44,611,620</b>	<b>42,369,111</b>	<b>3,428,669</b>

KRW million

	2019	2018	2017
<b>Liabilities and Equity</b>			
Current Liabilities	7,787,722	6,847,557	7,109,123
Account payables	438,297	381,302	351,711
Non-trade payables	2,521,474	1,913,813	1,867,074
Short-term Unearned revenue	0	0	161,266
Withholdings	1,350,244	1,353,663	961,501
Contract liabilities	191,225	140,711	0
Accrued expenses	1,425,251	1,299,217	1,327,906
current tax liabilities	5,450	182,343	219,791
Short-term unearned income	0	0	175,732
Derivative financial liabilities	0	0	28,406
Current liabilities	89,446	87,993	52,057
Short-term borrowings	20,603	80,000	130,000
Current bonds and long-term borrowings Lease liabilities	1,017,327	984,272	1,530,948
Current portion of long-term account payables	423,839	424,243	302,703
Current lease liabilities	304,247	0	0
Other current liabilities	319	0	28
Non-current liabilities	14,000,362	13,172,304	8,290,351
Debentures	7,253,894	6,572,211	5,596,570
Long-term borrowings	1,972,149	2,015,365	211,486
Long-term account payables	1,550,167	1,968,784	1,346,763
Long-term unearned revenue	0	0	7,052
Long-term accrued expense	7,981	0	0
Long-term lease liabilities	408,493	0	0
Long-term contract liabilities	32,231	43,102	0
Defined benefit liabilities	172,258	141,529	61,960
Derivative financial liabilities	1,043	4,184	11,064
Non-current liabilities	53,783	99,215	32,669
Deferred tax liabilities	2,466,295	2,269,792	978,693
Other non-current liabilities	82,068	58,122	44,094
<b>Total Liabilities</b>	<b>21,788,084</b>	<b>20,019,861</b>	<b>15,399,474</b>
<b>Equity</b>			
Equity attributable to owners of the Parent Company	22,956,829	22,470,822	17,842,139
Share capital	44,639	44,639	44,639
Capital surplus and others	1,006,481	655,084	196,281
Retained earnings	22,235,285	22,144,541	17,835,946
Reserves	(329,576)	(373,442)	(234,727)
Non-controlling interests	(133,293)	(121,572)	187,056
<b>Total Shareholders' Equity</b>	<b>22,823,536</b>	<b>22,349,250</b>	<b>18,029,195</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>44,611,620</b>	<b>42,369,111</b>	<b>33,428,669</b>

## CONSOLIDATED STATEMENT OF INCOME

KRW million

	2019	2018	2017
Operating revenue	17,743,702	16,873,960	17,520,013
Revenue	17,743,702	16,873,960	17,520,013
Operating expense	16,633,722	15,672,200	15,983,387
Labor cost	2,822,673	2,288,655	1,966,156
Commissions paid	5,002,174	5,002,598	5,486,263
Depreciation and amortization	3,771,486	3,126,118	3,097,466
Network interconnection	752,334	808,403	875,045
Leased line	272,616	309,773	342,240
Advertising	434,561	468,509	522,753
Rent	231,934	529,453	520,244
Cost of products that have been resold	1,833,362	1,796,146	1,886,524
Other operating expenses	1,512,582	1,342,545	1,286,696
Operating income (loss)	1,109,980	1,201,760	1,536,626
Finance income	141,977	256,435	366,561
Finance cost	429,758	385,232	433,616
Other non-operating income	103,140	71,253	31,818
Other non-operating expense	212,227	439,162	343,872
Profit(loss) related to investments in associates and joint ventures, net	449,543	3,270,912	2,245,732
Profit before income tax	1,162,655	3,975,966	3,403,249
Income tax expense	300,713	843,978	745,654
Income tax expense from continuing operations	300,713	843,978	745,654
Profit(loss) for the year Profit from continuing operations	861,942	3,131,988	2,657,595
Attributable to			
Controlling interest	889,907	3,127,887	2,599,829
Non-controlling interest	(27,965)	4,101	57,766
Earnings per share			
Basic earnings per share (in Korean won)	12,144	44,066	36,582
Diluted earnings per share (in Korean won)	12,144	44,066	36,582

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KRW million

	2019	2018	2017
Annual profit(loss)	861,942	3,131,988	2,657,595
Other comprehensive income (loss)	1,009	(141,584)	(1,013)
Items not reclassified as profit or loss during the follow-up periods	(109,817)	(187,855)	5,921
Remeasurement of defined benefit liabilities	(72,605)	(41,490)	5,921
Changes in other comprehensive profit and loss of associates	(19,269)	(16,330)	0
Valuation loss on financial assets at fair value through other comprehensive income	(17,943)	(130,035)	0
Items reclassified as profit or loss during the follow-up periods	110,826	46,271	(6,934)
Gain or loss from appreciation of tradable financial assets	0	0	158,440
Changes in other comprehensive profit and loss of associates	75,763	1,753	(141,008)
Net change in unrealized fair value or derivatives	40,681	32,227	22,586
Foreign currency translation differences for overseas operations	(5,618)	12,291	(46,952)
Total inclusive gains and losses for the term	862,951	2,990,404	2,656,582
Total comprehensive income attributable to			
owners of the parent company	892,260	3,000,503	2,597,160
Non-controlling interests	(29,309)	(10,099)	59,422



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KRW million

	Equity						Total Equity
	Controlling Interest of Parent Company					Non-controlling Interest	
	Share Capital	Other Paid up Capital	Retained Earning	Reserves	Total		
Increase (Decrease) due to changes in accounting policies	0	0	0	0	0	0	0
January 1, 2017 (Basic Capital)	44,639	199,779	15,953,164	(226,183)	15,971,399	145,031	16,116,430
Total income							
Annual Profit (loss)	0	0	2,599,829	0	2,599,829	57,766	2,657,595
Other comprehensive income	0	0	5,875	(8,544)	(2,669)	1,656	(1,013)
Dividends paid	0	0	(706,091)	0	(706,091)	(281)	(706,372)
Stock compensation expense	0	414	0	0	414	0	414
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
Disposal of treasury stocks	0	0	0	0	0	0	0
Comprehensive stock exchanges	0	0	0	0	0	0	0
Changes in equity of subsidiaries	0	(3,912)	9	0	(3,903)	(17,116)	(21,019)
December 31, 2017 (End of term 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
January 1, 2018 (Basic Capital)	44,639	196,281	19,796,021	(303,531)	19,733,410	187,056	19,920,466
Total income							
Annual Profit	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)
Stock compensation expense	0	593	0	0	593	196	789
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
Disposal of treasury stocks	0	0	0	0	0	0	0
Comprehensive stock exchanges	0	129,595	0	0	129,595	0	129,595
Changes in equity of subsidiaries	0	329,856	0	0	329,856	(298,725)	31,131
December 31, 2018 (End of term capital)	44,639	655,084	22,144,541	(373,442)	22,470,822	(121,572)	22,349,250
Increase (Decrease) due to changes in accounting policies	0	0	(24,186)	0	(24,186)	(503)	(24,689)
January 1, 2019 (Basic Capital)	44,639	655,084	22,120,355	(373,442)	22,446,636	(122,075)	22,324,561
Total income							
Annual Profit	0	0	889,907	0	889,907	(27,965)	861,942
Other comprehensive income	0	0	(41,513)	43,866	2,353	(1,344)	1,009
Dividends paid	0	0	(718,698)	0	(718,698)	(29,800)	(748,498)
Stock compensation expense	0	295	0	0	295	764	1,059
Interest on hybrid bond	0	0	(14,766)	0	(14,766)	0	(14,766)
Repayments of hybrid bonds	0	0	0	0	0	0	0
Issuance of hybrid bonds	0	0	0	0	0	0	0
Disposal of treasury stocks	0	300,000	0	0	300,000	0	300,000
Comprehensive stock exchanges	0	0	0	0	0	0	0
Changes in equity of subsidiaries	0	51,102	0	0	51,102	47,127	98,229
December 31, 2019 (End of term capital)	44,639	1,006,481	22,235,285	(329,576)	22,956,829	(133,293)	22,823,536

## CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2019	2018	2017
Cash flows from operating activities	3,986,082	4,332,580	3,855,820
Cash generated from operating activities	4,376,644	4,726,856	4,492,891
Net income of continued operation	861,942	3,131,988	2,657,595
Adjustment for income and expenses	4,351,037	1,568,919	2,096,764
Changes in assets and liabilities related to operating activities	(836,335)	25,949	(261,468)
Interest received	56,392	59,065	66,713
Dividends received	241,117	195,671	106,674
Interest paid	(346,343)	(255,189)	(234,127)
Income tax paid	(341,728)	(393,823)	(576,331)
Cash flows from investing activities	(3,582,523)	(4,047,725)	(3,070,607)
Cash inflows from investing activities	754,223	686,094	456,778
Decrease in short-term financial instruments, net	253,971	0	0
Decrease in short-term investment assets	29,503	0	0
Collection of short-term loans	113,345	117,610	216,700
Decrease in long-term financial instruments	231	5	27
Proceeds from disposal of long-term investment securities	234,683	371,816	129,726
Proceeds from disposal of investments in associates and joint ventures	220	74,880	5,925
Proceeds from disposal of property and equipment	18,478	58,256	29,368
Proceeds from disposal of intangible assets	7,327	5,851	8,848
Collection of long-term loans	4,435	10,075	6,205
Decrease in deposits	9,180	7,490	24,550
Collection of lease bonds	601	0	0
Proceeds from disposal of other non-current assets	26,773	0	1,185
Cash inflows from derivative transactions	0	1,186	0
Proceeds from disposals of subsidiaries	4,802	0	30,132
Cash inflow from business combinations	5,016	38,925	4,112
Cash inflows from transfer of businesses, net	45,658	0	0
Cash outflows for investing activities	(4,336,746)	(4,733,819)	(3,527,385)
Increase in short-term financial instruments, net	0	373,450	156,012
Increase in short-term investment securities, net	0	49,791	28,975
Increase in short-term loans	116,320	112,319	205,878
Increase in long-term loans	11,541	6,057	5,869
Increase in long-term financial instruments	0	2	2,034
Acquisition of long-term investment securities	383,976	19,114	19,328
Acquisition of investments in associates and joint ventures	264,015	206,340	193,100
Acquisition of property and equipment	3,375,883	2,792,390	2,715,859
Acquisition of intangible assets	141,010	503,229	145,740

## CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2019	2018	2017
Increase in deposits	6,164	8,591	26,377
Increase in other non-current assets	0	5,927	47
Cash outflow for business combinations	36,910	654,685	26,566
Cash outflow for disposal of subsidiaries	927	1,924	1,600
Cash flows from financing activities	(636,834)	(238,313)	(826,618)
Cash inflows from financing activities	2,047,268	4,651,687	1,261,803
Net increase in short-term borrowings	0	0	127,386
Issuance of debentures	1,633,444	1,809,641	973,291
Proceeds from long-term borrowings	0	1,920,114	120,000
Insurance of hybrid bonds	0	398,759	0
Cash inflows due to transaction of derivative products	12,426	23,247	188
Disposal of treasury stocks	300,000	0	0
Cash received from transfer of interests in subsidiaries to non-controlling interests	101,398	499,926	40,938
Cash outflows for financing activities	(2,684,102)	(4,890,000)	(2,088,421)
Net decrease in short-term borrowings	59,860	87,701	0
Repayment of long-term account payables	428,153	305,644	305,476
Repayment of debentures	940,000	1,487,970	842,733
Repayment of long-term borrowings	89,882	1,780,708	32,701
Cash outflow due to transaction of derivative products	0	29,278	105,269
Payment of dividends	718,698	706,091	706,091
Interest on hybrid bonds	14,766	15,803	16,840
Repayment of hybrid bonds	0	400,000	0
Repayment of lease liabilities	393,398	0	0
Transactions with non-controlling shareholders	39,345	76,805	79,311
Net increase (decrease) in cash and cash equivalents	(233,275)	46,542	(41,405)
Cash and cash equivalent at beginning of the year	1,506,699	1,457,735	1,505,242
Effects of exchange rate changes on cash and cash equivalents	(2,600)	2,422	(6,102)
Cash and cash equivalents at year-end	1,270,824	1,506,699	1,457,735

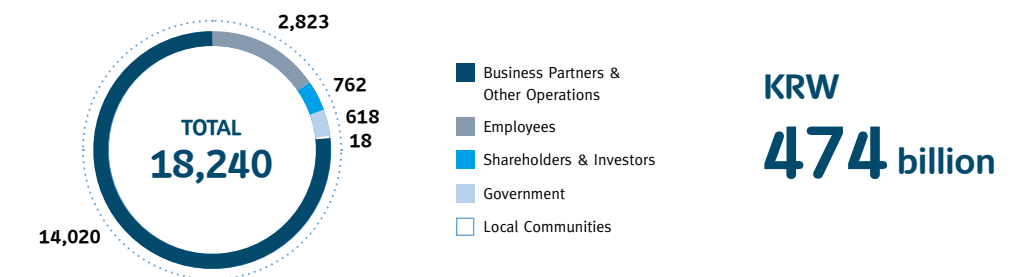
## CREATION AND DISTRIBUTION OF ECONOMIC VALUE

SK Telecom generated a total KRW 18.714 trillion in economic value including KRW 17.744 trillion of operating income, financial investment income, asset sales income and other profits in 2019 on a consolidated basis. Out of those values generated, the company distributed a total of KRW 18.240 trillion to the stakeholders considering the future value and investment efficiency of the company, and added the total economic value of KRW 4.740 trillion, which was reserved after all the distributions, to the total amount of capital.

## DISTRIBUTION OF ECONOMIC VALUE

KRW 100 million

## RETAINED ECONOMIC VALUE



**Distribution to Business Partners and Miscellaneous Operating Expenses:** Economic value distributions to business partners such as the cost of goods sold, commissions paid to suppliers, and R&D and network investment, and other operating expenses for service provision.

**Distribution to Employees:** Wages, benefits and welfare, the reserve for retirement allowances.

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

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

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

## 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 its liability to taxation. The company accurately reports and pays the tax amount required 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 an accounting firm. In 2019, SK Telecom's earnings before tax were KRW 1.163 trillion, while nominal taxes amounted to KRW 309 billion at a nominal tax rate of 26.6%. Meanwhile, the company's effective taxes amounted to KRW 300.7 billion at an effective tax rate of 25.9%. For the past two years, the company's average nominal tax rate stood at 26.9% and the effective tax rate was 23.5%. The effective tax rate in 2019 was 0.7%p lower than the nominal tax rate, the main reasons for which 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	2018	2019	Average of 2018 and 2019	Reason for the difference	Unit	2018	2019
Earnings before tax	KRW million	3,975,966	1,162,655		Tax exempt income	KRW million	(19,450)	(92,666)
Nominal taxes <sup>1)</sup>	KRW million	1,083,029	309,368		Non-deductible expenses	KRW million	26,724	14,630
Nominal tax rate	%	27.2%	26.6%	26.9%	Tax deductions and exemptions	KRW million	(17,580)	(32,877)
Effective taxes <sup>2)</sup>	KRW million	843,978	300,713		Changes in deferred corporate tax that cannot be made	KRW million	(177,902)	83,940
Effective tax rate	%	21.2%	25.9%	23.5%	Effects of changes in tax rates	KRW million	(3,983)	4,040
					Refund of corporate tax in past, etc	KRW million	(46,860)	14,278

1) Nominal taxes: Income tax expense calculated by applicable tax rate

2) Effective taxes paid: Income tax expense recognized in profit or loss



## FINANCIAL MANAGEMENT DISCUSSION & ANALYSIS

The Management's Discussion & Analysis ('MD&A') is provided to enable readers to assess the results of operations and financial condition for the fiscal year ending December 31, 2019, compared to the preceding year. The 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 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, it should not be concluded 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. 2019 OVERVIEW

In the wireless telecommunication business that has transitioned to the current 5G network, the company has launched innovative products and services that meet the changing preferences and needs of the customers, thus enabling it to emerge as a new leader in the new ICT era. While maintaining our leading position in the domestic wireless telecommunication services market, we will continue to develop our next-generation growth business through other innovative products offered through platform services including media, security, commerce, IoT and AI solutions. We plan to use our Big Data analytics technology to develop products and services that meet the changing needs of our customers and plan to provide a large number of products and services integrated with AI technology. In addition, we will continue to develop state-of-the-art 5G tech-

nology and utilize 5G infrastructure and capabilities in the major sectors of media, security, commerce, and others to explore unique product and service creation measures tailored to evolving customer needs. Our operations are reported in five segments: (1) cellular services, (2) fixed-line telecommunication services, (3) security services, (4) commerce services and (5) 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 sector in 2019 with 31.5 million subscribers (including subscribers of mobile virtual network operators ('MVNOs') that lease our networks) as of December 31, 2019, of which approximately 2.1 million subscribed to our 5G service, 25.0 million subscribed to our LTE service and 23.6 million used smartphones. Our share of the Korean wireless market based on the number of subscribers (including subscribers of MVNOs) was approximately 46.4% as of December 31, 2019 compared to 47.2% as of December 31, 2018. 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 increasing the 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.

Through innovative 5G services such as "5G clusters," which provide subscribers differentiated experiences, we will maintain our business leadership in the wireless service market. We also plan to speed up the expansion of 5G services by offering services and content specialized for the 5G environment such as Cloud gaming, practical experiencing services and e-Sports. Furthermore, we will utilize AI technology to continuously analyze the needs of our customers and provide products and services that fulfill these needs. In addition, with a variety of products that integrate wireless services to products and services in the media, security, and commerce sectors, we are continuously striving to reinforce bonds with our customers. In 2019, our cellular services segment revenue was KRW 12.17 trillion, representing 68.6% of our consolidated operating revenue.

#### Fixed-line Telecommunication Services

We offer fixed-line telephone, broadband Internet and advanced media platform services (including IPTV) and business communications

services through our fixed-line telecommunication services segment. Our fixed-line telecommunication services are provided by our subsidiaries, SK Broadband and SK Telink. As of December 31, 2019, we had approximately 3.9 million fixed-line telephone subscribers (including subscribers to VoIP services of SK Broadband and SK Telink), approximately 5.6 million broadband Internet access subscribers and approximately 5.2 million IPTV subscribers, with market shares of 15.9%, 25.6% and 14.9%, respectively, based on the number of subscribers. (On an overall paid TV market standard including IPTV, cable TV and satellite TV)

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 'Btv' with access to 260 live high definition channels depending on the subscription service as of December 31, 2019, 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,' an ultra-high definition IPTV service whose resolution is four times as high as the standard high definition broadcasting service in the IPTV industry. In September 2019, as part of our effort to strengthen the competitiveness of our media business and promote future growth, we acquired minority interests in Content wavve Co., Ltd. (Content wavve) (formerly known as Content Alliance Platform) We invested KRW 90.9 billion and relocated our existing mobile OTT service business, "oksusu" to Content wavve, where we operated over the top (OTT) service of POOQ. Content wavve combined oksusu with POOQ and launched a new integrated mobile OTT service called "wavve" in September 2019. As of December 31, 2019, Content wavve possesses 30.0% of total issued shares. In 2019, our fixed-line telecommunications services segment revenue was KRW 2.95 trillion, representing 16.6% of our consolidated operating revenue.

#### Security Business

Our security business sector comprises physical security services provided by the integrated subsidiary, Life & Security Holdings Co., Ltd., which owns ADT CAPS Co., Ltd. (together with Life & Security Holdings Co., Ltd. and its two other subsidiaries, "ADT Caps"). The company owns ADT Caps, acquired in October 2018 and SK infosec, acquired in December 2018. ADT Caps provides a variety of physical security services through its major unmanned surveillance and dispatching services called the Central Monitoring Services ("CMS"). CMS-based services is utilized in a customized way depending on residential or commercial demands and is operated through a central system that provides surveillance on marginalized areas through cameras, sensors and emergency alarms. Through this system, suspicious activities are

detected and security officers are dispatched to the location of the subscribers for additional on-the-scene security. SK infosec is an information security consulting service that provides managed services and cyber threat intelligence solutions. SK infosec's flagship product is Secudium IoT, an integrated security service that combines information and physical operational technology-based security services into one platform. Revenue for the security services division was KRW 1.11 trillion, which accounts for 6.3% of consolidated revenue.

#### Commerce Services

Our commerce services segment is mainly composed of 11st Street, and online market places operated by the subsidiary of Eleven Street Co., Ltd., and SK stoa, a two-directional television shopping service (T-commerce) that is operated by SK stoa Co., Ltd. 11st is an online marketplace that offers a wide range of products through an online and mobile interface. As of December 31, 2019, 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 Korean 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 68% in 2019 from 65% in 2018. Through pre-recorded television programs, SK stoa offers a variety of products and services. Products and services promoted through SK stoa's T-commerce programs can be purchased through phone orders, SK stoa's mobile applications, online markets, and virtual applications that appear on television screens using the viewer's remote controllers. In 2019, our commerce services segment revenue was KRW 0.71 trillion, representing 4.0% of our consolidated operating revenue.

#### Other Business Sectors

We continuously strive to 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 business areas, which we include in our others business segment. We offer a portal service under the '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 the brand for high-end audio devices "Astell & Kern," which is manufactured by our subsidiary, Dreamus Company. We also operate a music platform "FLO" that analyzes individual user preferences using AI technology to provide customized music recommendations and user interfaces. We also operate a mobile application marketplace, 'One store' in collaboration with KT, LG U+ and NAVER Corporation. In 2019, our others

business segment revenue was KRW 0.8 trillion, representing 4.5% 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 that 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) through monthly plan-based fees and usage charges as well as interconnection fees paid to us by other telecommunications operators for the use of our fixed-line network by their customers and subscribers. In the security services sector, we generate

revenue through each of the subsidiaries of ADT Caps and SK infosec in physical and information security services businesses. ADT Caps primarily generates revenue from physical security services through monthly payments and fees for value-added services paid by the subscribers. SK infosec generates revenue through information security platform contracts as well as consulting services and solutions contracts that are paid by customers.

Sales in the commerce business sector are derived from our consolidated subsidiaries, 11th Street and SK stoa, with 11th Street generating profit through fees (including commissions) from 3rd parties for transactions that serve as sales agents for the online open market platform "Minimall." SK stoa generates sales through third-party sales fees (including commissions) for transactions acting as a sales representative at SK stoa, a T-commerce network. Major sales in other business divisions come from the subsidiary, SK Planet's marketing platform businesses, Dreamus Company's music streaming services and audio equipment manufacturing business, and the subsidiary of SK Communications' portal service, "Nate."

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

	2019	2018	Change
<b>Statement of Income Data</b>			
Operating revenue	17,744	16,874	5.2%
EBITDA <sup>1)</sup>	5,045	4,486	8.8%
Operating expense	16,634	15,672	6.1%
Operating profit	1,110	1,202	-7.7%
Annual profit	862	3,132	-72.5%
<b>Statement of Financial Position Data</b>			
Total assets	44,612	42,369	5.3%
Cash & marketable securities <sup>2)</sup>	2,102	2,590	-18.8%
Total liabilities	21,788	20,020	8.8%
Interest-bearing financial debt <sup>3)</sup>	10,264	9,652	6.3%
Total equity	22,824	22,349	2.1%
<b>Financial Ratios(%)</b>			
EBITDA margin	28.4	26.6	1.8%p
Operating margin	6.3	7.1	-0.8%p
Net margin	4.9	18.6	-13.7%p
Debt-to-equity ratio <sup>4)</sup>	45.0	43.2	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

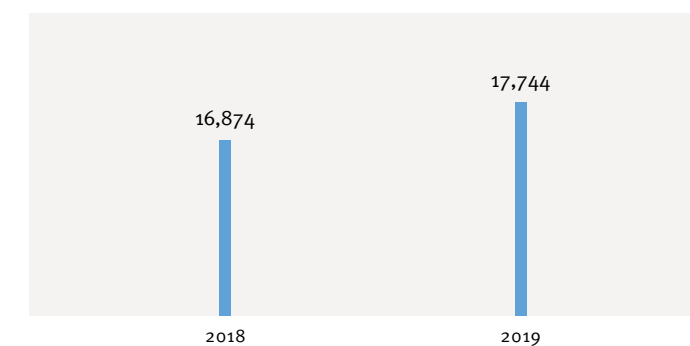
Our operating revenue increased by 5.2% from KRW 16.87 trillion in 2018 to KRW 17.744 trillion in 2019. This is due to the growth of new business sectors such as media and security. Our operating expenses increased by 6.1% from KRW 15.67 trillion in 2018 to 16.634 trillion KRW in 2019. This is due to the increase in depreciation and labor costs also a result of reduced rental costs. As the increase in operating expenses outpaced the increase in operating expenses, operating profit in 2019 amounted to KRW 111 billion, a decrease of 7.7%, while the EBITDA margin was 28.4%, an increase of 1.8%p and operating margin was 6.3%, a decrease of 0.8%p. Net profit for 2019 recorded at KRW 862 billion due to equity investments by SK Hynix and related profit reductions. This was a 72.5% decrease from KRW 3.13 trillion in 2018. Total assets increased by 5.3% to KRW 44.61 trillion as of December 31, 2019, up from KRW 42.37 trillion as of December 31, 2018. These results are due to the increase in tangible assets associated with the 5G network, and the merger with Incross. Total liabilities increased by 8.8% to KRW 21.79 trillion as of December 31, 2019, compared to KRW 20.02 trillion as of December 31, 2018, primarily due to the issuance of bonds by SK Telecom, the recognition of lease liabilities in accordance with K-IFRS 1116R and the adoption of leases. Total equity was KRW 22.82 trillion as of December 31, 2019, a 2.1% year-on-year increase. Our debt-to-equity ratio as of December 31, 2019 was 45.0%, compared to 43.2% at the end of 2018.

## 3. REVENUE

Our operating revenue increased by 5.2% from KRW 16.87 trillion in 2018 to KRW 17.744 trillion in 2019. This increase was primarily attributable to the inclusion of sales from ADT Caps and SK infosec through the acquisition of ADT Caps in 2018 as a subsidiary, and the acquisition of SK infosec the following December. An increase in sales of wired telecommunication services and other business sectors also played a role.

### OPERATING REVENUE

Consolidated, KRW billion

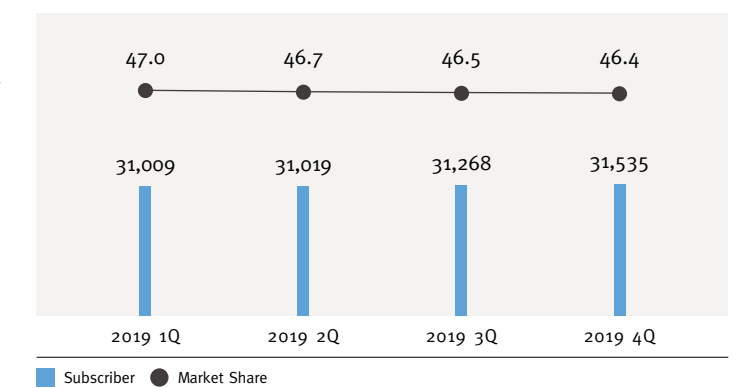


### Subscribers & Market Share

The total number of wireless subscribers in Korea was approximately 67.9 million as of December 31, 2019 with a wireless telecommunications service penetration rate of 131.0%. Despite the saturated wireless market in Korea, SK Telecom continued to add new subscribers throughout the year, and ended the year 2019 with approximately 31.5 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 0.8%p to 46.4% as of December 31, 2019 from 47.2% as of December 31, 2018. The number of 5G, which was launched in April, subscribers reached 2.1 million as of December 31. The number of SK Telecom's LTE subscribers increased to 25.0 million as of December 31, 2019, a slight increase from 24.8 million as of December 31, 2018.

### SUBSCRIBERS & MARKET SHARE

Subs: in thousands, Market share: %



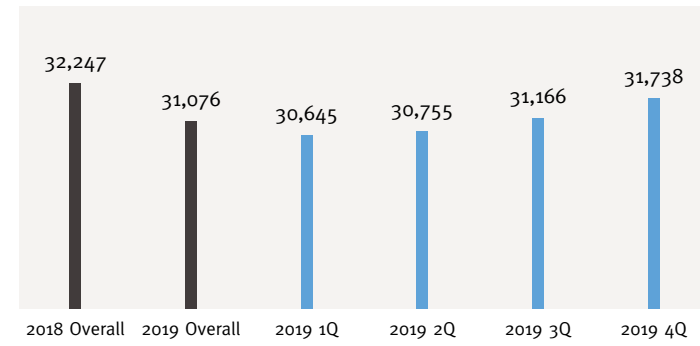
### ARPU

SK Telecom's average monthly revenue per subscriber excluding MVNO subscribers leasing SK Telecom's networks ('ARPU') decreased by 3.6% to KRW 31,076 in 2019 from KRW 32,247 in 2018. (Note: This figure is in the 20-F format, which may be different from the Korea Annual Report figures of KRW 32,246 in 2018 and KRW 31,080 in 2019.) SK Telecom's average monthly revenue per subscriber including such MVNO subscribers ('ARPU including MVNO') decreased by 4.2% to KRW 27,414 in 2019 from KRW 28,615 in 2018. This is mainly because of the reduction of sales due to an increase in subscribers that chose to receive discounts in fees instead of receiving handset subsidies.



## ARPU IN 2019

Non-consolidated, ARPU: in KRW



## Subsidiaries

The consolidated revenue of SK Broadband, which is mostly generated from its fixed-line telecommunication services, increased by 0.6% to KRW 3.18 trillion in 2019 up from KRW 3.16 trillion in 2018, primarily as a result of an increase in revenue from IPTV services attributable to growth in the number of IPTV subscribers as well as a rise 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, increased by 5.7% to KRW 1.68 trillion in 2019, up from KRW 1.59 trillion in 2018. A major factor behind this growth was the launching of 5G services in April of 2019 and the increase in sales of high-priced 5G smartphones.

ADT Caps's revenue increased by 355% to KRW 910 billion in 2019 from KRW 200 billion in 2018. Revenue for 2018 included only revenue generated since October 2018.

## 4. PROFITABILITY

## STATEMENT OF INCOME

Consolidated, KRW billion

	2019	% of Revenue	2018	% of Revenue
<b>Operating revenue</b>	17,744	100.0%	16,874	100.0%
<b>Operating expense</b>	16,634	93.7%	15,672	92.9%
Labor cost <sup>(1)</sup>	2,823	15.9%	2,289	13.6%
Commissions paid <sup>(2)</sup>	5,002	28.2%	5,003	29.6%
Depreciation and amortization <sup>(3)</sup>	3,771	21.3%	3,126	18.5%
Network interconnection	752	4.2%	808	4.8%
Leased line	273	1.5%	310	1.8%
Advertising	435	2.5%	469	2.8%
Rent	232	1.3%	529	3.1%
Cost of goods sold	1,833	10.3%	1,796	10.6%
Other operating expenses	1,513	8.5%	1,343	8.0%
<b>Operating profit</b>	1,110	6.3%	1,202	7.1%
Finance income	142	0.8%	256	1.5%
Finance costs	-430	-2.4%	-385	-2.3%
Gain(losses) related to investments in subsidiaries and associates, net	450	2.5%	3,271	19.4%
Other non-operating income	103	0.6%	71	0.4%
Other non-operating expenses	-212	-1.2%	-439	-2.6%
<b>Profit before income tax</b>	1,163	6.6%	3,976	23.6%
Income tax expense	301	1.7%	844	5.0%
<b>Profit for the year</b>	862	4.9%	3,132	18.6%
<b>EBITDA<sup>(4)</sup></b>	5,045	28.4%	4,486	26.6%

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

(2) Includes marketing commissions and other commissions

(3) Excludes R&amp;D-related depreciation

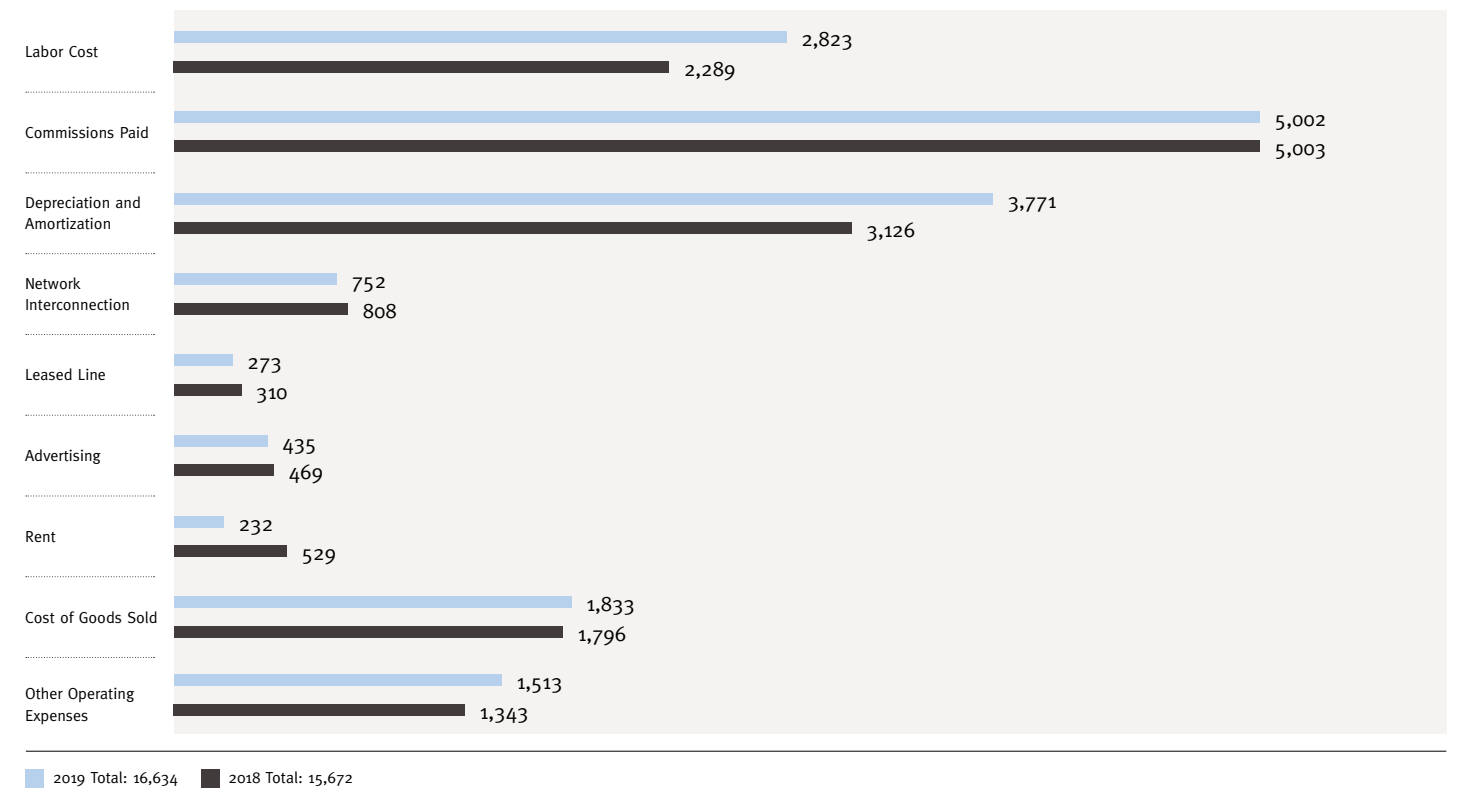
(4) EBITDA = Operating profit + Depreciation and amortization + R&amp;D-related depreciation within R&amp;D expense

## Operating Expense

Our operating expense for 2019 amounted to KRW 16.63 trillion, representing a 6.1 % decrease from KRW 15.67 trillion in 2018. The increase results from a 20.6% increase in depreciation, a 23.3% increase in labor costs, which was partially offset by a 56.1% decrease in rental costs.

## OPERATING EXPENSE

KRW billion



The increase in depreciation resulted from the recognition of depreciation related to license assets following the adoption of the K-IFRS 1116 and start of repayment of frequency usage rights for 5G services. Rise in employee salaries is due to the increase in the number of employees after new business expansions including ADT Caps in October 2018, acquisition of SK infosec in December 2018 and platform services such as AI solution. The main reason for the reduction in rental costs is that K-IFRS 1116 has been adopted, while the payment for a portion of the rented property in 2019 was counted as depreciation of licensed assets rather than rental costs.

## Operating Profit and EBITDA

Our operating profit decreased by 7.7% to KRW 1.11 trillion in 2019 as the increase in our operating expenses outpaced the increase in our operating revenue in 2019. Our EBITDA margin growth by 1.8%p to 28.4% in 2019, while operating margin decreased by 0.8%p to 6.3% in 2019.

### Non-Operating Income and Expenses

Our finance income decreased by 44.5% to KRW 142 billion in 2019 from KRW 256 billion in 2018, primarily as a result of a significant decrease of KRW 5 billion in financial assets at fair value through profit or loss from KRW 84 billion in 2018, primarily related to our disposal of 200,000 redeemable convertible preference shares of KRAFTON Co., Ltd. in 2018, and a decrease in dividends from KRW 35 billion in 2018 to KRW 10 billion in 2019. This decrease is due to SK Planet's disposition of specific real estate fund investments and the reduction of dividend payments associated with the full sale of KB Financial Holdings in 2018. Such a decline has been offset in part due to fluctuations in the exchange rate as derivatives payments increased from KRW 20 billion in 2018 to KRW 29 billion in 2019. Profit related to joint ventures with related companies decreased 86.2% from KRW 3,271 trillion in 2018 to KRW 450 billion in 2019, which can be attributed to the decrease in profit of SK Hynix, in which SK Telecom has 20.1% of interest share.

Other non-operating income increased by 45.1% from KRW 71 billion in 2018 to KRW 103 billion in 2019, on the back of an increase in income from the transition of our mobile OTT service "oksusu" to "wavve" in September 2019, and the growth in income through the transfer of our e-Sports business following the establishment of SK Telecom CS T1, which was established in February 2019 as a joint venture with Comcast Spectacor.

Our non-operating expenses decreased by 51.7% to KRW 212 billion in 2019 from KRW 439 billion in 2018, which mainly reflected impairment losses we recognized on the goodwill and intangible assets of Shopkick.

### Income Tax

Income tax expense decreased by 64.3% to KRW 301 billion in 2019 from KRW 844 billion in 2018 primarily due to a 70.7% decrease in profit before income tax. Our effective tax rate in 2019 increased by 4.7%p to 25.9% from 21.2% in 2018.

### Profit for the Year

Principally as a result of the factors discussed above, our profit for the year decreased by 72.5% to KRW 0.86 trillion from KRW 3.13 trillion in 2018. Net margin was 4.9% in 2019 compared to 18.6% in 2018.

## 5. FINANCIAL STRUCTURE

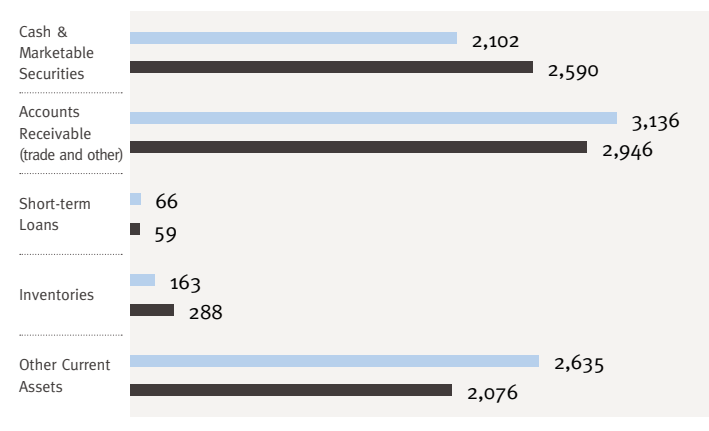
### Current Assets

We had current assets of KRW 8.10 trillion as of December 31, 2019, a 1.8% year-on-year increase from KRW 7.96 trillion as of December 31, 2018. Our cash and marketable securities (including short-term financial instruments) decreased by 18.8% to KRW 2.10 trillion as of December 31, 2019 from KRW 2.59 trillion as of December 31, 2018, primarily due to a decrease in cash and marketable securities. Our accounts receivable (trade and other) increased by 6.4% to KRW 3.14 trillion as of December 31, 2019, up from KRW 2.95 trillion as of December 31, 2018.

### Non-current Assets

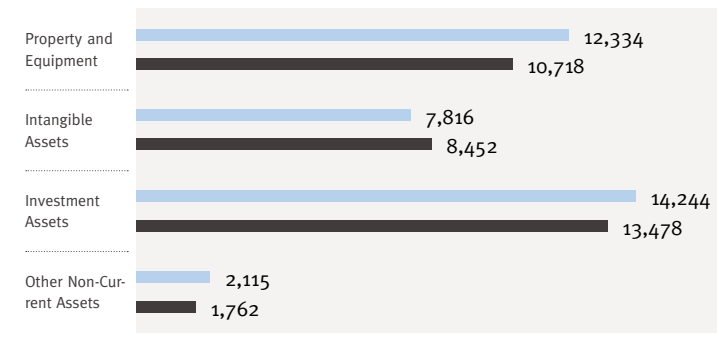
As of December 31, 2019, our non-current assets increased by 6.1% from KRW 34.41 trillion as of December 31, 2018, to KRW 36.509 trillion due to the increase in tangible assets. Our tangible assets increased by 15.1% to KRW 12.33 trillion as of December 31, 2019 from KRW 10.72 trillion as of December 31, 2018. This is attributable to the increase in tangible assets associated with 5G networks.

CURRENT ASSETS KRW billion



2019 Total: 8,102 2018 Total: 7,959

NON-CURRENT ASSETS KRW billion

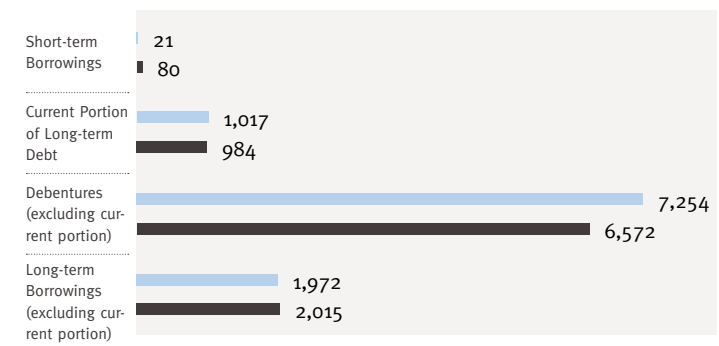


2019 Total: 36,509 2018 Total: 34,410

### Liabilities

We had KRW 21.79 trillion of total liabilities as of December 31, 2019, a 8.8% increase from KRW 20.02 trillion of total liabilities as of December 31, 2018. This increase is mainly due to the recognition of lease liabilities and increase in debentures and payables following the adoption of K-IFRS 1116. Our total interest-bearing financial debt increased by 10.7% to KRW 10.69 trillion as of December 31, 2019 from KRW 9.65 trillion as of December 31, 2018. Our debt-to-equity ratio as of December 31, 2019 was 45.0%, compared to 43.2% as of December 31, 2018.

INTEREST-BEARING FINANCIAL DEBT KRW billion

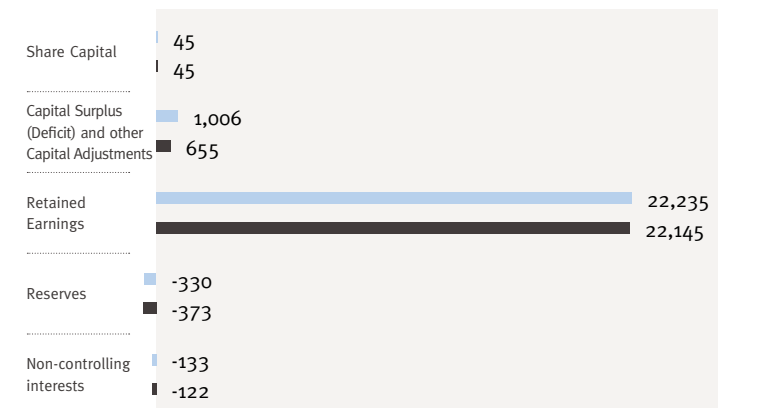


2019 Total: 10,264 2018 Total: 9,652

### Equity

Our total equity as of December 31, 2019 amounted to KRW 22.82 trillion, which increased by 2.1% from December 31, 2018, primarily due to an increase in capital surplus and other capital adjustments.

EQUITY KRW billion



2019 Total: 22,824 2018 Total: 22,349

## 6. CAPITAL EXPENDITURES (SEPARATE BASIS)

SK Telecom spent approximately KRW 2.91 trillion on capital expenditures in 2019 compared to KRW 2.13 trillion for capital expenditures in 2018, each on a separate basis. Of the total amount spent in 2019, we spent approximately KRW 2.51 trillion KRW, or 86.3% on establishing and enhancing wireless networks (including new 5G networks) while we invested KRW 401 billion on other networks including development of new products and information technology systems and equipment upgrades.



## 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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 4 of the consolidated financial statements, the Group has initially adopted K-IFRS No.1115, Revenue from Contracts with Customers ("K-IFRS No. 1115"). 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 involve high volume of transactions with subscribers. 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.

#### 2. Assessment of goodwill impairment for cash generating unites of security services

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 cash generating units for security services within the business sectors of consolidated companies is composed of Life & Security Holdings that offer physical security services and SK infosec that offers information security services. As of December 31st, 2019, goodwill allocated to physical security services recognized by the consolidated company amounts to 1,173,382 million KRW and there is no goodwill that is allocated to the information security services. 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 potential impact of changes in these major assumptions on the consolidated company's impairment assessment of goodwill, we identified Assessment of goodwill impairment for cash generating unites of security services 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 evaluating the key assumptions used to determine the VIU for each CGU which included sales growth rate, labor cost and perpetual growth rate by comparison with 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.
- Predicted cash flows were compared to the approved business plans by the management to assess its rationality and comparing the cash flow forecasts prepared in prior year with the actual results to assess the Group's ability to accurately forecast.

## 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, 2019 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 In Hye Kang

**KPMG Samjong Accounting Corp.**  
Seoul, Korea

March 10, 2020



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

## SOCIAL DATA

### TOTAL EMPLOYMENT

The total number of employees includes permanent and temporary (contract-based) employees who have a direct employment contract with SK Telecom, but exclude employees and executives of SK Telecom's affiliated companies and subsidiaries. Due to our efforts to secure professional talents to obtain new ICT's growth engines and reinforcing competencies, the total number of employees as of the end of 2019 was 5,336, a year-on-year increase of 6.57%. By age, the ratio of employees over 30 years and under 50 was the highest, while the ratio of permanent employees was 95.4%, a slight decrease compared to the previous year but was decreased. The total number of overseas personnel including expatriate employees and local employees stood at 56. Compared to the total number of employees, the percentage of those overseas was low.

#### TOTAL NUMBER OF PERSONS EMPLOYED

		2017	2018	2019
Total Number of Employees <sup>1)</sup>	persons	4,516	5,007	5,336
Employment Type	Permanent	4,403	4,841	5,090
	Temporary	113	166	246
Gender	Male	3,872	4,170	4,338
	Female	644	837	998
Age	Over 30	378	430	505
	Over 30 - Under 50	3,709	3,944	3,990
	Over 50	429	633	841
Overseas employment	Expatriate Employees	15	15	19
	Local Employees	34	29	37
	Total Number of Overseas Employees	49	44	56
	Total Number of Overseas Managers	11	19	22
	Total number of Local Managers	4	12	8
	Percentage of Local Managers	%	36.4	63

1) Criteria for exclusion of unregistered executives

### RECRUITMENT AND TURNOVER

We are continuing to hire new employees to strengthen ICT competencies and secure human resources. SK Telecom will continue to recruit new employees to secure human resources and internalize ICT capabilities. 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. The ratio of SK Telecom's recruitment of technology-related talents to total new recruitment rose more than 11% on a YoY basis. (54% in 2018, 63% in 2019) The increase was ascribed to expanded recruiting of technological human resources for the development of core infrastructure in the 5G era including artificial intelligence (AI), data and AR/VR. The total turnover rate stood at 2.8% in 2019, down 0.9%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 to subsidiaries/companies invested in by SK Telecom, decreased as business hit its stride. SK Telecom does not discriminate between executives and employees regarding recruitment, evaluation, compensation, and education and contributes to expanding and maintaining employment by implementing various welfare systems such as flexible working hours, support for childbirth and childcare, sabbatical leaves (Refresh) for long-service employees and as well as employee dormitories.

#### NEW EMPLOYEES AND TURNOVER

		2017	2018	2019		
New employees	Total Number of New Employees	persons	466	595	440	
	Gender	Male	persons	349	416	328
		Female	persons	117	179	112
	Age	Over 30	persons	181	124	106
		Over 30 - Under 50	persons	268	465	324
		Over 50	persons	17	6	10
Turnover	Total Number of Turnover Employees	persons	284	183	144	
	Gender	Male	persons	202	164	119
		Female	persons	82	19	25
	Age	Over 30	persons	120	16	7
		Over 30 - Under 50	persons	148	144	123
		Over 50	persons	16	23	14

## DIVERSITY

			2017	2018	2019
Female Talent	Female share of total workers	%	14.3	16.9	18.7
	Females in magement positions	%	11.1	6.9	7.4
Special Employment and Minorities	Employees with Disabilities	persons	58	59	64
	- Happy Hanool <sup>1)</sup>	persons	-	-	48
	Veterans	persons	124	134	161

1) Happy Hanool: service company that provides business support car wash, bath, massage, and physical care.

## MATERNITY/PATERNITY LEAVE AND PARENTAL LEAVE

			2017	2018	2019
Number of Employees on Maternity Leave	persons		142	177	156
Maternity Leave Users - Female	persons		22	27	31
Paternity Leave Users - Male	persons		120	150	125
Rate of Return after Childbirth	%		100	100	98.7
Number of Employees on Parental Leave	persons		35	39	88
Parental Leave Users - Female	persons		27	27	55
Parental Leave Users - Male	persons		8	12	33
Rate of Return after Taking Leave	%		97.6	97.4	98.9
Rate of Retirement within 12 months after Return	%		7.1	2.6	0.7

## 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 2019, the rate of participation in labor unions was 88.8%, maintaining high participation rate. SK Telecom is striving to establish set up a win-win labor-management culture and improve working conditions for employees under the framework of creating a healthy relationship between labor union and management. SK Telecom and the labor union agreed to raise wages 2% in 2019 based on the spirit of mutual respect and cooperation.

## LABOR UNION MEMBERSHIP

			2017	2018	2019 <sup>1)</sup>
Number of Employees Eligible for Labor Union Membership	persons		2,523	2,791	2,940
Labor Union Members	persons		2,238	2,513	2,612
Labor Union Membership Rate	%		88.7	90.0	88.8

1) The collective agreement covers 99.9%.

## EMPLOYEE HAPPINESS AND WELL-BEING PROGRAMS

Type	Key Program and Guidelines
Creating a Healthy Work Environment	<ul style="list-style-type: none"> <li>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 working hours. Management of light intensity and sound levels</li> <li>Plan to expand ergonomic work environment by introducing height adjustable desks, ergonomic chairs and open standing conference rooms</li> </ul>
Building and operating I'M HERE	<ul style="list-style-type: none"> <li>Building I'M HERE that allows communication among the CEO and all employees, using it as "A space for natural communication and interaction."</li> </ul>
Fitness	<ul style="list-style-type: none"> <li>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 the Health-On program</li> </ul>
Nutrition	<ul style="list-style-type: none"> <li>Supporting balanced eating habits by operating in-house cafeteria (T-Patio)</li> <li>As part of the Health-On program, medical professionals are invited to host a concert-type event on health, diseases and nutrition.</li> <li>Identifying and managing members' health issues through Health-On Index check-ups</li> </ul>
Stress Management	<ul style="list-style-type: none"> <li>Operation of employee counseling service program 'My Counselor' (Providing counseling on stress reduction and dealing with difficulties in the workplace, health, personal matters and etc.)</li> <li>Development and launching of the new "Mindfulness" program to prevent burn-outs and facilitate healing, supporting the pursuit of happiness and development of resilient competencies based on Self-Management <ul style="list-style-type: none"> <li>- Starting in 2020, the Mindfulness app will be linked to NUGU and shared with customers and society</li> </ul> </li> </ul>
Flexible Work Hours	<ul style="list-style-type: none"> <li>Operation of flexible work hour system to allow employees to Manage their work hours flexibly</li> <li>Implementation of DYWT program (Based on flexible 80-hour-in-two week work shift system, introduce 160-hour-in four week shift to choose and indulge in work)</li> </ul>
Telecommuting	<ul style="list-style-type: none"> <li>System for telecommuting during pregnancy (following the 29th week of pregnancy, based on consultation and registration)</li> <li>Regularized "Digital work"(telecommuting) starting in 2020</li> </ul>
Childcare and Children's Education	<ul style="list-style-type: none"> <li>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.</li> </ul>
Maternity/Parental Leave	<ul style="list-style-type: none"> <li>Reduced work hours during pregnancy: 6-hour workday throughout pregnancy period</li> <li>Maternity leave: The company offers 90 days of leave following birth of a child, 120 days after the birth of twins and 5 days of paid leave when an employee's spouse gives birth.</li> <li>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)</li> <li>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.</li> <li>Care leave for children who entered elementary school: 90-day leave once a year for employees with children who entered elementary school</li> <li>Made working from home possible for parents that have given birth or parents of infants since 2020</li> </ul>
Employee-led happiness experiences	<ul style="list-style-type: none"> <li>Happier Project for enhancement and suggestion programs from the perspective of happiness, based on the participation and suggestions of employees <ul style="list-style-type: none"> <li>- Implemented around 30 new tasks including, "Happy Share Car" that lets employees rent company cars that are normally used for business operation for personal purposes in the evenings and on off-days, establishment of a salad corners in lunch, and simplification of registration processes for medical and academic expenses etc.</li> </ul> </li> </ul>

## LIST OF MAJOR CONTRIBUTIONS IN 2019

Program	Organization
KJ Choi Scholarship Dream Tree Support Project	KJ Choi Foundation
Support program for education in arts for children from marginalized groups	Korea Mecenat Association
Program to improve social awareness on generational poverty	Another culture
Operation of the "Library that Reads Happiness" platform	Korea Blind Union
2019 Coding Challenge for youths with disabilities	Korea Differently Abled Federation



## ENVIRONMENTAL DATA

### GREENHOUSE GAS EMISSIONS

		2017	2018	2019
Total Emissions	tCO <sub>2</sub> e	875,401	934,664	1,005,576
Intensity	tCO <sub>2</sub> e/KRW billion	70.21	79.78	88.1
Direct Emission	tCO <sub>2</sub> e	6,840	7,603	6,604
Stationary Combustion	tCO <sub>2</sub> e	5,211	5,555	4,606
Mobile Combustion	tCO <sub>2</sub> e	1,629	2,048	1,998
Indirect Emission	tCO <sub>2</sub> e	868,581	920,078	998,989
Electricity	tCO <sub>2</sub> e	868,495	926,977	998,899
Steam	tCO <sub>2</sub> e	86	101	90

### ENERGY CONSUMPTION<sup>1)</sup>

		2017	2018	2019
Total Energy Consumption	TJ	17,983	19,204	20,664
Energy Intensity	TJ/KRW billion	1.4	1.64	1.8
Direct Consumption	TJ	118.7	131.2	112.7
Natural Gas	TJ	71.1	76.4	60.5
Diesel	TJ	7.7	11.5	11.0
Kerosene	TJ	18.3	18.5	16.7
Jet fuel	TJ	1.6	1.9	1.5
Gasoline	TJ	19.7	22.5	21.6
LPG	TJ	0.3	0.4	1.4
Indirect Consumption	TJ	17,864.3	19,072.8	20,569.6
Electricity	TJ	17,862.0	19,070	20,567.0
Steam	TJ	2.3	2.8	2.6
Total Power Consumption Reduction	MWh	45,139	45,309	46,469
Reduction from Building Management	MWh	2,553	2,723	3,883
Reduction from Natural Air-Conditioning System	MWh	39,857	39,857	39,587
Electricity generated from renewable energy facilities at the office	MWh	0	1	28
Electricity generated from renewable energy facilities in remote areas	MWh	2,729	2,729	2,729
Total Consumption of Renewable Energy	MWh	2,729	2,730	2,757

1) 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"

※ There may be differences in the total amount of GHG emissions and energy consumption above and the calculated amount by direct and indirect energy resource following the government's total that excludes business units.

※ Actual generated amount from renewable energy facilities at some offices

※ Amount of renewable energy designed to generate by equipment installed in remote areas

### WATER CONSUMPTION

		2017	2018	2019
Volume of Water Consumption	m <sup>3</sup>	713,744	707,296	719,552
Waterworks Usage	m <sup>3</sup>	656,668	655,204	668,513
Groundwater Usage	m <sup>3</sup>	57,076	52,092	51,039
Intensity	m <sup>3</sup> /KRW billion	57.25	60.37	63.03

### WASTE AND RECYCLING STATUS

		2017	2018	2019
Total Waste	ton	1,562	1,736	1,705
Domestic Waste	ton	486	575	532
Large-sized Waste	ton	104	136	177
Food Waste	ton	339	396	441
Designated Waste	ton	11	22	21
Recyclable Waste	ton	622	607	535
Waste Discharge Intensity	ton/KRW billion	0.125	0.148	0.149
Recycling Rate	%	40	35	30

### TOTAL ENVIRONMENTAL COSTS

		2017	2018	2019
Total Environmental Costs <sup>1)</sup>	KRW million	702	1,717	4,013
Energy Saving and Climate Change Response Cost	KRW million	195	236	3,365
Waste Disposal Service	KRW million	92	131	136
Waste Renewable service	KRW million	30	32	29
Education/Training Cost	KRW million	34	34	34
Charges & Taxes	KRW million	351	404	449
Miscellaneous	KRW million	0	880	0

1) Excluding green procurement, GHG emission credits

### PURCHASE OF GHG EMISSIONS CREDITS

		2017	2018	2019
Annual Cost of Purchasing GHG Emissions Credits	KRW million	1,833	0	0

### GREEN PROCUREMENT COSTS

		2017	2018	2019
Green procurement costs	KRW million	36,706	3,377	0

## INDEPENDENT LIMITED ASSURANCE REPORT

### To SK Telecom's management and stakeholders,

Korea Sustainability Investing Forum (hereinafter "the Verifier") has been requested by SK Telecom to conduct a 3rd party verification for the company's sustainability report, "SK Telecom Annual Report 2019" (hereinafter "the Report") and is publishing a statement of verification as stipulated below.

### Independence and Responsibility

Other than the task of providing the 3rd party verification, the Verifier does not have any interest with SK Telecom that may affect the independence and fairness of the verification. This verification report has been published for SK Telecom's management and stakeholders; however, the Verifier does not have liability or joint responsibility for any decisions made by an individual or an organization based on the verification report, including the consequences.

### Verification Standards

The Verifier applied the following standards for verification:

- Type 1, Moderate Level of assurance
- Assessment of the application of the 4 principles of Inclusivity, Materiality, Responsiveness, and Impact as recommended by AA1000AP (2018)
- Compliance with the Comprehensive option of the GRI Standard Guidelines

### Process of Verification and Limitations

After conducting a primary document review with publicly disclosed data and the requested reference documents, the Verifier conducted an on-site verification for the headquarters of SK Telecom. Various data regarding economic, social and environmental issues, as well as various claims made through the Report were verified for their consistency through a sampling process. During the on-site visit, we conducted interviews with the person in charge of the Report. For a portion of the reported information, we secured its reliability by interviewing the personnel responsible for calculating and managing the information. As for the financial information included in the Report, we assessed whether the information was appropriately derived from the financial indicators according to the electronic disclosure system (<http://dart.fss.or.kr/>) from the Financial Supervisory Service, while information regarding greenhouse gas was checked for consistency with the assurance report from an assurance organization. From the reporting boundaries, we excluded external technology and data information, such as business partners etc. If additional verification is conducted hereafter, the results may change.

### Results of the Verification and Opinions

The Verifier did not find any evidence that the Report had not been drafted in accordance with the Comprehensive option of the GRI Standard Guidelines as well as significant errors regarding the disclosed information.

The Verifier's opinions on the principles of AA1000AP (2018) are as follows:

#### · Inclusivity

SK Telecom has a stakeholder process that includes stakeholder mapping, identification, prioritization, engagement, communication, feedback and report and review. SK Telecom defines its stakeholders as employees, shareholders, customers, business partners, the government, NGOs, and the local community and establishes constant, regular and impromptu communication channels to collect

major interests and opinions of the stakeholders. In addition, by conducting a stakeholder survey each year, the company analyzes stakeholders' opinions on core issues and reflects them into the Report. The Verifier checked that all major stakeholder groups were included in the process.

#### · Materiality

By drawing an issue pool through the process of external environment analyses (benchmarking reported issues of companies in the same industry, media analysis, international standard analysis, stakeholder surveys) and internal environment analyses (employee surveys, review of internal documents,) the company prioritized 25 issues based on stakeholder impact and business relevance to finally draw 11 core issues. SK Telecom then categorized the core issues by stakeholder interests. The Verifier checked that SK Telecom identified the core issues through the material assessment process and did not find any evidence that significant issues were excluded from the process.

#### · Responsiveness

SK Telecom implements items that affect stakeholders, carries out relevant activities, and reports on their performances. From the pool of 25 issues, the company discloses sufficient information on the 11 issues that were identified as core issues, and also responds to the remaining issues. The Verifier did not find any evidence that material items were excluded from the Report or were reported inappropriately.

#### · Impact

SK Telecom established the Double Bottom Line based on both economic and social value and utilizes it as a method to measure social value and builds a management system. By analyzing social and environmental gains and losses from its business activities, the company reports them in a quantifiable way. The Verifier checked that SK Telecom is considering ways material issues directly and indirectly affect the stakeholders and is monitoring, assessing and reporting them.

### Recommendations

The Verifier presents the following recommendations with the hope that SK Telecom continues to contribute to the sustainability of the stakeholders by maximizing social value.

- With the substantial experiment of transitioning the company's management paradigm to the Double Bottom Line which pursues both economic and social value, we recommend that SK Telecom develops and enhances measurement methodologies for social value in even wider sectors based on stakeholder participation. In particular, we look forward to the company broadening the horizon for social value creation through the establishment of systematic climate risk responses based on the TCFD (Task Force on Climate-related Financial Disclosures) Framework.

June 22<sup>nd</sup>, 2020

Korea Sustainability Investing Forum  
Chief Director, Young-Ho Kim





# 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 2019 (“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 2019
- Organizational boundary for reporting: SK Telecom Co., Ltd. (in Korea)

## Verification Approach

The verification has been conducted by DNV GL from March to April 2020 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 offer a reasonable verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process;

- We have reviewed the GHG emissions and energy consumption report for the calendar year 2019
- 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 2019 were confirmed as below;

GREENHOUSE GAS EMISSIONS OF SK TELECOM CO., LTD. FOR YR 2019				ton CO <sub>2</sub> e
SK Telecom	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Total emissions	
Domestic (in Korea)	6,604	998,989	1,005,576	

※ Total emissions may differ 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.


May 2020  
Seoul, Korea

Jang-Sub Lee Country Manager  
DNV GL Business Assurance Korea Ltd



This Assurance Statement is valid as of the date of the issuance May 7, 2020. 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 the English and Korean version, the Korean version shall be given precedence.

# CERTIFICATE OF REGISTRATION



## Certificate of Registration

This is to certify that :

**SK Telecom Co., Ltd.**  
SK T-Tower Euljiro 65(Euljiro-2ga), Jung-gu, Seoul, Korea

**Has been assessed by International Certification Registrar Ltd., in respect of their Environmental Management Systems and found to comply with**

**ISO 14001:2015**

Approval is hereby granted for registration providing the rules and conditions relating to certification are observed at all times.

Certification Scope

1. Telecommunication Business and Servicing
2. Construction, Management and Maintenance of Telecommunication Works
3. Buying and Selling, Lease of Terminal
4. Electronic Finance
5. Development and Supply of Solution
6. Design Development and Operating of Mobile Telecommunication Service
7. Construction and Service of Electrical Works
8. Energy Service Company



Certificate Issue Date : 23<sup>rd</sup> October 2017

Initial Issued Date : 25<sup>th</sup> October 2011



Expiration Date : 24<sup>th</sup> October 2020

Certificate No. : E204811

The Seal of ICR Limited was here to affixed in the presence of :

President

This certificate is intellectual property of ICR. This certificate is only valid by comparison of surveillance audit which is conducted at least once a year. If you cannot manage the verification, this certificate should be returned to ICR.

International Certification Registrar

## 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 the course of business and also to avoid abetting or complicity in such abuses. Furthermore, the company will form a 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 within 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

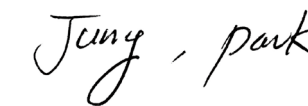
### 3) Human Rights in Access to Information & Freedom of Expression

- 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](http://www.sktelecom.com/humanrights)) SK Telecom is committed to fulfilling its social responsibilities and pursuing the happiness of stakeholders as we pledge 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. 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 obtain stakeholders' trust and ensure 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

Suppliers shall act with honesty, integrity, and fairness in their dealings both internally and externally. Suppliers shall not tolerate any form of bribery, including improper offers of payments or gifts to or from employees. Suppliers shall avoid any contracts that might lead to or suggest a conflict of interest between personal activities and business. Suppliers shall neither give nor accept hospitality or gifts that might appear to incur an obligation. Suppliers 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. Suppliers 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 their 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 support 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 their utmost efforts to encourage their employees to present a spirit of challenge and creativity based on mutual trust and pride, and help 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.

## 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 2019 to December 31, 2019. 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.42-43 for the Business Model required to implement the Integrated Reporting Principles of the International Integrated Reporting Council and pp.46-47 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.46-47 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.172-173 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 Sustainability Accounting Standard Board(SASB)** - Telecommunication Standards Core issues and key performance indicators in the telecommunications industry released in April 2014 by the U.S. SASB
- 5 Take Force on Climate-related Financial Disclosures(TCFD)** - Designated group for financial information disclosure related to climate change

### 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. Over 99% of SK Telecom's revenues are generated in Korea, and thus the data coverage included meets 99% or more of the revenue. This coincides with the scope of separate revenues of SK Telecom, which is the controlling company under K-IFRS. Environmental data such as energy, greenhouse gases, waste, and drinking water and social data such as total employment, capacity development, and social contribution are calculated based on 37 domestic business sites\* of SK Telecom (including network systems to operate networks and base stations etc.)

# INDEX

## GRI STANDARDS INDEX

Topic	GRI Standards	Description	MATERIAL ISSUES	Location	Cross Reference / Direct Answer / Omission	External Assurance
<b>GENERAL DISCLOSURES</b>						
<b>Organizational</b>	102-1	Name of the organization	-	-	SK Telecom Co., Ltd.	✓
<b>Profile</b>	102-2	Primary brands, products, and services	-	· MANAGEMENT OVERVIEW > OUR BUSINESS MODEL · MANAGEMENT OVERVIEW > PERFORMANCE HIGHLIGHTS	· p.40-41 · p.42-43	✓
	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	· p.26	✓
	102-5	Nature of ownership and legal form	-	· ABOUT SK TELECOM > ABOUT US · GOVERNANCE REPORT > SHAREHOLDERS, GENERAL MEETING OF SHAREHOLDERS	· p.26 · p.103-104	✓
	102-6	Markets served (geographic breakdown, sectors served, and types of customers and beneficiaries)	-	· ABOUT SK TELECOM > ABOUT US · MANAGEMENT OVERVIEW > OUR BUSINESS MODEL	· p.26 · p.40-41	✓
	102-7	Scale of the organization (total number of employees, net sales, total capital, products and services, etc.)	-	· ABOUT SK TELECOM > ABOUT US · MANAGEMENT OVERVIEW > PERFORMANCE HIGHLIGHTS · FINANCIAL STATEMENT > MANAGEMENT DISCUSSION & ANALYSIS	· p.26 · p.42-43 · p.154-161	✓
	102-8	Information on executives and employees	-	· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS) · NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.105-110 · p.166-169 · Please refer to the 2019 Business Report for the number of contract employees at SK Telecom.	✓
	102-9	Organization's supply chain	-	· SUPPLIER RESPONSIBILITY REPORT	· p.138-143	✓
	102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	-	· SUSTAINABLE ISSUE > CREATING ECONOMIC VALUE · SUSTAINABLE ISSUE > BUSINESS OPERATIONS	· p.82-83 · p.84-85	✓
	102-11	Whether and how the precautionary approach is addressed and explanation on the adoption method	-	· ACCOUNTABILITY > RISK MANAGEMENT REPORT	· p.118-127	✓
	102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization belongs	-	· ABOUT THIS REPORT > GLOBAL INITIATIVES AND PARTNERSHIPS · INDEX > SASB INDEX, UNGC, TCFD, SDGS	· p.208 · p.194-201	✓
	102-13	Subscribes to memberships of associations and membership of national/international policy apparatus	-	· ABOUT THIS REPORT > GLOBAL INITIATIVES AND PARTNERSHIPS · INDEX > SASB INDEX, UNGC, TCFD, SDGS	· p.208 · p.194-201	✓
<b>Strategy</b>	102-14	Organization of the highest governance body and statement of its sustainability commitment	-	· MANAGEMENT OVERVIEW > LETTER TO STAKEHOLDERS	· p.30-39	✓
	102-15	Key impacts, risks and opportunities	-	· MATERIALITY > RESULTS OF MATERIALITY ASSESSMENT, MANAGEMENT OF MATERIAL · ACCOUNTABILITY > RISK MANAGEMENT REPORT	· p.46-53 · p.118-127	✓



Topic	GRI Standards	Description	MATERIAL ISSUES
<b>GENERAL DISCLOSURES</b>			
<b>Ethics and Integrity</b>	102-16	Values, principles, standards and norms of behavior such as codes of conduct of an organization	–
	102-17	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior and grievance handling mechanism	–
<b>Governance</b>	102-18	Report on the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	–
	102-19	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	–
	102-20	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics. Additionally, an internal system within which the person delegated with such responsibility can directly report to the highest governance body	–
	102-21	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	–
	102-22	Composition of the highest governance body and its committee	–
	102-23	Report whether the chairperson of the highest governance body is also an executive officer	–
	102-24	Nomination and selection processes for the highest governance body and its committees, appointment and selection criteria of the highest governance body members.	–
	102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	–
	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	–
	102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	–
	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	–
	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	–
	102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management process on economic, environmental and social topics	–
	102-31	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	–
	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	–
	102-33	Process for communicating critical concerns to the highest governance body	–
	102-34	Nature and total number of critical concerns that were communicated to the highest governance body, and policy to resolve the concerns	–
	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	–
	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	–
	102-37	How stakeholders' views are sought and taken into account regarding remuneration. If possible, include vote result and suggestions for remuneration policy	–
	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	–
	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)	–

Location	Cross Reference / Direct Answer / Omission	External Assurance
· ACCOUNTABILITY > INTEGRITY REPORT	· p.128-133	✓
· INTEGRITY REPORT > TRANSPARENT ETHICAL MANAGEMENT	· p.128	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS)	· p.105-110	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS), Corporate Citizenship Committee	· p.105-110, 113	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS), Corporate Citizenship Committee	· p.105-110, 113	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS), Corporate Citizenship Committee	· p.105-110, 113	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS), Corporate Citizenship Committee	· p.105-110, 113	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS)	· p.105-110	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS)	· p.105-110	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS)	· p.105-110	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS), Corporate Citizenship Committee	· p.105-110, 113	✓
· GOVERNANCE REPORT > Corporate Citizenship Committee	· p.113	✓
· GOVERNANCE REPORT > FAIR PERFORMANCE EVALUATION AND COMPENSATION	· p.115-117	✓
· STAKEHOLDER ENGAGEMENT > STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS · GOVERNANCE REPORT > Corporate Citizenship Committee	· p.54-55 · p.113	✓
· GOVERNANCE REPORT > BOD (BOARD OF DIRECTORS), Corporate Citizenship Committee	· p.110-113	✓
· MATERIALITY > MATERIALITY TEST PROCESS · GOVERNANCE REPORT > Corporate Citizenship Committee	· p.46 · p.113	✓
· MATERIALITY > MATERIALITY TEST PROCESS · GOVERNANCE REPORT > Corporate Citizenship Committee	· p.46 · p.113	✓
· MATERIALITY > MATERIALITY TEST PROCESS · GOVERNANCE REPORT > Corporate Citizenship Committee	· p.46 · p.113	✓
· MANAGEMENT OVERVIEW > STAKEHOLDER ENGAGEMENT · GOVERNANCE REPORT > Corporate Citizenship Committee	· p.54-55 · p.83	✓
· GOVERNANCE REPORT > FAIR PERFORMANCE EVALUATION AND COMPENSATION	· p.115-117	✓
· GOVERNANCE REPORT > COMMITTEES OF THE BOD	· p.110-113	✓
· GOVERNANCE REPORT > FAIR PERFORMANCE EVALUATION AND COMPENSATION	· p.115-117	✓
· GOVERNANCE REPORT > FAIR PERFORMANCE EVALUATION AND COMPENSATION	· p.115-117	✓
· GOVERNANCE REPORT > FAIR PERFORMANCE EVALUATION AND COMPENSATION	· p.115-117	✓

Topic	GRI Standards	Description	MATERIAL ISSUES	Location	Cross Reference / Direct Answer / Omission	External Assurance
<b>GENERAL DISCLOSURES</b>						
<b>Stakeholder Engagement</b>	102-40	Materiality Test Process	-	· STAKEHOLDER ENGAGEMENT > STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS	· p.54-55	√
	102-41	Total percentage of employees and executives covered by collective bargaining agreements	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.166-169	√
	102-42	Basis for identification and selection of stakeholders	-	· STAKEHOLDER ENGAGEMENT > STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS	· p.54-55	√
	102-43	Status of stakeholders' engagement in the organization such as frequency of engagement of the stakeholders by type and group	-	· MATERIALITY > MATERIALITY TEST PROCESS	· p.46	√
	102-44	Key topics and concerns raised by stakeholders such as publication of the report, and how the organization has responded to those topics	-	· MATERIALITY > RESULT OF MATERIALITY TEST	· p.47	√
<b>Reporting Practices</b>	102-45	Entities and joint venture included in the organization's consolidated financial statements	-		Please refer to 2019 Business Report for the entities list.	√
	102-46	Process for defining the report contents, and the Aspect Boundaries and the application of reporting principles on the process	-	· MATERIALITY > MATERIALITY TEST PROCESS	· p.46	√
	102-47	List of all material aspects identified in the process of determining the content of the report	-	· MATERIALITY > RESULT OF MATERIALITY TEST	· p.47	√
	102-48	Impact of amendments to the information provided in the previous report and the reasons for such amendment report	-	· ABOUT THIS REPORT	· p.208	√
	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.208	√
	102-51	The date of the most recent report	-	· ABOUT THIS REPORT	· p.208	√
	102-52	Reporting cycle (annual, biennial, etc.)	-	· ABOUT THIS REPORT	· p.208	√
	102-53	Inquiries about reports and related contents	-	· PUBLICATION INFORMATION	· p.209	√
	102-54	Method conforming to the report the organization selected according to the GRI Standards (Core/Comprehensive)	-	· ABOUT THIS REPORT	· p.208	√
	102-55	GRI Index	-	· REPORTING STANDARDS > GRI	· p.180-193	√
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.172-173	√	
<b>MANAGEMENT APPROACH</b>						
	103-1	Explanation of material issues and their boundaries	o	· MANAGEMENT OVERVIEW > MATERIALITY	· p.46-53	√
	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	o	· MATERIALITY > MANAGEMENT OF MATERIAL · ADVANCED TO NEW ICT > MID- TO LONG-TERM STRATEGY · SOCIAL VALUE · ACCOUNTABILITY > GOVERNANCE REPORT · FINANCIAL STATEMENT > MANAGEMENT DISCUSSION AND ANALYSIS	· p.48-53 · p.59 · p.68-79 · p.102-117 · p.154-161	√
	103-3	Explanation of how the organization evaluates the management policy regarding material issues	o	· MATERIALITY > MANAGEMENT OF MATERIAL	· p.48-53	√
<b>ECONOMY</b>						
<b>Economic Performance</b>	201-1	Direct economic value generated and distributed	-	· APPENDIX > FINANCIAL STATEMENT	· p.146-153	√
	201-2	Financial implications and other risks and opportunities resulting from climate change	-	· RISK MANAGEMENT REPORT > RISK & OPPORTUNITIES · NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.124-127 · p.170-171	√
	201-3	Coverage of the organization's defined benefit plan obligations	-	-	100% of employees are covered by SK Telecom's defined benefit plan obligations during the reporting period.	√
	201-4	Financial assistance received from the government	-	· GOVERNANCE REPORT > SHAREHOLDERS	· p.103-104	√



Topic	GRI Standards	Description	MATERIAL ISSUES	Location	Cross Reference / Direct Answer / Omission	External Assurance
<b>ECONOMY</b>						
<b>Market Presence</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage of key operation	-	-	[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.	✓
<b>Indirect Economic Impacts</b>	202-2	Ratios of standard entry level wage by gender compared to local minimum wage of key operation	-	· NON-FINANCIAL STATEMENT › SOCIAL DATA	· p.166-169	✓
	203-1	Development and impact of infrastructure investments and services supported	0	· SOCIAL VALUE · SUSTAINABLE ISSUE › CUSTOMERS · FINANCIAL STATEMENT › MANAGEMENT DISCUSSION & ANALYSIS	· p.68-79 · p.86-90 · p.154-161	✓
	203-2	Significant indirect economic effects including scale of impacts	0	· SOCIAL VALUE	· p.68-79	✓
<b>Procurement Practices</b>	204-1	Proportion of spending on local suppliers at significant locations of operation	-	· SUPPLIER RESPONSIBILITY REPORT › SK TELECOM'S SUPPLY CHAIN STATUS	· p.138-143	✓
<b>Anti-corruption</b>	205-1	Assessment of corruption risk at a work area	-	· INTEGRITY REPORT › Detection, Response	· p.130-131	✓
	205-2	Communication and training on anti-corruption policies and procedures	-	· INTEGRITY REPORT › Prevention	· p.130	✓
	205-3	Confirmed incidents of corruption and actions taken	-	· INTEGRITY REPORT › Detection, Response	· p.130-131	✓
<b>Anti-competitive Behavior</b>	206-1	Legal actions for anti-competitive behavior, antitrust, and unfair practices	-	· INTEGRITY REPORT › Detection, Response	· p.130-131	✓
<b>Tax</b>	207-1	Approach to tax (tax strategy, the governance body or executive-level position within the organization that formally reviews and approves the tax strategy and the frequency of this review, and how the approach to tax is linked to the business and sustainable development strategies of the organization)	-			
	207-2	Tax governance, control, and risk management	-			
	207-3	Stakeholder engagement and management of concerns related to tax	-			
	207-4	Country-by-country reporting	-			
<b>ENVIRONMENT</b>						
<b>Materials</b>	301-1	Materials used by weight or volume	-		[N/A] Due to industry specific characteristics, SK Telecom's operations consume an insignificant amount of materials in direct manufacture, process and use stages.	✓
	301-2	Recycled input materials used	-		[N/A] Due to industry specific characteristics, SK Telecom's operations consume an insignificant amount of materials in direct manufacture, process and use stages.	✓
	301-3	Reclaimed products and their packaging materials	-		[N/A] Due to industry specific characteristics, SK Telecom's operations consume an insignificant amount of materials in direct manufacture, process and use stages.	✓
<b>Energy</b>	302-1	Energy consumption within the organization	-	· NON-FINANCIAL STATEMENT › ENVIRONMENTAL DATA	· p.170-171	✓
	302-2	Energy consumption outside of the organization	-	· NON-FINANCIAL STATEMENT › ENVIRONMENTAL DATA	· p.170-171	✓
	302-3	Energy intensity	-	· NON-FINANCIAL STATEMENT › ENVIRONMENTAL DATA	· p.170-171	✓
	302-4	Reduction of energy consumption	-	· NON-FINANCIAL STATEMENT › ENVIRONMENTAL DATA	· p.170-171	✓
	302-5	Reductions in energy requirements of products and services	-		[N/A] During the reporting period, SK Telecom does not have a separate product energy requirement, while how SK Telecom's services indirectly contributed to reducing energy consumption is included in p.170.	✓
<b>Water</b>	303-1	Interactions with water as a shared resource	-		[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.	✓
	303-2	Management of water discharge-related impacts	-		[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.	✓
	303-3	Water withdrawal	-		[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.	✓

Topic	GRI Standards	Description	MATERIAL ISSUES	Location	Cross Reference / Direct Answer / Omission	External Assurance
<b>ENVIRONMENT</b>						
<b>Water</b>	303-4	Water discharge	-		[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.	√
	303-5	Water consumption	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
<b>Biodiversity</b>	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	-	SK Telecom is unaware of any significant impacts on biodiversity in protected areas resulting directly from its activities, during the reporting period.	√
	304-2	Significant impacts of activities, products, and services on biodiversity	-	-	SK Telecom is unaware of any significant impacts on biodiversity in protected areas resulting directly from its activities, during the reporting period.	√
	304-3	Habitats protected or restored	-	-	SK Telecom is unaware of any significant impacts on biodiversity in protected areas resulting directly from its activities, during the reporting period.	√
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	-	[Information unavailable] SK Telecom's operations do not have a known impact on any endangered species. However, SK Telecom is managing the environmental impact of the operations through the SK Group-wide social performance measurement methodology.	√
<b>Emissions</b>	305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
	305-2	Indirect greenhouse gas (GHG) emissions (Scope 2)	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
	305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
	305-4	Greenhouse gas (GHG) emissions intensity	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
	305-5	Reduction of greenhouse gas (GHG) emissions	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
	305-6	Emissions of ozone depleting substances (ODS)	-	-	[N/A] Due to industry specific characteristics, SK Telecom emits an extremely insignificant amount of ODS.	√
	305-7	NOX, SOX, and other significant air emissions	-	-	[N/A] Due to industry specific characteristics, SK Telecom emits extremely insignificant amount of NOx and SOx.	√
<b>Effluents and Waste</b>	306-1	Waste generation and significant waste-related impacts	-	· SUSTAINABLE ISSUE > ENVIRONMENTAL MANAGEMENT	· p.94-97	√
	306-2	Management of significant waste-related impacts	-	· SUSTAINABLE ISSUE > ENVIRONMENTAL MANAGEMENT	· p.94-97	√
	306-3	Waste generated	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
	306-4	Waste diverted from disposal	-	· NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.170-171	√
	306-5	Waste directed to disposal	-	· SUSTAINABLE ISSUE > ENVIRONMENTAL MANAGEMENT · NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.94-97 · p.170-171	√
<b>Environmental Compliance</b>	307-1	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	-	-	There is zero number of cases related to violations of environmental laws and regulations. There are no fines or penalties paid accordingly.	√
<b>Supplier Environmental assessment</b>	308-1	Percentage of new suppliers that were screened using environmental criteria	-	· ACCOUNTABILITY > SUPPLIER RESPONSIBILITY REPORT	· p.138-143	√
	308-2	Significant actual and potential negative environmental impacts in the supply chain and actions taken	-	· ACCOUNTABILITY > SUPPLIER RESPONSIBILITY REPORT	· p.138-143	√
<b>SOCIAL</b>						
<b>Employment</b>	401-1	Total number and rates of new employees hired and employee turnover	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.166-169	√
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.166-169	√
	401-3	Return to work and retention rates after parental leave by gender	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.166-169	√
<b>Labor/Management Relations</b>	402-1	Minimum notice periods regarding operational changes	-	-	SK Telecom communicates changes in management through the labor union website (www.sktunion.com) and the Labor Management Council.	√
<b>Occupational Health and Safety</b>	403-1	Occupational health and safety management system	-	· ACCOUNTABILITY > HUMAN RIGHTS REPORT	· p.134-137	√
	403-2	Hazard identification, risk assessment, and incident investigation	-	· ACCOUNTABILITY > HUMAN RIGHTS REPORT	· p.134-137	√
	403-3	Employees with a high incidence or risk of disease at work	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.166-169	√



Topic	GRI Standards	Description	MATERIAL ISSUES	Location	Cross Reference / Direct Answer / Omission	External Assurance
<b>SOCIAL</b>						
<b>Occupational Health and Safety</b>	403-4	Worker participation, consultation, and communication on occupational health and safety	-	· ACCOUNTABILITY > HUMAN RIGHTS REPORT	· p.134-137	✓
	403-5	Worker training on occupational health and safety	-	· ACCOUNTABILITY > HUMAN RIGHTS REPORT	· p.134-137	✓
	403-6	Promotion of worker health	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.169	✓
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	· ACCOUNTABILITY > HUMAN RIGHTS REPORT · NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.134-137 · p.169	✓
	403-8	Workers covered by the occupational health and safety management system	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.166-169	✓
	403-9	Work-related injuries	-	-	-	✓
	403-10	Work-related ill health	-	-	SK Telecom is unaware of the occurrence of any work-related illness or disease during the reporting period.	✓
<b>Training and Education</b>	404-1	Average hours of training per year per employee (by gender, and by employee category)	-	· SUSTAINABLE ISSUE > EMPLOYEES · NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.91-93 · p.166-169	✓
	404-2	Programs for skills and lifelong learning that help employees continue their careers and manage their lives after retirement	-	· SUSTAINABLE ISSUE > EMPLOYEES · NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.91-93 · p.166-169	✓
	404-3	Percentage of employees receiving regular review of performance and career development (by gender and by employee category)	-	· SUSTAINABLE ISSUE > EMPLOYEES	· p.91-93	✓
<b>Diversity and Equal Opportunity</b>	405-1	Composition of governance bodies and employees by category (by gender, age group, minority group, and other indicators of diversity)	-	· NON-FINANCIAL STATEMENT > SOCIAL DATA	· p.166-169	✓
	405-2	Ratio of basic salary and remuneration of women to men	-	-	Please refer to the 2019 Business Report for the ratio of basic salary and remuneration of women to men.	✓
<b>Non-Discrimination</b>	406-1	Discrimination incidents and actions taken	-	-	There is zero number of cases related to discrimination of salary paid by gender.	✓
<b>Freedom of Association and Collective Bargaining</b>	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 88.8%. There are no operational sites that have been found to seriously violate freedom of association and collective bargaining during the reporting period.	✓
<b>Child Labor</b>	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.134-137	✓
<b>Forced or Compulsory Labor</b>	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.134-137	✓
<b>Security Practices</b>	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 does not currently track the percentage of security personnel that have received human rights training.	✓
<b>Rights of Indigenous Peoples</b>	411-1	Incidents of violations involving rights of indigenous peoples	-	· ACCOUNTABILITY > HUMAN RIGHTS REPORT	· p.134-137	✓
<b>Human Rights Assessment</b>	412-1	Workplaces subject to human rights impact assessment or human rights review	-	· ACCOUNTABILITY > HUMAN RIGHTS REPORT	· p.134-137	✓
	412-2	Employee training on human rights policies and procedures related to business	-	· ACCOUNTABILITY > INTEGRITY REPORT	· p.130	✓
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	-	[Information Unavailable] SK Telecom is currently unaware of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	✓
<b>MANAGEMENT APPROACH</b>						
<b>Local Communities</b>	413-1	Percentage of operations with implemented local community engagement, impact assessment, and development programs	-	· SUSTAINABLE ISSUE > SOCIAL CONTRIBUTION	· p.98-99	✓
	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 have been no significant negative impacts on local communities during the reporting period.	✓

Topic	GRI Standards	Description	MATERIAL ISSUES	Location	Cross Reference / Direct Answer / Omission	External Assurance
<b>SOCIAL</b>						
<b>Supplier Social Assessment</b>	414-1	New suppliers that were screened using environmental criteria	-	· ACCOUNTABILITY > SUPPLIER RESPONSIBILITY REPORT	· p.138-143	√
	414-2	Significant actual and negative social impacts in the supply chain and actions taken	-	· ACCOUNTABILITY > SUPPLIER RESPONSIBILITY REPORT	· p.138-143	√
<b>Public Policy</b>	415-1	Total value of political contributions (by country and recipient/ beneficiary)	-	· ACCOUNTABILITY > INTEGRITY REPORT	· p.133	√
<b>Customer Health and Safety</b>	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 were zero violations or laws and regulations related to safety and health effects of products and services during the reporting period.	√
<b>Marketing and Labeling</b>	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 is 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 were zero cases related to violation of laws and regulations related to advertisement, promotion, sponsorship and marketing communications.	√
<b>Customer Privacy</b>	418-1	The number of complaints proven to violate customer privacy and lost customer information	0	· ACCOUNTABILITY > HUMAN RIGHTS REPORT · SUSTAINABLE ISSUE > CUSTOMERS	· p.134-137 · p.90 There is zero number of incidents related to information loss and customer privacy violation.	√
<b>Socioeconomic Compliance</b>	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.154-155	
Wireline Subscribers	Quantitative	Number	TC-TL-000.B	· FINANCIAL STATEMENT > MANAGEMENT DISCUSSION AND ANALYSIS	· p.154-155	
Broadband Subscribers	Quantitative	Number	TC-TL-000.C	· FINANCIAL STATEMENT > MANAGEMENT DISCUSSION AND ANALYSIS	· p.154-155	
Network traffic and proportions of mobile communication networks and fixed networks	Quantitative	Petabytes, %	TC-TL-000.D	· SUSTAINABLE ISSUE > CUSTOMERS	· p.89	

## 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 > ENVIRONMENTAL DATA	· p.170-171
Data Privacy	Ads, policies and practices relating to the retention of customers' personal information	Discussion and Analysis	n/a	TC-TL-220a.1	· SUSTAINABLE ISSUE > HUMAN RIGHTS REPORT · FINANCIAL STATEMENT > MANAGEMENT DISCUSSION AND ANALYSIS	· p.135-137 · p.158-159
	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.402-407 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.402-407 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.402-407 in Business Report
	Management approach to identifying data security risks including security risk related to utilization of third parties' information security risk	Discussion and Analysis	n/a	TC-TL-230a.2	· MATERIALITY > MANAGEMENT OF MATERIAL ISSUES · SUSTAINABLE ISSUE > RISK MANAGEMENT REPORT	· p.50-51 · p.126-127
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	· SUSTAINABLE ISSUE > ENVIRONMENTAL MANAGEMENT · NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA	· p.94-97 · p.170-171
Fair Competition	Financial damage such as fines caused by violations of fair trade-related acts	Quantitative	KRW	TC-TL-520a.1	-	· p.402-407 in Business Report
	(1) Contents owned by company and commercially related contents (2) average download speed of unrelated contents	Quantitative	Mbps	TC-TL-520a.2	SUSTAINABLE ISSUE > CUSTOMERS > NETWORK QUALITY AND RELIABILITY	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 the Guidelines for Network Neutrality and Internet Traffic Management established by the Ministry of Science and ICT.
Managing Systemic Risks from Technology Disruptions	(1) Telecommunication interruption frequency and average interruption duration per customer	Quantitative	Frequency per customer, hours per customer	TC-TL-550a.1	SUSTAINABLE ISSUE > CUSTOMERS > NETWORK QUALITY AND RELIABILITY	· p.89
Technology Disruption	System for normal service operation/provision against service interruptions and other similar situations	Discussion and Analysis	n/a	TC-TL-550a.2	· SUSTAINABLE ISSUE > RISK MANAGEMENT REPORT	· p.118-127

# UN GLOBAL COMPACT (UNGC)

The United Nations supports the 10 principles of the United Nations 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 businesses, 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 respecting 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 has helped advance the internal CSR system and gain a better reputation for CSR both at home and abroad.
UNGC Korea	Sept. 2007	
UNGC LEAD	Jan. 2011	

## UNGC ADVANCED CRITERIA

		Location	Cross Reference / Direct Answer
<b>Fulfillment of the UNGC's ten Principles in Strategy and Operation</b>	Criterion 1	Commitment to integrate the UNGC 10 principles into business function and units	· ABOUT THIS REPORT · p.208
	Criterion 2	Practicing the UNGC 10 principles across the value chain	· INTEGRITY REPORT · p.128-133
	Criterion 3	Human rights commitment, strategy, and policy	· HUMAN RIGHTS REPORT · p.134-137
<b>Definite Human Rights Policy and Procedure</b>	Criterion 4	Effective management system to incorporate the human rights principles into business and management procedures	· HUMAN RIGHTS REPORT · p.134-137
	Criterion 5	Monitoring and evaluation mechanism to ensure compliance with the human right principles in business and management procedures	· HUMAN RIGHTS REPORT · p.134-137
	Criterion 6	Labor commitment, strategy, and policy	· HUMAN RIGHTS REPORT · NON-FINANCIAL STATEMENT > SOCIAL DATA · p.134-137 · p.168
<b>Definite Labor Policy and Procedure</b>	Criterion 7	Effective management system to incorporate the labor principles into business and management procedures	· NON-FINANCIAL STATEMENT > SOCIAL DATA · p.168
	Criterion 8	Monitoring and evaluation mechanism to ensure compliance with the labor principles in business and management procedures	· STAKEHOLDER ENGAGEMENT > STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS · p.54-55
<b>Definite Environmental Policy and Procedure</b>	Criterion 9	Environment commitment, strategy, and policy	· SOCIAL VALUE · SUSTAINABLE ISSUE > ENVIRONMENTAL MANAGEMENT · NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA · p.68-79 · p.94-97 · p.170-171
	Criterion 10	Effective management system to incorporate the environmental principles into business and management procedures	· SOCIAL VALUE · SUSTAINABLE ISSUE > ENVIRONMENTAL MANAGEMENT · NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA · p.68-79 · p.94-97 · p.170-171
	Criterion 11	Monitoring and evaluation mechanism to ensure compliance with the environmental principles in business and management procedures	· SOCIAL VALUE · SUSTAINABLE ISSUE > ENVIRONMENTAL MANAGEMENT · NON-FINANCIAL STATEMENT > ENVIRONMENTAL DATA · p.68-79 · p.94-97 · p.170-171
<b>Definite Ethics and Compliance Policy and Procedure</b>	Criterion 12	Anti-corruption commitment, strategy, and policy	· INTEGRITY REPORT · p.128-133
	Criterion 13	Effective management system to incorporate the anti-corruption principles into business and management procedures	· INTEGRITY REPORT · p.128-133
	Criterion 14	Monitoring and evaluation mechanism to ensure compliance with the anti-corruption principles in business and management procedures	· INTEGRITY REPORT · p.128-133
<b>Activities to Support Broader and More Comprehensive UN Objectives and Goals</b>	Criterion 15	Contribution through key businesses to help achieve the UN objectives and goals	· NEW ICT STRATEGY > CREATING NEW VALUE BY SHARING INFRASTRUCTURE · SUSTAINABLE DEVELOPMENT GOALS(SDGs) · p.64-65 · p.200-201
	Criterion 16	Strategic community investment and charity work to help achieve the UN objectives and goals	· SOCIAL VALUE · SUSTAINABLE ISSUE > SOCIAL CONTRIBUTION · NON-FINANCIAL STATEMENT > SOCIAL DATA · SUSTAINABLE DEVELOPMENT GOALS(SDGs) · p.68-79 · p.98-99 · p.166-169 · p.200-201
	Criterion 17	Public engagement and communication to help achieve the UN objectives and goals	· SUSTAINABLE DEVELOPMENT GOALS(SDGs) · p.200-201
<b>Governance and Leadership for Sustainability</b>	Criterion 18	Partnerships and external initiatives to help achieve the UN objectives and goals	· ABOUT THIS REPORT · p.208
	Criterion 19	CEO's sustainability commitment and leadership	· LETTER TO STAKEHOLDERS · p.30-39
	Criterion 20	Board of Directors' selection and oversight of sustainability agenda items	· GOVERNANCE REPORT > BOARD OF DIRECTORS, Corporate Citizenship committee · p.113
	Criterion 21	Stakeholder engagement	· STAKEHOLDER ENGAGEMENT > STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS · p.54-55

# TCFD(\*) DISCLOSURE OF INFORMATION

(\*)TCFD: Task Force on Climate-related Financial Disclosures

To enable a systematic response to climate changes, SK Telecom strives to comply with relevant regulations, implement activities for energy efficiency, and establish goals for carbon reduction. SK Telecom continuously monitors global and local trends related to climate changes and its potential effects on the company under the management of the Social Value Group

TCFD RECOMMENDATIONS	RESPONSE ACTIVITIES	CDP MAPPING (INDEX)
<b>CORPORATE GOVERNANCE: WE DISCLOSE CORPORATE GOVERNANCE FOR RISKS AND OPPORTUNITIES RELATED TO CLIMATE CHANGE.</b>		
<b>a) Describe the board's oversight of climate-related risks and opportunities.</b>	SK Telecom's Corporate Citizenship Committee (under the board of directors) governs the overall environmental management, including the risks and opportunities related to climate change, and makes key decisions on climate change issues every quarter.	
Processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues,		
Whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures,	SK Telecom predicts mid- to long-term GHG emissions by comprehensively considering mid- to long-term investments in telecommunications, as well as acquisition, merger, and divestitures. Based on this, we establish strategies for responding to the domestic greenhouse gas emissions trading system, achieving mid- to long-term GHG reduction goals, and responding to global ESG assessments. When preparing a detailed business plan, we review resources that must be used and reflect the results in the year-end budget each year, as we strive to reduce climate change risks based on the achievements of business progress.	
How the board monitors and oversees progress against goals and targets for addressing climate-related issues.	SK Telecom's current status of emissions, progress of greenhouse gas reduction projects and domestic and international policy trends related to climate change are delivered to the board through the department-in-charge and the board subsequently makes decisions based on the information.	
<b>b) Describe management's role in assessing and managing climate-related risks and opportunities.</b>	SK Telecom gives the Chief Sustainability Officer (CSO) the responsibility for risk and opportunity assessment, monitoring, management, and major prevention activities related to climate change and environmental management. The CSO reports climate change issues to the CEO who then shares the current status with the board (emission amount and reduction goals, current status, target performance and achievements compared to goals), insights from assessments and future forecasts (energy consumption, greenhouse gas emissions and policy environment.) The CEO also explains the overall climate strategy, the newly established reduction targets, ad reduction projects. The board discusses the legitimacy of strategies and projects, provides guidance and suggestions considering domestic and international political/social/technological environment, suggesting the direction and vision that SK Telecom should take.	C1.1a C1.1b C1.2a
Whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues		
A description of the associated organizational structure(s),	The CSO receives the CEO's rights and oversees climate change-related issues, and reports major issues to the Corporate Citizenship Committee (under the board) twice a year or by quarter.	
Processes by which management is informed about climate-related issues,	With the CSO's position being similar to that of the Vice President, he conducts regular meetings and directly reports major issues related to climate. The CSO designates several environmental team members with expertise in climate change and energy who constantly monitor policy/technology/market conditions and trends to formulate basic climate-related strategies. They then share all information with the CSO and discuss plans without time constraints.	
How management (through specific positions and/or management committees) monitors climate-related issues	<ol style="list-style-type: none"> <li>Members of the Environment team analyzes and discusses the urgency and influence of key issues that may affect SK Telecom. According to the results, the team decides whether to report it to the CSO. For non-critical issues, the Environment team autonomously solves the issue autonomously.</li> <li>If it is a significant and urgent issue including investments for reduction projects, the Environment Team reports and discusses the issue with the CSO to prepare for future risks.</li> <li>The Environment Team biannually evaluates the performances as it compares to the goals established at the beginning of the year and adjusts the goals by considering changes to the internal and external environment and circumstances.</li> <li>Every year, the board meeting is held at which the CSO prepares and reports to the CEO major issues and current status related to climate. When the CEO's decision or opinion on investments for emissions reduction projects is needed, the CSO reports detailed information and relevant documents to the CEO.</li> </ol>	

centered on the Corporate Citizenship Committee. The department-in-charge reports on greenhouse gas emissions, the percentage of mid- to long-term targets reached, and energy efficiency activities. Considering that climate change risks can potentially have financial impacts, SK Telecom utilizes the recommendations made by the FSB for TCFD, and discloses the risks and opportunities as follows:

TCFD RECOMMENDATIONS	RESPONSE ACTIVITIES	CDP MAPPING (INDEX)
<b>Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</b>		
<b>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term</b>	Short-term is 1 to 3 years, with the 3 years being K-ETS's 2nd phase from 2018 to 2020. Mid-term is 4 to 13 years, corresponding with the government's mid-term GHG emission reduction goal for 2030. Long-term is 14 to 33 years, with 2050 being a goal year for Net-Zero emissions.	
A description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms,		
A description of the specific climate-related issues for each time horizon (short, medium, and long term) that could have a material financial impact on the organization,	As the first risk in the mid-term period, we are considering reputational risks due to an increase in stakeholder's interests and demands and negative feedback. We placed the heightened cost of emissions trading as the second risk. In regard to a long-term opportunity, we are considering low-emission energy sources, while for a mid-term opportunity, there are participating in carbon market like selling emissions rights in K-ETS and the expansion and development of low-emission products and services.	C2.1 C2.3a C2.4a
A description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization	In the event of changes in domestic and foreign policy related to climate change and increased greenhouse gas emissions within the company, the responsible department predicts financial loss, types of opportunities and scale, and report to the management, and collaborates with relevant departments such as operation, financial/accounting etc., in order to minimize risks and establish measures for the revitalization of opportunities as a response.	
<b>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</b>	<ul style="list-style-type: none"> <li>Products and services: In accordance with energy regulations and smart energy trends, ICT-integrated energy services increased. Therefore, we are committed to developing new smart energy services and devices utilizing ICT technology.</li> <li>Supply chain and/or value chain: To minimize emissions, we enabled telecommunications equipment suppliers to develop energy-efficient equipment.</li> <li>Coordination and mitigation activities: When greenhouse gas emissions increase, the burden for the reduction of greenhouse gases also increases, as does the cost of purchasing carbon emissions. Energy expenses also significantly increase as energy consumption in order to cool communications equipment increases.</li> <li>Investments in research and development: We are investing in S/W development and relevant devices such as EMS, autonomous driving, Smart home, Smart factory, etc., in consideration of the growth of the smart energy industry.</li> <li>Operations (Operation type and facility location included): Abnormal weather due to climate change may damage the mobile telecommunication network that is installed throughout the country.</li> <li>Operating costs and revenue: Increased operating costs due to increased energy capacity is an major financial risk, and therefore, we are monitoring operating costs associated with energy consumption as one of the most influential KPI factors. Meanwhile, we are considering the increase of sales through the smart energy business sector or greenhouse gas emissions trading.</li> <li>Capital expenditures and capital allocation: To make up for a shortfall in emission rights, we have to purchase emission rights from the K-ETS market. Therefore, SK Telecom is calculating a budget based on insufficient emission rights every year.</li> <li>Acquisition or divestment: SK Telecom actively participates in the acquisition/divestment of companies, and as a result, total emissions and insufficient emissions can fluctuate. We determine the size of the budget for purchasing emission rights, by taking this fact into account.</li> <li>Assets: Because we can purchase equipment and facilities for GHG emissions while pursuing GHG reduction programs to secure emission rights, our assets can increase.</li> </ul>	C2.5 C2.6 C3.1a
Organizations should consider including the impact on their businesses and strategy in the following areas: <ul style="list-style-type: none"> <li>Products and services</li> <li>Supply chain and/or value chain</li> <li>Adaptation and mitigation activities</li> <li>Investment in research and development</li> <li>Operations (including types of operations and location of facilities)</li> </ul>		
Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time. Organizations should also consider including in their disclosures the impact on financial planning in the following areas: <ul style="list-style-type: none"> <li>Operating costs and revenues</li> <li>Capital expenditures and capital allocation</li> <li>Acquisitions or divestments</li> <li>Access to capital</li> </ul>		
If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.	We have quantitative scenarios. Among the risks and opportunities associated with climate change, greenhouse gas reduction has the biggest impact in regard to SK Telecom's business strategies. According to the K-ETS regulations, we need to reduce emissions although an increase in emissions is inevitable due to investments and operations of 5G equipment. In this light, we established a plan to reduce more than 5% in expenses as compared to the predicted energy consumption and developing at least one or more emission reduction projects as 2 of our KPIs.	



TCFD RECOMMENDATIONS

RESPONSE ACTIVITIES

CDP MAPPING (INDEX)

**Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.**

<p><b>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</b></p>	<p>We use scenarios from NDCs (Nationally Determined Contributions.) As SK Telecom is a company under the K-ETS, it establishes various scenarios to estimate shortage of emission rights and insufficient purchasing costs. We establish emission allocation based on previous trends of quota and Korea's NDCs. In line with the Korea NDCs' goal year of 2030, SK Telecom limits the termination year of the scenarios to 2030. The scenario includes not only communication infrastructure, but all buildings, cars and other emission sources that SK Telecom possesses. The most important element in constructing the scenarios is the reduction rates that are applied to telecommunications standards. Based on the scenarios that were established according to reduction rate options, we can complete shortage of emission rights scenarios by adding future emissions to the reduction rate scenarios. Teams related to climate, including the Environmental Team, prioritize the scenarios after conducting meetings and debates to discuss and select the most rational scenario that can act as a foundation of climate change and K-ETS related strategies. Based on the No. 1 scenario (11.7% reduction rate by 2030,) SK Telecom decided to respond to the shortage of emission rights by evaluating type, size and budget for investments in reduction programs. At the beginning of the year, we calculate emissions from the previous year and compare the results of the shortage of emissions with the scenario. If there are errors that are not considered while constructing the scenario, we update the scenario.</p>
<p>Organizations should describe how resilient their strategies are to climate related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks.</p>	
<p>Organizations should consider discussing: - where they believe their strategies may be affected by climate-related risks and opportunities; - how their strategies might change to address such potential risks and opportunities; and - the climate-related scenarios and associated time horizon(s) considered</p>	

C3.1d

**Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.**

<p><b>a) Describe the organization's processes for identifying and assessing climate related risks.</b></p>	<p>The process of identifying, evaluating and managing risks and opportunities related to climate change is integrated into the company-wide risk identification, evaluation and management process. The Environmental Team identifies specific climate-related issues, such as climate-related policies, markets, and technologies, then discusses the expected risks that may arise from the issues and classifies them according to the type of risk. Subsequently, we assess the materiality of the risk and determine response methods for the issue as well as reporting standards. Depending on the importance, issues that may lead to serious damage of assets or significant financial loss are reported to the CEO. In addition, the board regularly handles climate issues.</p>
<p>Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks.</p>	
<p>Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered.</p>	<p>Since SK Telecom has low potential to reduce its emissions internally, the company must purchase emission rights from the K-ETS market or conduct reduction programs. Accordingly, we consider the size and cost of the purchase with great importance.</p>
<p>Organizations should also consider disclosing the following: - processes for assessing the potential size and scope of identified climate-related risks and - definitions of risk terminology used or references to existing risk classification frameworks used.</p>	<p>The Infrastructure Management Team assesses predicted risks regarding assets and financial loss according to the various loss scenarios that it originally established. The team possesses a manual to rapidly and effectively respond to physical damage rapidly and effectively.</p>
<p><b>b) Describe the organization's processes for managing climate-related risks.</b></p>	<p>The Environmental Team identifies climate-related risks and opportunities, and depending on the types of risks and opportunities, the team evaluates potential risks, opportunities and urgency of the situation. After discussing this with relevant departments, the team reports it to the management (CSO, or CEO if needed.) After the meeting, the team develops solutions to minimize risks and maximize opportunities. With the Environmental Team as the control tower, each team handles the issues. The Environmental Team reports the progress to management, analyzes the management's opinions and delivers them to each team and finally evaluates the performance to report it to the management.</p>
<p>Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks. In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations.</p>	
<p><b>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</b></p>	<p>The department-in-charge manages risks in terms of policies related to climate change and emission management. It conducts activities to identify major trends related to domestic and international climate change, while the Emission Trading System and the emission risks are managed through estimations of emissions made by the internal GHG emission management system and discussions with relevant departments. Based on the information and data collected, the types and scale of the risks are comprehensively organized so that they can be used to support the process of the management identifying and making decisions on the risks.</p>
<p>Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.</p>	

C1.2a  
C2.2b  
C2.2d

TCFD RECOMMENDATIONS

RESPONSE ACTIVITIES

CDP MAPPING (INDEX)

**Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.**

<p><b>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</b></p>	<p>To assess the risks and opportunities related to climate change, GHG emissions Scope 1 and 2 and GHG indicators such as emissions per unit, energy consumption etc. are used.</p>
<p>Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities. Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable.</p>	
<p>Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.</p>	<p>Reduction performance of GHG emissions is an important factor that determines the financial incentives of the CSO. GHG emissions accounts for the largest factor of SK Telecom's social value, while the scale of social value greatly affects the CSO's performance evaluation.</p>
<p>Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy.</p>	<p>SK Telecom contributes to the reduction of GHG emissions by providing various ICT services such as online billing, T map navigation services, Smart grids, and Smart city among others. In particular, the T map navigation offers a service where the shortest route and earliest arrival time based on real-time traffic data are provided free-of-charge. Based on ITU L.1410 and L.1430 methodology and the GeSi Smart 2020 report, SK Telecom identified that T map contributes to a minimum of 580,000 tons equivalent in CO2 reduction and a maximum of 3.6 million tons per year. The revenue share of low-carbon products in the reporting year is zero percent. Carbon prices are used to calculate profitability of the reduction programs and internal cost reduction. The actual amount of internal carbon pricing is KRW 14,000 (in metric tons), which is half of the current K-ETS market price and also an implied price.</p>
<p>Metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics.</p>	<p>The base year for Scope 1 emissions is 2017, and the emission amount is 6,835 metric tons CO2e. The base year for Scope 2 (location-based) emissions is also 2017 and the amount is 868,566 metric tons CO2e. The methodology used to calculate and collect the indicator is the "IPCC Guidelines for National Greenhouse Gas Inventories, 2006" and "Korea GHG and Energy Target Management System Operating Guidelines."</p>
<p><b>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, as well as the related risks of which.</b></p>	
<p>Organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions, as well as the related risks.</p>	<p>SK Telecom discloses GHG emissions through its Annual Report each year and relevant data is guaranteed for its objectivity and transparency through 3rd party verification. A total of 1,005,576 tco2eq was emitted in 2019. The methodology used to measure the amount of greenhouse gas emissions over the past three years can be found on page 175 of the Annual Report.</p>
<p>GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. As appropriate, organizations should consider providing related, generally accepted and industry-specific GHG efficiency ratios.</p>	<p>C6.1 C6.3 C6.5</p>
<p>GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis.</p>	
<p>In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.</p>	
<p><b>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</b></p>	
<p>Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with anticipated regulatory requirements or market constraints or other goals.</p>	<p>SK Telecom has an absolute value for its goal of GHG emissions. As an absolute goal for the long-term goal of 2050, we established Net-Zero emission. As the absolute mid-term goal for 2030, we have also set a target to maintain 875,401 metric tons CO2e for the base year of 2017 even in the midst of an increase in emission amounts following the establishment of 5G equipment.</p>
<p>Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy.</p>	
<p>In describing their targets, organizations should consider including the following:</p>	
<p>- whether the target is absolute or intensity based, - time frames over which the target applies, - base year from which progress is measured, and - key performance indicators used to assess progress against targets.</p>	
<p>Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.</p>	<p>C4.1a</p>

# SUSTAINABLE DEVELOPMENT GOALS(SDGS)

193 United Nations 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 an active approach to 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 SK Telecom's strategy to create future value to create social value. Based on the Double Bottom Line, SK Telecom's strategy to create financial and social value simultaneously, by strengthening the connection with the SDGs, we are developing systematic goals and plans to create positive

values in terms of the economic, environmental and social aspects. As a New ICT leader, SK Telecom has set six key SDG target areas where the company can display its core competencies and expertise in the 5G and AI sectors among others and is both 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.

	SDG CONTEXT	SK TELECOM'S CONTRIBUTION
	<p><b>Enhancement of healthy lives and welfare for all ages</b>                      3.7 Ensure universal access to health services</p>	<ul style="list-style-type: none"> <li>Provision of citizen cooperation-type customized care services (Happy Community AI Care) based on AI speakers to address the issues of loneliness, safety, and dementia among the socially vulnerable group, including the elderly and those with disabilities.</li> <li>Operation of the "Care Call" service that checks and analyzes health and counseling results with AI automatically calling the subject to reduce the burdens of the health authorities' prevention management for quarantined people arising from the COVID-19 pandemic.</li> </ul>
	<p><b>Ensuring inclusive and equitable quality education and promote lifelong learning opportunities</b>                      4.4 Promoting ICT skills for senior citizens and teenagers                      4.5 Providing equal education to marginalized groups such as individuals with disabilities and indigenous people</p>	<ul style="list-style-type: none"> <li>Smartphone education for senior citizens</li> <li>Hosting the ICT Make-a-thon competition for youths with disabilities and conducting education on software (Happy Coding School)</li> <li>Providing coding education program for children by utilizing the smart robot 'Albert'</li> <li>Carrying out development programs for talented youth</li> </ul>
	<p><b>Promoting sustained, inclusive and sustainable economic growth, full and productive employment and a decent work environment</b>                      8.3 Promoting creative and innovative policies for job creation and growth of SMEs</p>	<ul style="list-style-type: none"> <li>Fostering ICT-based social enterprises and accelerating startups</li> <li>Supporting middle-aged entrepreneurship for ICT convergent venture businesses, supporting the revitalization of university student's entrepreneurship, building an entrepreneurship ecosystem in the Daejeon region, developing ventures specialized for agriculture, operating startup accelerating programs for young adults</li> <li>Support with Digital Transformation and information disparity alleviation for small business owners through "Bizit," "Centers for happiness of small business owners," "T calling," "T membership" etc.</li> <li>Encouraging mutual growth and cooperation</li> <li>Hosted the Smart tourism app contest, launched the IMPACTUPS program</li> </ul>
	<p><b>Building resilient infrastructure, promoting sustainable industrialization and fostering innovation</b>                      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</p>	<ul style="list-style-type: none"> <li>Building a new ICT ecosystem by strengthening core competences such as 5G and AI</li> <li>Striving to secure new technologies to provide stable communication services and continuously improve network quality</li> <li>Meet customer demand for network accessibility by creating a 5G coverage map</li> <li>Tariff discounts to expand service accessibility of low-income and socially disadvantaged groups</li> </ul>
	<p><b>Making cities inclusive, safe, resilient and sustainable</b>                      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, suburban and rural areas by strengthening national and regional development planning</p>	<ul style="list-style-type: none"> <li>Taking care of senior citizens and preventing crime by strengthening network and ICT convergence security services including AI and Big Data</li> <li>Developing electronic devices and systems for strengthening social safety network and protecting marginalized people</li> <li>Improving rescue mission efficiency through ICT public safety solutions Realizing social value such as disaster and safety by using SK Telecom's Big Data and public data analysis</li> <li>Investing in the improvement of communication quality in areas with poor communication services such as remote mountainous areas and islands Developing local economies based on 5G clusters</li> </ul>
	<p>Climate action                      13.2 Integrating climate change measures into national policies, strategies, and planning</p>	<ul style="list-style-type: none"> <li>Devising measures with multi-pronged approach to respond to international emissions trading scheme</li> <li>Providing ICT-based smart/green solutions such as energy management solutions</li> <li>Making efforts to boost energy efficiency through innovation in network structures and new renewable energy facilities</li> <li>Reducing greenhouse gas emissions and saving energy by providing optimal route through T map navigation</li> <li>Reducing resource consumption through minimizing electronic bills, mobile cards, SIM cards etc.</li> </ul>

DBL (DOUBLE BOTTOM LINE)		MID- AND LONG-TERM GOALS
SOCIAL IMPACT	BUSINESS IMPACT	
<ul style="list-style-type: none"> <li>Increase in quality of life through mental care and alleviation of loneliness for vulnerable groups including isolated seniors, people with disabilities etc.</li> <li>Provision of solutions for people in blind spots of care services with emergency SOS functions that can respond 24/7 even during evenings, holidays etc. (To date, fifteen senior citizens have been rescued from emergencies)</li> <li>Increase in efficiency of welfare expenditures and provision of suggestions for possible measures by integrating care policies and costs that were separated by government and departments</li> <li>Increase in self-efficacy and alleviation of information disparity through AI speakers that enable searches for information and life services</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of sales of AI speakers (songs/ data) and building of SV creating ecosystems by nurturing Happy Connect, a social enterprise that operates on-site services</li> <li>Creation of a health management market for senior citizens through the commercialization of a dementia prevention service (Brain Tok Tok) by AI Care services</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of a universal social safety network for healthy old age such as reducing loneliness and preventing isolated deaths for vulnerable groups including isolated seniors in the Untact generation</li> </ul>
<ul style="list-style-type: none"> <li>Eliminating the digital divide by providing ICT and smartphone education to marginalized people and senior citizens who have relatively low access to information</li> <li>Developing professional talents and reinforcing ICT competency by conducting ICT technology education for children and youths</li> <li>Supporting career planning and education for youths through programs for app development and ICT knowledge sharing</li> </ul>	<ul style="list-style-type: none"> <li>Expanding market by inducing transition into ICT-friendly lifestyles</li> <li>Long-term improvement in profitability of business models thanks to the increase in smartphone subscribers</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening ICT technology education for seniors and youths</li> <li>Continuously expanding participants and programs for the socially vulnerable group such as people with disabilities, senior citizens etc.</li> </ul>
<ul style="list-style-type: none"> <li>Creating opportunities and social infrastructure support by fostering core infrastructure, ICT-based social enterprises, and by accelerating startups</li> <li>Supporting funds, technology and infrastructure for business partners</li> <li>Support for small business owners</li> </ul>	<ul style="list-style-type: none"> <li>Securing development opportunities for sustainable business related to the expansion of social value</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening support programs for startups</li> <li>Accelerating ICT-based social enterprises and startups.</li> </ul>
<ul style="list-style-type: none"> <li>Providing core infrastructure for the 4th Industrial Revolution through 5G commercialization</li> <li>Developing economy and innovating human life patterns by strengthening ICT infrastructure</li> <li>Equal, comprehensive infrastructure access to all classes and regions</li> </ul>	<ul style="list-style-type: none"> <li>Securing new sales opportunities linked to global key players</li> </ul>	<ul style="list-style-type: none"> <li>Developing new business models based on 5G</li> <li>Leading global 5G collaboration</li> </ul>
<ul style="list-style-type: none"> <li>Pruning socio-economic losses through stronger ICT-based social safety network, crime prevention and reinforcement of responses to natural disasters</li> <li>Strengthening inter-regional connectivity by generalizing telecommunication services Contributing to the development of a balanced regional economy</li> </ul>	<ul style="list-style-type: none"> <li>Increasing new sales through the development of isolated regions</li> </ul>	<ul style="list-style-type: none"> <li>Building a network for social safety through ICT convergent security (physical and information security)</li> <li>Eliminating digitally excluded regions by expanding communication infrastructure</li> </ul>
<ul style="list-style-type: none"> <li>Easing traffic congestion and slashing social GHG emissions by providing optimal route guidance services, considering real-time traffic conditions</li> <li>Increasing energy efficiency by developing technology related to renewable energy and building an ecosystem for the future energy industry</li> <li>Responding to climate change by reducing resource consumption such as conserving plastic and reducing carbon emissions</li> </ul>	<ul style="list-style-type: none"> <li>Expanding opportunities in the ICT-based environmental solution market</li> </ul>	<ul style="list-style-type: none"> <li>2030 Green Parity</li> </ul>



# FINANCIAL STATEMENTS (NON-CONSOLIDATED)

## NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KRW million

	2019	2018	2017
<b>Assets</b>			
Current Assets	5,011,363	4,679,378	3,768,098
Cash and cash equivalents	497,282	877,823	880,583
Short-term financial instruments	234,000	99,000	94,000
Short-term investment securities	31,920	47,849	47,383
Accounts receivable	1,479,971	1,354,260	1,520,209
Short-term loans, net	57,751	54,336	54,403
Account receivable	507,680	518,451	1,003,509
Accrued revenue	336	410	659
Contract assets	7,173	1,689	0
Advance payment	14,610	10,473	13,783
Prepaid expenses	1,970,982	1,688,234	121,121
Security deposit	73,345	0	0
Current tax assets	70,528	0	0
Derivative financial assets	26,253	0	0
Inventories, net	11,125	22,079	29,837
Other current assets	28,407	4,774	2,611
Non-current assets	25,828,004	24,168,645	21,789,424
Long-term financial instruments	382	382	382
Long-term investment securities	510,633	410,672	724,603
Investments in subsidiaries and associates	10,578,158	10,188,914	9,152,321
Property and equipment, net	8,264,888	6,943,490	6,923,133
Goodwill	1,306,236	1,306,236	1,306,236
Intangible assets, net	3,461,152	4,010,864	3,089,545
Long-term loans, net	7,474	7,236	7,512
Long-term accounts receivable	332,220	274,053	285,118
Long-term contract assets	23,724	5,842	0
Long-term prepaid expenses	1,134,749	753,181	25,169
Long-term guarantee deposits	108,141	184,887	173,513
Long-term derivative financial assets	99,998	50,805	30,608
Deferred tax assets	0	0	30,953
Defined benefit assets	0	31,834	40,082
Other non-current assets	249	249	249
<b>Total Assets</b>	<b>30,839,367</b>	<b>28,848,023</b>	<b>25,557,522</b>

KRW million

	2019	2018	2017
<b>Liabilities and Equity</b>			
Current Liabilities	5,057,478	4,178,068	4,767,401
Account payables	2,266,958	1,622,744	1,664,054
Short-term Unearned revenue	0	0	76,126
Contract liabilities	88,257	46,075	0
Withholdings	685,822	696,790	517,991
Accrued expenses	793,669	664,286	790,368
current tax liabilities	0	162,609	206,060
Short-term unearned income	0	0	3,705
Derivative financial liabilities	0	0	27,791
Current liabilities	50,912	49,303	48,508
Current bonds and long-term borrowings	520,292	512,377	1,131,047
Lease liabilities	207,710	0	0
Current long-term account payables	423,839	423,884	301,751
Other current liabilities	20,019	0	0
Non-current liabilities	8,392,150	7,782,468	5,782,730
Debentures	5,900,829	5,222,865	4,334,848
Long-term borrowings	19,777	31,764	42,486
Long-term account payables	1,544,699	1,939,082	1,328,630
Long-term contract liabilities	11,342	8,358	0
Long-term unearned revenue	0	0	7,033
Derivative financial liabilities	0	1,107	10,719
Long-term lease liabilities	203,179	0	0
Non-current liabilities	16,359	12,483	16,178
Deferred tax liabilities	644,754	523,732	0
Defined benefit liabilities	25,093	0	0
Other non-current liabilities	26,118	43,077	42,836
<b>Total Liabilities</b>	<b>13,449,628</b>	<b>11,960,536</b>	<b>10,550,131</b>
<b>Equity</b>			
Share capital	44,639	44,639	44,639
Other paid up capital	715,619	415,324	371,895
Retained earnings	16,678,787	16,467,789	14,512,556
Reserves	(49,306)	(40,265)	78,301
<b>Total Equity</b>	<b>17,389,739</b>	<b>16,887,487</b>	<b>15,007,391</b>
<b>Total Liabilities and Equity</b>	<b>30,839,367</b>	<b>28,848,023</b>	<b>25,557,522</b>

## NON-CONSOLIDATED STATEMENT OF INCOME

KRW million

	2019	2018	2017
Operating revenue	11,416,215	11,705,639	12,468,035
Revenue	11,416,215	11,705,639	12,468,035
Operating expense	10,466,106	10,398,145	10,770,326
Labor cost	783,124	684,777	624,900
Commissions paid	4,419,953	4,454,763	4,864,463
Depreciation and amortization	2,672,597	2,324,509	2,370,192
Network interconnection	565,084	606,452	628,610
Leased line	213,753	276,699	290,324
Advertising	154,124	169,003	150,361
Rent	223,439	445,122	435,170
Cost of products that have been resold	479,605	500,119	515,013
Other operating expense	954,427	936,701	891,293
Operating income(loss)	950,109	1,307,494	1,697,709
Finance income	615,589	279,059	188,025
Finance cost	270,795	255,455	274,098
Other non-operating income	78,212	41,265	18,471
Other non-operating expense	119,075	149,817	165,783
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	(68,550)	(1,302)	139,484
Profit before income tax	1,185,490	1,221,244	1,603,808
Corporate tax	205,152	287,342	272,694
Net profit(loss) for the term	980,338	933,902	1,331,114
Earnings per share			
Basic earnings per share (in won)	13,399	13,000	18,613
Diluted earnings per share (in won)	13,399	13,000	18,613

## NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KRW million

	2019	2018	2017
Annual profit(loss)	980,338	933,902	1,331,114
Other Inclusive gains and losses	(19,688)	(90,548)	141,840
Items not reclassified as a profit or loss during the follow-up periods	(54,692)	(118,808)	1,746
Remeasurement factors of defined benefit systems	(40,720)	(16,354)	1,746
Valuation loss on financial assets at fair value through other comprehensive income	(13,972)	(102,454)	0
Items reclassified as a profit or loss during the follow-up periods	35,004	28,260	140,094
Gain or loss from appreciation of tradable financial assets	0	0	119,910
Net change in unrealized fair value or derivatives	35,004	28,260	20,184
Total inclusive gains and losses for the term	960,650	843,354	1,472,954



## NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KRW million

	Equity									
	Share	Other Paid Up Capital					Retained	Reserves	Total	
	Capital	Capital Excess	Treasury	Hybrid	Stock	Other	Total	Earnings	Equity	
	of Par Value	Stock	Bond	Options						
Increase (Decrease) due to changes in accounting policies	0	0	0	0	0	0	0	0	0	0
January 1, 2017(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
Total Annual profit (loss)	0	0	0	0	0	0	0	1,331,114	0	1,331,114
income Other comprehensive income (loss)	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)
Stock compensation expense	0	0	0	0	414	0	414	0	0	414
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
Interest on hybrid bond	0	0	0	0	0	0	0	(16,840)	0	(16,840)
Business combination under common control	0	0	0	0	0	0	0	0	0	0
Disposal of treasury stocks	0	0	0	0	0	0	0	0	0	0
December 31, 2017 (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
Increase (Decrease) due to changes in accounting policies	0	0	0	0	0	0	0	1,773,596	(58,389)	1,715,207
January 1, 2018 (Basic Capital)	44,639	2,915,887	(2,260,626)	398,518	414	(682,298)	371,895	16,286,152	19,912	16,722,598
Total Annual profit (loss)	0	0	0	0	0	0	0	933,902	0	933,902
income Other comprehensive income (loss)	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)
Stock compensation expense	0	0	0	0	593	0	593	0	0	593
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
Interest on hybrid bond	0	0	0	0	0	0	0	(15,803)	0	(15,803)
Business combination under common control	0	0	281,151	0	0	(237,074)	44,077	0	0	44,077
Disposal of treasury stocks	0	0	0	0	0	0	0	0	0	0
December 31, 2018 (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
Increase (Decrease) due to changes in accounting policies	0	0	0	0	0	0	0	(25,229)	0	(25,229)
January 1, 2019 (Basic Capital)	44,639	2,915,887	(1,979,475)	398,759	1,007	(920,854)	415,324	16,442,560	(40,265)	16,862,258
Total Annual profit (loss)	0	0	0	0	0	0	0	980,338	0	980,338
income Other comprehensive income (loss)	0	0	0	0	0	0	0	(10,647)	(9,041)	(19,688)
Dividends paid	0	0	0	0	0	0	0	(718,698)	0	(718,698)
Stock compensation expense	0	0	0	0	295	0	295	0	0	295
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
Interest on hybrid bond	0	0	0	0	0	0	0	(14,766)	0	(14,766)
Business combination under common control	0	0	0	0	0	0	0	0	0	0
Disposal of treasury stocks	0	0	282,478	0	0	17,522	300,000	0	0	300,000
December 31, 2019 (End of term capital)	44,639	2,915,887	(1,696,997)	398,759	1,302	(903,332)	715,619	16,678,787	(49,306)	17,389,739

## NON-CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2019	2018	2017
Cash flows from operating activities	3,115,408	3,965,028	3,257,470
Cash generated from operating activities	3,090,855	4,307,913	3,841,517
Net Profit for the term	980,338	933,902	1,331,114
Adjustment for income and expenses	2,793,813	2,863,632	2,804,239
Changes in assets and liabilities related to operating activities	(683,296)	510,379	(293,836)
Interest received	28,388	35,456	46,774
Dividends received	525,045	177,490	101,256
Interest paid	(217,200)	(183,023)	(183,939)
Income tax paid	(311,680)	(372,808)	(548,138)
Cash flows from investing activities	(2,984,059)	(3,109,284)	(2,151,918)
Cash inflows from investing activities	377,937	389,656	296,686
Decrease in short-term investment securities, net	16,217	0	50,000
Decrease in short-term financial instruments, net	0	0	1,000
Collection of short-term loans	107,996	110,261	206,932
Proceeds from disposal of long-term investment securities	223,619	189,083	15,276
Proceeds from disposal of investments in associates and joint ventures	0	78,548	0
Proceeds from disposal of property and equipment	10,767	10,848	19,667
Proceeds from disposal of intangible assets	3,843	916	3,811
Collection of lease receivables	15,495	0	0
Cash outflows for investment activities	(3,361,996)	(3,498,940)	(2,448,604)
Increase in short-term financial instruments	135,000	0	0
Increase in short-term investment securities, net	0	5,000	0
Increase in short-term loans	111,686	109,915	203,511
Acquisition of long-term investment securities	321,124	990	12,863
Acquisition of investments in associates and joint ventures	379,821	1,045,713	286,298
Acquisition of property and equipment	2,304,512	1,893,284	1,870,634
Acquisition of intangible assets	109,853	444,038	75,298
Cash flows from financing activities	(511,890)	(858,073)	(1,099,286)
Cash inflows from financing activities	1,507,700	1,725,221	647,516
Issuance of hybrid bonds	0	398,759	0
Issuance of debentures	1,195,274	1,326,346	647,328
Cash inflows due to transaction of derivative products	12,426	116	188
Disposal of treasury stocks	300,000	0	0
Cash outflows for financing activities	(2,019,590)	(2,583,294)	(1,746,802)
Repayment of long-term borrowings	12,882	12,770	13,002
Repayments of hybrid bonds	0	400,000	0
Repayment of long-term account payables	425,349	302,867	302,867
Repayment of debentures	550,000	1,116,550	602,733
Payment of dividends	718,698	706,091	706,091
Interest on hybrid bond	14,766	15,803	16,840
Cash outflow due to transaction of derivative products	0	29,213	105,269
Repayment of lease liabilities	297,895	0	0
Net increase (decrease) in cash and cash equivalents	(380,541)	(2,329)	6,266
Cash and cash equivalent at beginning of the year	877,823	880,583	874,350
Effects of exchange rate changes on cash and cash equivalents	0	(431)	(33)
Cash and cash equivalents at end of the year	497,282	877,823	880,583

## About This Report

As an Integrated Annual Report, this report has been prepared for investors and stakeholders to provide an overview of 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 Board of Directors granted its final approval for this Report in June of 2020.

### Integrated Reporting According to International Guidelines

This Report was prepared in accordance with the guiding principles and report content as 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 nonfinancial 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). SK Telecom joined the UN Global Compact (UNGC), world largest corporate citizenship initiative for corporate social responsibility and sustainability in 2007 and has been supporting to achieve the Sustainable Development Goals(SDGs), such as human rights, labor, environment, anti-corruption, etc.

### 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 K-IFRS 15 standard was applied to data from 2018 unless otherwise indicated. The nonfinancial 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, 2019. This Report, however, may disclose a portion of the qualitative data generated until May 2020. In case of any changes in the previously re-

ported data requiring attention, such data were re-calculated based on the 2019 data. The reporting period of this Report is one fiscal year, and the preceding report was the <SK Telecom Annual Report 2018> issued in June 2019.

### 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. Furthermore, SK Telecom complies with the management system standard for social responsibility, ISO 26000, and participates in the Carbon Disclosure Project (CDP) as well as 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 12 consecutive years since 2008.

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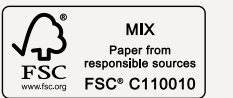


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SK Telecom plans on reducing resource and energy use through the use of PDF Files. The official website of SK Telecom contains a lot more information than in the print version due to a lack of space. We encourage our readers to access this Report as a PDF file instead of the print edition and visit the official website to save resources and protect the environment, while accessing more information more conveniently.



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