

SK Telecom Annual Report 2014

Partner for New Possibilities

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Overview

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Governance & Leadership

Financial & Non-Financial Statement

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About This Report

As an Integrated Annual Report prepared for the purpose of reporting the annual performance to the investors and stakeholders, this Report comprises not only the financial performance records of SK Telecom, but also comprehensive information on value creation including non-financial performance, future prospects and efforts to improve company value. Sustainability and annual reports were issued separately by SK Telecom until 2012, but starting in 2013, the two reports have been compiled and issued as a single report. This Report is the second integrated report published by SK Telecom, and final approval of this Report from the BOD was given on June 24, 2015.

Integrated Reporting under International Guidelines

The International Integrated Reporting Council provides the International Integrated Reporting (IR) Framework, a standard framework for the Integrated Reporting (IR) of both financial and non-financial performances. This Report was prepared in accordance with the guiding principles and report content suggested in the IR Framework 1.0, a standard framework for the Integrated Reporting (IR) of both financial and non-financial performances, and the comprehensive requirements of the GRI G4 Guideline, a standards guideline for sustainability reports provided by the Global Reporting Initiative (GRI). As one of the UN Global Compact (UNGC) LEAD companies, SK Telecom has been undertaking management activities conforming to the 10 principles of UNGC, and this Report was prepared in accordance with the documentation principles prescribed in the Communication on Progress (COP) of UNGC.

Scope and Boundary of the Report

In this Report, the terms, "SK Telecom" and "the company," refer to SK Telecom, excluding its subsidiaries that are subject to consolidated financial statements in accordance with the Korean version of International Financial Reporting Standards (K-IFRS). The financial data is based on consolidated financials, while the non-financial data on the environmental performance and fulfillment of the corporate social responsibility is based on an individual basis. When explaining the performance of SK Telecom's subsidiaries, the respective names of the subsidiaries were used in this Report. The data presented in this Report exclude those for SK Telecom's overseas branches, subsidiaries, invested companies, and supply chains unless otherwise indicated in the generation descriptions and information section. Such data, how-

ever, were included in case 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, which is the Republic of Korea, while the temporal scope is between January 1 and December 31, 2014. This Report, however, may disclose a portion of the qualitative data generated until April 2015. In case of any changes in the previously reported data requiring attention, such data were re-calculated based on the 2014 data. The reporting period of this Report is one fiscal year, and the preceding report was the <SK Telecom Annual Report 2013> issued in July 2014.

SK Telecom, an active member of UNGC LEAD, was listed in the Dow Jones Sustainability Indices (DJSI) World Index for the seventh consecutive year since 2008, and has been designated as a Telecommunication Industry Leader for 5 years in a row since 2010. In addition, SK Telecom has been participating in the Carbon Disclosure Project (CDP) and the business network program of the International Integrated Reporting Council (IIRC).



About Us

SK Telecom, as of December 31, 2014, accounted for about 50% share of the domestic subscribers of mobile communication services companies in South Korea is the world's 'best' and Korean 'first' leading technology and services in the ICT ecosystem.

Highlights of SK Telecom		As of December 31, 2014
Number of Subscribers	About 28.61 million	
Number of Executives & Employees	4,253	
Number of Subsidiary Companies	40	
Stock Exchange Registration Status	Korea Stock Exchange New York Stock Exchange London Stock Exchange	

Shareholder Status



Shareholders Return (Non-Consolidated Basis)

Unit: KRW

Net Income	1,028.5 billion
Earnings per Share	14,262
Total Dividend	666.8 billion
Dividend Payout Ratio	64.8%
Dividend per Share	9,400

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New Possibilities

For the past 30 years, SK Telecom has connected people and evolved towards a new tomorrow. SK Telecom has rewritten the history of Korea's telecommunication industry by inventing new services and introducing advanced technology, and is now fearlessly preparing to evolve into the Next-Generation Platform provider. SK Telecom continues to journey into "New Possibilities", for a future more happier and plentiful than today.

Connectivity

SK Telecom's core competitiveness is network quality. SK Telecom is innovating its products and services for the sole purpose of raising its customer's values, and creating a new ICT environment that is based on a high-speed data network.



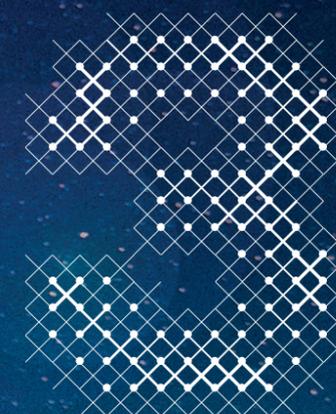
Expandability

SK Telecom is evolving towards becoming a Next-Generation Platform provider by surpassing the telecommunications industry's limitations, eliminating boundaries between industries and through confident convergence and innovation. SK Telecom's new transformation will mark a new turning point in the history of Korean ICT development.



Sustainability

SK Telecom is the market leader in the ICT industry. As market leader, SK Telecom is responsible for our society's sustainability, an obligation we fulfill with pride. SK Telecom will strive to reduce the digital divide between regions and generations and create social values that can bring happiness to all members of society.



Connectivity

Accelerating the introduction of 5G, proudly and fearlessly pioneering the market.

Customer satisfaction is more important than competition for speed. SK Telecom is leading the network competition by enhancing customer values and providing endless technical innovations, in order to bring more happiness to 28.61 million subscribers. SK Telecom, with its proud and fearless pioneering spirit, is now making preparations to welcome the age of 5G, which will open a new world of ICT.



LTE-A

Provided nationwide service of Broadband LTE-A, which is three times faster than LTE June 2014

85 cities

Expanded the 3band LTE-A service to 85 cities nationwide January 2015

1st

First in the world to develop a 2FA(frequency assignment) Giga WiFi technology that doubles the data capacity October 2014

X 1,000

Displayed possibilities of 5G technology, which is 1,000 times after than LTE. Demonstrated the 7.55 Gbps data transmission speed at the 2015 MWC March 2015

1G-28s

Commercialized 3band LTE-A, which downloads 1GB contents in only 28 seconds December 2014

Expandability

Striving to be a Next-Generation Platform provider beyond boundaries based on collaboration.

SK Telecom will evolve into a “Next-Generation Platform” provider that satisfies customer’s needs and offers innovative products and services, in order to overcome the barrier that hinders the growth of the telecommunications industry. We will create a new ecosystem by engaging in borderless cooperation with diverse business partners. SK Telecom will propel future growth with our “Lifestyle Enhancement Platform”, “Advanced Media Platform” and “IoT Service Platform”, and create a new chapter in the development of Korea’s ICT.

T Phone

Communication platform that combines calls with data. Secured 4.6 million subscribers within one year of service launch
January 2015

T Kids Phone

Wearable device designed exclusively for children. Provides location verification features and emergency alerts. Currently has 170,000 subscribers
April 2015

T Outdoor

Offers voice call and data services that can be used without a smart phone when on the go. Currently has 100,000 subscribers via wearable devices
April 2015

IoT

Introduced “Mobius”, the world first open-source IoT platform that conforms to global standards
December 2014

Smart Home

Launched a smart home service that controls various devices, including dehumidifiers, door locks and boilers with Mobius Platform
May 2015

Lifeware

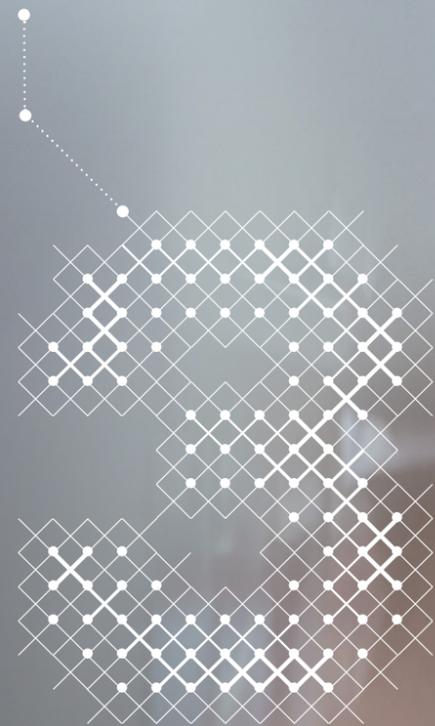
Entered the customer-focused IoT market by introducing various smart hardware products, including “Smart Beam” and “Air Cube”
December 2014



Sustainability

The first to take the challenge with passion towards a sustainable future.

SK Telecom connects individuals with society, people with objects and the present with the future. This valuable connection also makes the world a better place. SK Telecom is creating a healthy ICT ecosystem with the principle of openness and sharing and supporting the growth of various venture companies and startups to build a Creative Economy. SK Telecom's goal and responsibility towards our future generation is to raise the values in the society and environment, and drive sustainable growth and development in society through ICT innovation.



KRW 4,535.7 billion

Ranked as the service provider with the highest brand value by 'Best Korea Brand 2015' (3rd consecutive year)
March 2015

18 years

Ranked 1st place in the National Customer Satisfaction Index (NCSI) for the 18 consecutive years
March 2015

12.6%

Contributed to reducing greenhouse gas with T Map, a communication type navigation that uses real-time traffic information

7 years

First Asian telecommunications company to be included in DJSI for 7 consecutive years
September 2015

34 teams

Nurtured venture companies through "BRAVO! Restart", a program created to support ICT based startups

New Possibilities for the Next 30 Years

SK Telecom declared “Vision 2020” initiative under the slogan of “Partner for New Possibilities” and is making great strides to achieve the goal of becoming one of the world’s top 100 companies with a corporate value of 100 trillion by 2020. As Korea’s leading telecommunications company that has continuously provided world-class services and technology for the past three decades, SK Telecom strives to create new value for the future by surpassing market limitations and eliminating boundaries between industries. As a Next-Generation Platform provider, SK Telecom will maximize customer value and navigate new growth engines by creating a new ICT ecosystem with various partners. SK Telecom possesses infinite possibilities that can create a ‘Better World’, where its corporate vision acts as a blueprint for the imminent future and innovations in its products and services provide new values in its customers’ lives.



SK Telecom
Annual Report 2014

**Partner for
New Possibilities**

1. Overview

CEO's Message

Business Model

The Year 2014

Letter to Stakeholders

Distinguished Stakeholders,

SK Telecom celebrated its 30th anniversary in 2014, a year that presented directions for future development of the ICT industry.

The ICT industry faced new changes, with the explosive introduction of data services, intensified competition over LTE, and as second devices-wearable devices-internet of things became the topic of the year.

Amidst these changes, SK Telecom led the data-centered market by innovating its products and services, with top priority in “customer values”. Visible achievements were made in growth businesses including IPTV, healthcare and B2B solutions, and new growth engines were added to the company’s global and convergence businesses. With the expansion of LTE services and growth in solution-related sales, SK Telecom was able to record KRW 17,163.8 billion in revenue in 2014, a year-over-year growth of 3.4%. SK Telecom also recorded KRW 1,825.1 billion in operating profit by innovating its products and services and placing customer values at the center of all operations, and achieved KRW 1,799.3 billion in net profit (11.8% year-over-year growth).

In addition to financial achievements, SK Telecom also gained domestic and international recognition for efforts to raise the company’s corporate value. SK Telecom was an active participant of the LEAD program, which consists of an exclusive group of selected United Nation Global Compact (UNGC) companies, became the first Asian telecommunications company to be included in the Dow Jones Sustainability Index (DJSI) World for the seventh consecutive years, maintained the “Excellent” grade (the highest level granted) from the Win-Win Index given by the National Commission on Cooperative Partnership, and ranked first place in the National Customer Satisfaction Index (NCSI) for 18 years in a row.

Securing leadership in LTE by strengthening the core competitiveness of telecommunications business

SK Telecom strengthened the core competitiveness of telecommunications business in 2014 by innovating products-services, and continuously pushed forward to bring a paradigm shift in the competitive environment. The company offered differentiated network competitiveness and specialized services that focused on customer values, and these efforts led to an increase in LTE subscribers. To create a paradigm shift in the competition, SK Telecom also played a leading role in stabilizing the market in a rapidly changing regulatory environment that included the implementation of the Mobile Device Distribution Improvement Act. New services that aimed at optimizing customer needs, including “T Phone”, the “Unlimited Membership” plan and “T Kids Phone”, were also introduced. By using these services, customers became more aware of data efficiency. The company also further solidified its position as the LTE market leader by commercializing 3band LTE-A. SK Telecom’s efforts were well rewarded as it saw continuous increase in the number of LTE subscribers. By the end of 2014, 16.74 million or 58.5% of total subscribers were using LTE services.



Preparing a foundation for the future by expanding growth businesses

SK Telecom strengthened its foundation for growth by expanding business models and boosting synergy around the three major growth areas of IPTV, healthcare and B2B solutions. The company also achieved qualitative growth by increasing the size of business operations. The IPTV division had secured 5.2 million fixed line and wireless subscribers by late 2014, solidifying the company's position as the main paid broadcasting service provider and creating a foundation to expand its business model into the media sector. The company's healthcare division acquired US FDA approval for an external diagnostic device and opened a medical center in Shenzhen, China, which will be function as a basecamp for future strategic growth. The company's B2B solution business, which achieved a year-over-year increase of 20% in sales, is expected to record steady sales growth as SK Telecom continuously develops B2B solutions and platforms that are centered on Internet of Things (IoT), energy saving green solutions and security solutions.

Also in 2014, SK Telecom successfully acquired iriver and NSOK. The company also laid down a sturdy foundation for future growth and made continuous and noteworthy achievements in the global market, including SK Planet's entry into international markets of Turkey, the United States of America and Indonesia, as well as SK Hynix's remarkable growth.

Pursuing social values through 'Creative Economy' innovations

SK Telecom dreams of "changing society for the better" with the evolution and development of ICT. SK Telecom has promoted pilot projects to construct Daejeon Center for Creative Economy and Innovation(DCCEI) and Sejong Changjo (Creative) Village since 2014 in cooperation with the public and private sectors. These efforts were made to implement the "Creative Economy", the new growth engine for the Korean economy. SK Telecom has played an unsparing role in DCCEI by providing startup companies with support in developing their business models and products, securing markets and making entries into global markets. SK Telecom's work attracted the government's cooperation and visible results were produced when DCCEI's business model was exported to Saudi Arabia.

Furthermore, SK Telecom contributed in the development of the ICT ecosystem. Through the "BRAVO! Restart" program, the company supported small-sized startups which all have innovative technologies in the area of Internet of Things and big data. The project succeeded in commercializing 21 teams, and as a result, partners saw solid growth in sales. SK Telecom's efforts continued with the "Upright ICT Class", which was held to create a healthy ICT culture by providing correct understanding of technology and preventing internet addiction. The "Good ICT" project was conducted to reduce digital divide and resolve side effects from technical developments, such as personal information protection issues.

Creating new ICT history in 2015 by innovating corporate values

SK Telecom announced "Vision 2020" initiative in 2012 under the slogan of "Partner for New Possibilities". Under the Vision 2020 initiative, SK Telecom set a long-term goal of becoming one of world's top 100 companies with a corporate value of 100 trillion by 2020. In order to achieve these goals in advance, SK Telecom will transform its businesses into new areas and take the first step towards innovating corporate value.

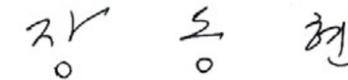
World-class efficiency and competitiveness should be secured to overcome the barriers faced by the telecommunication industry today. Efficiency and competitiveness can be acquired through structural change and innovation, reform, and by improving the way work is done. SK Telecom will transform into a "Next-Generation Platform" provider in order to maximize customer values and discover new growth engines to create a turning point in the history of Korean ICT development.

SK Telecom aims to provide "Next-Generation Platform", a new platform that builds an open ecosystem that is based on telecommunications and provides innovative products and services that satisfies customers' innermost needs. The company has changed its perspective from a service provider's perspective to the user's perspective, and formed cooperative relationships with many partners including venture companies, startups and small-and-medium sized businesses under the principle of "openness and sharing".

SK Telecom will create innovation that does not draw a line between industry boundaries and will expand the ICT ecosystem. The company will also lead a healthy competitive culture that is based on core competitiveness and customer confidence. In 2015, SK Telecom will innovate corporate values through strong performance. Through such innovation, SK Telecom will continue to play a pioneering role in implementing the Creative Economy and ICTnomics, create new possibilities with stakeholders and become a company that is respected throughout society.

I look forward to your unwavering interest and support.

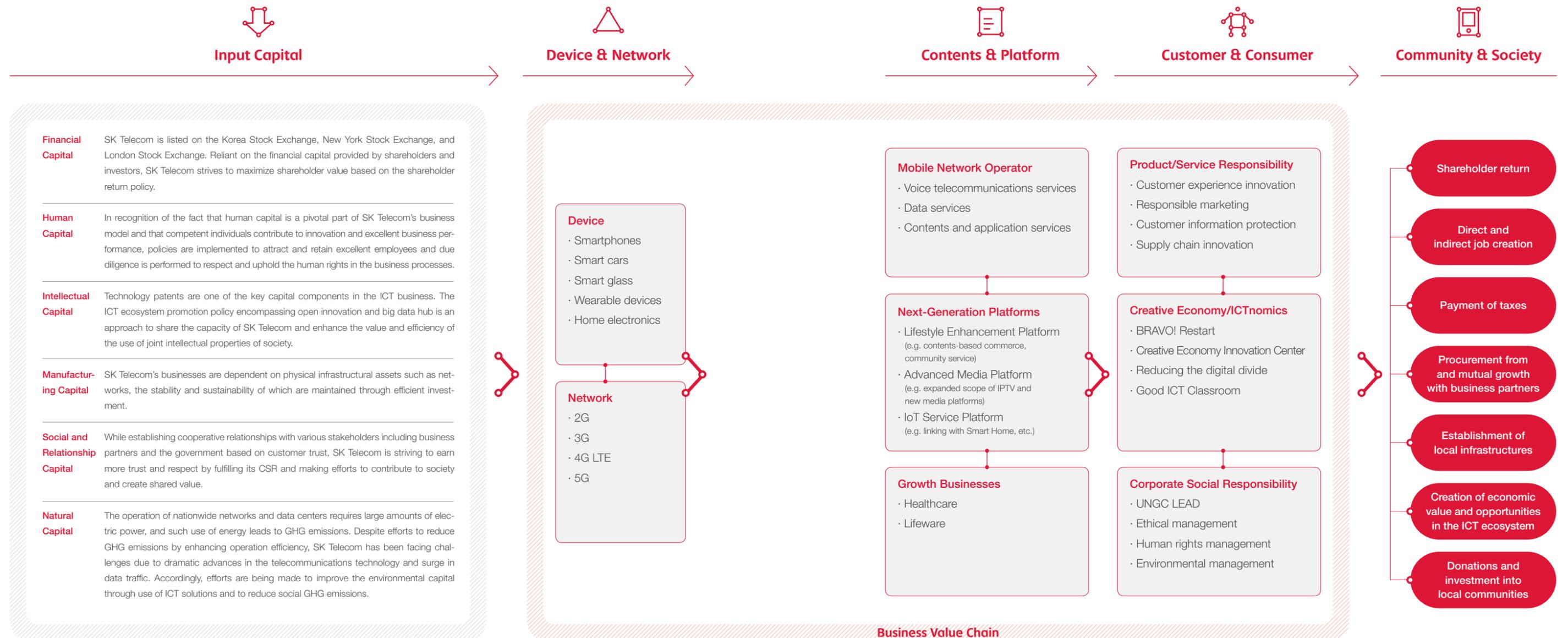
Sincerely,



Dong-Hyun Jang
President and CEO
SK Telecom
June, 2015

Discovering New Business Models to Lead the Platform Era

For permanent and sustainable growth of the entire society rather than short-term and partial persistence as an enterprise, SK Telecom is expanding its capital impact within its business model, shifting its focus from mobile communications, convergence and growth businesses to the Next-Generation Platforms. In the process, efforts are being made to optimize value for stakeholders and contribute to the long-term value improvement for the entire society.



*IIRC (International Integrated Reporting Council) reporting framework applied.

Mobile Telecommunications Services

SK Telecom provides competitive mobile telecommunications services based on its primary products and services such as end-user devices, service plans, network and contents. Despite the dramatic changes in the telecommunications market environment resulting from the commercialization of LTE technology, SK Telecom has remained an unparalleled premium network operator with its advanced telecommunications and network operating technologies. Following the commercialization of LTE-A technology in June 2013, SK Telecom successfully commercialized broadband LTE-A (225Mbps) services in June 2014 and 3band LTE-A, which is about 4 times faster than conventional LTE, attesting to its status as a leader in technology. In addition, SK Telecom has launched unlimited LTE data plans, and introduced innovative service plans such as time, place and occasion (TPO) based unlimited option plan, offering unlimited data during commuting hours or on the subway. In 2014, high-utility products including T Outdoor and T Kids Phone were introduced in pace with growing use of secondary devices. SK Telecom plans to enhance profitability by reinforcing customer retention policy based on core competitiveness as a telecommunications service provider in accordance with the trends of data services, and lead the advances in the network technology and the mobile communications market, centering on products and services that provide differentiated experiences to customers.

Broadband Internet and Fixed-Mobile Convergence Services

SK Telecom provides a wide range of integrated fixed-line and wireless services, including a home Internet service called B Service, primarily through a major subsidiary, SK Broadband. In the case of IPTV services, 5.2 million subscribers were recorded as of end of 2014. In addition, the number of subscribers to B TV Mobile, a mobile service for IPTV that was launched in October 2012, surpassed 1 million as of March 2014 and accumulated 2.37 million subscribers by

end of 2014. In March 2015, for the purpose of enhancing the synergic effect of the integrated fixed-line and wireless services, SK Telecom reached a resolution for 100% subsidization of SK Broadband, SKB is expected to serve as a stepping stone for the full-fledged operation of the media business, and also take leadership stand in the arena of new media platforms.

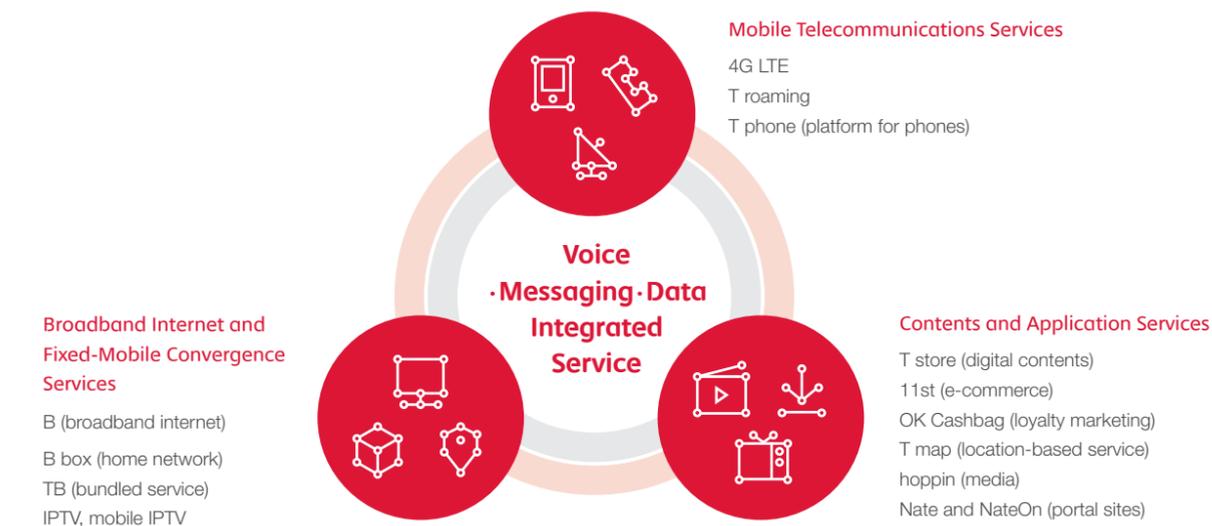
Contents and Application Services

Providing innovative contents through mobile devices has become a business area with high growth potential due to rapid shift in focus toward data services in the telecommunications market. The number of smartphone users reaching over 30 million, and the launch of diverse mobile devices are exhibits of such changes. Accordingly, SK Telecom is forging synergy with SK Planet based on openness and expandability through T Store, a digital contents platform, and T Map, a location-based service. SK Planet is continuing its efforts to secure a leading position in the next commerce business at home and abroad. It commenced its full-fledged efforts to expand into North America by acquiring Shopkick, a leading online to offline (O2O) company in the U.S., and expanded the open market business in Turkey, Indonesia and Malaysia.

Corporate Client Services

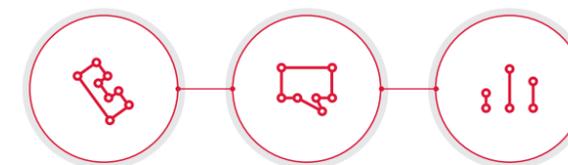
In the B2B area, which is one of the growth businesses, efforts have been made to increase the proportion of sales for solutions in addition to the existing circuit-centered services. The Internet of Things (IoT) platform and solutions, green management, payment, cloud and big data among others have been set as the areas of solution services. Through these efforts, there are plans to restructure the business areas, shifting from the circuit-centered business to the solution business, and lay the foundation for sustainable growth.

Service Area : Individual Customer Services



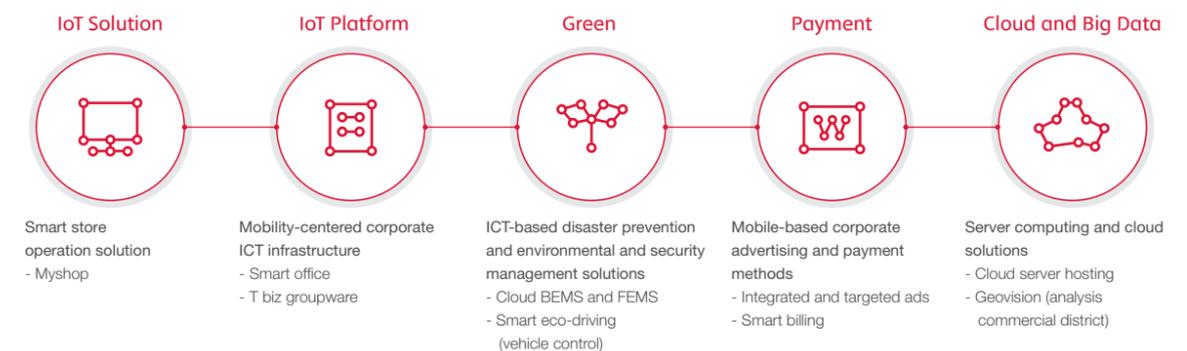
Service Area: B2B Customer Services

Network Business



Voice · Messaging · Data Network and Hosting for Corporations

Solution Business



Competition Paradigm Based on Innovative Products and Services

In 2014, SK Telecom led the innovation of products and services, thereby strengthening competitiveness in the telecommunications industry, and attempted to shift the paradigm of market competition at the same time. Tangible results were also achieved in the three growth areas: IPTV, healthcare and B2B solutions.

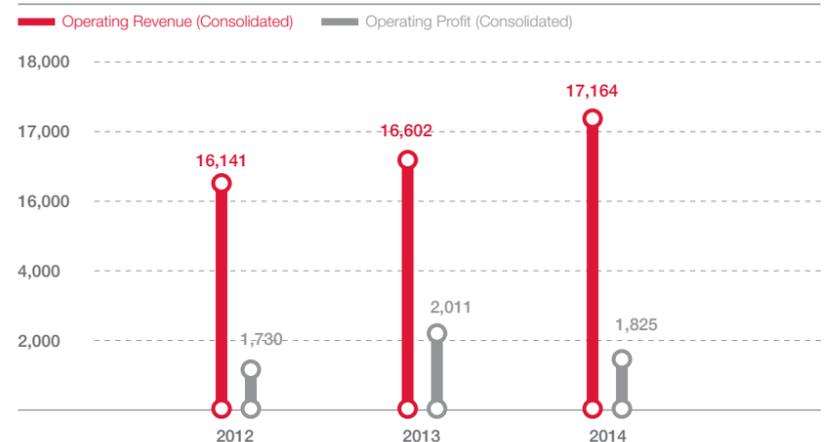
Financial Performance

In 2014, SK Telecom recorded annual revenue of KRW 17,163.8 billion, operating profit of KRW 1,825.1 billion and net profit of KRW 1,799.3 billion according to the consolidated financial statements in accordance to K-IFRS.

LTE Leadership and Discovery of Opportunities in the Convergence Market

SK Telecom secured its LTE leadership status by enhancing customer value through the launch of new services catering to the market needs such as unlimited membership plan, T Phone and T Kids Phone, and commercializing 3band LTE-A. Total annual revenue reached KRW 17,163.8 billion, a 3.4% YOY increase. B2B solution business recorded KRW 502.6 billion in revenue, a 21% YOY increase, gaining full momentum for mid-term growth. Based on LTE leadership, SK Telecom had approximately 16.74 million LTE subscribers (as of the end of 2014), accounting for 58.5% of the total subscribers. In addition, tangible results were achieved in three areas of growth by expanding the scale of the B2B solution and IPTV businesses and reinforcing the

Performance Based on Consolidated Financial Statements Unit: KRW billion



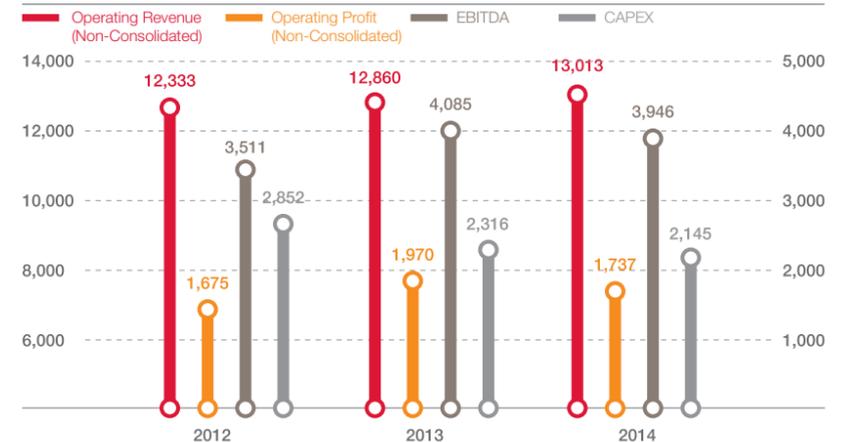
The customer is the protagonist, the customer value is the top priority of SK Telecom's declaration of "creative customer value innovation"

foundation for the healthcare business. Moreover, additional growth opportunities were discovered in the global and convergence businesses by opening Shenzhen VISTA-SK Medical Center in Shenzhen, China, and acquiring NSOK and iriver.

Reduced Operating Profit Due to Overheated Market

Operating profit in 2014 was KRW 1,825.1 billion, a 9.2% YOY decrease resulting from overheated competition early in the year, despite improved profitability from reducing the churn rate by providing more benefits to long-term subscribers and the efforts toward market stabilization. Net profit was recorded at KRW 1,799.3 billion, an 11.8% YOY increase. This was due to the favorable performance of investments such as SK Hynix. Capital expenditures (CAPEX) of SK Telecom were KRW 2,144.7 billion, a 7.4% YOY decrease. There are plans to achieve downward stabilization through technical advances and improved investment efficiency.

Performance Based on Non-Consolidated Financial Statements Unit: KRW billion



Future Outlook

With top priority in maximizing corporate value, SK Telecom plans to enhance operating efficiency by improving business operation methods and fundamental characteristics, and discover and develop various business portfolios to achieve further growth in the future. In 2015, SK Telecom will dedicate its efforts to achieving revenue target of KRW 17.9 trillion, a 4.3% YOY growth, by continually expanding the LTE subscriber base and the scope of its products and services, and realizing tangible results in the growth business areas such as media solutions.

- Revenue target of KRW 17.9 trillion, to be achieved through the accelerated growth of the new businesses
- Downward stabilization of CAPEX to continue from 2014
- Increased profitability from expanding LTE and multimedia contents services is expected
- Tangible performance to be achieved in growth businesses by expanding B2B solution and platform services
- Convergence growth businesses such as IPTV, healthcare and IoT services, etc. to be discovered

Leading the Market by Shifting the Customer Value Paradigm

In 2015, SK Telecom will launch more innovative and differentiated products to focus on customer value and further strengthen its primary competitiveness to firmly establish itself as a leader in the industry. As a result of ongoing expansion of LTE services and the improved environment for data usage, ARPU grew by over 4.5% for the second consecutive year. An efforts are being made to boost ARPU at a similar rate in 2015 with more benefits for customers, widespread use of diverse multimedia contents, and launch of high-quality products and services that utilize the evolving network environment. Also, in response to changes in the internal and external environments and the beginning of the era of IoT, preemptive structural changes and innovations will be made to achieve world-class competitiveness and efficiency.

Implementing New Business Models Including IoT

In addition to reinforcing performance in the existing growth businesses, SK Telecom will attempt to implement new business models and achieve success by using as leverage current strengths such as existing subscriptions, big data and supply chain. These growth businesses will be subject to strict and objective reviews from the perspective of corporate value, and be fostered to the level of telecommunications business through selection and concentration. First and foremost, customers will be valued differently and treated accordingly. SK Telecom will work towards providing customers with more than just a "lump sum amount" on handset purchases. SK Telecom will transform into a Next-Generation Platform provider, offering innovative products and services satisfying customer needs to maximize customer value, and achieve growth by cooperating with diverse partners including small and medium enterprises (SMEs). Accordingly, there are plans to achieve corporate value of KRW 55 trillion by 2018, which is 2 years earlier than the previous target. IoT platform business, based on M2M business and IoT-based B2B solutions, will be fostered intensively, while revenue in other key areas such as security, energy saving and cloud is expected to double from last year.

Prepared the foundation for Advanced Media Platform

IPTV subscribers of fixed-line and mobile services reached 5.2 million by the end of 2014, making SK Telecom one of the major paid broadcasting service providers. Also, in 2014, the number of subscribers to the mobile TV service, in particular, increased to 2.37 million, with 1.56 million new subscribers. In 2015, there are plans to make efforts to reach the target fixed-line and wireless IPTV subscribers of 7 million, and to pave the foundation for SK Telecom to emerge as an integrated media platform provider.

Billing-based ARPU Trend

Growth for 2 consecutive years



Growth Rate of the B2B Solution Business in 2014



Tangible Performance of Healthcare Business Including Global Expansion

SK Telecom plans to continually reinforce its capabilities related to healthcare business, in which tangible results were achieved last year such as the U.S. FDA approval of external diagnostic devices, expansion into the Chinese market and export of hospital solutions. In addition, global business operation will be pursued, centering on the external diagnostic devices, as a means to enhance corporate value, and a new business model will be implemented in the device and platform areas based on current IoT trend.

In the case of iriver, which was acquired last year, it has firmly established itself in the high-end sound system market, and is expanding business areas to include accessories. In 2014, SK Planet launched Syrup and acquired U.S.-based Shopkick, while its open market "11st" achieved continuous growth and global expansion. As such, the company brought forth various tangible results in Korea and overseas, and laid the foundation for next commerce, bridging online and offline platforms. Of particular note, 11st achieved 128% YOY growth in its mobile transaction amount, while successfully expanding into Turkey, Indonesia and Malaysia with its open market platform.

SK Planet will continue its efforts to grow as a global leading company in the e-commerce sector and as a global platform provider by reinforcing synergy with SK Telecom in businesses such as T Store and T Map.

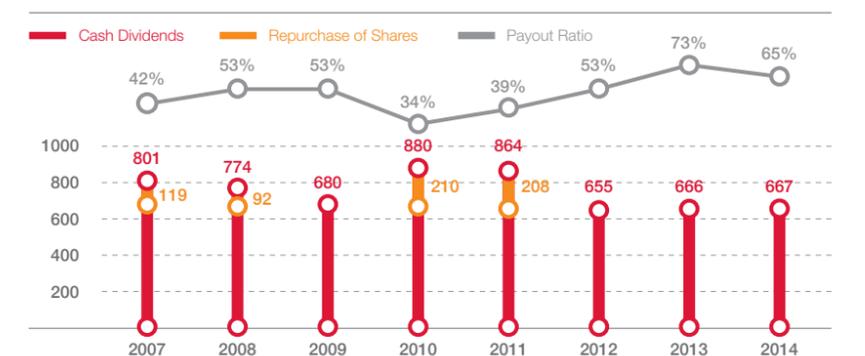
In 2014, SK Telecom launched innovative products and services, thereby strengthening the core competitiveness as a mobile communications service provider, and reaffirmed its sustainable growth potential. With differentiated network competitiveness and specialized services for customer value, SK Telecom will firmly secure its leadership stand in the era of data services, and make advances as a Next-Generation Platform provider.

Aggressive Shareholder Return Policy

For the past 8 years SK Telecom has maintained a DPS(dividend per share) policy of 9400 KRW. Indirect investment return was achieved through the repurchase of shares on four occasions in the past 8 years. The dividends for 2015 will be determined more flexibly, considering the investment capacity for growth, cash flow and other factors. Efforts will be made to increase corporate value by maintaining balance between investment and shareholder returns.

Annual Scale of Shareholder Returns

Unit: KRW billion



Performance Improvement Through the Pursuit of SUPEX

SK Telecom endeavors to play a key role in social and economic development by creating value for customers, employees and shareholders by ensuring its permanent existence and ceaseless development. This objective will be met through the pursuit of SUPEX based on SKMS.

The SK Management System (SKMS) is the management principle, which has served as the basis for SK's existence and growth, and a business management system implemented by SK Telecom as well as its affiliates. SUPEX, which stands for "Super Excellent," is the goal pursued in SK Telecom's management activities, and it is a means to practice the Group's management principle, SKMS. Through the pursuit of SUPEX, SK Telecom is striving to realize the vision behind SKMS, which is to "create value for customers, employees and shareholders by ensuring its permanent existence and ceaseless development, thereby playing a key role in social and economic development and contributing to the happiness of mankind."

The key performance indicators (KPI) in 2014 including financial performance are as follows:

Financial Metrics

Operating Profit Growth Rate (consolidated)

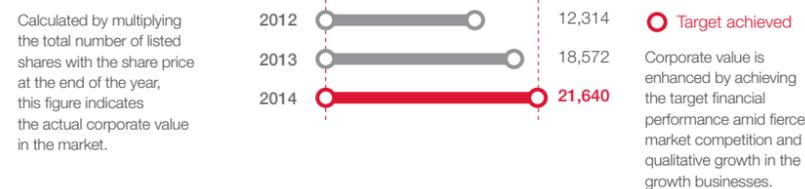


Operating Margin (consolidated)



Corporate Value (Total Market Value)

Unit: KRW billion



Operational Metrics

Revenue Contribution by New Businesses



LTE Subscribers

Unit: thousand persons



Billing-based ARPU

Unit: KRW

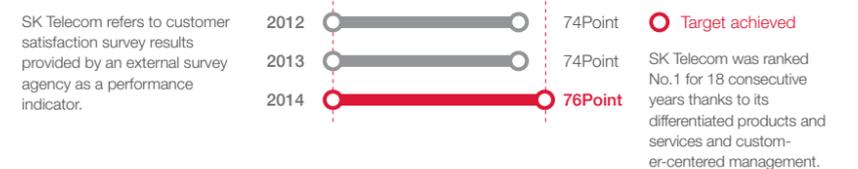


Sustainability Metrics

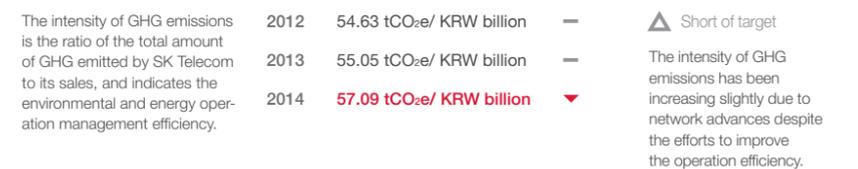
SKMS Engagement Rate



Customer Satisfaction Rate



Intensity of Greenhouse Gas Emissions (GHG)



Creating ICT Synergy Through Network Hardware Platforms

All of the subsidiaries are regarded as strategic partners in SK Telecom's evolution into a Next-Generation Platform provider. SK Telecom will implement strategies to link contents, community and commerce platforms, and achieve a corporate value of KRW 100 trillion early on by generating tangible results.

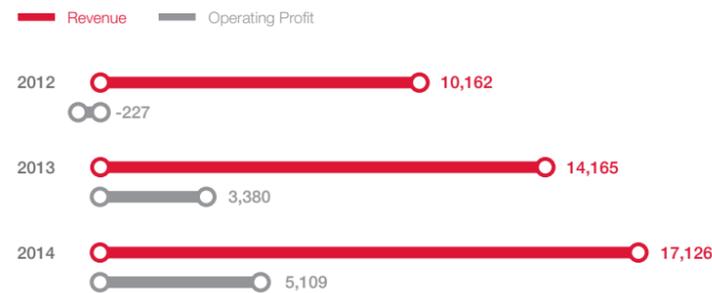
SK Hynix

SK Telecom acquired SK Hynix and secured its management rights in 2012 in order to discover new growth opportunities through the convergence of telecommunications and other industries. Following the acquisition, SK Telecom implemented three "strong" management policies, which were "strong leadership," "strong growth strategies," and "strong intimacy," in order to build solidarity and a win-win relationship between the two companies. SK Hynix achieved record-breaking management performances for two consecutive years in 2013 and 2014 after the acquisition. For instance, in 2014, SK Hynix recorded KRW 17,126 billion in revenue (20.9% year-over-year growth) and KRW 5,109 billion in operating profit (51.2% year-over-year growth, 29.8% increase in operating margin), which were the highest figures achieved in its history of 31 years. Despite the slight decrease in mobile DRAM prices amid price stabilization of computing products, a hike in revenue resulted from increased production as well as the efforts to surpass target shipment volume increase by actively responding to the increasing demand for servers and PCs.



SK Hynix Performance

Unit: KRW billion



* K-IFRS consolidated basis



SK Planet

SK Planet, founded as a subsidiary of SK Telecom in October 2011, is leading the evolution of online and mobile platform services through integrated commerce, digital contents, and advertising and marketing businesses. In 2014, SK Planet launched smart offering service (SOS), centering on a next commerce platform called Syrup, and accumulated 13.28 million subscribers by the end of 2014, attesting to its successful establishment in the industry. SK Planet plans to build its global leadership through open market business in Turkey (www.n11.com), Malaysia and Indonesia. With the accelerated breakdown of the boundaries in the business areas and value chains in the ICT sector, SK Telecom and SK Planet will cooperate more closely and create synergy.

SK Planet Performance

Unit: KRW billion



* K-IFRS consolidated basis

* Increment stemming from the merger with SK M&C in Feb. 2003 has been added

SK Broadband

SK Broadband gained 4.81 million B Internet subscribers by end of 2014 based on the expansion of IPTV subscriber base and continuous growth of broadband business. It is providing a variety of convergence services including fixed-line services based on high-speed Internet amid the convergence of broadcasting and communications services, a natural evolution process of the telecommunications market. The reinforced competitiveness of integrated fixed-line and wireless services, in particular, has resulted in net increase rate of subscribers to the combined high-speed Internet and mobile phone services to double compared to 2013. By the end of 2014, the number of subscribers to the bundled fixed-line and wireless services increased to 2.77 million. Customer experience was improved with launch of B Giga Internet, which is 10 times faster than the conventional optical LAN, and the bundled services with improved affordability for home users, while differentiated services such as B Home CCTV were launched for leadership in the home service market. On the other hand, SK Telecom reached a resolution for the 100% subsidiarization of SK Broadband on March 20, 2015 for the purpose of maximizing synergy and securing competitiveness through integration of fixed-line and wireless service businesses.

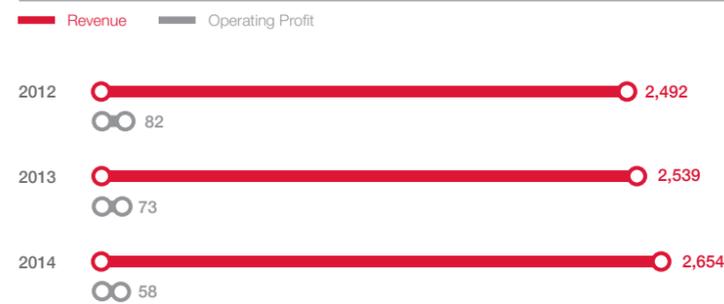


SK Telink

SK Telink provides international calling services that are affordable yet high in quality as well as MVNO and other high-quality services to meet the diverse demands in the ICT communications market. In 2014, the number of subscribers to "7 Mobile," an MVNO brand, reached 750,000 (as of the end of 2014), attesting to the company's emergence as a key player in the domestic mobile communications market. SK International Call 00700, an international call business division, launched innovative products and services to further benefit the customers such as the 10 Plus plan, which provides 10 additional free minutes for international calls lasting over 10 minutes. SK Telink plans to dedicate its efforts to creating an economical and practical communications culture in 2015.

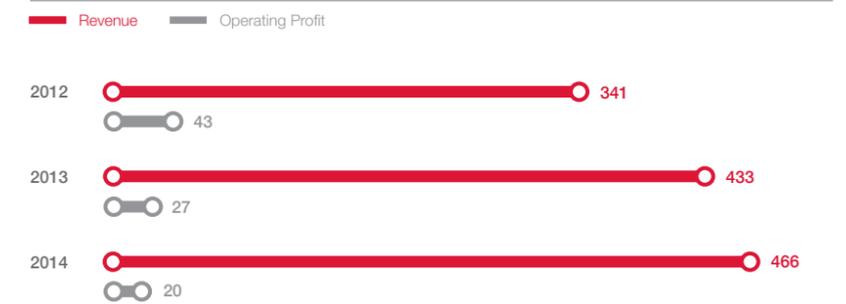
SK Broadband Performance

Unit: KRW billion



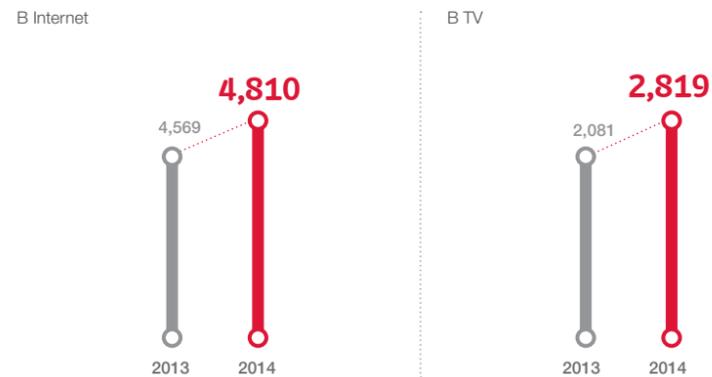
SK Telink Performance

Unit: KRW billion



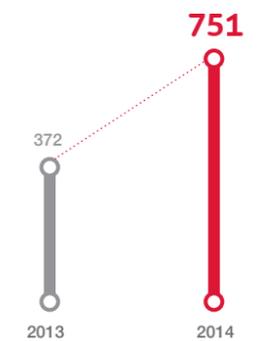
Subscribers

Unit: thousand persons (cumulative)



MVNO Subscribers

Unit: thousand persons (cumulative)

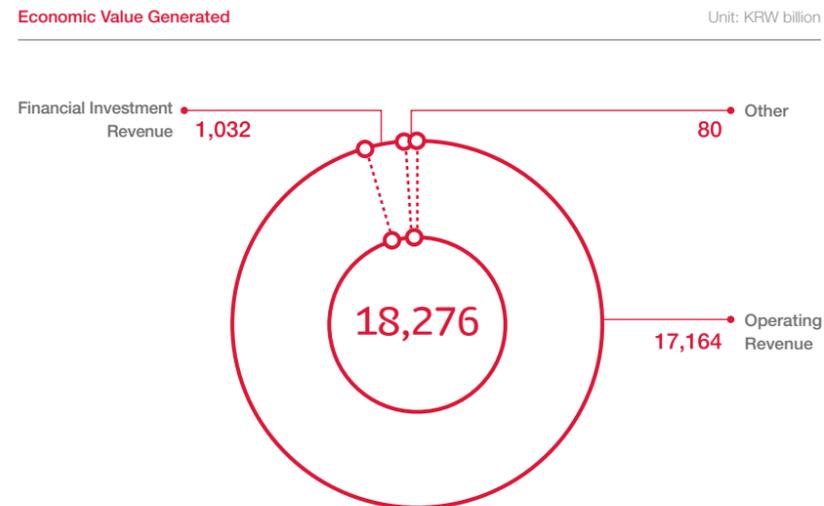


Creation and Distribution of Economic Value Based on Improved Efficiency

SK Telecom generated a total economic value of KRW 18,276 billion despite the fluctuating market conditions and various regulations applied in 2014. The value created was distributed economically and reasonably, taking into consideration the future value of the company and investment efficiency.

Economic Value Generated

SK Telecom generated a total economic value of KRW 18,276 billion, which includes the operating profit of KRW 17,164 billion, returns on financial investments and profit from the disposal of assets and other profits.



Economic Value Distributed to Stakeholders

Distribution to Business Partners and Other Operating Expenses

SK Telecom executed expenses of KRW 13,895 billion in total for economic value distribution to its business partners and other operating expenses such as cost of goods sold, commissions paid, R&D and network investment.

Distribution to Executives and Employees

SK Telecom executed expenses of KRW 1,660 billion in total for executive and employee wages, benefits and welfare as well as the reserve for retirement allowances..

Distribution to Shareholders and Investors

SK Telecom distributed KRW 684 billion in dividends and in interest payments.

Distribution to the Government

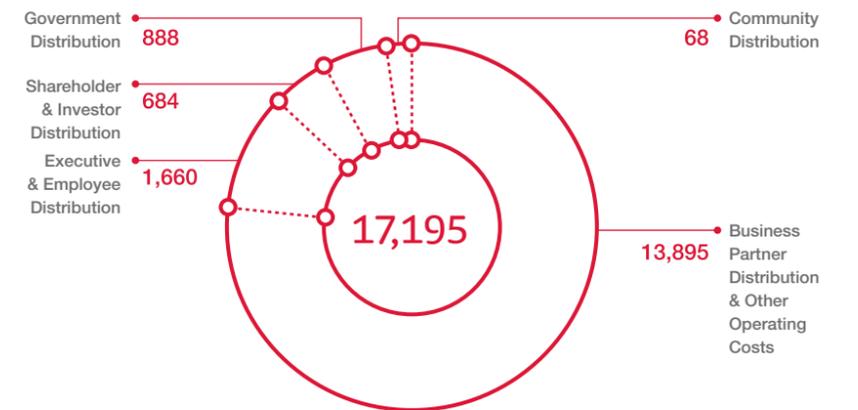
SK Telecom distributed KRW 888 billion as payment of corporate taxes among other taxes and frequency usage fees applied. On the other hand, a total of KRW 37 billion in tax deductions were in 2014 for investing in human resources development for research, productivity improvement and energy saving as well as creating jobs.

Distribution to the Local Communities

SK Telecom donated KRW 68 billion to local communities. This figure does not include any indirect impact resulting from business investments and infrastructure support such as the operation of the Creative Economy Innovation Center and the promotion of traditional markets based on ICT.

Economic Value Distributed

Unit: KRW billion



Economic Value Retained

SK Telecom added to its total equity KRW 1,081 billion, which was the remainder after distributions to stakeholders.

Economic Value Retained in 2014

KRW 1,081 billion

* All data associated with the creation and distribution of economic value are K-IFRS consolidated standard

2014 Major Business Activities

For SK Telecom, 2014 was a year of crossing industry boundaries and discovering new growth engines.

Here are examples of our major business activities we performed in 2014 to enhance our future corporate value and grow hand in hand with our partners.

	1	2	3	4	5	6	7	8	9	10	11	12
Marketing	<p>Launched "T Car," IoT-based real-time total car care service</p>	<p>Launched the new ad campaign "Good Creation, LTE-A"</p> <p>Launched All-IP-based Next Generation Call Platform "T Phone" and Home Hub Device "B Box"</p>	<p>Launched "T Sports," an all-in-one sports app</p>	<p>Launched three types of "unlimited LTE data plan"</p> <p>Started providing the "all-in-one plan," the one and only roaming service package offered by Korean telecommunications service providers, for those traveling to the U.S.</p>	<p>Launched 4 types of Bluetooth Low Energy (BLE) "Beacon" and "Wizturn," a platform for the development of related services</p> <p>Launched "Smart Mirroring," a mirroring device for cell phones</p>	<p>Exclusive launch of "Galaxy W," an affordable "Phone-blet" with a 7.0-inch screen</p> <p>Launched "free Wi-Fi on subway plan"</p> <p>Launched "T Benefit," an app providing information on telecommunications benefits</p> <p>"T Phone" subscription breaks the 1-million barrier</p>	<p>Launched the "LTE Point Cam," Korea's first LTE wireless CCTV</p> <p>Launched "T Membership Global," providing subscribers with membership benefits overseas</p> <p>Commercialized "T-AR," a mobile virtual reality platform</p>	<p>Launched "Club T," an all-in-one mobile, plan and specialized service package</p> <p>Launched "G3 A." G3 with a larger screen and special features</p>	<p>Launched campaign "100 Years of Letters," world first mobile letter services</p> <p>Opened a corporate PR center at the Incheon Asiad Main Stadium</p> <p>Launched "Food & Box," an end-user device for food ingredient order placement</p>	<p>Hosted the "Table 2014 – Taste the Stars of Michelin," a program for VIP customers</p> <p>Launched "Smart Gathering," a web conference service for corporations based on high-quality voice calls</p> <p>Started promotion, "Let's Seek It! T Membership"</p>	<p>Launched "Master Dual," a 2G phone for seniors</p> <p>Launched "T Outdoor," a customized wearable device</p> <p>Launched "Smart USB," app-cessory</p>	<p>Launched "T Youth," service tailored to smartphone users among seniors</p>
Network	<p>Successfully developed 3band LTE-A technology</p> <p>World first to demonstrate the "virtualized Radio Access Network (vRAN)," a Next-Generation base station technology</p>	<p>Provided "T roaming One Pass" Service for unlimited data services in 123 countries</p> <p>Unveiled the 3band LTE-A technology with up to 450Mbps speed at "MWC 2014"</p>	<p>Started offering the 1.8GHz broadband LTE service to all metropolitan cities nationwide</p>	<p>Opened the LTE-A network for 386 university campus tourist attractions nationwide including Ulleungdo and Dokdo islands</p>	<p>Rolled out 2.1GHz broadband LTE network to provide the 3band LTE-A service</p>	<p>World first to develop 2-channel Giga Wi-Fi technology</p> <p>World first to commercialize "225Mbps broadband LTE-A" technology, is 3-times faster than LTE</p>	<p>Started offering nationwide "broadband LTE-A" service, is 3-times faster than LTE.</p> <p>Demonstrated the "LTE large-capacity in-building solution" with Samsung Electronics</p> <p>World first to demonstrate "Elastic Cell," a prior technology for the era of 5G with Ericsson</p>	<p>Provided "All-in-one T roaming," a roaming service package for 7 countries</p>	<p>Developed low-delay live mobile-based broadcasting technology and world first to demonstrate the common LTE network</p> <p>Korea's first to publish "5G White Paper," proposing the direction for evolution into 5G network</p>	<p>World first to develop the "2G-3G over LTE" technology and apply it to the common network</p> <p>World first to develop "Orchestration" and "Cloud vRAN," key technologies for virtualization of the 5G network</p>	<p>World first to unveil the open-type IoT platform with application of the global standards</p> <p>Launched "Air Cube," a portable air quality measuring device</p> <p>Signed an agreement with Chung-Ang University Hospital to establish a smart hospital</p>	
External Extensions	<p>Signed an LTE network consulting agreement with China Telecom, a telecommunications service provider in China</p> <p>Launched the "Bridge M2M Alliance" with 10 telecommunications service providers in the Asia Pacific region</p>	<p>Acquired Neos Networks (NSOK), a security company</p>	<p>Signed a business agreement with NCSOFT for promoting mobile contents and providing differentiated services</p> <p>SKTA establishes Inno Partners, a start-up incubating center</p>	<p>Initiated the "Comprehensive Asset Control Service" business with LG Hitachi</p> <p>Signed an MOU on cooperation in IoT with ETRI</p> <p>Signed a mutual cooperation agreement for "Smart Store" with Fujitsu Korea</p> <p>Signed an MOU on the development of "Smart Shop" with DSME</p>	<p>Signed a strategic alliance agreement for the mobile game platform with NHN Entertainment</p> <p>Signed a contract to acquire inriver</p> <p>Signed a strategic alliance agreement with Expedia</p> <p>Signed n MOU on joint execution of the Smart Learning business in the U.S. and Middle East with Fishtree</p>	<p>Signed an MOU on development of technologies for the 5G era with Nokia</p> <p>Signed a contract to acquire inriver</p> <p>Signed a strategic alliance agreement with Expedia</p> <p>Signed n MOU on joint execution of the Smart Learning business in the U.S. and Middle East with Fishtree</p>	<p>Established the "SK Telecom Healthcare R&D Center" and "Shenzhen VISTA-SK Medical Center" in Shenzhen, China</p> <p>Signed an MOU on joint research on 5G-related technologies with Ericsson</p> <p>Signed an MOU on cooperation in the IoT business and technology with Telecom New Zealand</p>	<p>Signed a mobile ICT and big data business agreement with LINA</p> <p>Signed an IoT-based traffic and logistics control business agreement with KRRI</p>	<p>Signed a business agreement for the development of "LTE-based IoT telecare solution" with Qualcomm</p> <p>Signed an MOU with Samsung Electronics in relation to the Next-Generation 5G telecommunications field</p> <p>Started providing consulting services to "Taiwan Mobile" on 3G and LTE networks</p> <p>World first to develop the "Smart Wake-up" technology for enhancing the efficiency of telecommunications base stations with Ericsson</p>	<p>Signed a Smart Home business alliance agreement</p> <p>Korea's first to commercialize ICT-convergence "Smart Furniture" with Hyundai Livart</p>	<p>World first to unveil the open-type IoT platform with application of the global standards</p> <p>Launched "Air Cube," a portable air quality measuring device</p> <p>Signed an agreement with Chung-Ang University Hospital to establish a smart hospital</p>	
Social Responsibility	<p>Completed the first session of "BRAVO! Restart," an ICT-based start-up support program</p>	<p>Initiated the SK Telecom Smart Lighting Control Solution business for the metropolitan and local government agencies nationwide</p>	<p>Participated in the Digitization Support Program for the Education Sector supervised by the Ministry of Education</p> <p>Provided home Wi-Fi services to low-income families</p> <p>Hosted the completion ceremony for the leadership program, "2014 SK Telecom Win-Win Growth Academy"</p>	<p>Announced the "2014 Win-Win Growth Implementation Plan"</p> <p>Launched the second session of "BRAVO! Restart"</p> <p>Hosted the "SK Telecom ICT Vision Contest for University Students"</p> <p>Hosted the starting ceremony for "Sharing the Happiness of Creation in Education and Welfare Using Robots"</p> <p>Launched the "Smart Green Button" service for emergency calls with Child Fund Korea</p>	<p>Published the first edition of "Win-Win Growth" webzine</p> <p>Started the open recruitment for solution partners for Happy Companionship</p>	<p>Hosted the "2014 SK Telecom IT Challenge Competition for Disabled Youth"</p> <p>Hosted the "Upright ICT Youth Camp"</p> <p>Launched the "Visiting ICT Interactive Center Project"</p> <p>Hosted the "Upright ICT Ads and UCC Contest"</p>	<p>Hosted the "2014 SK Telecom Daejeon Venture Start-up and Company Support Contest"</p> <p>The 13th SK Telecom Cup: National Wheelchair Basketball Competition</p> <p>Held the "Upright ICT Class for Kids"</p> <p>Donated 10,000 "Smart Green Button" devices for emergency calls to Child Fund Korea</p> <p>Opened the Daejeon Center for Creative Economy and Innovation and Sejong Changjo (Creative) Village</p>	<p>Hosted the ICT experience event with war veterans wounded in war (UN forces)</p> <p>Participated in the "2015 Digitization Support Program for Elementary, Middle and High School Education"</p> <p>Donated 10,000 "Smart Green Button" devices for emergency calls to Child Fund Korea</p> <p>Opened the Daejeon Center for Creative Economy and Innovation and Sejong Changjo (Creative) Village</p>	<p>Signed an agreement with the Ministry of Industry Indonesia to supply the "Smart Class Package" to schools under their jurisdiction</p> <p>Hosting an event, "2014 Partners Day" for excellent partner award and mutual growth cooperation reinforcement</p>	<p>Signed an agreement with the Ministry of Industry Indonesia to supply the "Smart Class Package" to schools under their jurisdiction</p> <p>Hosting an event, "2014 Partners Day" for excellent partner award and mutual growth cooperation reinforcement</p>		
Honors and Awards	<p>Selected for Grand Prize in 2014 Customer Satisfaction Management Service Sector's Hall of Fame</p> <p>Awarded with Grand Prize for 2014 the most trusted brand chosen by customers</p>	<p>Acquired the App Accessibility Certification Mark for "Mobile T World" (first in the domestic telecommunications industry)</p> <p>Won "Outstanding LTE Contribution" at the Global Mobile Awards</p>	<p>Ranked No. 1 in the telecommunications service category (NCSI) for 17 consecutive years</p> <p>Published the "Everyday Mobile Experiences," a book of essays on customer experience</p>	<p>"The methodology for estimating social GHG emissions reduction amount using T Map" approved as the UN ITU International Recommendation Standard</p>	<p>Won "Best Mobile Carrier" at the Telecom Asia Awards</p> <p>Announced "ICTnomics" as the direction for development in the next 30 years</p>	<p>Won an award in "Innovation in Commercial Deployment" category at the Small Cell Industry Awards (SCIA) for 3 consecutive years</p> <p>Received the "top score" in the win-win growth index evaluation for 2 consecutive years (supervised by KCCP and FTC)</p>	<p>Ranked No. 1 in the telecommunications category in the KSQI evaluation for 15 consecutive years</p>	<p>First telecommunications service provider in Asia to be included in the DJSI World Index for 7 consecutive years</p> <p>Won an award at the "LTE Asia Awards 2014" of the LTE Asia Conference</p>	<p>Won the "Best Next Generation Hotspot Initiative" in the Wi-Fi Industry Awards</p> <p>Won the "Healthcare Telecommunication Company of the Year" at the 2014 Asia Pacific Best Practice Awards</p> <p>Ranked No. 1 in the telecommunications sector in the KCSI survey for 17 consecutive years (supervised by KMAC)</p>	<p>Won the "Best Next Generation Hotspot Initiative" in the Wi-Fi Industry Awards</p> <p>Won the "Healthcare Telecommunication Company of the Year" at the 2014 Asia Pacific Best Practice Awards</p> <p>Ranked No. 1 in the telecommunications sector in the KCSI survey for 17 consecutive years (supervised by KMAC)</p>	<p>Won Excellent Technical Cooperation Investor Award and Project Discovery Award (supervised by MOTIE)</p>	



SK Telecom
Annual Report 2014

**Partner for
New Possibilities**

2. Business & Strategy

Value Creation Strategies

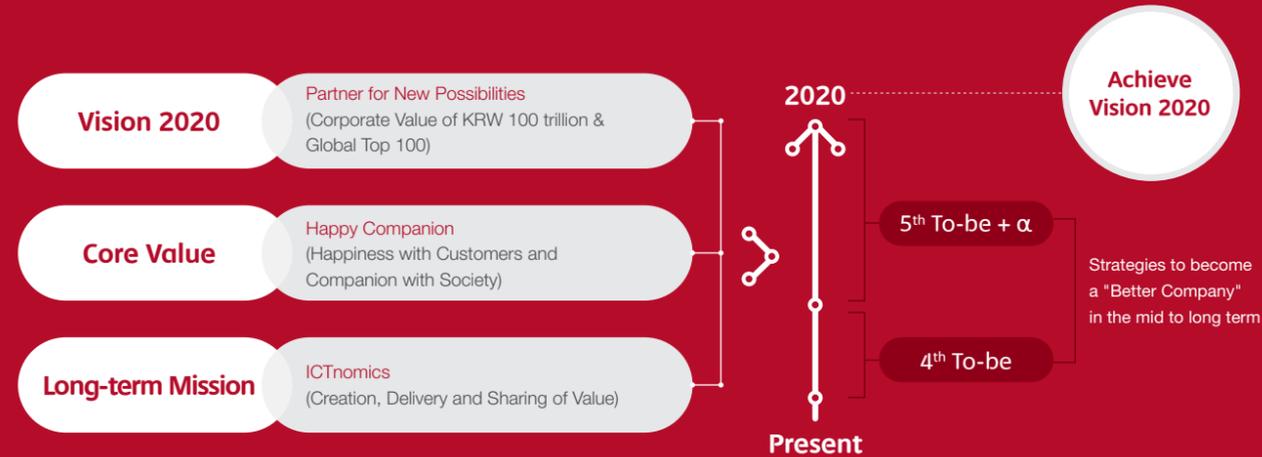
Market Context & Issues

Business Cases

The Value Creation Strategy System of SK Telecom

SK Telecom will strive to achieve its Vision 2020 goals of realizing corporate value of KRW 100 trillion and reaching Global Top 100 by executing ICTnomics to create value for the next 30 years and uphold its core value of "Happy Companion."

SK Telecom Goal & Strategy



Aim of SK Telecom: Vision 2020

The ICT industry has been undergoing changes characterized by the linking and convergence of technologies and services. Accordingly, SK Telecom declared its Vision 2020 "Partner for New Possibilities," and is making powerful strides to emerge as a comprehensive ICT company. Vision 2020 "Partner for New Possibilities" encompasses the goals to establish an ecosystem for all stakeholders to create value beyond the industrial boundaries, to deliver happiness to the customers

of SK Telecom in various areas of society and enrich their lives, and to emerge as a global ICT company. For this purpose, SK Telecom is endeavoring to reinforce the capacity of its telecommunications business and pioneer new business areas based on IT convergence and technology. During this process, the company plans to fulfill its social responsibility to achieve mutual growth with all of the stakeholders including its executives, employees, customers and business partners and contribute to national development.

Vision 2020

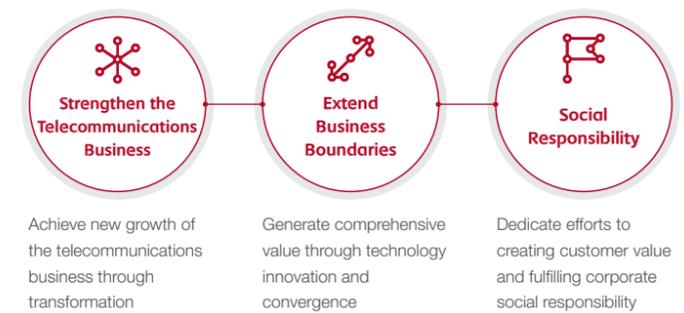
Partner for New Possibilities

Corporate Value of KRW 100 trillion & Global Top 100

Portfolio



Strategic Focus



Mission Statement

SK Telecom will create new value across industries to make the world a happier and more prosperous place by practicing innovation on a daily basis based on its well-established business infrastructure and human capital.

“Happy Companion,” the Core Value for Vision Realization

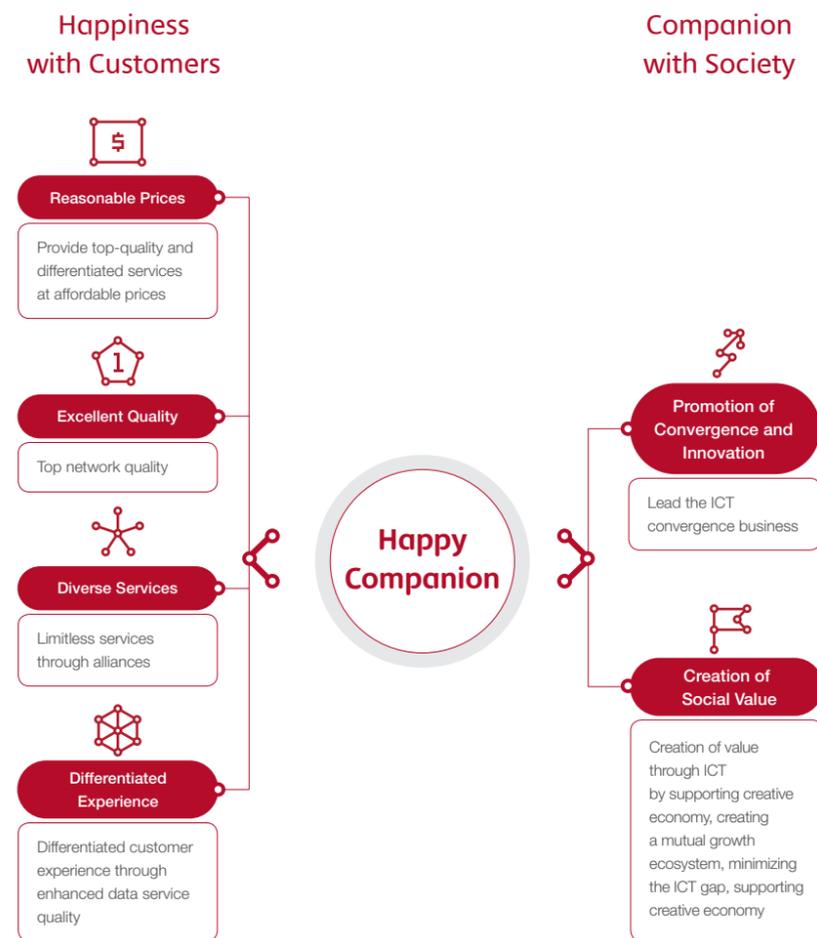
The fundamental purpose of “Happy Companion” is to equip all members of SK Telecom with the same view and philosophy in conducting business activities. This value can be summed up as “Happiness with Customers,” which involves delivering the best customer value to win over customers, and “Companion with Society,” which involves discovering business opportunities by fostering the ICT ecosystem and promoting new businesses.

In the aspect of “Happiness with Customers,” attention is paid to the key needs of customers to ensure reasonable prices, excellent quality, diverse services and differentiated customer experiences, thereby enhancing the funda-

mental competitiveness of the company with the aim to deliver happiness to the customers. In the aspect of “Companion with Society,” support is provided for the creative economy through the means of promoting the growth of the ICT ecosystem by leading the future-oriented convergence businesses, running a tailored venture start-up assistance program such as “BRAVO! Restart”, and invigorating the traditional markets using ICT, and measures are sought to create social value.

SK Telecom will continue its efforts to provide differentiated customer value based on its fundamental competitiveness, create new jobs by promoting scientific technology and the ICT industry, and actively meet the social demands such as mutual growth as a means to grow together with its customers and society.

The Values of “Happy Companion”



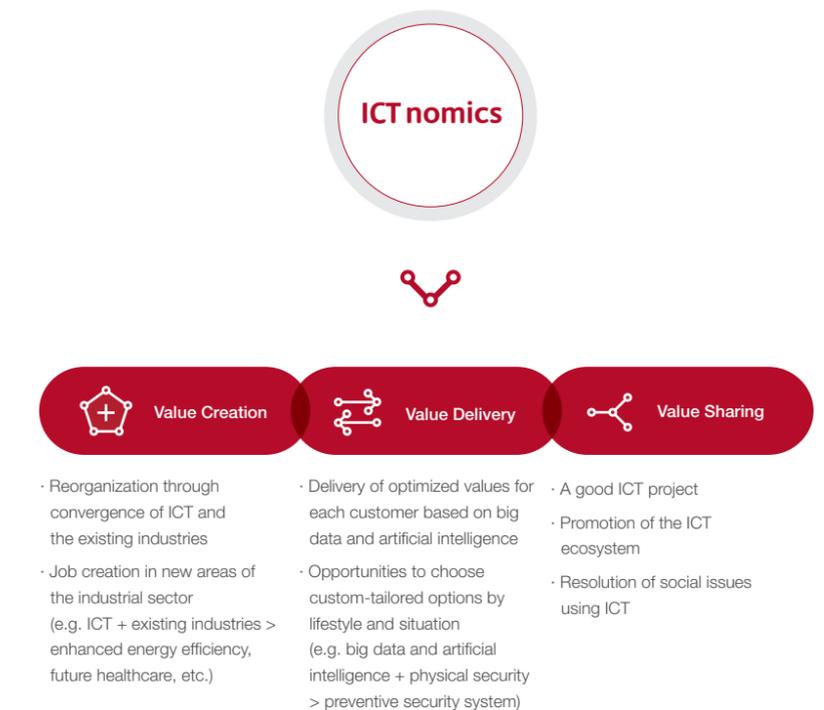
Creation, Delivery and Sharing of Value through ICTnomics

In May 2014, in celebration of the 30th anniversary of its foundation, SK Telecom proposed ICTnomics as the direction of corporate development for the next 30 years. ICTnomics refers to a new type of economy that allows ICT to serve as a catalyst for production and consumption as well as revolutionary changes across society. Unlike the past landscape of industrial development, where innovative technologies underwent continuous emergence and decline, in the era of ICTnomics, there will be infinite possibilities resulting from the continuous linking, optimization and convergence of the results of digital innovations across the entire industrial sector. The era of ICTnomics will be characterized by the “mat-

uration of technologies that understand and resemble human beings,” and “connection of everything including people, equipment, imagination and reality.”

In anticipation of the arrival of the ICTnomics era, SK Telecom has proposed the following aims for the future: Value Creation, Value Delivery and Value Sharing. To this end, efforts will be made to become world first telecommunications service provider to open the 5G era by 2020. Also, for the successful realization of ICTnomics, there are plans to specify the new solutions based on IoT in the early stages. In order to grow together with various players, the new, future-oriented values will be realized by taking on an active role in promoting the ICTnomics ecosystem.

Directions for ICTnomics



Next-Generation Platform Strategy for Full-fledged Growth in the Future

SK Telecom plans to overcome the limitations to growth in the telecommunications industry through the Next-Generation Platform strategy of providing innovative values and services that surpass the customer expectations.

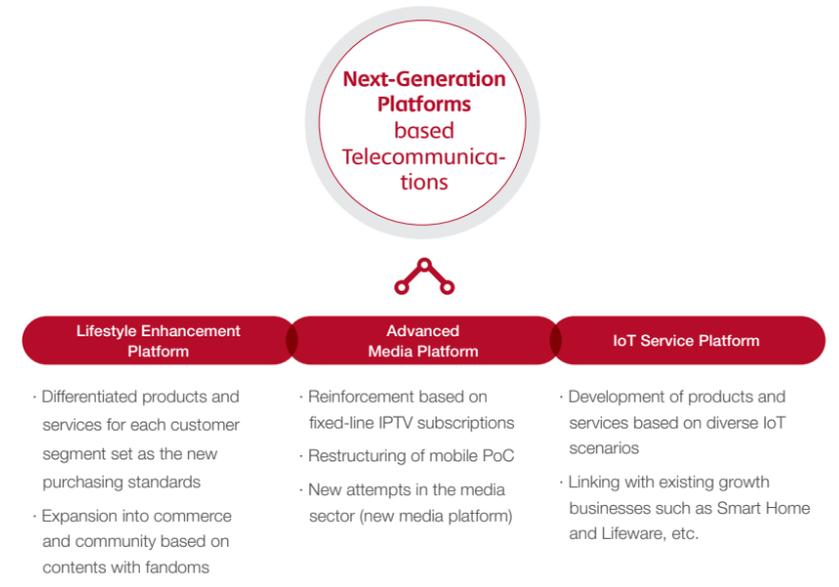
Next-Generation Platform Strategy for Overcoming the Crisis in the Telecommunications Industry

SK Telecom is pursuing a new platform strategy of creating Next-Generation Platforms to build an open ecosystem based on the telecommunications technology and provide innovative products and services that meet customer needs. SK Telecom will endeavor to maximize customer value and at the same time, form an open ecosystem with its various business partners and discover new growth engines, thereby creating a new turning point in the ICT advancements in Korea. The domestic telecommunications industry, which has played a pivotal role in national economic development for the past 30 years, has recently been facing challenges such as stagnant market growth and intensified competition. Based on an objective review of this situation, SK Telecom is attempting to turn

this crisis into an opportunity for growth, taking into consideration the customers, market and ecosystem.

SK Telecom plans to achieve growth by changing its perspective from that of a business operator to the customers, and engaging in boundless collaborations with diverse partners including venture companies, start-ups and SMEs under the principles of openness and sharing.

SK Telecom has presented three strategies to be implemented in full swing for the Next-Generation Platform innovation: Development of the “3C-linked Lifestyle Enhancement Platform,” Evolution of the “Advanced Media Platform,” and Fostering of the “IoT Service Platform.” By realizing the new values dreamed by its customers, the industry and society through the Next-Generation Platform innovation, SK Telecom plans to achieve KRW 100 trillion in corporate value.



3C (Contents, Community, Commerce)-linked Lifestyle Enhancement Platform

SK Telecom’s first Next-Generation Platform innovation strategy is to develop a “Lifestyle Enhancement Platform” to provide customers with new values in all areas of their daily lives that they have not experienced before. To this end, SK Telecom plans to develop new business models, linking contents, community and commerce, and continually launch products and services catering to the various needs of customers in each segment.

Evolution of the Advanced Media Platform

The Next-Generation Platform strategy leads to the evolution of the Advanced Media Platform. While ceaselessly reinforcing its competitiveness in the fixed-line and wireless media services that maximum user convenience, SK Telecom is also seeking new media services to preemptively respond to the changes in the media industry trends that are shifting toward personalization. Through these efforts, SK Telecom will evolve into a leading Advanced Media Platform operator, and secure 15 million customers by 2018.

Fostering of the IoT Service Platform Incl. Smart Home and Lifeware, etc.

SK Telecom’s third Next-Generation Platform strategy is to foster the IoT service platforms. The plan is to develop diverse businesses that enhance user convenience and economic value through IoT (Internet of Things) and to promote an open ecosystem with homogenous and heterogeneous partnerships. As part of these efforts, the Smart Home Service using the “Mobius” Platform for controlling various home devices such as the humidifier, door lock and boiler and the Total Home Care Service linked with NSOK’s security solution will be offered. In addition, efforts will be made to expand the “Lifeware” business area such as launching new IoT-based products that satisfy customer needs in the entertainment area together with iriver.

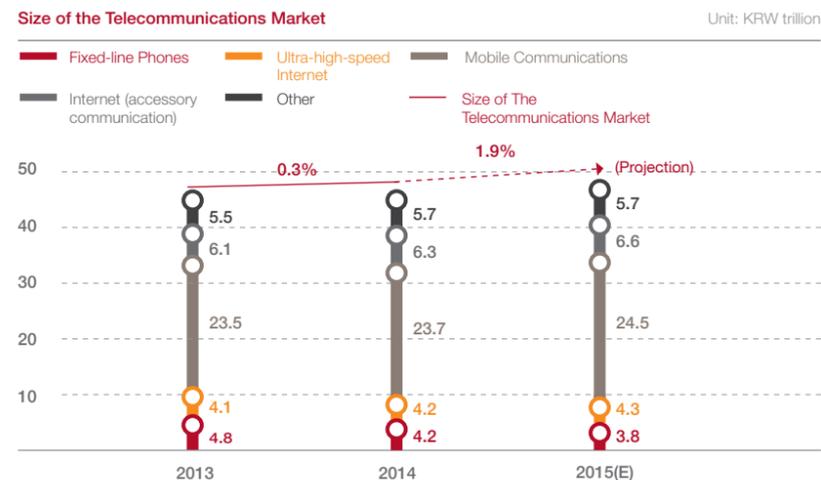
Seeking New Opportunities Amid Market and Regulation Changes

There is a need to create opportunities by responding to the changes in the market, regulatory amendments and demands of the stakeholders. SK Telecom will seek measures according to the market changes and bring forth excellent outcomes as a means to achieve its target corporate value and create value for the future.

Elaborate Market Maturation of the LTE Market and Full-fledged Data Era

With 57.21 million mobile phone subscribers in Korea as of the end of 2014, the market penetration rate was found to be exceeding 110% of the total population, and this indicated the entry into the maturity phase for the mobile telecommunications market. However, it is expected that the penetration rate will continue to increase as a result of the increasing penetration of the LTE service, the growth of the smartphone market, use of mobile phones for business purposes such as the mobile office, and increasing use of data using tablet PC and other devices. Accordingly, the domestic mobile telecommu-

nications market is expected to grow to an estimated size of KRW 44.9 trillion in 2015, which is approximately a 1.9% increase from 2014. The telecommunications market of Korea has been undergoing qualitative growth and development thanks to the advances in the network technology, emergence of secondary devices such as wearables, as well as convergence services such as advanced multimedia services, mobile commerce, telematics, and digital home services enabled by high-performance devices. In addition, the improved data service quality resulting from the expansion of the LTE and LTE-A networks is expected to accelerate the growth of the B2B businesses that can directly contribute to the improvement of productivity.



Source: Korea Communication Commission

Mobile Phone Market Penetration Rate to Total Population (as of the end of 2014)



Size of the Domestic Telecommunications Market (projection for 2015)



Regulation Changes

Regulation Changes Centering on User Protection

In October 2014, the Mobile Device Distribution Improvement Act was enacted with the aim to suppress the overheated competition in the telecommunications market through the means of offering subsidies and to establish order in the distribution of mobile devices for improved transparency and reasonableness. This Act introduces reinforced regulations for the purpose of prohibiting differential subsidization and ensuring the soundness of the distribution system. With the introduction of this Act, there have been changes in the aspects of benefits for users, transparency of the distribution system and promotion of device changes.

As a leading telecommunications service provider, SK Telecom will actively implement desirable policies, reflecting the opinions of diverse stakeholders including the government, National Assembly, business operators and NGOs, and preemptively manage the risks related to regulation changes. Also, SK Telecom will take an active role in preventing user discrimination under the applicable regulations, and further enhance customer value through product- and service-centered competition. With the introduction of data-centered calling plans, it is expected that there will be new policies for running a high-speed mobile data service environment without customer inconveniences and for service providers to support this objective. Also, the role of service

providers will become increasingly important in reinforcing national competitiveness based on ICT, and there will be concentrated policy efforts to nurture and support such service providers.

Social Responsibility

Increasing Demands for Corporate Social Responsibility

With the growing CSR demand in addition to the market and regulation changes, SK Telecom has been prompted to create comprehensive value in the economic, social and environmental aspects, and has been offering services that create sustainable value. At the same time, responsible management practices meeting the expectations of the stakeholders are being implemented for the creation of shared value through ICT and environmental management. Also, with the implementation of responsible management practices worldwide centering on pension funds, SK Telecom has been reinforcing its responsible investment practices centering on its governance structure.

By reflecting the market and regulation changes and social demands in the aspects of management strategies and core values, SK Telecom is making the necessary responses and dedicating its efforts to achieving the target corporate value. Through these efforts, SK Telecom will strive to maximize value for all of its stakeholders by preparing for the potential risks in the business environment and creating new opportunities.

Major Regulatory Changes in 2014

	Overview	Response
Mobile Device Distribution Improvement Act	<ul style="list-style-type: none"> - Effective as of Oct. 2014 - Prohibition of differential subsidization and notice of conditions for subsidization for the purpose of inhibiting overheated competition and fair distribution structure aimed at consumer protection 	<ul style="list-style-type: none"> - Actively participate in preventing differential treatment to users in line with the purpose of the Act - Continuously monitor the discussions on legal restrictions such as the abolishment of maximum subsidy, etc.
Rate Discounts	<ul style="list-style-type: none"> - Operation of a government-wide task force incl. KCC, MOSF, FTC, etc. - Increased policy demands for reducing the burden on households caused by telecommunications costs by abolishment of subscription fees, reduction in the base fees, etc. 	<ul style="list-style-type: none"> - Make a preemptive response to policies such as the abolishment of the subscription fees and fee discounts in 2014 and plans to introduce data-centered phone plans in 2015 - Seek measures to reduce the telecommunications costs by providing innovative services instead of arbitrarily reducing the fees
Increased Demand for MVNO	<ul style="list-style-type: none"> - Introduction of MVNO to reduce the burden on households caused by telecommunications costs through market competition - Government policies to encourage the sale of MVNO by reducing the wholesale prices and providing deductions on radio wave usage charges, etc. 	<ul style="list-style-type: none"> - SK Telecom, obligated to provide MVNO, is leading the MVNO market through SK Telink - Cooperate with MVNO manufacturers and provide diverse products and services, taking into account that the MVNO business accounts for 7.9% of the telecommunications market (as of the end of 2014)
Fee Approval System Improvement	<ul style="list-style-type: none"> - Multiple bills proposed and discussed by the National assembly - The service plans of the No. 1 service provider in the telecommunications market are subject to approval by the government prior to their launch, but there are currently discussions to convert this to a notification-based system to promote competition 	<ul style="list-style-type: none"> - SK Telecom is subject to the fee approval system as a service provider with No. 1 market share - Actively participate in the government policies to promote free competition in the market and seek measures to improve competitiveness by providing creative services

Vision

Vision 2020
Partner for New Possibilities
Corporate Value of KRW 100 Trillion
& Global Top 100

Core Value

'Happiness' with Customers

Chosen by more customers by creating the highest customer value

'Companion' with Society

Creating new opportunities through the growth of the industry and ecosystem

Strategic Pillars

Market Driven Priorities

A shift in paradigm toward competition centering on products and services

Value Driven Possibilities

Improving the future value by realizing creative economy and ICTnomincs

Improved Customer Retention through Innovative Plans and Products	Improved LTE Leadership through Top Network Technology	Innovative Solutions based on Convergence
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Creation of Shared Value in ICT through Venture and Start-up Support	Development of Platforms for Social GHG Emission Reduction	Securing a Base for Future Competition by Improving Human Capital
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Why This is Material

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| <ul style="list-style-type: none"> Changes in the mobile telecommunications market caused by market maturity and regulation changes Pursuit of customer happiness by creating the highest customer value | <ul style="list-style-type: none"> Increased need to secure a subscriber base due to the maturation of the LTE-based market Provision of the top quality network and telecommunications services | <ul style="list-style-type: none"> Changes in the information and communications environment such as IoT and device diversification Presentation and realization of new potentials through ICT in the convergence environment |
|--|--|---|

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> Creation of shared values for the company and society and the company through the ICT ecosystem Maximization of the economic value of ICT and role as the contact point of the realization of creative economy, the top priority of the government | <ul style="list-style-type: none"> Accelerated changes in the renewable energy-based industries and regulations such as the greenhouse gas emission trading scheme Creation of opportunities for innovation and contribution to the prevention of climate change through ICT technology and platform | <ul style="list-style-type: none"> The future competitiveness of the ICT industry will be based on intangible assets such as knowledge and human capital, etc. Development of global ICT experts within the company with top competency in the market |
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Where We Focus

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| <ul style="list-style-type: none"> Introduction of innovative service plans and services Quality- and service-based marketing Reinforcement of customer protection and security services | <ul style="list-style-type: none"> Improvement of LTE network quality Management of the network traffic and frequencies Persistent efforts toward technological innovation | <ul style="list-style-type: none"> Increased revenue from IoT and Green Solutions, etc. Expansion of business based on contents Expansion of the healthcare business |
|---|---|---|

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| <ul style="list-style-type: none"> Support for ventures and start-ups for the expansion of the ICT ecosystem Development and provision of ICT solutions based on social needs mutual growth with SMEs | <ul style="list-style-type: none"> Creation of platforms for social GHG emission reductions Development of energy and GHG solutions Reduction of GHG emissions and improvement of environmental efficiency | <ul style="list-style-type: none"> Investment into human capital development through education and training Reasonable performance evaluations Enhancement of the efficiency of human capital return on investment (ROI) |
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2014 Performance

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| <ul style="list-style-type: none"> Average annual churn rate: below 2.0% Customer information leakage cases: 0 No. 1 in three major customer satisfaction surveys | <ul style="list-style-type: none"> LTE penetration rate: 59% Commercialization of 3band LTE-A | <ul style="list-style-type: none"> 20% growth in revenue in the B2B solution business 5.2 million fixed-line and wireless IPTV subscribers Export the Hospital Information System (HIS) to Saudi Arabia |
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| <ul style="list-style-type: none"> 23 cases of venture start-up support through "BRAVO! Restart" 10 venture incubating cases through the Center for Creative Economy and Innovation Development of Smart Solutions for Agriculture and Fisheries | <ul style="list-style-type: none"> GHG emissions increase rate: less than 5% Cloud BEMS and FEMS solutions applied to 30 business sites | <ul style="list-style-type: none"> 100% completion of the 'Anywhere, Anytime Smart Learning' environment Human capital development expenses per employee: KRW 3.46 million Ratio of employee performance evaluation: 96% |
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Target & Goals

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| <ul style="list-style-type: none"> Average annual churn rate: maintain at 2.0% (by 2018) Maintain zero customer information leakage Maintain the No. 1 position in three major customer satisfaction surveys | <ul style="list-style-type: none"> LTE penetration rate: 65% (by 2015) and 80% (by 2018) Commercialization of 5G service (by 2020) | <ul style="list-style-type: none"> Revenue from the solution business: KRW 697 billion (by 2015) Fixed-line and wireless IPTV subscribers: 15 million (by 2018) Revenue from the healthcare business: KRW 1 trillion (by 2020) |
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| <ul style="list-style-type: none"> 'Happy Venture', ICT solution based startup program (BRAVO! Restart) leading to 34 accumulated business case creation (by 2015) | <ul style="list-style-type: none"> GHG emissions increase rate: less than 5%; Achieve the absolute target for GHG emissions (by 2015) Certified Emission Reduction (CER) for the amount of GHG emissions reduced using T Map | <ul style="list-style-type: none"> Fostering of 500 global Next-Generation leaders (by 2015) |
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Link In this Report

- | | | |
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| <ul style="list-style-type: none"> Business Cases 1 (p.52) Non Financial MD&A (p.121) | <ul style="list-style-type: none"> Business Cases 2 (p.58) | <ul style="list-style-type: none"> Business Cases 3 (p.62) |
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| <ul style="list-style-type: none"> Business Cases 4 (p.66) Non-Financial MD&A (p.122) | <ul style="list-style-type: none"> Business Cases 5 (p.70) Non-Financial MD&A (p.123) | <ul style="list-style-type: none"> Business Cases 6 (p.74) Non-Financial MD&A (p.119) |
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Creative Customer Value Innovation for “Happiness with Customers”

SK Telecom is concentrating on its fundamental competitiveness to improve customer value amid the overheated competition. By reinforcing the competitiveness of the products and services that meet customer needs and ensuring systematic information protection and positive customer experiences, SK Telecom will realize its corporate value of “Happiness for Customers.”

Increase in ARPU with LTE Business Growth

In 2014, wireless Internet service business in the domestic telecommunications market saw continuous growth, prompted by the increase in smartphone users and advances in the LTE-A service. Amid the rapid changes in the industry centering on the increased data traffic, SK Telecom successfully commercialized the 3band LTE-A service in December 2014, thereby firmly securing its status as a leading LTE service provider.

By the end of 2014, the ratio of LTE subscribers to the total number of subscribers reached 58.5%, and this is expected to rise even further with the increased use of data among customers. The growing number of LTE subscribers and heightened data consumption resulting in an up-selling effect have contributed to the continuous growth of billing-based ARPU. Accordingly, ARPU in 2014 was KRW 36,103, a 4.5% increase from KRW 34,560 recorded in 2013.

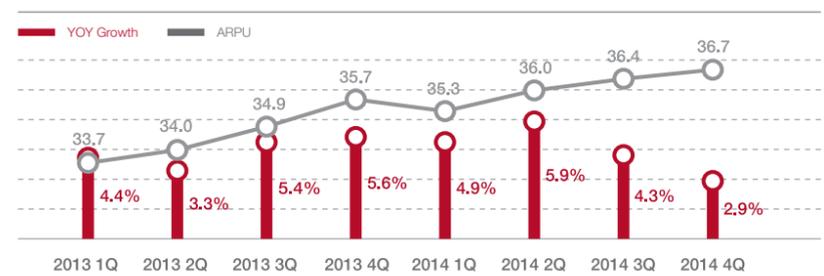
Average Billing-based ARPU Unit: KRW



LTE Subscribers Trend Unit: million persons



Billing-based ARPU Trend Unit: KRW thousand



Annual Customer Retention Effect

About 1,000 Thousand Person



Annual Reduced Subscriber Attraction Costs

About 281 KRW billion

Customer Retention Strategy's Impact on Financial Performance

Deviating from its strategy to attract new subscribers through subsidization, an effort was made to shift the marketing paradigm toward products and services for mid- and long-term benefits. These efforts have resulted in a high customer retention rate.

To be more specific, the average monthly churn rate was recorded at 2.0% in 2014, a 0.3% decrease from the previous year, and this is the lowest churn rate recorded since 2006.

SK Telecom's marketing expenses for new subscriber attraction purposes in 2014 were about KRW 2.186 trillion based on the customer attraction commissions, and the marketing expenses per wireless service subscriber were approximately KRW 270 thousand. The 0.3% decline in the monthly churn rate has the same effect as maintaining over 1,007 thousand subscribers annually, and this is equivalent to saving about KRW 281 billion in expenses for attracting new subscribers.

Enhanced Customer Satisfaction through Positive Customer Experience

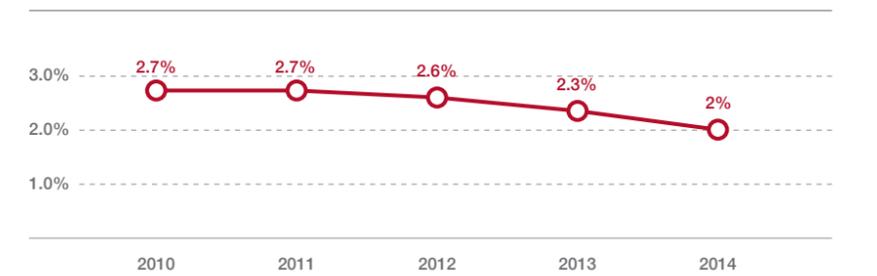
Since the establishment of the “CE Innovation Master Plan” in 2013, SK Telecom has been systematically practicing Customer Experience Management (CEM). The main principles were established based on the core value of customer experience, which is “Happiness for Customers,” and they are “Happy Trust,” gained through customer protection, “Happy Benefits” for long-term customers, and “Happy Experiences” for the first users of innovative new products. These principles were

chosen to meet the customer needs that have been changing with the advent of the massive use of data and rapid development of technology. In addition, the products and services delivered to the customers are systematically inspected and improved with respect to customer experience. Moreover, a semi-annual internal customer satisfaction survey is conducted in the first and second halves of the year with the customers of SK Telecom and its competitors.

SK Telecom thoroughly analyzes the results of customer evaluation of the company's competitiveness in the aspect of customer satisfaction, and reflects the results in its management activities including the improvement of products and services. As a result, SK Telecom was ranked No. 1 in the national customer satisfaction survey in 2015 for the 18 consecutive years.

While enhancing customer satisfaction through CE innovation, SK Telecom has also been dedicating its efforts to reducing customer claims. For prompt and active resolution of customer claims received through the external institutions, there are dedicated organizations in operation at the head office and in each region. The improved system for dealing with customer complaints has resulted in the decline of claim per customer on board (CPCB) per 100,000 customers since 2012. Also, claims are to be dealt with within 48 hours, in principle, and this is reflected in the organization evaluation to reinforce the execution of this policy. SK Telecom will continue to improve and manage the processes for customer claims in order to provide its customers with positive experiences.

Average Monthly Churn Rate

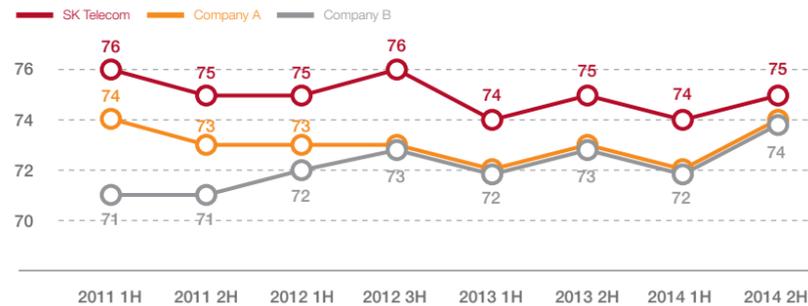


Results of Three Major Customer Satisfaction Surveys in Korea

Customer Satisfaction Survey	Supervising Organization	2014 Results
National Customer Satisfaction Index (NCSI)	Korea Productivity Center	76 (No. 1 for 18 consecutive years, as of 2015)
Korean Customer Satisfaction Index (KCSI)	Korea Management Association Consultants	75.4 (No. 1 for 17 consecutive years)
Korean Standard Service Quality Index (KS-SQI)	Korean Standards Association	70.6 (No. 1 for 15 consecutive years)

Trends in the Results of SK Telecom's Internal CSI Survey

Unit: Point



* SK Telecom's internal CSI survey is based on the American Customer Satisfaction Index (ACSI) model developed by Dr. Clases Fornell (National Quality Research Center, University of Michigan, U.S.).

Reinforcement of Customer Protection, the First Steps to Enhancing Customer Value

The accelerated delivery of information through diversification media and Internet development has been accompanied by advances in hacking skills and changing security trends. As a result, there has been an increasing emphasis on the importance of analyzing massive amounts of big data and personal information protection in IoT, SNS and mobile app services. The evolution of phishing, smishing and pharming techniques have had a negative consequence on the financial well-being of the general public. For SK Telecom in particular, there have been 31,808 voice phishing cases in the past 5 years, causing KRW 369.3 billion in total damages and KRW 11.6 million in damages per case on average.

To mitigate this issue, SK Telecom has organized a companywide information protection organization under the responsibility of MNO, and began managing about 58 million customer information cases by safeguarding its distribution networks and contact channels. Also, Korea's first Security Operation Center (SOC) and Personal Information Management System (PIMS) were established to further advance the security solutions and thoroughly mitigate the risks of customer information leakage. In 2014, the scope of internal system inspection and direct management of the sys-

tems was expanded to include the investment companies. Other security measures include remote deletion of files containing customer information in the PCs at retailers and imposition of penalties on stores violating the customer information management standards, inclusion of agreement terms and conditions on the importance of customer information, and transmission of SMS to the employees in the distribution networks.

Meanwhile, the Personal Information Guard Campaign was conducted and the awareness to "take the service contract papers home" was raised from 29.8% to 57.2% after the campaign. In fact, the contract paper recovery rate has actually increased from 81.5% to 86.1% following the campaign. Also, additional services such as SMS Spam Filtering¹⁾, Spam SMS Blocking²⁾, No Spam services among others are offered. The Voice Recognition System was introduced at the customer service center, and the e-invoice services are being provided to customers. As a result of such changes and efforts, SK Telecom ranked No. 1 in terms of intelligent spam blocking accuracy in the second half of 2014 and achieved the expected performances in the major security indices such as 0.10% in terms of the rate of small-amount payment complaints³⁾, 0.27% in terms of the rate of VoC on roaming⁴⁾, and 0 cases of customer information leakage.

- 1) A service for blocking spams based on analyses of the SMS sent to customers
- 2) A service for blocking spam SMS with voice information service sent from a caller
- 3) Rate of small-amount payment complaints: the ratio of the number of cases of small-amount payment complaints reported to the number of small-amount payment transactions per year
- 4) Rate of VoC on roaming: the ratio of the number of VoC on roaming to the number of consulting cases about roaming

Rate of Small-amount Payment Complaints



Rate of VoC on Roaming



SK Telecom complies with the relevant laws and regulations including the Personal Information Protection Act, Act on Promotion of Information and Communications Network Utilization and Information Protection, etc., Telecommunications Business Act and Protection of Communications Secrets Act. In accordance with the Personal Information Protection Act, which was amended in August 2014, the company stopped collecting the resident registration numbers and removed

the space in the subscription contracts for the resident registration number.

As for the resident registration numbers collected prior to the amendment of the Act, there are plans to delete the information within 2 years using means that will prevent the recovery thereof. As such, SK Telecom will continue to reinforce its customer information protection policies and practices by ceaselessly improving its systems, communicating with the stakeholders and complying with the laws.

Major Activities for Blocking and Preventing Smishing and Spam and the Outcomes

Major Activities	Outcomes
Safe Message Service System	Blocking of 19.1 million smishing cases per year
3-Stage Smishing Defense Technology	Blocking of more than 300 types of spam messages per day
Expanded scope of monitoring (2,000 targets > 10,000 targets)	Blocking of more than 50 types of spam images per month
Real-time spam blocking system	
Development of the image spam blocking technology	
Convenient spam reporting feature on devices	
T Guard, a mobile vaccine program for blocking malicious app viruses	

Innovation of the Distribution System for Reinforce Retail Competitiveness

Amid the shift of focus in the competition paradigm from price competition to customer value, SK Telecom has been innovating its distribution system since 2013 to gain superiority by providing improved customer value with exceptional distribution competitiveness. In 2014, in order to strengthen its retail competitiveness, SK Telecom attempted to achieve quantitative growth of its infrastructures, attested by the net growth of its distribution networks by 480 more than the previous

year. At the same time, qualitative growth of infrastructures was achieved by strategically opening stores in commercial districts with low retail competition based on data analysis, and the future-oriented distribution infrastructures were expanded by benchmarking premium stores. Also, the customer service manual was reorganized, taking into account the diverse customer needs, and education and training were provided for the internalization thereof in order to reinforce the customer service capacity at the customer contact points. Furthermore, efforts are being made to



The Personal Information Guard Campaign for reinforced personal information protection

make revolutionary changes in the business practices and provide differentiated services, centering on T Broadcasting, a channel for education and promotional videos on the distribution network, T World Direct, the official online channel for device shopping and provision of various benefits, and T Premium Store, a future-oriented distribution network.

Data-centered Calling Plans and Specialized Calling Plan Innovation

The data-centered calling plans and other calling plan innovations maximizing data utility will serve as the basis for future growth, thereby enhancing customer value and contributing to the growth of SK Telecom. Competitiveness will be reinforced by diversifying calling plans based on the existing strengths such as the payment system, networks, subscribers and big data.

SK Telecom has been leading the era of unlimited voice calling plans with the launch of the T Kkiri and National Unlimited Calling Plan, and in 2014, a new lineup of unlimited LTE data calling plans was made available, with provision of contents benefits such as

mobile TV and music services and membership benefits in addition to the data benefits. Of particular note, in order to bring forth creative customer value, SK Telecom is providing tailored products and services such as the TPO calling plans catering to customer needs based on time, place and occasion as well as their age groups, thereby providing practical benefits to a wide range of customers. In the case of "T Kids Phone JooN," a wearable device specifically designed for children, the number of subscribers reached 170,000 as of April 2015, while 100,000 customers subscribed to "T Outdoor," a wearable tailored to those who engage in frequent outdoor activities, in just 5 months of its launch, and the number of subscribers to the related products has been continually on the rise.

In addition, since 2010, SK Telecom has been consistently launching integrated products such as "T Family Combination" and "Free Family Calling Plan," and providing discounts on the basic data fees and addition data among other benefits as a means to enhance customer value through its fixed-line and wireless combination products.



Launch of T Kids Phone JooN 2

Specialized Calling Plans

Category	Main calling plans	
TPO calling plans	Time	Commuting calling plan: Unlimited calling and data usage during commuting hours
	Place	Subway calling plan: Unlimited calling and data usage on the subway
	Occasion	T Outdoor - Use of a wearable device T Kids Phone JooN - A device for preschool children with calling, location check and emergency calling features
Contents-Service Bundle calling plans	A third party partnership calling plan such as B TV Pack, T Sports Pack, etc.	
Sponsor and B2B calling plans	Calling plans linked with home shopping (GS Home Shopping) and IoT solutions (under development)	

T Outdoor, a tailored wearable product



Reinforced T Membership Program for Improved Customer Retention



Since the introduction of the Mobile Device Distribution Improvement Act, SK Telecom has been reinforcing its membership benefits by launching the unlimited membership plan among other services. As such, various efforts will be made to obtain a competitive edge and provide actual benefits through the membership program. Using its alliances and membership base, membership discounts, integrated payment service and Lifestyle information curation service among other services will be provided for convenient and rich mobile life experience for the customers, and the alliance platform will be further expanded to provide more business opportunities for the related industries.



SK Telecom will continue to secure its superior position in the market by actively utilizing its top global standard payment system, optimized networks, subscriptions and big data capacity.

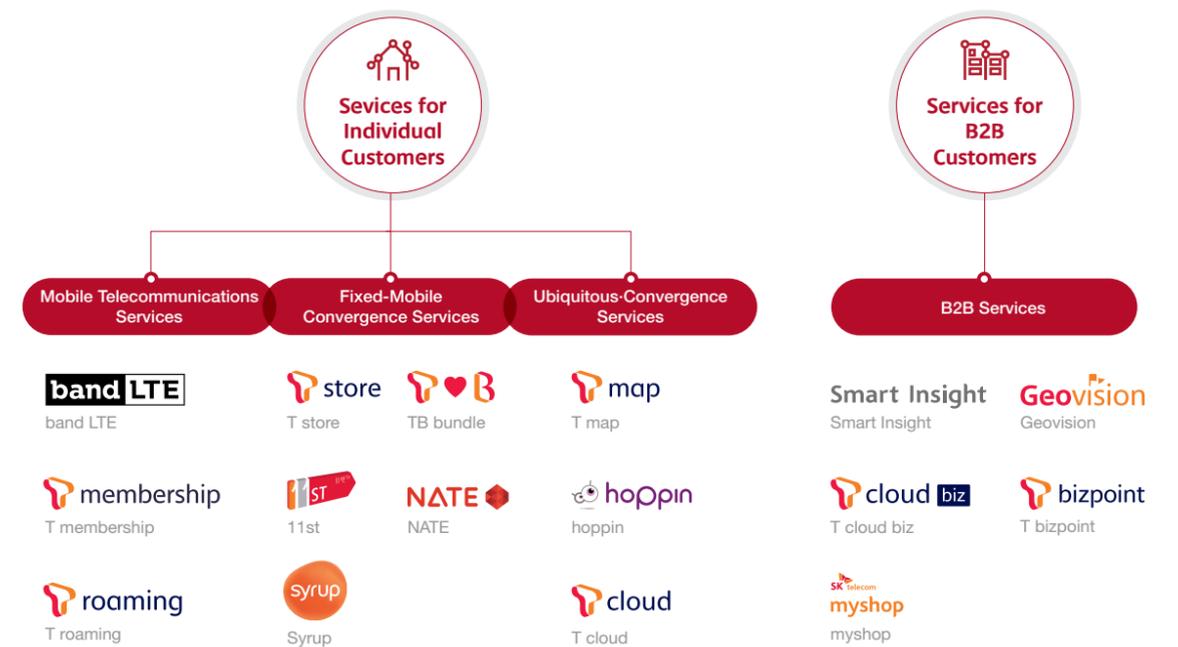
SK Telecom's Brand Power for Creation of Customer Value

SK Telecom has service brands called "T" for individual customers, "Smart" for corporate customers, and "United Object (UO)," a lifeware family brand. "T," which was launched in 2006 and underwent a brand renewal in 2008, has continually been on the rise in terms of brand value, and it has positioned itself as the representative brand of the industry and as "Top of Mind (TOM)," indicating high brand awareness. "Smart," SK Telecom's ICT convergence solution brand for B2B business, has been expanding its business scope from fixed and mobile networks to include IoT-related solution fields and undertaking a role in the new growth businesses. On the other hand, "UO" is a family brand launched in 2015 to offer diverse lifeware products including smart beams and speakers.

SK Telecom has established a permanent organization called the "Enterprise Brand Strategy Committee," which conducts the annual Brand Power Index Research with participation of consumers in Seoul and six metropolitan cities.

SK Telecom was ranked No. 1 among service providers in the Best Korea Brand 2015 survey conducted by Interbrand, a global brand consulting firm. In the multi-faceted evaluation of the brand value from the perspectives of financial performance, trend-setting power and quality among other factors, SK Telecom's brand value was assessed to be KRW 4,535.7 billion, which was a 1.9% increase from 2013, and it was the one and only telecommunications and service provider in Korea to reach the top 4. In addition, SK Telecom was chosen as the No. 1 company in the mobile telecommunications sector based on the Korea Brand Power Index (K-BPI) administered by the Korean Management Association Consulting, which attests to the fact that it is gaining recognition externally for its efforts to create the best customer value and make differentiated technological innovations.

SK Telecom's Brands



Investment toward Differentiated Network Quality

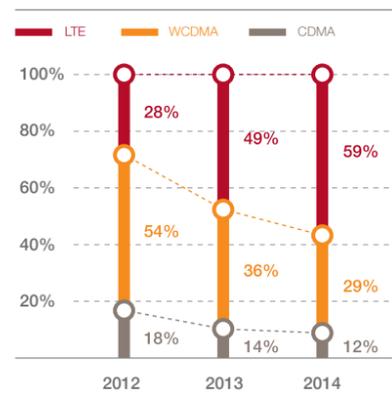
SK Telecom will be committed to meeting customer expectations with the world's most advanced technology and improving its calling and data quality and network competitiveness.

"band LTE", the Next-Generation Network Service

Based on its differentiated technological prowess, SK Telecom has been leading the development and commercialization of various network services including LTE. Also, efforts have been made to enhance customer value by providing high-quality network services through stable network operation and to develop new technologies. "band LTE" refers to the Next-Generation network services of SK Telecom encompassing the 4band, 5band, 5band LTE-A and 5G services that will connect 4 and 5 frequency bands in addition to the 3band LTE-A, which was commercialized

by the company. SK Telecom became world first to commercialize LTE-A in June 2013 and broadband LTE-A service in June 2014, and successfully commercialized 3band LTE-A just 6 months later in December 2014. This served as an impetus for the company to provide network communications services that are 4 times faster than LTE and about 21 times faster than 3G. In March 2015, SK Telecom built Twenty six thousand 2.1GHz base stations, which is the largest of its kind in Korea, and this has enabled the company to provide services in 85 city centers across the country in addition to the Seoul National Capital Area and in the subway.

Trends in the Subscriptions to the Networks



Securing Network Competitiveness

Providing LTE networks	LTE penetration rate	59% (10% YOY increase)
Improving network quality	LTE quality survey	No. 1 in broadband LTE-A and 3G (MSIP, 2014)
Securing technological competitiveness	Commercialization of new technologies	World's first commercialization of broadband LTE-A (225Mbps) (June 2014)
		Commercialization of 3band LTE-A (300Mbps) (Dec. 2014)
		Successfully demonstrated the 5G technology (July 2014) and signed MOUs with Ericsson and Nokia



SK Telecom & Nokia, conclude an MOU on the development of 5G technology



Publication of "5G White Paper," with a rough sketch of the 5G communications era in 2020

SK Telecom's Network Roadmap

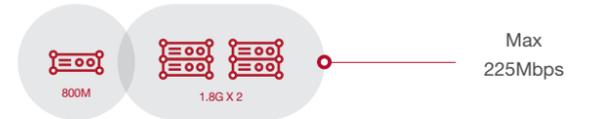
LTE-A

84 city centers in Korea as of the end of 2013



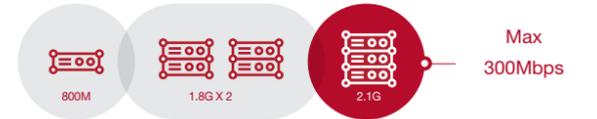
Broadband LTE-A

Servicing metropolitan cities since March 2014
Nationwide network established in July 2014



3band LTE-A

Commercialization with the launch of mobile devices as of the end of 2014



Differentiated Network Technology Leadership and 5G Technology

After commercializing 3band LTE-A, SK Telecom continued to dedicate its efforts to technological development and became world first to commercialize the enhanced Inter-Cell Interference Coordination (eICIC) technology for controlling frequency interference through an MOU with Nokia, in January 2015. This technology, which will serve as a key cornerstone for the 5G era, mitigated frequency interference by about 15% in regions where small and large base stations are present, and this is expected to improve service quality for customers. SK Telecom also strove to develop new technologies to utilize super-high-frequency bands as the existing frequency bands of 6GHz and lower are exhausted quickly. As a result, the world's fastest super-high-frequency band of 7.5Gbps speed using the 5G technology was demonstrated at the 2015 Mobile World Con-

gress. Also, the "5G White Paper," containing the vision for the 5G era, results of the analyses of key technologies, services, requirements, frequencies, and directions for development, was published.

In addition, SK Telecom developed essential technologies for the 5G network including the Orchestration technology for network virtualization, and Cloud virtualized Radio Access Network (vRAN) technology in December 2014. Moreover, SK Telecom became world first to commercialize the Carrier Aggregation (CA) technology for network evolution and the Coordinated MultiPoint (CoMP) technology, a coordinated communications system for base stations, and successfully commercialized eICIC technology recently. Based on such diverse approaches and attempts, SK Telecom will firmly secure its global leadership in the 5G era.

Frequency Aggregation	Control of Inter-Cell Interference	Transmission Scheduling
CA Carrier Aggregation <ul style="list-style-type: none"> Aggregation of multiple LTE frequencies for simultaneous transmission to a mobile device Successful demonstration in February 2012 and commercialization in June 2013 	CoMP Coordinated Multiple Point <ul style="list-style-type: none"> Improved service quality at boundaries of base stations by automatically controlling signal interference between adjacent cells Commercialization in January 2012 	eICIC Enhanced Inter-cell Interface Coordination <ul style="list-style-type: none"> Expansion of small cell coverage by macro and small cell coordination and speed improvement on boundaries Successful demonstration in June 2012 Commercialization in January 2015

Equally Exceptional Technological Power in Wi-Fi

In order to provide fast and stable Wi-Fi service, SK Telecom incorporated the optimized AP access technology with "T wifi zone" to improve the quality of experience for its Wi-Fi customers. It is also leading the technical innovation by developing ad solutions based on Wi-Fi and "Hotspot 2.0," a Next-Generation Wi-Fi-based automatic roaming technology. In recognition of these efforts, SK Telecom received the "Best Wi-Fi Service Innovation Award" at the Wi-Fi Industry Awards in 2013 and the "Top Prize" in the Next-Generation Wi-Fi Service Provider category in 2014.

Network Evolution and Lifestyle Changes

The introduction of the ultra-high-speed LTE-A technology and the 5G technology, which is expected to be commercialized in 2020, will bring considerable changes in our lives. The fast network speed has enabled seamless multimedia services in real time, and invigorated the provision of SK Telecom's services such as "B tv mobile," "Group Video Conferences," and the Free Lossless Audio Codec (FLAC) for digital music files on Melon. Of particular note, the introduction of the 5G technology, which will be able to replace all other telecommunication services, will be accompanied by numerous changes. For instance, fixed-line products and services will disappear, and all of the devices will be able to be linked wireless. Also, wireless video services using ultra-high-resolution and super-big-screen displays requiring large data transmissions will become common, and this technology will also enable a wide range of services such as hologram and 3D videos that do not require the use of 3D glasses. In preparation for this era, SK Telecom will make an effort to pave the foundation for the creation of convergence services, combining devices, networks and software based on its advanced mobile network infrastructures, and establishment of partnerships with the ICT industry.

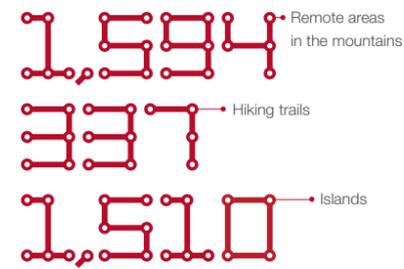
Preparing for Future Competition by Securing Frequencies

As the most basic resource for telecommunications services, frequency is one of the crucial determinants of the network competitiveness of a telecommunications service provider. Unlike 3G, the bandwidth of sequential frequencies determines the maximum speed of LTE, which means that securing more frequencies has become highly important for telecommunications service providers. Under these conditions, SK Telecom is building an optimized network infrastructure tailored to the data usage of its customers as a means to efficiently manage its frequencies. It plans to secure 1,190MHz of frequencies, which are schedule to be supplied by 2023 in accordance with the Mobile Gwanggaeto Plan 2.0, in a timely manner, and it is expanding its data capacity based on its technological leadership. In addition, a system has been developed to respond to heavy data traffic in areas of concentrated data usage, which will be determined by measuring data usage based on big data analysis and predicting the demand in advance. Based on the current data traffic trends, it is expected that the demand will be sufficiently met with the LTE frequency of SK Telecom. Nevertheless, active and efficient measures will be taken in the future, taking into account the potential increase in LTE traffic and decline in 3G users.

Frequency Status

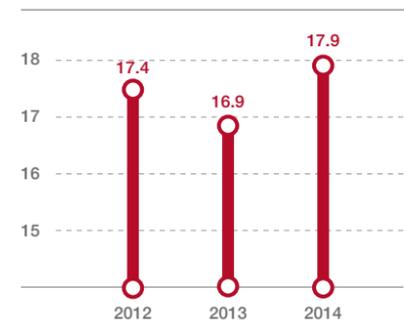
Category	Frequency	Band in use (duplex basis)
2G	800MHz	10M
3G	2.1GHz	40M
LTE	800MHz	20M
	1.8GHz	35M
	2.1GHz	20M
WiBro	2.3GHz	27M

Installations in Areas with Poor Access to Telecommunications Services in 2014



Compensations for Losses on Universal Service Provision

Unit: KRW billion



Narrowing the Information Gap with IT Infrastructure

SK Telecom recorded the highest success rate in voice call and wireless Internet services in the telecommunications service quality assessment carried out by the Ministry of Science, ICT and Future Planning (MSIP) in 2014. With the aim to make advances in technology for its own growth and for society as a whole, SK Telecom has opened "T.um Mobile," a mobile ICT interactive center, and has been operating the "Visiting Branch Service." Also, SK Telecom became the first domestic telecommunications service provider to open an LTE-A network for Ulleungdo and Dokdo Islands, while expanding the band LTE coverage for the island area in the West Sea including Yeonpyeongdo and hiking trails and installing LTE relay stations in remote areas in the mountains in 2014. Moreover, the quality of the telecommunica-

tions services was improved for all the coastal roads to enable emergency communication in the event of accidents in the offshore and island areas. Service quality was measured in areas with poor reception such as hiking trails and islands, and the quality was improved based on the results. As such, SK Telecom has been expanding its coverage for those residing in the mountains, island areas and other regions where the access to telecommunications services is difficult. SK Telecom has also been providing compensations for losses on universal service provision in order to offer basic telecommunications services to the low-income class and the residents of regions with low population density. The total cost of the general services provided together with other domestic service providers amounted to KRW 48.5 billion in 2014, and the amount borne by SK Telecom, in particular, was KRW 17.9 billion.

Major Awards Related to Network Technology

Global Mobile Awards

Feb. 2014

Outstanding LTE Contribution & Best Mobile Technology Breakthrough

Telecom Asia Awards

April 2014 (3 consecutive years)

Best Mobile Carrier Award

Small Cell Industry Awards (SCIA)

June 2014 (3 consecutive years)

Small Cell Network Innovation Award in the small cell tool design and technology innovation category

LTE Asia Conference

Sept. 2014

An award at the LTE Asia Awards 2014

Wi-Fi Industry Awards

Oct. 2014

Top Prize in the Best Next Generation Hotspot Initiative Wi-Fi service provider category

"T.um Mobile", a mobile ICT interactive center



Business Model Expansion Leading the Fusion and Convergence Era

Internet of Things and the new fusion hardware uprising will create an ICTnomics that will bring forth revolutionary changes in data manufacture and utilization and connection in the entire field of Industry. New value will be created together with the business expansion efforts based on ICTnomics.

Full-fledged Emergence

of Ultra-High-Speed Mobile Networks and IoT
The emergence of new service-converged hardware will lead to massive amounts of data generation and consumption, and this in turn will lead to ICTnomics, which will cause revolutionary changes industrywide. With the introduction of wearable devices and other diversified Internet-connection devices, the related markets expected to increase significantly.

It is inevitable that there will be a need for processing of diverse information for generation and consumption with the emergence of IoT. For this purpose, there needs to be revolutionary changes across the economic sectors such as advances in computing intelligence for information generation and processing.

Expansion of the Value Chain

Convergence brings forth numerous changes in the aspects of device, network, platform and content, which are part of the value chain of the telecommunications industry. There will be changes in not only the standardized devices centering on smartphones, but also automobiles, watches and glasses among others, emergence of ultra-high-speed network for processing of massive data, a shift from simple, individual applications to advanced solution platforms, and a shift from music- and move-centered contents to big data contents integrating location and health information. Such changes will occur throughout the value chain.

The formation of an ICT ecosystem, enabling diverse forms of production and consumption, may lead to new business opportunities such as processing and delivery of big data, solution development and new hardware integrated with services. In other words, it will present the possibility of creating opportunities in all directions based on "Connectivity."

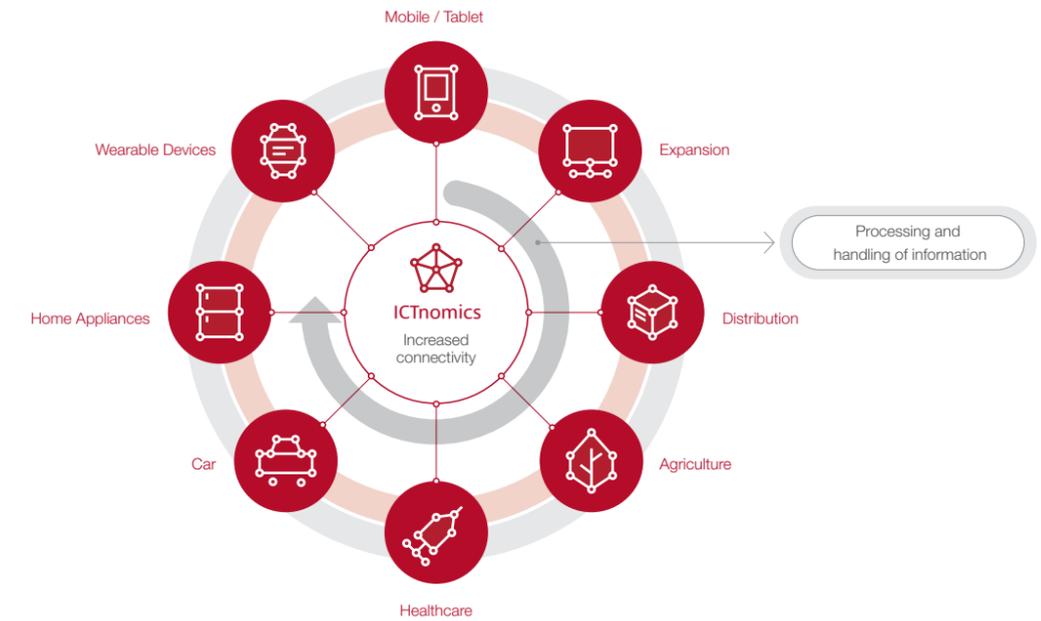
"Lifeware" for the Expansion of Consumer IoT

SK Telecom created new opportunities and made meaningful accomplishments in 2014 such as reinforcing the foundation for its solution and healthcare businesses and building a strong base for the convergence business targeting individual customers.

With the advent of the IoT era, SK Telecom forged its growth businesses in addition to establishing a policy to create new business models using the strengths of its existing businesses and achieve success. Accordingly, there are plans to concentrate the efforts to promoting the IoT platform business in connection with the machine to machine (M2M) and B2B solutions, and to diversify business models based on the media such as commerce. In order to strengthen its technological leadership through alliances with competent global partners, SK Telecom formed a strategic alliance with Intel and other partners, and dedicated its efforts to the promotion of the IoT industry and joint development of new products and services.

In the case of individual customer services, there are plans to create personalized ser-

ICT nomics to create new values and an outstanding economy through the connectivity of things.



Opening of the Shenzhen VISTA-SK Medical Center in Shenzhen, China



Telecommunications Service Provider of the Year in the Healthcare Sector at the Asia Pacific Best Practice Awards

vice value using the data collected from smart devices for analysis through sensors, processors and "Connectivity." Defining this business area as the "Lifeware" business, SK Telecom will provide the related hardware and software based on customer needs. The value of Lifeware business as a new growth business will be proven in 2015 for global expansion, and efforts will be made to achieve KRW 3 trillion in corporate value by 2018 by improving customer value based on such services.

Meaningful Performance in the Healthcare Business

In 2014, SK Telecom made notable achievements in its healthcare business, obtaining FDA approval for Friend TSH, a diagnostic device for thyroid cancer, expanding into the healthcare market of China with the opening of the Shenzhen VISTA-SK Medical Center in China, and commencing the export of HIS to Saudi Arabia.

In the case of the external diagnostic device business, SK Telecom successfully became the majority shareholder of NanoEntek by purchasing additional shares in April 2014, with plans to enter and accelerate its growth in the

American healthcare market. Also, advance bases were secured in the Chinese market with the opening of an R&D center and a medical center in Shenzhen, China. As for the export of hospital solutions to Saudi Arabia, the consortium formed by Seoul National University Hospital in Bundang and SK Telecom signed a hospital information system supply agreement, with a contract price of around KRW 70 billion. If the export to Saudi Arabia and other Middle East regions continues to rise, it is expected that more than KRW 300 billion in revenue will be generated over the course of the next 5 years.

Promotion of the IoT and Convergence Business Solutions

The solution business presents a new role for ICT in satisfying the economic, environmental and social needs in reflection of the new trends arising from the changes in the business environment and lifestyles. By generating profits stably using the ICT-based business structure and model, the value of such platforms for mid-term growth will be proven. In the solution business, selection and concentration of businesses were performed and

sustainable growth was achieved through business model expansion in 2014. The solution business grew 20.6% compared to 2013, while the growth rate in the green business area dramatically increased to 215%. SK Telecom will continue expanding its business areas and seek measures for sustainable growth by pursuing ICTnomics and developing and providing innovative services in the era of IoT.

Development of Self-Contained Technologies by Conducting R&D Projects in Each Area
SK Telecom restructured its organization in 2013 to concentrate its marketing capacity and enhance its R&D execution power for the future growth businesses by conducting R&D projects that are in balance with its existing mobile telecommunications and growth businesses. Accordingly, the ICT R&D projects and future growth R&D projects were separat-

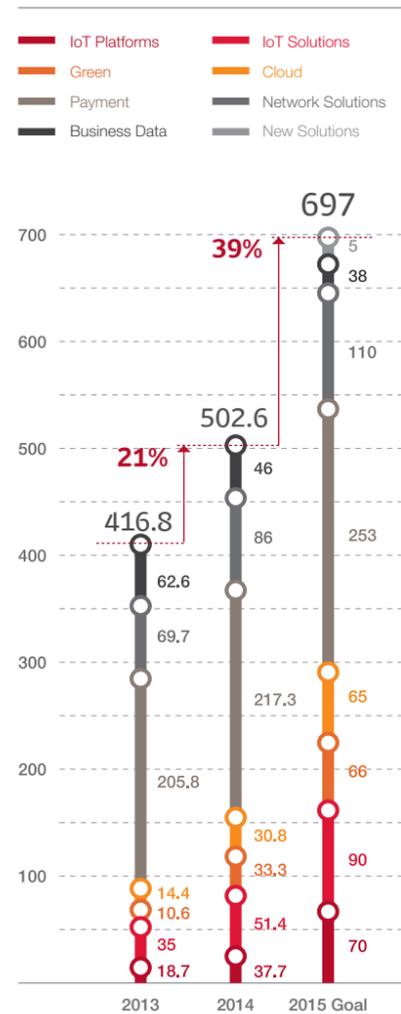
ed, and investments were actively made into the R&D field for innovating technologies in the ICT convergence and adjacent industrial fields in addition to the existing ICT industry and securing business opportunities. Through these efforts, SK Telecom continually secured its leadership position in fixed-line and wireless network, platform and service technology fields, while creating new value by

integrating the concepts of customers, products, networks and devices and discovering new growth engines based on technology. SK Telecom will be committed to the development of key technologies to emerge as a leader in new business areas in the future through technological innovation and reinforcement of new technology-based businesses.

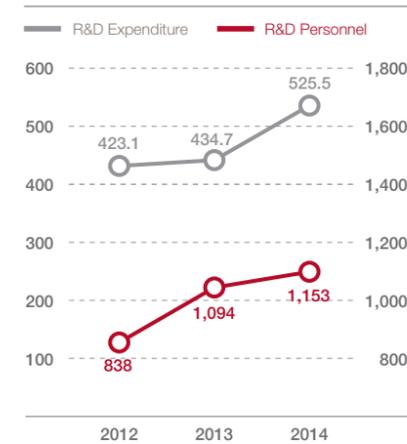
Outcomes in the Solution Businesses and Future Plans

	Concept	2014 Highlights	2015 Plans
 IoT solutions	A solution business providing infrastructure for improving productivity and cost effectiveness in reflection of the process characteristics and the value chain of the industrial sector of the customer	Launched industry-specific products and secured services for various business areas (selection of the pilot operator of the e-Call service, smart furniture as a new form of ICT convergence)	Secure additional successful business models for the repeated sales of representative products for each industry and industry-specific products, and pursue convergence and conglomeration of business models such as commerce linked with regional commercial districts and ad service integration
 IoT platforms	Overall services for integrating sensors, communications and IT technologies for buildings and spaces to check and control the information between people-things and things-things.	Increased revenue generated from solutions in major areas (smart & care: caretaker for people with severe disabilities, e-vouchers, Gyeonggi bus, taxi control, direct trade of food ingredients, etc.)	Improved access to the platform business by building an open IoT platform, and pursuing business centering on the three major areas: safety, asset management and human care
 Green	Providing, building and operating ICT-based solutions such as energy efficiency enhancement and smart power plant, etc. for all areas including buildings, factories, public organization offices and other facilities	Prepared the foundation for sustainable growth by winning contracts for projects to build energy management systems for diverse buildings and companies	Expand the energy management system business through strategic targeting and differentiation of targeting measures according to the type of industry, and achieve full-fledged outcomes such as construction of smart power plant facilities
 Payment	Payment services such as the Direct Carrier Billing (DCB) business for settlement of small-amount phone payments and contents purchasing	Specified and executed the mid- and long-term payment business growth model (T Smart Pay) and pursued short-term agendas such as improvement of usage limit and profit structure, etc.	Launch "T Smart Pay" and pursue market expansion, and expand the solution business based on the USIM platform
 Cloud	Providing Cloud in relation to specific infrastructure-type products such as security, stability and mobile optimization, etc.	Expanded the solution lineup such as global cloud and Webddle, etc. and the business areas for major customer groups such as games, commerce and finance, etc.	Develop Cloud 2.0 to improve the price and product competitiveness of the cloud infrastructure

Revenue from the Solution Business Unit: KRW billion



R&D Expenditure and Personnel KRW billion, person



Major R&D Activities

Area	Category	Activities
ICT area	Network	World first to develop the commercial technology for 20+10M broadband CA and 3band MC/CA
		LTE-A evolution technology (SUPER Cell, FDD-TD CA technology, etc.)
		Virtualization-based network structural innovation technology (vRAN, vSOFT Core, etc.)
	IT	Next-Generation transmission network and Wi-Fi technologies (T-SDN, Carrier Wi-Fi, etc.)
		High-efficiency, large-capacity network infrastructure (DU, IMS/HLR, etc.)
Growth areas	Convergence Technology	Open-type platform technologies (t-API, T Developers Platform, etc.)
		Open Stack-based Software Defined Data Center (SDDC)
		OS EMD Next-Generation infrastructure evolution technology
		Bluetooth Low Energy (BLE)-based offline payment technology and key technology for personalization services
		Convergence products with business model innovation (Location, IoT platforms, etc.)
	Growth technology	System on Chip (SoC) solution for IoT
		NAND Flash-specific products
		Quantum cryptography communications system
		Virtual experience technology such as context awareness, augmented reality, virtual reality, etc.
		Laser Pico Projector and Smart Earset

Creating Shared Value through the Expansion of the ICT Ecosystem

As a leading ICT company, SK Telecom is towing the industry toward the era of convergence, and attempting to create shared value through ICT in various industries such as venture start-ups, the agriculture, livestock and fisheries, healthcare and environmental industries.

SK Center for Creative Economy and Innovation, Leading the Regional Creative Economy

The Center for Creative Economy and Innovation was established with the aim to support the growth of SMEs in the strategic industries of the region by linking diverse economic units including SMEs and individuals. Its role is to discover business models for region-specific industries, support technological development and develop human resources.

With the participation of SK Group in the Daejeon and Sejong Center for Creative Economy and Innovation Project serving as the impetus, SK Telecom has been using the creative economy experience and capacity it gained from the traditional market promotion and ICT convergence agriculture and fisheries industry projects among others in the regional creative economy projects.

The Achievements of SK Center for Creative Economy and Innovation in the Past Year

The SK Center for Creative Economy and Innovation has been operating the “Dream Venture Star program,” providing assistance throughout all processes of business, the “Global Venture Star,” discovering competitive ICT companies and assisting in their global expansion, and the “Win-Win Growth Partnership” program, linking promising companies for improved growth.

In 2014, 10 companies were selected for the first Dream Venture Star program for provision

of business spaces at the center and initial funding for technology development, assignment of dedicated mentors and assistance in global expansion. For start-up and initial costs, KRW 1.02 billion in investment was attracted from investment agencies, and also, KRW 45 billion fund was raised for the expansion of the creative economy ecosystem. Of particular note, CMES, one of the tenant companies, developed a 3D scanner system for industrial uses and generated KRW 1.29 billion in annual revenue, while TEGway gained global recognition when its wearable power generation technology using body temperature received the Grand Prize for the “top 10 emerging technologies that would change the world” by UNESCO in February 2015, and it is now planning to expand into Silicon Valley.

Export of the Business Model of the Center for Creative Economy and Innovation

In March 2015, an MOU was signed with Saudi Telecom on the export of the business model of the SK Center for Creative Economy and Innovation and mutual cooperation in the new growth business areas. Through the MOU, a private-government-corporate cooperation model for creative economy will be developed for Saudi Arabia, with plans to seek new business opportunities in the new growth areas such as smart city, healthcare, smart learning and IoT in Saudi Arabia and the Middle East.



SK Innovation Center for Creative Economy
“Global Venture Star” team selection Ceremony



Signing of MOU between SK Telecom and Saudi Telecom



Demonstration of “Bignote” in the second round of “BRAVO! Restart”

“BRAVO! Restart” Program for Assistance in ICT Business Start-up Processes

“BRAVO! Restart” is an ICT convergence start-up support project for seniors, who have brilliant ideas but require assistance in starting a business using their ideas and who lack start-up opportunities. It is a comprehensive support system, through which joint development projects are conducted with the ventures in question to contribute to the discovery of new growth engines for SK Telecom, and it also helps create high-added-value for venture start-ups and resolve the social issue of low employment rate of young adults. Contests are held to discover entrepreneurs, and there is a comprehensive support system for financial assistance for start-ups, investment in joint development projects, assistance in pioneering new markets, and operation of an entrepreneur care program and one-on-one mentoring services. In addition to the 23 teams chosen in 2014, 11 more teams were selected in 2015 for a total of 34 startup ventures, and they have been provided with assistance for successful establishment of their start-up companies. This project resulted in revenue generation through product launches, applications for 7 patents and global expansion of the startup companies as well as many other notable achievements including

social and economic value creation, invigorated ecosystem based on the established infrastructures, and creation of high-value-added start-up model and success stories.

“BRAVO! Restart” for Market Pioneering and Creating Value through Cooperation

ISL Korea Co., Ltd., chosen in the second round of “BRAVO! Restart,” has been actively cooperating with SK Telecom such as the joint establishment of a business model, joint global expansion, joint participation in exhibitions. ISL Korea is a company that developed “Bignote,” a virtual touch screen that utilizes video coordinate analysis technology. In order to assist its entry into the Chinese and Japanese markets where there has been a boom of smart learning, SK Telecom arranged for their joint participation in Mobile Asia Expo (MAE) held in Shanghai, China, bearing the entire expenses, in June 2014. Following this, SK Telecom has been providing local market analysis data and assisting in proposal activities targeting local companies for successful global expansion. In addition, ISL Korea has established an exclusive distributorship system for the corporate customers and signed a KRW 460 million supply contract with SK Telecom in October 2014. At present, it is seeking to expand into Japan and Indonesia.

Business Start-Up Items in the Third Round of “BRAVO! Restart”

Business Item	Description
Wearable smart watch	Wearable braille smart watch for the visually impaired
High-speed eye-tracking input system	Inputting text by tracking eye movements
Portable smart multi-cam	A smart beam-type portable camera
Smartwear wearable evice	Surrounding air detection technology linked with a smartphone
“Collavo,” a mobile video production tool	An app allowing video filming and editing in the user's distinct style
“Brandy,” an SNS-based brand platform companies and brands	SNS service for consumers with preferences for famous companies and brands
Region-based SNS service for mothers	SNS service linked with commerce and allows sharing of information on child-rearing
New provision solution based on data technology	A solution for providing visualized information based on the big internal analyses of big data
3D photo booth system	A 3D scanner with a camera using software that converts 2D images into 3D image
Smart wireless control system for low-cost indoor lighting	A technology for smart wireless control system for buildings without any wiring work
Portable music composition and editing device distribution platform	Compact composition, editing and DJing equipment and distribution platform



Starting ceremony of the third round of “BRAVO! Restart”

Smart Technology for Revitalizing Traditional Markets and Innovating Farming Villages

SK Telecom signed business agreements to revitalize Jeil Market in Seoul in 2012 and Singi Market in Incheon in May 2013. Since then, smart technology has been applied to the traditional markets with the application of various ICT solutions. Optimized ICT solutions such as MYSHOP, a tablet PC-based solution for small business owners, and Mobile e-Wallet reveal the future outlook of traditional markets. Of particular note, sales increased by 20 to 50% thanks to "Smart Flyers" and the number of visitors increased by 50% and sales by 30% through the "Friday Market Together." Also, about 3,700 new customers were attracted to Singi Market through the introduction of a membership system.

As such, SK Telecom is contributing to the revitalization of traditional markets by helping the merchants generate more sales and gain improved self-sufficiency.

SK Telecom is also using its smart technology to contribute to the economy of farming and fishing villages. Following the introduction of "Smart Farm," an IoT-based environment control system for controlled horticulture and Korea's first local food direct trade system with Happy ICT, a pilot project for "Smart Fish Farm," which allows comprehensive management of fish farms using smartphones based on measurements of oxygen and carbon dioxide concentrations in the water tanks, was implemented in August 2014. As such, a wide range of ICT convergence technologies are being used to revitalize the rural areas and their local economies.

ICT Convergence Solutions for Creation of Shared Value

Category	Solution	Description
Traditional market innovation	Management system	Myshop Management support solution for small business owners - Sales, business and customer management using tablet PC
	Enhanced customer value	Traditional market membership card - Attract new customers and retain customers
		ICT experience center ICT solution experience center with displays of education robots such as Albert and Arti at traditional markets
	Reinforced marketing capacity	Ari-cheongjeong Exclusive traditional market brand - Online marketing on 11st
Rural area innovation	Shipping support	Miyou Box (unmanned courier system) Shopping and shipping system for traditional market products
	Improved productivity	Smart Fish Farm Management of information such as oxygen saturation and pH levels of the fish tanks using smartphone
	Direct trade	Smart Local Food A support system for direct trade of agricultural and fisheries products

IoT-based Fish Farm Management System



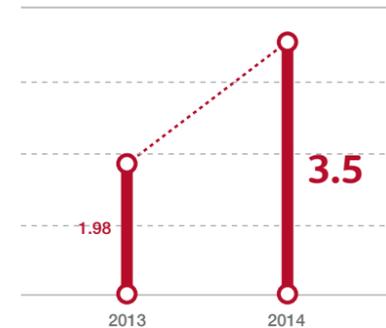
Marginalized Class Employment Rate at the Happy ICT Foundation



Social Value Created by the Happy ICT Foundation (as of 2014)



'Happy Ecophone' Revenue Unit: KRW billion



Development of the ICT Convergence Business through T Open Lab

BD Inc., which ranked first in an IoT contest of T Open Lab in December 2013, was chosen as a business partner. Together, SK Telecom and BD developed the "IoT Fish Farm Monitoring System," Korea's first wireless network-based system for the real-time monitoring of the water temperature, pH level and oxygen concentration of water tanks. It also has other features such as feed amount and shipping amount checks.

Together with BD, SK Telecom commenced system planning and development in April 2014 after completing the sensor discovery research and field survey, and this project was given the final approval as a private-government joint investment R&D project in July 2014.

As a result, a pilot system was run at an eel farm in Gochang, Jeollabuk-do Province in August 2014. The IoT Fish Farm Monitoring System is expected to help increase productivity in the domestic fisheries industry by reducing management costs and fish mortality rate.

Value Creation through Social Enterprises

SK Telecom is striving to create social value with its social enterprises, the Happy ICT Foundation established in 2011 and the Happy Ecophone Foundation established in 2013. Their social impact on the income for the marginalized classes, job creation, public services and web accessibility is converted into numerical values for evaluation and target management. In this aspect, Happy ICT

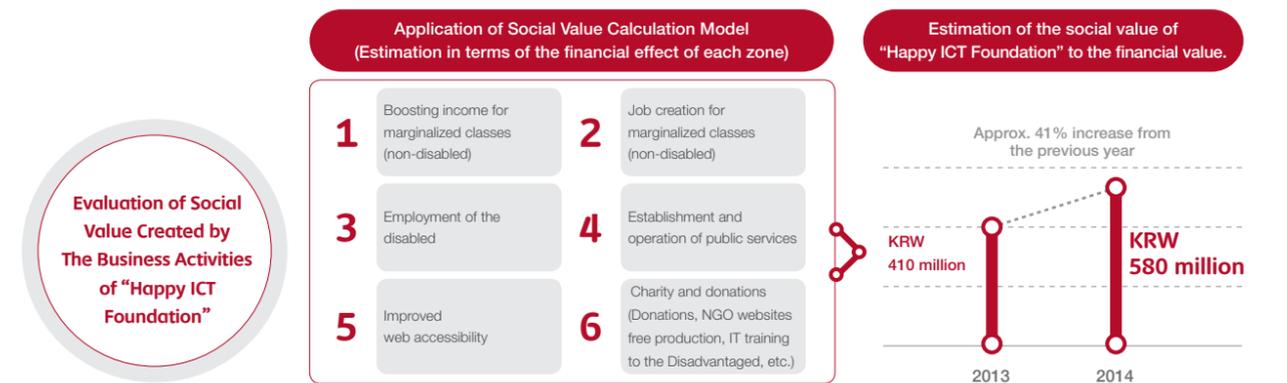
Foundation created KRW 580 million in social value, a 41% increase from KRW 410 million in 2013. In recognition of the fact that 32.3% of its employees are from marginalized classes, it was certified as a Job-Creating Social Enterprise.

Also, SK Telecom is creating social value through the "Mobile Cleaning Business Management System" and the "Smart Local Food Business Support System" by establishing and operating social enterprises in connection with its speciality.

Pursuing Social Value through the Spread of Desirable ICT Culture

While encouraging employees to use their talent and skills in the ICT area to help the marginalized classes, SK Telecom made other efforts to spread desirable ICT culture. It provided education to those with difficulties accessing information on how to use a smartphone and avoid the related risks. Ongoing efforts have also been made to reduce the smart technology gap by conducting "Happy Mobile World," a smartphone education program for the elderly together with a group of university student volunteers called Sunny, in addition to holding "Ieum Festival," providing mobile phone education to North Korean defectors and multicultural families, and hosting the IT Challenge Competition for Disabled Youth. As a result, the ICT-related volunteer rate more than doubled compared to 2013, while costs incurring from resource and manpower input were minimized.

Calculation Model for the Social Value of "Happy ICT Foundation"



Innovative ICT Solutions for Climate Change Smart Response

Climate change is a macro risk that has an impact on people's everyday lives as well as industries and regulations, yet it is also an opportunity factor that leads to the creation of a new green industry and market. Based on unique innovative ICT competencies SK Telecom will not only restrain his impact on the business area but far beyond it will lead to the solution to the "Climate change" of the entire community.

Domestic Regulations Related to Climate Change and SK Telecom's Active Response

Since the initiation of the GHG and Energy Target Management Scheme (TMS) in 2010, the government has been imposing restrictions on GHG emissions by enterprises through various policy approaches. In 2015, Korea became the first nation in Asia to implement the Emissions Trading System (ETS).

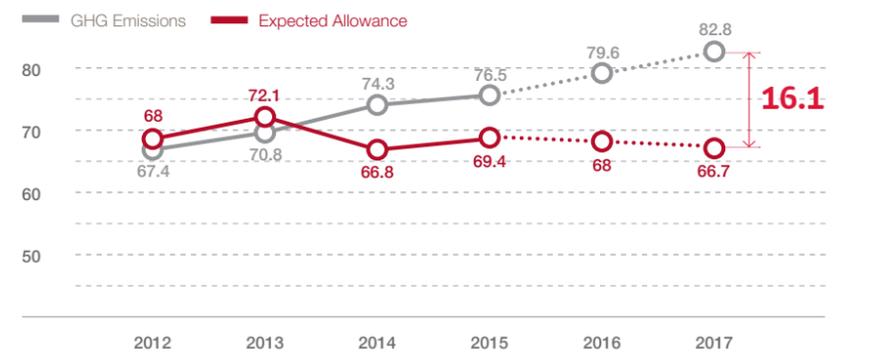
SK Telecom relies on electric power for 95% of its energy consumption, and the telecommunications network equipment located nationwide is the main source of power consumption. Accordingly, a wide range of efforts were made to meet the reduction target such as the development and application of high-efficiency telecommunications equipment (e.g. low-power relay stations), reduction of electric power use for cooling purposes by upward adjustment of base station temperature levels, office energy management using Cloud Building Energy Management System (Cloud BEMS) and installation of an electric meter for each device. Despite these efforts, however, SK Telecom emitted a total of 743,000 tons of GHG, exceeding the GHG allowance (668,000 tons) for 2014 by 75,000 tons. With the implementation of ETS starting in 2015 for more aggressive GHG reduction efforts at a national level, it is expected that the reduction target will be set at a higher level.

Due to the nature of the industry, 24/7 operation of networks for advances in quality and continuous network facility investment are es-

sential. Accordingly, this has caused a steady increase in the GHG emissions caused by the extension of network facilities, making it difficult for SK Telecom to achieve the GHG reduction target independently. It is projected that SK Telecom will be short of about 448,000 tons of GHG allowance during the first stage period of ETS (Jan. 2015 to Dec. 2017), meaning that it will be required to conduct large-scale reduction activities and purchase emissions rights. This is perceived as a major risk related to climate change.

In order to mitigate this issue, SK Telecom is participating in the joint efforts to counter climate change such as ETS and the Clean Development Mechanism (CDM) and actively conducting eco-friendly businesses as well as research to secure emissions rights using ICT. Estimation of the potential social GHG reduction amount by ICT and research on social GHG emissions reduction using T Map were performed as a means to reduce such potential risks. SK Telecom will continue to make a preemptive response to the regulations related to climate change, and actively secure carbon emissions rights and expand the scope of its renewable energy supply and storage solutions.

GHG Emissions and Expected Allowance Unit: 10,000 tCO₂e

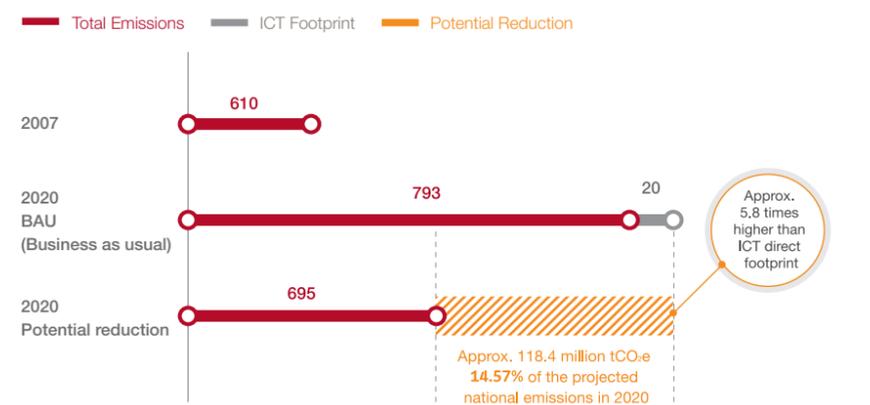


Efforts to Reduce Social GHG Emissions and Secure Emissions Rights Using ICT

SK Telecom is attempting to reduce the social GHG emissions that fall under Scope 3, which encompasses indirect GHGs that are generated during the process of using products and services, in addition to reducing the GHG emissions independently utilizing its core capacity, which is ICT. Efforts were made to reduce GHG centering on Scope 1 and Scope 2 starting in the 1990s, but due to the limitations caused by cost and quantitative factors, there has been increasing interest in the reduction of social GHGs that account for more than 40% of the global GHG emissions. Accordingly, SK Telecom became the first in Korea to determine the potential amount of social GHG reduction by 2020 (118.4 million tons,

5.8 times higher than the ICT direct footprint) using its ICT services. This was used as a domestic social GHG reduction measure, and officially adopted in 2013 as a report for the International Telecommunication Union (ITU). In addition to the development of technologies such as "T Map," "Smart City," and "Smart Home," SK Telecom has been continuing its research on social GHG reduction measures and reduction amount approval using ICT, leading the government policy research through academic-industry-government stakeholder advisory meeting. Through these efforts, SK Telecom is seeking offsetting measures for the domestic ETS and striving to lead the creation of sustainable value and the enhanced competitiveness of all enterprises.

Potential Amount of Social GHG Emissions Reduction Using ICT (IUT International Report) Unit: MtCO₂e



Leading Social GHG Emissions Reduction Using T Map

SK Telecom's "T Map" is a new type of navigation service, providing information on the fastest route to the requested destination point using real-time traffic information. This helps the users save time and reduce the GHG emissions. In 2012, SK Telecom collaborated with National Radio Research Agency (RRA) to develop the methodology for estimating social GHG emissions reduction amount using T Map, and this was given the final approval as the ITU International Recommendation Standard at the Environment and Climate Change Standardization Meeting of the UN International Telecommunication Union that was held in Peru in December 2013. In April 2014, it was officially recognized as the international standard methodology following a review by 200 member countries.

This is the first international standard recommended for estimating GHG emissions reduction amount using ICT services such as navigation systems. It is mainly a systematic and consistent method to calculate the amount of GHG emissions reduced by the users of real-time navigation systems bypassing the areas of traffic congestion. Based on this, SK Telecom conducted a study (confidence level of 95%) in 2012 to examine the GHG emissions reduction effects of the general navigation systems (providing information on the shortest route) and T Map with car model, fuel, time and sampled street route as controlled variables. The results of the study showed that the driving speed was faster by 9.99km/hr, fuel consumption was lower by 11.9% and GHG emissions were lower by 12.6% for T Map users.

SK Telecom is currently developing the business methodology to secure carbon emissions rights using T Map, and preparing to receive approval as a Clean Development Mechanism (CDM) business from the UN Framework Convention on Climate Change (UNFCCC). This will allow SK Telecom to gain recognition for the ICT-based social GHG emissions reduction and seek offsetting measures. Moreover, a government-initiated research project was conducted to promote the eco-friendly lifecycle using ICT services in 2014, and other research efforts have been made to pave the foundation for countering climate change.

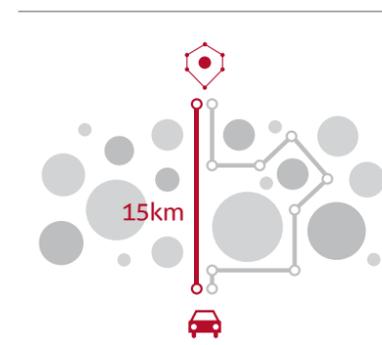
Expansion of the ICT-based Energy Saving Solution Business

SK Telecom is providing and operating Smart Power Plant (SPP) solutions and energy efficiency enhancement solutions for buildings, factories, public institutions and facilities. In 2014, the reference by Energy Management System (EMS) customer type was further expanded, and qualitative and quantitative growth was pursued by improving profitability. As a result, there was a 215% growth in revenue compared to the previous year, and a target has been set to increase the revenue by 98% in 2015.

Cloud BEMS and Cloud Factory Energy Management System (Cloud FEMS) are the key solutions for the energy efficiency enhancement business, which involves cloud-based management and analysis of data on customer energy consumption collected in real time to derive matters for improvement in facility operation and optimization of operating measures. In 2014, SK Telecom upgraded the existing systems and launched Cloud BEMS 2.0, enabling real-time management of energy consumption and facility performance data using mobile phones and tablets. Also, the "Collective Management Feature" for comprehensive management of energy use in dispersed business operation sites, the "Target Management Feature" for systematically managing the target energy consumption level, and the "Peak Power Consumption Management Feature" for managing the peak energy consumption amount of business operation sites were added for more effective energy saving efforts.

In 2014, SK Telecom applied the ICT-based BEMS and FEMS solutions to some 30 business sites including buildings and factories to help its customers reduce their energy consumption. In addition, we have established "cloud FEMS" solutions in chemical plants, and working actively to expand FEMS business centered on sectors like petrochemical, food, electricity and electronics, non-ferrous metals etc. SK Telecom will continue the consistent zooming on customers and on the other hand, work to expand widely through Renewable energy supply and Storage Solution and contribute as well to: Reduce maintenance and repair costs, government environmental regulation countermeasures, new revenue generation and maximization of long-term effects.

GHG Emissions Reduction Effect of the T map



Assuming that your car travels a round-trip distance of 15km every day, through the T map you can shorten the travel time up to 10 minutes. By doing that in one year you would have saved 110 liters of oil, 10% of oil price and spared 274 kg of CO₂ GHG emissions. This is literally comparable to planting 91 trees a year.



T Map navigation system



Cloud BEMS 2.0 released

Reduction Outcomes of Cloud BEMS Application

Project	Description	Amount of energy reduction	Annual cost savings
SK Innovation Seorin Building	Adjustment of the boiler operation method	42,000Nm ³ (LNG)	Approx. KRW 64 million
	Optimized starting and stopping of A/C operation and adjustment of coolant temperature	270MWh (electricity)	
Hyundai Department Store in Ulsan	Improvement of the cold water and coolant system	1,290MWh (electricity)	Approx. KRW 176 million
Cheju Halla General Hospital	Improvement of the heat source system	98,000Nm ³ (LNG)	Approx. KRW 179 million
Siwha General Hospital	Improvement of heating and cooling systems and lighting	41,000Nm ³ (LNG)	KRW 82 million
		240MWh (electricity)	

Self-Reduction Efforts to Minimize Environmental Impact

In addition to reducing social GHG emissions, providing environmental solutions and introducing the Eco Card, SK Telecom is endeavoring to minimize its environmental impact throughout its business operations and spread eco-friendly culture by actively taking part in the TMS and ETS. To improve the energy efficiency of its operation processes, it has installed high-efficiency lighting fixtures, timers and automated temperature adjustment devices, reduced the operation time of the heating and cooling systems in the non-working hours, and installed and began operating turbo coolant pump inverters, thereby reducing its energy consumption by about 3,143MWh/year. As a telecommunications service provider, SK Telecom does not directly engage in product manufacturing processes that generate air pollutants, toxic substances and harmful chemicals, which can have a serious environmental impact. Also, in 2014, SK telecom did not violate any environmental laws or regulations and was not imposed any related penalties and fines.

Resource Reduction through Eco-friendly Mobile Membership

SK Telecom began issuing mobile eco-cards instead of plastic cards to new T members starting in August 2013. The issuance of T Membership mobile eco-cards is expected to result in the reduction of plastic use by 4.88g and carbon emissions by 12g per user. This is equivalent to conserving four pieces of A4 paper, and the amount of respiration by 40 pine trees. SK telecom has issued more than 5 million plastic membership cards on average every year for the T Membership program, and if these were entirely converted into mobile cards, it would result in the conservation of more than 24 tons of plastic and reduction of 55 tons of carbon emissions annually. As such, SK Telecom is leading the efforts in environmental protection and encouraging the use of mobile membership cards through diverse benefits and promotions.

Accelerating Future Growth through Human Capital Management

SK Telecom will innovate its human capital and culture through systematic member development programs and management to fulfill its members' self-realization and develop their competency as the future growth and further strengthen the framework for its progress.

An Education System Tailored to the Organization's Characteristics

SK Telecom has divided the education and development programs into SK Values, leadership, job competency and global competency according to the organization and job rank. In the case of the Mobile Network Operator (MNO) and Growth Organization, differentiated education programs are provided based on their distinct business structure and member characteristics. As for the MNO, the education program focuses on marketing, network and B2B solutions to reinforce the members' execution power based on basic knowledge and skills and induce upper standardization of the members' competency. As for the Growth Organization, on the other hand, the skills and knowledge in the common areas were reinforced and the inter-member skill transfer was enabled in order for the members to continually upgrade their competency.

SK Telecom re-established its education and training method so that each unit organization can create excellent results independently. The unit organizations autonomously organize and execute their independent skill development programs, leaving the central organization to concentrate on the companywide programs. Accordingly, a skill development strategy was established for each division to inspect the programs in operation, and the human capital development systems for the B2C, B2B solutions, network and R&D organization members were improved. Furthermore, the SKMS practice level was diagnosed in the

first and second halves of the year, and the ownership of the independent development plans (IDP) was transferred to the field for improved execution power.

Strengthening of Leadership and Job Competency by Band

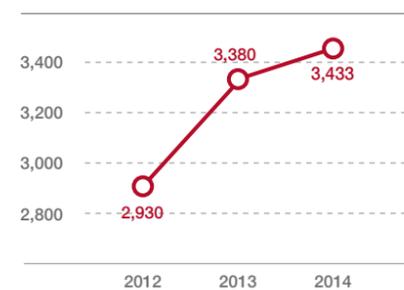
SK Telecom is operating leadership and job competency development programs for each band such as executives and team managers, for instance, in accordance with the leadership pipeline. The programs for the executives include the Executing Coaching System for improved role awareness and organization management competency, the Learning Account System, providing financial assistance for education in areas deemed necessary for improved by the executives themselves, and the Advanced Management Program (AMP) conducted in collaboration with universities. In the case of team managers, regular companywide team manager workshops and "Auso (Communication among Team Managers Starting the Morning Hours)" are in operation for discussions of current management issues and practice measures.

In order to secure Next-Generation leaders, individuals with high potential (HiPo) are selected from each band as a preemptive human capital development measure. Specialized education programs are also in operation such as the "Leadership Intensive Program (LIP)" for the fostering of team manager candidates to allow immediate appointment as well as "T-Professional" and "T-Challenger."

Member Development System by Organization



Education Expenses per Person Unit: KRW thousand



As a result of these efforts, the goal to foster 500 Next-Generation leaders by 2015 was achieved earlier, with 565 Next-Generation leaders trained as of the end of 2014. Furthermore, 659 executives and employees were trained through the first and fourth year programs to gain a field- and customer-orient-

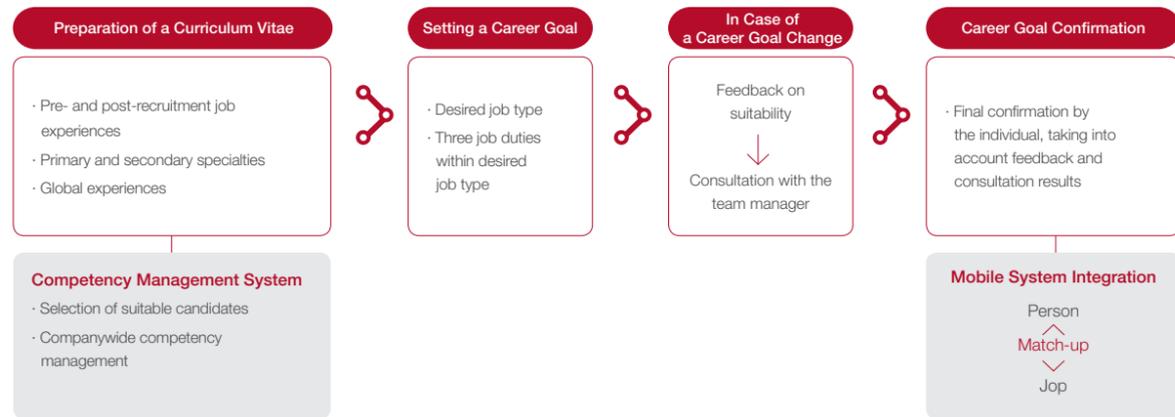
ed mindset and understand the role and key competency of the members in each band. With steady increase in investment into human capital development, the education expenses per person were recorded at KRW 3.43 million in 2014, a 1.57% YOY increase.

Major Competency Development Programs for Executives and Employees

Education Program	Business Benefit
Executive Coaching	Reinforcement of leadership and organization management competency of executives
Company wide Team Manager Workshop and "Auso"	Development of a clear understanding of the direction of companywide changes and the role of team managers
HiPo Individual Education	Securing of a pool of future leaders through preemptive education of HiPo individuals
T-Class	Reinforcement of the job competencies and gaining of broader thinking and experiences through the introduction of new topics
T-University	Enhanced synergy in reinforcing job-specific competencies by sharing of educational programs among the divisions of SK Telecom, investors and affiliates
T-learning	Effective learning of ICT trends, specialized knowledge and languages, etc. through a mobile learning platform
1 st and 4 th Year Programs for Each Band	Improved awareness of the band's role and development of key competencies for the band

Human Capital Development through CDP
SK Telecom implements the Career Development Plan (CDP) to enhance job expertise and put the right person in the right place. The plan

presents directions for job transitions and development of expertise to improve individual competencies based on the principles of autonomy and responsibility.



T-Class, the Representative Education Program of SK Telecom

T-Class, a field education program, has grown in size and employee awareness since 2012 when it was diversified into Luncheon T-Class, Intensive T-Class and others to meet the diverse needs of employees. As a result, the number of participants increased dramatical-

ly in 2014, and a total of 14,368 employees took part in 108 programs, which was about a 64.4% increase in average participant per program compared to 2013. SK Telecom will continue to solidify the link between its education programs and businesses, and make efforts to further advance the T Class programs and contribute to human capital development.



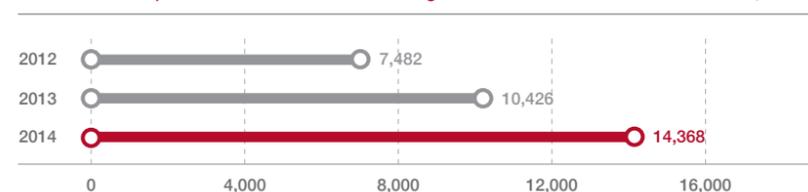
Luncheon T-Class during lunch hour

T Class Growth Process

	2012	2013	2014
Implementation overview	Launch and establishment	Monthly themes	Diversification of format and increase in participants
Status	-153 programs -7,482 participants in total	-118 programs -10,426 participants in total	-108 programs -14,368 participants in total
Major programs	-Evening T-Class -Visiting T-Class	-Evening T-Class -Division-led T-Class	-Evening T-Class -Visiting T-Class -Luncheon T-Class -Intensive T-Class

Number of Participants in the T Class Education Programs

Unit: person



Recruitment of Out-of-work Female Counselors as Permanent Employees

Increasing the Diversity of Human Capital through Diverse Systems and Channels

SK Telecom has been striving to increase the diversity of its personnel by recruiting individuals with global competency, women and local people. In order to secure global individuals, the Global Recruiting Professional and the Global Tech Leader Summit among other events are held annually, and efforts have been made to improve the brand image of SK Telecom as an employer in the U.S. and to create a human network.

Since 2011, the "W-Network," an executive consultative group of SK Group, was organized to foster female leaders, and mentoring, workshop and other activities were conducted. Also, an automatic parental leave system was implemented for the employees on maternity and parental leaves to promote fairness in evaluation and promotion, and create a balance between work and family life. As such, the essential agendas for the fostering of female workers have been derived on a yearly basis to improve their welfare and encourage career development. As part of these efforts, 61 female counselors, who have been out of the workforce for some time, were recruited as permanent employees in 2014.

Meanwhile, additional points were given to the marginalized classes including those from the low-income class as well as war veterans and people with disabilities during the applicant screening process, and special recruitment screening process is implemented to hire more applicants from the marginalized classes. Also, SK Telecom receives recommendations from the career centers of universities and support centers for the disabled in addition to making ceaseless efforts to discover new job areas that people with disabilities can undertake. In order to hire new recruits based on their skills and competencies, rather than whether they fulfill the requirements in writing, blind examination was performed in all of the screening processes. Furthermore, a wide variety of open recruitment processes are being



"It's You Camp", an Open Recruitment Process

implemented such as story reviews, the "Viking Challenge audition", "Talent Festival" and "It's You Camp".

Performance Evaluation Centering on Development

SK Telecom performs performance evaluations on all of employees, and the rate of performance evaluation has been maintained at over 95% from 2011 to 2014. The evaluation takes into account the aspects of short-, mid- and long-term performances as well as contribution to the organization and individual competency and execution power among other factors in a balanced manner. "Progress Review & Coaching" is performed by the leaders throughout the year in order to enhance fairness of the evaluation results and induce behavioral changes of the organization members. In addition, clear performance reviews, results and feedback are provided so that such performance management efforts can lead to the development of employees. Through this evaluation system centering on human capital development, employees can gain more motivation, and progressive development and efficiency enhancement can be expected for the organization.

On the other hand, SK Telecom has never discriminated women in any possible way. The same payment system is applied to all the personnel. But, accordingly to the length of service, the position or the outcomes of work, differentiation in the aspect of payment might occur. Also, SK Telecom abolished the job position system in 2006 in response to the rapidly changing environment of the industry, and introduced the manager system for a more horizontal and creative working environment. Accordingly, the job titles were unified as "manager," while the job positions were classified based on the pay bands for a HR management system that focuses more on the job duties and responsibilities rather than the job position.

SK Telecom
Annual Report 2014

Partner for
New Possibilities

3. Governance & Leadership

Governance Report

Risk Report

Ethical Management

Board of Directors

To secure transparency in the decision-making process and achieve efficiency in everyday business operations via checks and balances, SK Telecom has established in independent corporate governance structure.

SK Telecom's Board of Directors (BOD) consists of two executive directors and four independent directors for a total of six directors. To achieve transparency in decision-making processes and to establish an independent governance structure, the positions of the Chairman of the Board and the CEO are assumed by different individuals. At the 31st General Shareholders' Meeting on March 20, 2015, CEO Dong-Hyun Jang was newly appointed as an executive director, while the Chairman of the Board is an independent director, Jay-Young Chung. SK Telecom's Board consists of directors specializing in various areas including economics, social affairs and IT.



Jay-Young Chung

Chairman of the Board
Independent Director (March 2008)
Honorary professor at Sungkyunkwan University (2010-present)
Chairman of Asia Pacific Economic Association (2013-2014)
Vice President of Sungkyunkwan University Humanities & Social Science Campus (2003-2006)

- Member of the Compensation Committee
- Member of the CAPEX Review Committee
- Member of the Corporate Citizenship Committee



Dong-Hyun Jang

CEO & Executive Director (March 2015)
President & CEO of SK Telecom (2015-present)
COO of SK Planet (2013-2014)
CMO of SK Telecom (2011-2013)

- Member of the Independent Director Recommendation Committee



Dae-Shick Oh

Independent Director (March 2013)
Advisor for BKL LLC (2008-present)
Commissioner of the Seoul Regional Tax Office (2007-2008)
Director of the Investigation Bureau of the National Tax Service (2006-2007)

- Member of the Audit Committee
- Member of the Corporate Citizenship Committee
- Member of the CAPEX Review Committee



Jay-Hoon Lee

Independent Director (March 2014)
President of Korea Polytechnic University (2014-present)
Second Vice Minister of Knowledge Economy (2008-2009)
Second Vice Minister of Trade, Industry & Energy (2007-2008)

- Member of the Independent Director Recommendation Committee
- Member of the Compensation Committee
- Member of the CAPEX Review Committee



Jay-Hyeon Ahn

Independent Director (March 2014)
Dean of the External Affairs Dept. at KAIST College of Business (2013-present)
Dean of KAIST Graduate School of Information & Media Management (2011-2013)
Chairman of the Korean Media Management Association (2011)

- Member of the Audit Committee
- Member of the CAPEX Review Committee
- Member of Corporate Citizenship Committee
- Member of the Independent Director Recommendation Committee



Dae-Sik Cho

Executive Director (March 2013)
President & CEO of SK Holdings (2013-present)
Financial Affairs Team Manager at SK and the Chairman of the Autonomous Responsibility Management Support Group (2012)

Governance Structure for Transparent and Responsible Management

SK Telecom has established a BOD-centered corporate governance structure based on the principles of transparency and responsible management to maximize value for shareholders and boost corporate value.

Reinforced Efficiency and Independence of the Board

Recently, SK Telecom made some changes in the composition of the board to enhance operational efficiency and transparency. At the General Shareholders' Meeting in March 2015, it was voted to reduce the Board size from 8 members (5 independent directors and 3 executive directors) to 6 members (4 independent directors and 2 executive directors), and the percentage of independent directors was increased to 66.7%, which is higher than that of the listed large corporations on average (49.6%; Fair Trade Commission data reported in Nov. 2014). SK Telecom board operates a total of five committees: Independent Director Recommendation Committee, Audit Committee, Compensation Review Committee, CAPEX Review Committee, and Corporate Citizenship Committee. To ensure fairness and transparency, all of the committees, except for the Independent Director Recommendation Committee, are entirely comprised of independent directors.

Separation of the Chairman of the Board and CEO Positions

In 2012, SK Telecom separated the Chairman of the Board and CEO positions to reinforce the independence of governance structure. Based on the nomination by the Independent Director Recommendation Committee and the resolution of the Board, the personal information of the independent director candidate, Dong-Hyun Jang, and the Audit Committee member

candidate, Jay-Hoon Lee, was included in the notice to convoke the 31st General Shareholders' Meeting, February 25 in 2015. Then, at the General Shareholders' Meeting held on March 20, new director and Audit Committee member were appointed.

Transparent Director Election Process

Independent directors account for more than the majority of the Independent Director Recommendation Committee at SK Telecom. Independent directors are elected taking into account their expertise and independence. The statement for independence of independent directors are in accordance with the requirements of the Korean Commercial Act and relevant guidelines such as the Model Rules for Corporate Governance in Korea. Also, nominated for directorial positions are experts with vast experience and expertise in management, economics, accounting, law and/or relevant technologies who can contribute to the development of the company and the protection of the rights and interests of shareholders.

Independent director appointment procedure is as follows: The Independent Director Recommendation Committee nominates a candidate for an independent director position, who is then appointed by a majority vote of the Committee members in attendance. In the nomination process, the Committee takes into consideration the candidate's individual competency and tries to maintain diversity within SK Telecom's the Board to carry out a wide range of specialized duties. Once a candidate

Independent Director Composition of the Board

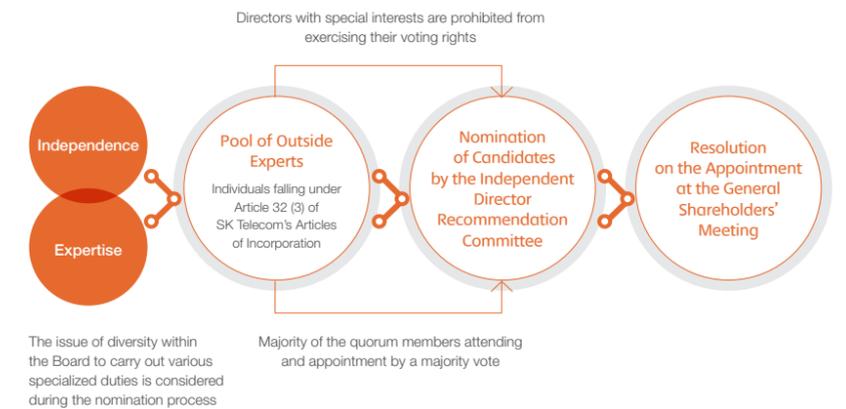


is selected, his or her appointment is determined through a transparent and lawful voting process at a General Shareholders' Meeting.

The Independence Statement of SK Telecom

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

Independent Director Election Process



Independence of the Audit Committee

At SK Telecom, the organization, operation, authority and responsibility of the Audit Committee, comprised entirely of independent directors, conform to the Commercial Act, other applicable laws related to capital market and financial investment, and the Articles of Incorporation of SK Telecom. The Audit

Committee overseas accounting and audits the financial statements and supplementary schedules (the procedure and results of the audits performed by independent accounting firms), reviews company's major issues and the operating status of the company's internal accounting system as reported by an internal accounting manager and an external auditor.

Prevention of Conflict of Interest

The independent directors of SK Telecom cannot engage in business transactions without approval of the board, and cannot be

employed by other companies within the industry. In addition, independent directors and auditors can hold only two concurrent positions.

Composition and Responsibilities of the Committees within the Board (2015)

Committee	Composition	Authority and Responsibility
Independent Director Recommendation Committee	Executive director 1 Independent directors 2	· Recommend candidates for independent directors for the General Shareholders' Meeting for appointment purposes
Audit Committee	Independent directors 3	· Right to audit the directors' job execution, request business report and investigate work performance and financial status · Right to investigate the Board in accordance with the Commercial Act · Right to the injunction of violated actions in accordance with the Commercial Act · Right to represent the directors in a lawsuit between the directors and the company in accordance with the Commercial Act · Right to convene an Extraordinary Shareholders' Meeting in accordance with the Commercial Act · Right to obtain advice from outside specialists at the company's expense · Appoint auditors · Review and approve the transactions between related affiliates or for such companies held during the quarter to provide goods and services over the larger part of 5/100 of the company's total shareholders' equity or capital stock or for amounts of over KRW 5 billion · In case of optional contracts with specified affiliates, review and approve the transactions of goods and services for amounts of KRW 10 billion or more per transaction · In case of continuous transaction with specific affiliates through optional contracts, review and approve the transactions of goods and services, the estimated transaction of which is KRW 10 billion or more in the same fiscal year
Compensation Review Committee	Independent directors 3	· Review the remuneration system and level for the CEO
CAPEX Review Committee	Independent directors 4	· Review the CAPEX plan in the business plan for the following year · Review the CAPEX plan when comprehensively changing the business plan for the current year · Change the major CAPEX (exceeding 10% of CAPEX) · Review the quarterly or semi-annual CAPEX execution performance
Corporate Citizenship Committee	Independent directors 3	· Set and review the CSR initiative direction · Handle stakeholder communication and resolve their difficulties · Report CSR initiatives to the Board

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

Board Activities and Evaluation

Each year, SK Telecom evaluates the directors based on their expertise in the company's businesses and technologies and their active involvement in Board activities. Evaluation results are then discussed at a Board meeting. Also, when a director is re-nominated by the Independent Director Recommendation Committee after the end of his/her term, his/her previous performance as a Board member is considered. In 2014, a total of 10 Board meetings were held, and the attendance rate was 100%. The maximum remuneration for directors is determined by vote at a General

Shareholders' Meeting, and the remuneration is paid in a fair, transparent manner in accordance with the remuneration policy. In addition, the Board is delegated by shareholders the top decision-making authority related to management strategies in accordance with relevant laws and the Articles of Incorporation of SK Telecom. Accordingly, the Board fulfills various responsibilities and roles including the remuneration of Top Management, nomination of candidates for director positions, and audits on accounting and performance disclosures.

Board Activities (2014)

Session	Date	Main Agendas	Director Attendance Rate
361 st	Feb. 6, 2014	30 th fiscal year financial statements (plan) 30 th fiscal year business report (plan) Operating status of the internal accounting management system 2013 Q4 follow-up report	100%
362 nd	Feb. 20, 2014	Goods, services and asset transactions with SK Planet for 2014 (plan) Participation in capital increase of PSN Marketing (plan) Convoing the 30 th General Shareholders' Meeting (plan) Results of evaluating the operating status of the internal accounting management system	100%
363 rd	March 21, 2014	Appointment of the CEO (plan) Appointment of the Chairman of the Board (plan) Appointment of the committee members (plan) Fund management deal with the affiliated financial firm, SK Securities (plan) Payment for the operating expenses of the SUPEX Pursuance Association for 2014 (plan)	100%
364 th	April 24, 2014	Asset transactions related to B Box with SK Broadband (plan) Bond issuance (plan) Financial transaction with the affiliated financial firm, SK Securities (plan) 2014 Q1 follow-up report	100%
365 th	June 26, 2014	Fund management deal with the affiliated financial firm, SK Securities (plan)	100%
366 th	July 24, 2014	Interim dividends (plan) 2014 first-half settlement report 2014 Q2 follow-up report	100%
367 th	Sept. 24, 2014	Service deal with SK China Investment Management Company Limited (plan) Bond issuance (plan) Company bond transaction with the affiliated financial firm, SK Securities (plan) Fund management deal with the affiliated financial firm, SK Securities (plan)	100%
368 th	Oct. 23, 2014	Investment into a subsidiary in Hong Kong to contribute to the growth fund of Tianlong (plan) 2014 Q3 follow-up report	100%
369 th	Nov. 27, 2014	Transaction with SK Forest for 2015 (plan) Lease transaction for SUPEX Center in Indeungsan Mountain Customer contact point channel operation service for 2015 (plan) Joint management agreement for business-purpose aircraft (plan) Results of inspecting law-abidingness and evaluating effectiveness	100%
370 th	Dec. 19, 2014	2015 Management Plan (plan) Investment for the growth of iriver (plan) Goods, services and asset transactions with SK Planet for 2015 (plan) Resale of fixed-line products with SK Broadband in 2015 (plan) Maintenance and repair service for base stations in 2015 (plan) Extension of the SK brand usage contact (plan) Fund management deal with the affiliated financial firm, SK Securities (plan) Company bond transactions with the affiliated financial firm, SK Securities (plan)	100%

Committee Activities

Activities of Audit Committee (2014)

Committee	Members	Date	Main Agendas	Director Attendance Rate
Audit Committee	Dae-Shick Oh Hyun-Chin Lim Jay-Hyeon Ahn	Feb. 5, 2014	Auditor's opinion on the internal monitoring system (plan)	100%
		Feb. 19, 2014	2013 second-half management diagnosis and audit results/ 2014 management diagnosis and audit plan Operating status of the internal accounting management system Results of the accounting audit for the 2013 fiscal year Results of reviewing the internal accounting management system for the 2013 fiscal year Evaluation of the operating status of the internal accounting management system (plan) Confirmation of the bill for the 30 th General Shareholders' Meeting and the opinion on the document examination (plan) 30 th audit report (plan) Renewal of IT SM agreement (plan) Service transaction with SK Wyverns for 2014 (plan) SKTCH service agreement (plan) Construction of fixed and wireless communications network in 2014 (plan)	
		March 20, 2014	2014 Q2 SK C&C transactions (plan)	
		April 23, 2014	Appointment of the Chairman of the Committee (plan) Purchase of consumable materials from Happynarae (plan) Construction of fixed and wireless communications network in 2014 (plan) Remuneration for outside auditors in 2014 (plan) Comprehensive approval of service provision by outside auditors in 2014 (plan) 2014 accounting audit plan	
		June 25, 2014	Transaction with SK C&C in 2014 Q3 (plan) Energy-saving project agreement with SK Broadband (plan)	
		July 23, 2014	Construction of fixed and wireless communications network in 2014 (plan) 2014 first-half management diagnosis and audit results, and plan for the second-half Results of the semi-annual IFRS review for the 2014 fiscal year	
		Sept. 23, 2014	Transaction with SK C&C in 2014 Q4 (plan)	
		Nov. 26, 2014	Construction of fixed and wireless communications network in 2014 (plan) Maintenance and repair service for the optical cable for 2015 (plan) Lease transaction for electrical communication equipment for 2014 (plan) Commissioned fixed-line communication services for 2015 (plan)	
		Dec. 18, 2014	Transaction with SK C&C in 2015 Q1 (plan) Service transaction with SKY Wyverns in 2015 (plan) 2015 accounts receivables collection delegation (plan)	

Activities of Independent Director Recommendation Committee (2014)

Committee	Members	Date	Main Agendas	Director Attendance Rate
Independent Director Recommendation Committee	Seong-Min Ha Dae-Shick Oh Jay-Hoon Lee	Feb. 20, 2014	Nomination of independent director candidates for the 30 th General Shareholders' Meeting (Jay-Hoon Lee and Jay-Hyeon Ahn)	100%
		April 23, 2014	Chairman appointment (plan) – Seong-Min Ha	

Activities of CAPEX Review Committee (2014)

Committee	Members	Date	Main Agendas	Director Attendance Rate
CAPEX Review Committee	Jay-Hoon Lee Jay-Young Chung Dae-Shick Oh Jay-Hyeon Ahn Dong-Seob Jee	April 23, 2014 Oct. 22, 2014 Nov. 26, 2014 Dec. 18, 2014	Chairman appointment (plan) – Jay-Hoon Lee Report on the status of major investee companies Report on the status of major investee companies 2015 CAPEX plan (plan)	100%

Activities of Compensation Review Committee (2014)

Committee	Members	Date	Main Agends	Director Attendance Rate
Compensation Review Committee	Hyun-Chin Lim Jay-Young Chung Jay-Hoon Lee	April 23, 2014 Dec. 18, 2014	Chairman appointment (plan) – Director Hyun-Chin Lim Remuneration system for executives and improvement matters	100%

Activities of Corporate Citizenship Committee (2014)

Committee	Members	Date	Main Agenda Items	Director Attendance Rate
Corporate Citizenship Committee	Jay-Young Chung Hyun-Chin Lim Jay-Hyeon Ahn Dong-Seob Jee	April 23, 2014 June 25, 2014 Oct. 22, 2014 Nov. 26, 2014	Chairman appointment (plan) – Jay-Young Chung Report on the 2014 CSV initiative plan Key issues of the 2013 comprehensive report 2014 mutual growth initiative plan Measures to reinforce customer information protection in 2014 Environmental management activities in 2014 Ethical management initiative performance / plan in 2014 UNGC LEAD CSR education	100%

Remuneration Payments for Directors

	Number of Directors	Total Payment	Average Remuneration
Executive director	3	3,102	1,034
Independent director	2	160	80
Audit Committee member	3	240	80
Total	8	3,502	-

Unit: KRW million

Remuneration Payments

The maximum remuneration for Board members in 2014 was reviewed by the Board in accordance to relevant laws and regulations, and finalized through the General Shareholders' Meeting. The confirmed amount approved at the General Shareholders' Meeting was KRW 12 billion, and total remunerations paid in 2014 amounted to KRW 3.52 billion. In the case of directors and auditors whose remunerations were above KRW 500 million, their individual remunerations have been disclosed in the business reports since 2014 as part of the effort to promote increased transparency in remuneration to Board members.

Remuneration Assessment Criteria and Method

The salaries for directors are calculated based on their respective position grades, reflecting also the value of their duties, and the salary must be within the maximum remuneration range set for directors. Net annual salary is divided into 12 months for equal monthly installments. SK Telecom operates Target Incentive system which consists of traditional bonuses

from corporate profit sharing and individual performance bonuses based on personal performance. Target Incentive system promotes better individual performance and provides incentives for employees. Director's performance-based compensation of up to 200% of the annual salary is determined by a comprehensive evaluation of measurable indices such as financial performances including revenue, operating profit and the non-measurable indices such as leadership, achievement of strategic goals, expertise, and contribution to the company's management performance. For the management, additional factors are considered in the evaluation. External perception indices include the 3 major customer satisfaction survey results and DJSI evaluation results. Environmental and social indices include reduction in greenhouse gas emissions, revenue in environmentally-friendly ICT solutions, employee and executive turnover rate, achievements in production of social values as socially responsible ICT-based corporation, revenue in society-contributing solutions, and others.

The Ratio of the Highest Remuneration to the Mean Employee Remuneration

	CEO remuneration (total)*	Employee Remuneration (mean)*	Ratio	YOY increase rate**
2014	KRW 1,458 million	KRW 102 million	14.29	18.55%

*The remunerations for the highest paid individual and the employees include the annual salary and incentive bonus

** Based on the ratio of the highest remuneration to the mean employee remuneration (12.06-fold) in 2013

World-Class CSR Capacity through the Corporate Citizenship Committee

SK Telecom operates a top-level decision-making body for its social contribution activities, with the aim to fulfill its corporate social responsibility (CSR) as a global company and undertake sustainable CSR activities.

Sustainable Management Governance

In May 2008, SK Telecom established the Corporate Citizenship Committee (CCC) under the Board with the aim to implement CSR activities as part of core management activities. CCC is responsible for setting forth mid- and long-term strategies for sustainable management activities and evaluating the outcomes thereof in order to ensure the efficiency of the CSR activities. As the top decision-making body for CSR and Creating Shared Value (CSV) activities of SK Telecom, CCC makes decisions related to CSR from long-term CSR perspectives, taking into account various stakes in the company.

CCC consists of 3 independent directors, whose roles include setting the direction of implementation in the 5 major sustainable management areas including customer-centered management, mutual growth, CSV and social contribution, transparent ethical management and eco-friendly management as well as advising on CSV initiative activities and monitoring the key issues and outcomes. In accordance with the increasing demand for reinforcing CSR participation of the top decision-making body by the GRI Guidelines (GRI G4), UN Global Compact (UNGC), and Communication on Progress (COP), SK Telecom has further forged the roles of CCC. A review procedure for comprehensive reports of the top decision-making body has been introduced in order for stakeholders to take part in this process and for key issues to be reported to CCC of the Board. In addition, CCC decided to operate an

integrated channel on the company's website to receive complaints and grievances related to labor, human rights and environmental and ethical management practices from the stakeholders. Furthermore, in order to enhance the expertise of the Board in regard to the sustainability of the economic, environmental and social matters, SK Telecom invited external specialists with the assistance of UNGC in 2013 and in November 2014 to provide CSR education to the Board.

Stakeholder Engagement

Through subsistence and development, SK Telecom aspires to create value for stakeholders and contribute to socioeconomic development and happiness of mankind. To this end, the company has established distinct communication channels for different types of stakeholders, which include customers, business partners, employees, local communities, NGOs, shareholders and the government. Through these channels, the company is implementing communication-oriented management practices. There are six distinct communication channels in total, and they include an online channel, an online customer center ("T World"), a portal site for partners, and a Labor-Management Council. These channels help the company receive feedback, grievances and complaints from stakeholders, and monitor their demands on an ongoing basis. In addition, SK Telecom operates an online communication channel to faithfully reflect the opinions and interests of the stakehold-

ers from the responsible management perspective in areas of social and environmental affairs, human rights and labor. Of the issues received through these channels, those that are deemed to have a substantial impact or considered important are reported to CCC. In 2014, a total of 46 major issues were submitted by stakeholders through official communication channels, and response measures were taken for all of these issues. In order to identify the top priorities and key issues on a yearly basis, SK Telecom also conducts annual online surveys. The 2015 survey in March, and opinions were collected from 357 respondents. The survey partic-

ipants were individuals and corporate bodies with direct stakes in SK Telecom including executives, employees and shareholders as well as customers, government agencies and NGOs. Through the survey, SK Telecom was able to identify 11 key issues including quality, customer satisfaction, customer retention, responsible marketing and talent recruitment, and the matters derived from the survey were reflected in this report after a final review and approval of CCC.

Stakeholder Engagement and Communication Channels



CSR Grievances/Complaints Channel

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



Key Agenda Items for CSR Advisory Panel

Session	Date	Major agenda items
1 st	June 12, 2014	CSV Advisory Panel operation plan 2014 CSV initiative plan Review of "Happy Companion" (1 year since launch) and directions for change
2 nd	Aug. 22, 2014	ICT trends and outlook CSV evolution process and future directions Review of "BRAVO! Restart" Environmental analysis related to the 6 th agricultural industry revitalization efforts
3 rd	Dec. 30, 2014	Report on the 2014 CSV results

Since 2003, the CSR Advisory Panel comprised of major stakeholders has been meeting regularly to discuss the issues of CSV, social welfare and creation of value for society based on ICT. Major issues discussed at the meetings relayed to the management.

Launch of the Customer Advisory Panel Involved in Product and Service Planning to Distribution

In May 2014, SK Telecom became the first in the industry to launch a customer advisory panel to get customers involved in R&D of service areas that the company is developing or attempting to discover by participating in the entire processes from product and service planning, development to distribution. The advisory panel, comprised of customers of both genders and various ages and occupations, take part in discovering customer needs and developing specialized projects to enhance customer satisfaction. The ideas and opinions of the panel are reflected in the service development and improvement processes.

Advocating for and Complying with the International Principles and Initiatives

SK Telecom became the first of the four major conglomerates in Korea to join the UN Global Compact (UNGC) and Korea's first to be designated as a LEAD company in May 2007. As a UNGC LEAD company, SK Telecom is adhering to the 10 principles in 4 sectors including human rights, environment, labor and anti-corruption, and advocating for a wide range of the UN's development plans including the UN Millennium Development Goals in January 2011. SK Telecom declared its support for the Protect, Respect and Remedy Framework, proposed by John Ruggie that has been endorsed

by the UN Human Rights Council in June 2011. The company complies with ISO 26000, the standard for corporate social responsibility management system, and is actively involved in the Integrated Reporting (IR) Business Network. Gaining recognition for its efforts to improve sustainability at home and abroad, SK Telecom has been included in the Dow Jones Sustainability Indices (DJSI) World Index for seven consecutive years since 2008, and it has also been taking an active part in global initiatives including the Carbon Disclosure Project (CDP).

Enhancing the Expertise of Directors of the Corporate Citizenship Committee

SK Telecom has conducted the UNGC LEAD Board Program for CCC in November 2014 for the purpose of enhancing the competency of the top governance body in sustainable management areas.

The UNGC LEAD Board program is a CSR educational program designed specifically for the Board of Directors by the UN Global Compact, Boston Consulting Group (BCG), and Business for Social Responsibility (BSR), an international non-profit organization.

The major trends in CSR and the Board's role as a CSR driving engine were presented through this program, which consisted of two modules: The Importance of Sustainable Management and The Roles of the Board. This program helped the directors reinforce their competencies.

SK Telecom will continue its efforts to reinforce the CSR capacity of its top decision-making body by conducting the education program for CCC on a yearly basis and reinforcing the post-program performance assessment.



SK Telecom's Customer Advisory Panel Induction Ceremony

UN Global Compact (UNGC)

Since joining the UN Global Compact (UNGC) in 2007, SK Telecom has undertaken various activities in an effort to resolve domestic and international social issues and to spread the global CSR trend. As Korea's first company to participate in LEAD, a leading company council under UNGC, SK Telecom has offered the Board Program (a CSR education program for board members) to the Corporate Citizenship Committee and took the initiative to apply the global CSR best practices to Korea. SK Telecom is also a founding member of UNGC Korea, a local association of UNGC, and has

participated as a steering committee member since 2007, contributing to the establishment and dissemination of the CSR culture among Korean companies. In 2014, SK Telecom actively participated in major events hosted by the UNGC Korea such as the Y-CSR Conference and Korea-China-Japan Round Table Talks. By undertaking such diverse activities, SK Telecom is gaining recognition as a leading company in CSR.

UNGC Activities

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

Reinforced Management of Human Rights, Labor, Environmental and Ethical Issues in the Supply Chain

As a UNGC LEAD company, SK Telecom complies with its principles in relation to human rights, labor, environmental and ethical issues, and fulfills its duty and responsibility to ensure that related risks do not occur within the company as well as in the supply chain including its business partners.

In April 2013 SK Telecom publically advocated for the human rights principles prescribed in the Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights: Ruggie Framework, and announced its plans to fulfill the responsibility in relation to human rights under the name of the CEO. It should be noted that the company adheres to all of the recommendations made by the International Labor Organization (ILO) including those related to child labor and forced labor. In addition, SK Telecom has prescribed the standards in its Code of Ethics and Ethical Practice Guidelines to ensure that they are clearly understood by business partners, and efforts have been made to ensure that the same principles apply in countries where the related laws and regulations are generally of low standards compared to those of Korea.

By establishing independent evaluation criteria, the targets of management have been set according to the level of priority determined based on the transaction scale and severity of business risks. Risk assessment is performed starting in the purchasing and business partner selection phases and the results are reflected immediately to prevent the occurrences and recurrences of wrongful and unethical practices. When reviewing a supplier for the first time for registration purposes, an evaluation is carried out, taking into account not only its financial structure, but also its payment practices and the standards of policies related to human rights, labor and the environment. SK Telecom is well-aware that because the supply chain for its network equipment and end-user devices is positioned throughout the globe, there are concerns of risks that can potentially have an impact on other regions in addition to the main region of business, Korea. SK Telecom is committed to fulfilling its responsibilities to ensure that its policies are properly implemented by reinforcing its due diligence, monitoring and tracking in all regions, especially in areas requiring special attention.

Specialized and Independent Risk Management Governance

SK Telecom is building a company-wide risk management system as a means to preemptively keep potential risks in check and to establish a clear set of response measures and procedures. Through systematic and effective risk management, we will enhance stability and achieve continuous growth.

Reinforcing the Risk Management System for Major Risk Issues

Areas necessitating risk management have recently extended beyond the conventional scope of risk management, including distribution channels and supply chain, which were more controllable. Due to concentration and expansion of networks and facilities, the scale of damage caused by accidents such as customer information leakage and natural disasters and its consequent impact on business have grown more considerably compared to the past. Accordingly, in 2014, SK Telecom enhanced its basic compliance to prevent recognized risks, continually discovered potential risks that were present, raised awareness of risks among its subsidiaries and companies in the distribution network, expanded the scope of risk management, and specified risk judgment standards such as service failure criteria, thereby reinforcing its overall risk management system.

Support for Risk Management Systems of subsidiaries

SK Telecom ran a company wide risk management working group, which included representatives of its subsidiaries, for the purpose of strengthening its company wide risk management system and enhancing its management stability based on close cooperation with subsidiaries. In addition, a risk reporting and management system, also applicable to subsidiaries, was established. Of particulate note, by clarifying the inter-company situation reporting standards for each major risk types, SK Telecom attempted to establish a multi-lateral risk responding system for subsidiaries to share information in the event of unexpected emergency situations and to cope with crises through prompt decisions. Furthermore, the company formalized risk management meetings, in which subsidiaries are to participate, in order to continually seek out potential risks going forward.

Major Risk Management System Improvements in 2014

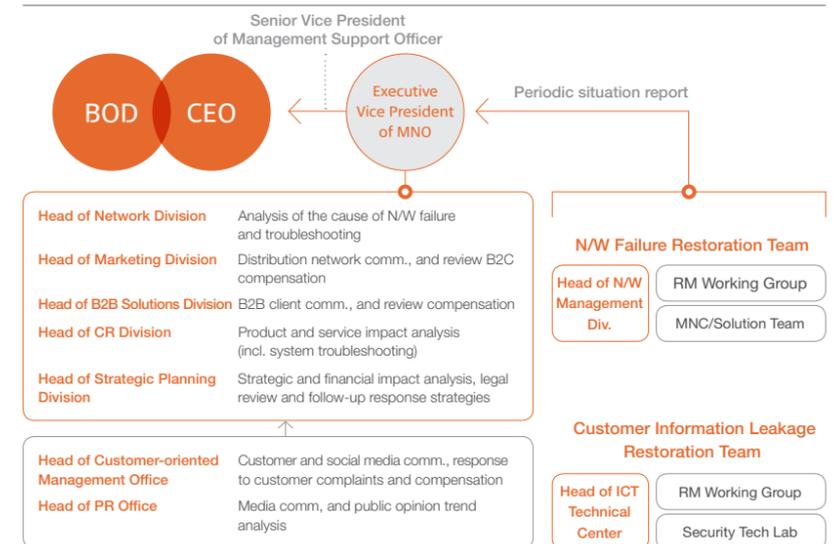


Operating a Company wide Crisis Response Center

Since 2014, SK Telecom has been strengthening its risk management system to operate a company-wide crisis response center for prompt response to serious crisis situations. The personnel of the Companywide Crisis Response Situation Room is called upon during serious crisis situations necessitating urgent responses as is in the case of situations expected to cause serious damage to customer value and the company's reputation, situations necessitating a company-wide response as the risk may affect various organizations within the company, drastic increases in customer complaints or more than 1,000 re-

ports of the same type of customer complaints (e.g. Voice of Customer complaints), and dramatic increase or spread of traditional and social media reports of a certain situation. Such companywide crisis situations include a nationwide network failure (incl. failures caused by natural disasters), leakage of customer information, investigation and media coverage of unethical behaviors of executives and employees of the company. In such cases, Management Support Office determines the degree of impact of the situation concerned and reports to the CEO thereof before summoning the personnel of the Companywide Crisis Response Situation Room, supervised by MNO, to take the necessary response measure.

Situation Room Operation System in the Event of Company wide Crisis



Subsidiaries' Major Risks and Management System



SK Telecom's Risks and Opportunities

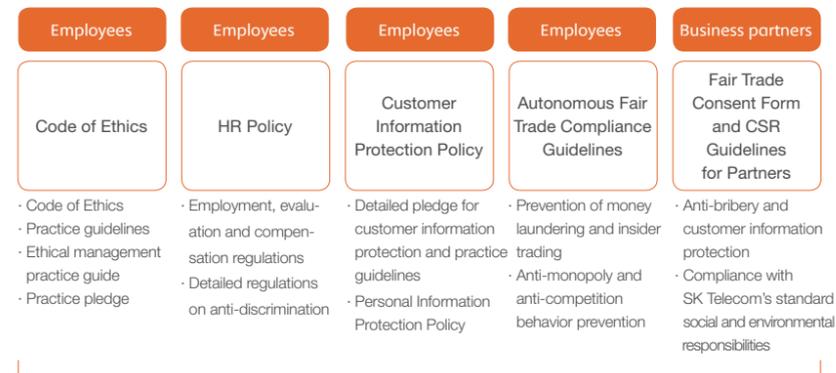
SK Telecom is making an effort to thoroughly analyze emerging risks, and turn such risks into opportunities by making strategic responses accordingly.

Emerging Risks	Nature of Risks	Trends & Potential Impacts	What are we doing about it?
Regulatory changes	<ul style="list-style-type: none"> SK Telecom, a telecommunications service provider whose business has been approved by the government, adheres to the domestic IT regulations and policies, and thus is affected by government policies related to frequency allocation, sales, and marketing, etc. There are potential risks of regulatory risks such as rate discount issue, widespread use of MVNO, emergence of a fourth telecommunications service provider and restrictions against dominant business operators resulting from the policy efforts to reduce the telecommunications costs for households and promote the welfare of service users. 	<ul style="list-style-type: none"> In Oct. 2014, the Mobile Device Distribution Improvement Act was enacted to establish order in the mobile device distribution market with transparent and reasonable distribution practices, and inhibit any overheated competition among service providers. Accordingly, the number of new and transferring subscribers has decreased, while the number of subscribers changing their devices has grown, necessitating preemptive responses to the changing market conditions. SK Telecom is under additional restrictions due to its dominant position in the mobile communications market, and this may lower its profitability and competitiveness. 	<ul style="list-style-type: none"> SK Telecom is operating an organization to respond to changes in government policies. The organization responds to regulatory changes according to planned scenarios for major regulatory risks. SK Telecom endeavors to minimize impact by participating in discussions organized by the government and public institutions such as MSIP and KCC, and proposing new policies, etc. SK Telecom is attempting to uproot user discrimination in accordance with the purpose of the regulations including the Mobile Device Distribution Improvement Act, and improve profitability by reinforcing its competitiveness based on products and services within the scope of the regulations.
Mature telecommunications market and intensified competition among service providers	<ul style="list-style-type: none"> Despite government policies to prevent overheating of the market such as restrictions on subsidies and the growth of the smartphone market, competition among service providers has become intensified due to limitations in absolute market size. There is possibility of stagnant subscriber growth rate due to saturation of mobile telecommunications services, and this may have a negative impact on management performance. 	<ul style="list-style-type: none"> If marketing competition focused on MNP continues, it will have a negative impact on the profitability of SK Telecom. The emergence of a fourth telecommunications service provider as a new competitor and overheated competition among current competitors can hinder the business and management performance of SK Telecom. 	<ul style="list-style-type: none"> SK Telecom is shifting the paradigm of competition to focus on its products and services instead of engaging in exhaustive marketing competition. SK Telecom has been managing the quality of the service contact points including those in the distribution network, and improving customer satisfaction by reinforcing customer retention programs such as membership programs and providing differentiated customer benefits through combined products in order to secure superiority in the market. In March 2015, SK Telecom exercised its authority to terminate prepaid mobile phone subscriptions with long-term inactivity, causing its market share to drop below 50%. Efforts will be made to recover the market share by focusing on marketing efficiency and profitability and engaging in sound competition based on fundamental competitiveness.
Evolution of network technology and ensuring the quality of network operation according to the shift toward data-centered usage patterns	<ul style="list-style-type: none"> Failure to introduce or apply the latest technology in pace with its rapid evolution will lower the competitiveness of SK Telecom. A surge in data traffic will necessitate the securing of frequencies and network capacity and efficient use of broadband as failure to do so may have a negative impact on management performance. 	<ul style="list-style-type: none"> The telecommunications industry is characterized by continuous technical improvement and progression. SK Telecom began offering LTE services in July 2011 and gained leadership as an LTE service provider, but there is ongoing competition with respect to the quality of the next-generation networks. If one of the competitors shows superiority in LTE services, this may have a negative impact on LTE service and other businesses. 	<ul style="list-style-type: none"> The implementation of network technology requires a considerable amount of capital expenditure and other expenses, and SK Telecom will continue executing its CAPEX plan in a stable manner according to future projections and the network roadmap for timely introduction of technologies for the purpose of developing and reinforcing its LTE services including 3band LTE-A service. In order to lead the 5G era, SK Telecom is working with global leading business operators to develop advanced technologies and implementing research and CAPEX plan to secure technological leadership in the market.
Increased demand for personal information protection	<ul style="list-style-type: none"> Protection of personal information is a precondition to maintaining customer trust. Spamming, personal information hacking, viruses, etc. may cause damages to the SK Telecom subscribers, and failure to adequately protect the customers may have a negative business impact. Personal information of SK Telecom subscribers is stored for billing purposes, and efforts are necessary to protect the information from hacking and other risks of leakage. 	<ul style="list-style-type: none"> Subscribers to the fixed-line and wireless communications services of SK Telecom use the company's network when accessing the Internet. In case of dissemination of spam mails, personal information hacking tools, viruses, worms and destructive software, etc., damages can be caused to SK Telecom and/or its subscribers. Such events can result in reduced network service quality, increased calls made to the call center, and damages to the customers' equipment and data. Serious accidents can increase service and network security costs, churn rate and cause decrease in sales. 	<ul style="list-style-type: none"> With increased demand for personal information protection, the Information Protection Planning Team was launched in 2014 and multi-faceted efforts are being made to protect customer information. Services such as Safe Message and T Silver Service are provided to prevent spam and smishing and protect customer information. SK Telecom established an integrated security control center, which oversees major subsidiaries as well, in order to control and respond to security risks in an integrated manner.
Increased demand to respond to non-business regulatory risks such as environmental issues, etc.	<ul style="list-style-type: none"> An enormous amount of electric power is consumed by the data centers and networks for operation of network and base stations. Risks associated with climate change have emerged as a major agenda in global governance: as a result, related regulations such as GHG target management and emissions trading systems, etc. have been changing with increasing uncertainty. 	<ul style="list-style-type: none"> The emissions trading system began to be implemented in Korea on Jan. 1, 2015. The Korean government set a national target of reducing GHG emissions by 30% compared to BAU by 2020. The low GHG allocation compared to projected emissions amount and the uncertainty of emissions trading market may have a negative impact on the future business of SK Telecom due to environmental liabilities and other factors. 	<ul style="list-style-type: none"> The amount of energy consumption is managed as a major indicator, and the establishment of a low-power network is under review. The GHG emissions reduction calculation method using T-map Navigation was recognized as an international standard, and this resulted from company's efforts to conduct research on reducing social GHG emissions using ICT and providing related infrastructures to minimize related risks in the future.

Fair and Transparent Management through Ethical Management System

With a transparent, BoD-centered management system, SK Telecom will embrace ethical management to its core and perform its duties as a socially responsible corporation.

SK Telecom's Code of Conduct Framework



SKT Statement on Human Rights (2013)

Universal Declaration of Human Rights (2004)

UNGC 10 Principles (2008)

Ruggie Guiding Principles on Business & Human Rights (2012)

Internalization and Dispersion of Ethical Management

SK Telecom has reestablished the former Code of Ethics System into Code of Ethics and Practice Guidelines to prevent any confusion that may arise from discrepant interpretation from individual to individual. The Practice Guidelines for Code of Ethics (FAQ) present specific judgment criteria for different types of situation for clearer understanding and improved adherence.

The Code of Conduct sets forth the overall ethical management observances including the company's responsibility to its employees, business partners, customers, shareholders and local communities as well as the desirable attitude of employees and the criteria for the application of the Code of Ethics. Along with the Code of Conduct, the detailed guidelines on HR Policy, Autonomous Fair Trade Compliance Guidelines, Pledge for Customer In-

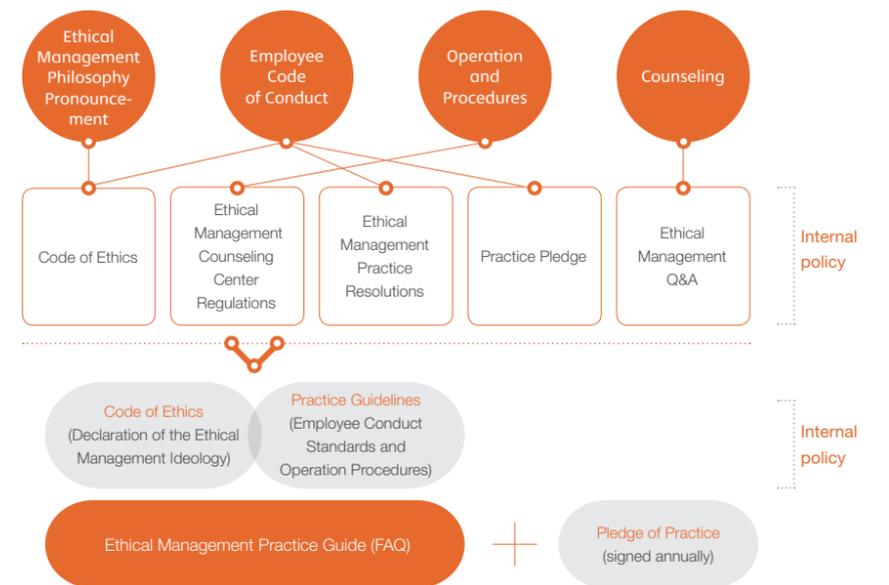
Ethical Management Education Employees (2014)

4,298

formation Protection, and Consent Form for Fair and Transparent Trade, etc. specify the ethical management system of SK Telecom. Moreover, for the purpose of re-cognizing and enhancing the willpower to voluntarily practice the basic ethical compliances, all employees are required to sign an Ethics Practice Pledge on a yearly basis. Meanwhile, SK Telecom regularly provides education on ethical practices in order to enhance the employees' understanding of ethical management and to internalize the ethical

management system for improved adherence. In 2014, a total of 4,298 employees completed the ethical management education (incl. online education), and a total of 71 executives and employees of the business partners completed the education. Furthermore, SK Telecom is reinforcing communication through in-house notices and interviews with the business partners in order to contribute to the internalization and dissemination of the ethical management system.

Reestablishment of the Code of Ethics System



Anti-Corruption Education

Unit: Person

Session	2012	2013	2014
Anti-corruption, ethical management education employees	3,688	4,000 (VLS)	4,052 (VLS)
Ethical management education for partners	-	-	71 (collective education)
Distribution network	-	152 (corporate business)	-

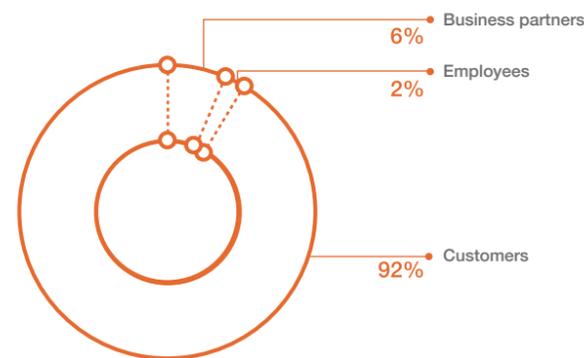
* VLS: Virtual Learning System

Ethics Counseling Center

SK Telecom provides a variety of channels for internal and external stakeholders including employees, customers and business partners to consult on issues related to ethical management of the company and its subsidiaries. In order to keep the identities of service users and consulted matters strictly confidential, the counseling and reporter protection program is operated in conjunction with these channels. Since its establishment in 2004, the

Ethics Counseling Center has been collecting reports on wrongful conduct and corruption of employees and offering consultation and counseling services on ethical issues. These services are accessible through a variety of channels such as corporate website, telephone, interviews and mail. In addition, "My Counselor" and "Letter to the HR," are also in operation, and female counselors are available for sexual harassment cases through Intranet.

Operation Status of Ethics Counseling Center



Ethics Counseling Operation by Channel

Unit: Case

	2012	2013	2014
Direct reporting channel connected to the Chairman of the Audit Committee	78	146	105
Received by Ethics Counseling Center	493	713	629

*Number of cases reported to Ethics Counseling Center incl. VoCs

Actions Taken Against Violations of the Code of Ethics in 2014

Type	Cases	Action
Entertainment and other special treatment	-	
False reporting and budget abuse	-	
Misappropriation of company money	-	
Reputation damage	1	Personnel actions such as reprimand, pay cut, suspension and dismissal were taken for each of the violation cases.
Excessive loans	-	
Sexual harassment	3	
Violation of the work policy	2	
Management responsibility	1	
Breaches on Antitrust Policy	-	
Total	7	

Violations of Ethical Regulations

Unit: Case



Creation of Fair Competition and Transparent Transaction Culture

SK Telecom operates an autonomous fair trade compliance program for the purpose of promoting fair competition. Of particular note, in 2015, "leadership in fair and transparent trade" was selected as one of the key agendas as part of the plan to pursue win-win growth in order for the company to lead the creation of a sound corporate ecosystem in the ICT industry.

Transparency and fairness have been further emphasized in the entire business life cycle and for business partners such as in partner selection and post-transaction evaluation processes. Competitive bidding is conducted to find suitable partners based on the principle of objectivity in accordance with Supplier Management Policy, and the Procurement Review Committee, consisting of 7 executives in charge of procurement, has been launched with the aim to deliberate on the appropriateness of the partner selection procedure. It is compulsory for trade partners and suppliers to comply with matters related to fair trade, and this is further reinforced through the CSR practice consent form in regard to fair and transparent trade. Failure to provide consent or comply with matters will result in non-approval for registration as a business partner of SK Telecom or termination of existing contract. These regulations are applied to every supplier and trade partner, regardless of the country or region where it is located.

At the time of transaction, relevant employees are required to strictly adhere to the autonomous fair trade compliance program, and an internal audit with respect to this practice is performed on a non-regular basis. Of particular note, the 4 Observances and 4 Avoidances Campaign is conducted to observe the 4 practices prescribed by the Fair Trade Commission, while refraining from the 4 un-

fair practices. The 4 practices touch upon the topics of contract conclusion, partner selection and management, internal review board establishment and management and written records issuance and retention, while the 4 unfair practices include wrongful unit price reductions, misuses of technology, wrongful order cancellations and wrongful returns.

In addition, in order to strengthen compliance among executives and employees, SK Telecom established the Compliance Management Policy in January 2013 and has been strictly adhering to the policy ever since. In 2014, a mandatory company-wide training program on fair trade was provided online for executives, employees and additional education programs were conducted for new recruits and subsidiaries. Moreover, SK Group established the SK Compliance System Guideline and has been distributing it to affiliates since 2008 as part of its efforts to ensure fair trade.

SK Telecom was not involved in any anti-trust investigations or paid a fine for a violation related to fair trade in 2014. SK Telecom will continue to endeavor to spread the fair trade culture and at the same time, lead the growth of the entire ICT industry by cooperating with its partners.

Public Policy Cooperation

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

SK Telecom
Annual Report 2014

Partner for
New Possibilities

4. Financial & Non-Financial Statement

Financial Statements

Financial MD&A

Non-financial Statements

Non-financial MD&A

Report of External Auditor

Third Party Assurance Statement

Greenhouse Gas Assurance Statement

Financial Statements

Consolidated Statements of Financial Position

The 31st As of 2014.12.31
 The 30th As of 2013.12.31
 The 29th As of 2012.12.31

SK Telecom Co., LTD and Subsidiaries

Unit: KRW million

	31 st	30 th	29 th
Assets			
Current Assets	5,083,148	5,123,415	5,294,421
Cash and cash equivalents	834,429	1,398,639	920,125
Short-term financial instruments	313,068	311,474	514,417
Short-term investment securities	280,161	106,068	60,127
Accounts receivable—trade, net	2,392,150	2,257,316	1,954,920
Short-term loans, net	74,512	79,395	84,908
Accounts receivable—other, net	690,527	643,603	582,098
Accrued revenue	10,134	11,941	8,714
Advance payment	70,772	20,966	35,628
Prepaid expenses	134,404	108,909	102,572
Derivative financial assets	-	10	9,656
Inventories, net	267,667	177,120	242,146
Advanced payments and other	4,814	4,307	3,554
Assets classified as held for sale	10,510	3,667	775,556
Non-current Assets	22,858,085	21,453,100	20,301,138
Long-term financial instruments	631	8,142	144
Long-term investment securities	956,280	968,527	953,712
Investments in associates and joint ventures	6,298,088	5,325,297	4,632,477
Property and equipment, net	10,567,701	10,196,607	9,712,719
Investment property, net	14,997	15,811	27,479
Goodwill	1,917,595	1,733,261	1,744,483
Intangible assets, net	2,483,994	2,750,782	2,689,658
Long-term loans, net	55,728	57,442	69,299
Long-term account receivable	3,596	-	-
Long-term prepaid expenses	51,961	32,008	31,341
Guarantee deposits	285,144	249,600	236,242
Long-term derivative financial assets	70,035	41,712	52,992
Deferred tax assets	25,083	26,322	124,098
Other non-current assets	127,252	47,589	26,494
Total Assets	27,941,233	26,576,515	25,595,559

Unit: KRW million

	31 st	30 th	29 th
Liabilities and Equity			
Current Liabilities	5,420,310	6,069,220	6,174,895
Accounts payable—trade	275,495	214,716	253,884
Accrued payables—other	1,381,850	1,864,024	1,811,038
Unearned revenue	129,255	102,931	106,239
Withholdings	1,053,063	728,936	717,170
Accrued expenses	952,418	988,193	890,863
Income tax payable	99,236	112,316	60,253
Unearned income	327,003	441,731	258,691
Derivative financial liabilities	-	21,171	-
Current liabilities	51,075	66,775	287,307
Short-term borrowings	366,600	260,000	600,245
Current portion of bonds payable and long-term borrowings	590,714	1,042,276	714,997
Current portion of capital lease Liabilities	3,804	19,351	19,904
Long-term non-trade payable	189,389	206,800	157,966
Other current liabilities	-	-	2,033
Liabilities classified as held for sale	408	-	294,305
Non-current liabilities	7,272,653	6,340,738	6,565,882
Debentures	5,649,158	4,905,579	4,979,220
Long-term borrowings	149,720	104,808	369,237
Long-term payables—other	684,567	838,585	715,508
Long-term unearned revenue	19,659	50,894	160,821
Finance lease liabilities	26	3,867	22,036
Defined benefit obligations	91,587	74,201	86,521
Derivative financial liabilities	130,889	103,168	63,599
Other non-current liabilities	36,013	28,106	106,561
Deferred tax liabilities	444,211	168,825	-
Other non-current liabilities	66,823	62,705	62,379
Total Liabilities	12,692,963	12,409,958	12,740,777
Equity			
Equity attributable to owners of the Parent Company	14,506,739	13,452,372	11,854,777
Share capital	44,639	44,639	44,639
Other paid up capital	277,998	317,508	(288,883)
Retained earnings	14,188,591	13,102,495	12,124,657
Reserves	(4,489)	(12,270)	(25,636)
Non-controlling interests	741,531	714,185	1,000,005
Total Equity	15,248,270	14,166,557	12,854,782
Total Liabilities and Equity	27,941,233	26,576,515	25,595,559

Consolidated Statements of Income

The 31st As of 2014.12.31
 The 30th As of 2013.12.31
 The 29th As of 2012.12.31

SK Telecom Co., LTD and Subsidiaries

Unit: KRW million

	31 st	30 th	29 th
Operating revenue	17,163,798	16,602,054	16,141,409
Revenue	17,163,798	16,602,054	16,141,409
Operating expense	(15,338,693)	(14,590,945)	(14,411,360)
Labor cost	1,659,777	1,561,358	1,267,928
Commissions paid	5,692,680	5,498,695	5,949,542
Depreciation and amortization	2,714,730	2,661,623	2,421,128
Network interconnection	997,319	1,043,733	1,057,145
Leased line	399,014	448,833	468,785
Advertising	415,857	394,066	384,353
Rent	460,309	443,639	422,388
Cost of products that have been resold	1,680,110	1,300,375	1,292,304
Other operating expense	1,318,897	1,238,623	1,147,787
Operating income	1,825,105	2,011,109	1,730,049
Finance income	126,337	113,392	444,558
Finance cost	386,673	571,203	638,285
Other non-operating income	56,279	74,467	195,910
Other non-operating expense	273,558	507,173	188,304
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	906,338	706,509	(24,560)
Profit before income tax	2,253,828	1,827,101	1,519,368
Income tax expense from continuing operations	454,508	400,797	288,207
Profit from continuing operations	1,799,320	1,426,304	1,231,161
Discontinued operation income	-	183,245	(115,498)
Net of income continued operations	1,799,320	1,609,549	1,115,663
Attributable to			
Owners of the Parent Company	1,801,178	1,638,964	1,151,705
Non-controlling interests	(1,858)	(29,415)	(36,042)
Earnings per share			
Basic earnings per share (in won)	25,154	20,708	18,015
Diluted earnings per share (in won)	25,154	23,211	16,525

Consolidated Statements of Comprehensive Income

The 31st As of 2014.12.31
 The 30th As of 2013.12.31
 The 29th As of 2012.12.31

SK Telecom Co., LTD and Subsidiaries

Unit: KRW million

	31 st	30 th	29 th
Net of income continued operations	1,799,320	1,609,549	1,115,663
Other continued comprehensive income	(28,486)	18,497	(319,542)
Items that will not be reclassified to profit or loss:	(32,942)	5,946	(15,048)
Remeasurement of defined benefit obligations after income tax	(32,942)	5,946	(15,048)
Items that maybe be reclassified to profit or loss:	4,456	12,551	(304,494)
Net change in unrealized fair value of available-for-sale financial assets	27,267	2,009	(149,082)
Net change in other comprehensive income of investments in associates and joint ventures	8,187	3,034	(82,513)
Net change in unrealized fair value or derivatives	(45,942)	11,222	(23,361)
Foreign currency translation differences for foreign operations	14,944	(3,714)	(49,538)
Total comprehensive income	1,770,834	1,628,046	796,121
Total comprehensive income attributable to			
Owners of the Parent Company	1,777,519	1,655,570	851,565
Non-controlling interests	(6,685)	(27,524)	(55,444)

Consolidated Statements of Changes in Equity

The 31st As of 2014.12.31
 The 30th As of 2013.12.31
 The 29th As of 2012.12.31

SK Telecom Co., LTD and Subsidiaries

Unit: KRW million

	Equity						Total Equity
	Controlling Interest of Parent Company					Non-controlling Interest	
	Share Capital	Other Paid up Capital	Retained Earning	Reserves	Elements of Parent Company		
Balance, January 1, 2012	44,639	(285,347)	11,642,525	260,064	11,661,881	1,070,828	12,732,709
Total comprehensive income							
Net income	-	-	1,151,705	-	1,151,705	(36,042)	1,115,663
Other comprehensive income	-	-	(14,440)	(285,700)	(300,140)	(19,402)	(319,542)
Cash dividends	-	-	(655,133)	-	(655,133)	(2,133)	(657,266)
Issuance of hybrid bond	-	-	-	-	-	-	-
Interest on hybrid bond	-	-	-	-	-	-	-
Sale of treasury stock	-	-	-	-	-	-	-
Change of connection range	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-
Changes in ownership in subsidiaries	-	(3,536)	-	-	(3,536)	(13,246)	(16,782)
Balance, December 31, 2012	44,639	(288,883)	12,124,657	(25,636)	11,854,777	1,000,005	12,854,782
Balance, January 1, 2013	44,639	(288,883)	12,124,657	(25,636)	11,854,777	1,000,005	12,854,782
Total comprehensive income							
Net income	-	-	1,638,964	-	1,638,964	(29,415)	1,609,549
Other comprehensive income	-	-	3,240	13,366	16,606	1,891	18,497
Cash dividends	-	-	(655,946)	-	(655,946)	(2,242)	(658,188)
Issuance of hybrid bond	-	398,518	-	-	398,518	-	398,518
Interest on hybrid bond	-	-	(8,420)	-	(8,420)	-	(8,420)
Sale of treasury stock	-	271,536	-	-	271,536	-	271,536
Change of connection range	-	-	-	-	-	-	-
Business combination under common control	-	(61,854)	-	-	(61,854)	-	(61,854)
Changes in ownership in subsidiaries	-	(1,809)	-	-	(1,809)	(256,054)	(257,863)
Balance, December 31, 2013	44,639	317,508	13,102,495	(12,270)	13,452,372	714,185	14,166,557

Unit: KRW million

	Equity						Total Equity
	Controlling Interest of Parent Company					Non-controlling Interest	
	Share Capital	Other Paid up Capital	Retained	Reserves	Elements of Parent Company		
Balance, January 1, 2014	44,639	317,508	13,102,495	(12,270)	13,452,372	714,185	14,166,557
Total comprehensive income							
Net income	-	-	1,801,178	-	1,801,178	(1,858)	1,799,320
Other comprehensive income	-	-	(31,440)	7,781	(23,659)	(4,827)	(28,486)
Cash dividends	-	-	(666,802)	-	(666,802)	(170)	(666,972)
Issuance of hybrid bond	-	-	-	-	-	-	-
Interest on hybrid bond	-	-	(16,840)	-	(16,840)	-	(16,840)
Sale of treasury stock	-	-	-	-	-	-	-
Change of connection range	-	-	-	-	-	23,667	23,667
Business combination under common control	-	(28,641)	-	-	(28,641)	-	(28,641)
Changes in ownership in subsidiaries	-	(10,869)	-	-	(10,869)	10,534	(335)
Balance, December 31, 2014	44,639	277,998	14,188,591	(4,489)	14,506,739	741,531	15,248,270

Consolidated Statements of Cash Flows

The 31st As of 2014.12.31The 30th As of 2013.12.31The 29th As of 2012.12.31

SK Telecom Co., LTD and Subsidiaries

Unit: KRW million

	31 st	30 th	29 th
Cash flows from operating activities	3,677,385	3,558,570	3,999,664
Cash generated from operating activities	4,070,982	3,915,055	4,609,832
Net income of continued operation	1,799,320	1,609,549	1,115,663
Adjustment for income and expenses	2,978,995	3,275,376	3,289,861
Changes in assets and liabilities related to operating activities	(707,333)	(969,870)	204,308
Interest received	56,706	64,078	88,711
Dividends received	13,048	10,197	27,732
Interest paid	(280,847)	(300,104)	(363,685)
Income tax paid	(182,504)	(130,656)	(362,926)
Cash flows from investing activities	(3,683,165)	(2,506,477)	(5,309,584)
Cash inflows from investing activities	341,387	1,251,786	1,831,226
Decrease in short-term financial instruments, net	5,627	186,425	464,531
Decrease in short-term investment securities, net	-	-	65,000
Collection of short-term loans	207,439	290,856	282,658
Decrease in long-term financial instruments	2,535	16	23
Proceeds from disposal of long-term investment securities	65,287	287,777	511,417
Proceeds from disposal of investments in associates and joint ventures	7,333	43,249	1,518
Proceeds from disposal of property and equipment	25,143	12,579	271,122
Proceeds from disposal of investment property	-	-	43,093
Proceeds from disposal of intangible assets	10,917	2,256	21,048
Net proceeds from the disposition of non-current assets held for sale	3,667	190,393	-
Collection of long-term loans	4,454	13,104	11,525
Decrease of deposits	8,891	8,509	41,785
Proceeds from disposal of other non-current assets	94	683	1,853
Proceeds from disposal of subsidiaries	-	215,939	89,002
Increase in cash due to acquisition of a subsidiary	-	-	26,651
Cash outflows for investing activities	(4,024,552)	(3,758,263)	(7,140,810)
Increase in short-term investment securities, net	174,209	45,032	-
Increase in short-term loans	202,501	279,926	245,465
Increase in long-term loans	4,341	4,050	3,464
Increase in long-term financial instruments	2,522	7,510	16

Unit: KRW million

	31 st	30 th	29 th
Acquisition of long-term investment securities	41,305	22,141	92,929
Acquisition of investments in associates and joint ventures	60,020	97,366	3,098,833
Acquisition of property and equipment	3,008,026	2,879,126	3,394,349
Acquisition of investment property	-	-	129
Acquisition of intangible assets	130,667	243,163	146,249
Increase in assets held for sale	552	-	51,831
Increase in deposits	6,903	83,314	43,534
Increase in other non-current assets	18,233	1,830	8,619
Cash outflows due to business overtake	124,486	-	12,003
Acquisition of subsidiary business, net of cash acquired	250,787	94,805	43,389
Cash flows from financing activities	(559,399)	(573,157)	585,267
Cash inflows from financing activities	1,421,088	1,852,237	4,245,254
Proceeds from short-term borrowings	102,868	-	-
Issuance of debentures	1,255,468	1,328,694	2,098,351
Proceeds from long-term borrowings	62,552	105,055	2,059,004
Issuance of hybrid bond	-	398,518	-
Cash inflows from derivative transactions	200	19,970	87,899
Cash outflows for financing activities	(1,980,487)	(2,425,394)	(3,659,987)
Repayment in short-term borrowings, net	-	340,245	61,401
Repayment of long-term non-trade payables	207,791	161,575	102,672
Repayment of debentures	1,039,938	771,976	1,145,691
Repayment of long-term borrowings	23,284	467,217	1,660,509
Cash outflows from derivative transactions	6,444	-	5,415
Decrease in finance lease liabilities	19,388	20,342	20,794
Payment of dividends	666,802	655,946	655,133
Interest on hybrid bond	16,840	-	-
Decrease in cash from the consolidated capital transaction	-	8,093	8,372
Net increase (decrease) in cash and cash equivalents	(565,179)	478,936	(724,653)
Cash and cash equivalent at beginning of the year	1,398,639	920,125	1,650,794
Effects of exchange rate changes on cash and cash equivalents	969	(422)	(6,016)
Cash and cash equivalents at end of the year	834,429	1,398,639	920,125

Financial MD&A (Management's Discussion and Analysis)

FINANCIAL MD&A

This Management's Discussion & Analysis (MD&A) is provided to enable readers to assess our results of operations and financial condition for the fiscal year ended December 31, 2014, compared to the preceding year. Unless otherwise specified, all amounts are presented on a consolidated basis and are based on our audited consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by Korea. All amounts are in Korean Won (KRW). All references to "we", "us" or "our" shall mean SK Telecom Co., Ltd. and, unless the context otherwise requires, its consolidated subsidiaries. References to "SK Telecom" shall mean SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries.

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

1. 2014 OVERVIEW

In the midst of an industry environment defined by fast-paced changes centered around increased data usage leveraging the long-term evolution (LTE) network, we have strengthened the competitiveness of our wireless telecommunications business and pursued a shift in the competitive paradigm by launching innovative products and services such as the T Phone and introduced various rate plans that we believe are tailored to meet the increased data usage of our subscribers. We have further solidified our leadership in LTE technology by commercializing our tri-band LTE-Advanced (LTE-A) service in December 2014. We have also achieved visible success in the growth areas of B2B solutions, IPTV and healthcare.

Wireless and Fixed-line Businesses

We maintained our leadership position in the wireless business in 2014. At the end of 2014, we had 28.61 million subscribers (including subscribers of mobile virtual network operators (MVNOs) that lease our networks), of which 16.74 million subscribed to our LTE service and 19.49 million used smartphones. Our share of the Korean wireless market based on the number of subscribers (including subscribers of MVNOs) was approximately 50.02% as of December 31, 2014, which has not changed from our market share as of December 31, 2013.

In 2014, the Korean telecommunication industry experienced continued strong growth in wireless Internet services with the continued expansion and upgrade of LTE-A services as well as the continued increase in number of smartphone users. We solidified our leadership by becoming the first telecommunications service operator globally to commercialize LTE-A services, providing reliable and fast LTE service, securing a competitive device line-up and providing differentiated services. In December 2014, we also began offering tri-band LTE-A service, which bundles three different bandwidths to allow faster network service at speeds of up to 300 Mbps.

In addition, we continue to generate synergies with SK Broadband to maximize customer convenience and benefits by developing new services and products, such as bundled services combining mobile phone, fixed-line phone, broadband Internet, VoIP and IPTV services in various combinations. We intend to maximize such synergies and strengthen our competitiveness by acquiring all of the shares of SK Broadband that we do not otherwise own in exchange for our treasury shares such that SK Broadband will become our wholly-owned subsidiary through a share exchange transaction that is currently expected to be consummated in June 2015, subject to certain approvals.

New Businesses

The principal new business that we are engaged in are the platform business, the B2B solutions business and the healthcare business as well as other businesses that we continue to develop as potential new growth engines.

Our key platform businesses, including T Store (an online open marketplace for mobile applications), T-Map Navigation (an interactive navigation system using GPS technology) and 11th Street (an online shopping mall that links wired and wireless shopping services), operated by SK Planet, all showed strong growth in 2014. We have grown our platform business by sharing our telecommunication infrastructure with other service providers and application developers. We will continue to identify and foster new platform businesses to create new growth engines for us in the future. Our B2B solutions business also achieved sizeable growth in 2014. In April 2014, we acquired controlling interests in

Neosnetworks, a provider of residential and small business electronic and other related alarm monitoring services. We expect that this acquisition will enable us to create synergies and provide cross-over services between our network services and home security and monitoring services. In 2014, we also achieved various milestones in our healthcare business. In July 2014, we established the SK Telecom Healthcare R&D Center in Shenzhen, China and the Shenzhen VISTA-SK Medical Center, which we believe will provide us with a strong foothold in expanding our healthcare business in China. We believe that there are opportunities to create synergies among these centers and our medical device business in expanding our healthcare business in China. We also entered into a contract to provide medical information systems to six Saudi Arabian hospitals through a consortium with Seoul National University Bundang Hospital. We expect to further expand our healthcare business in Saudi Arabia and other Middle Eastern countries in the future.

As part of our growth strategy, we have selectively sought attractive opportunities both domestically and abroad. In 2014, we acquired equity interests in Iriver, a manufacturer of digital audio players and other portable media devices. We expect that the "Internet of Things" (IoT) business, which refers to the network of physical electronic devices embedded with various software and connectivity, among other things, will continue to grow and that various smart devices offering advanced features utilizing wireless data networks will continue to be developed and commercialized. We believe the IoT business is one of the main features of the changing ICT business environment and with our acquisition of Iriver, we believe we have established a strong foundation to further engage in the smart device business and develop products such as smart beams, smart speakers, smart robots and other audio/video products which leverage our expertise in telecommunications and healthcare technology.

2. EXECUTIVE SUMMARY

We earn revenue principally from monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services and value-added service fees paid by subscribers to our wireless telecommunications services, as well as interconnection fees paid to us by other telecommunications operators for use of our network by their customers and subscribers. Our revenue amount depends principally upon the number of our wireless subscribers, the rates we charge for our services, the frequency and volume of subscriber usage of our services and the terms of our interconnection with other telecommunications operators. We also derive revenue from businesses operated by our consolidated subsidiaries, including broadband Internet (including IPTV services) and fixed-line telephone services offered by SK Broadband, various platform businesses conducted by SK Planet and handset sales made by PS&Marketing.

The following selected consolidated financial information has been derived from audited consolidated financial statements included in this annual report.

Our operating revenue increased by 3.4% to KRW 17.16 trillion in 2014 from KRW 16.60 trillion in 2013, primarily as a result of improved revenues from our consolidated subsidiaries, including an increase in digital handset sales principally due to the acquisition by PS&Marketing of the retail distribution business of SK Networks in April 2014, strong growth of SK Planet's commerce service businesses such as 11th Street and increased

Selected Financial Information (Consolidated basis) Unit: KRW billions

	2014	2013	Change
Statement of Income			
Operating revenue	17,163.8	16,602.1	3.4%
EBITDA ⁽¹⁾	4,716.7	4,830.9	-2.4%
Operating expense	15,338.7	14,590.9	5.1%
Operating income	1,825.1	2,011.1	-9.2%
Profit for the year	1,799.3	1,609.5	11.8%
Statement of Financial Position			
Total assets	27,941.2	26,576.5	5.1%
Cash & marketable securities ⁽²⁾	1,427.7	1,816.2	-21.4%
Total liabilities	12,693.0	12,410.0	2.3%
Interest-bearing financial debt ⁽³⁾	6,756.2	6,312.7	7.0%
Total equity	15,248.3	14,166.6	7.6%
Financial Ratio (%)			
EBITDA margin	27.5	29.1	-1.6%p
Operating margin	10.6	12.1	-1.5%p
Net margin	10.5	9.7	0.8%p
Debt-to-equity ratio ⁽⁴⁾	44.3	44.6	-0.3%p

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

(2) Cash & marketable securities = Cash & cash equivalents + Short-term investment securities + Short-term financial instruments

(3) Interest-bearing financial debt = Short-term borrowings + Current installments of long-term debt + Debentures (less present value discount and current installments) + Long-term borrowings (less present value discount and current installments)

(4) Debt-to-equity ratio = Interest-bearing financial debt/Total equity

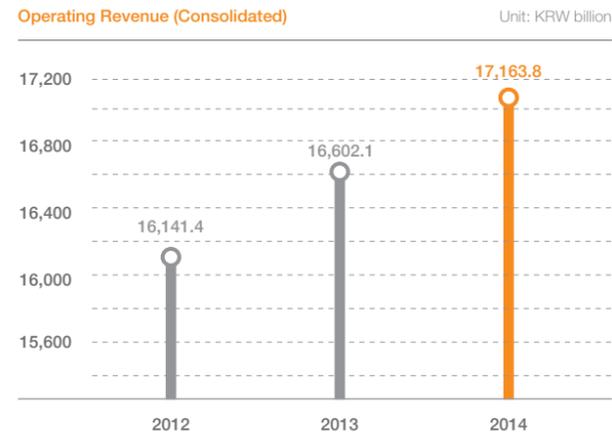
revenue from SK Broadband's IPTV services, as well as growth in the number of new subscribers to our LTE service and increase in data usage.

Our operating expense in 2014 increased by 5.1% to KRW 15.34 trillion from 14.59 trillion in 2013, primarily due to increases in cost of products that have been resold, commissions paid and labor costs. As the increase in our operating expense exceeded the increase in our operating revenue in 2014, our operating income decreased by 9.2% to KRW 1.83 trillion in 2014 from KRW 2.01 trillion in 2013 and our operating margin decreased by 1.5%p to 10.6% in 2014 and EBITDA margin decreased by 1.6%p to 27.5% in 2013. Our profit for the year increased by 11.8% to KRW 1.80 trillion in 2014 from KRW 1.61 trillion in 2013.

Our total assets increased by 5.1% to KRW 27.94 trillion as of December 31, 2014, compared to KRW 26.58 trillion as of December 31, 2013, primarily due to an increase in investments in associates resulting from an increase in the carrying amount of our 20.07% stake in SK Hynix and an increase in property and equipment related to our investments in our LTE network. Total liabilities increased by 2.3% to KRW 12.69 trillion as of December 31, 2014 from KRW 12.41 trillion as of December 31, 2013, primarily due to an increase in debentures issued during 2014 for investments to develop new growth engines, including acquisitions such as Neosnetworks, Iriver and Shopkick, and for investments to enhance the competitiveness of our broadband Internet and IPTV services. Total equity increased by 7.6% to KRW 15.25 trillion as of December 31, 2014 from KRW 14.17 trillion as of December 31, 2013, primarily due to an increase in retained earnings. Our debt-to-equity ratio as of December 31, 2014 was 44.3%, compared to 44.6% as of December 31, 2013.

3. REVENUE

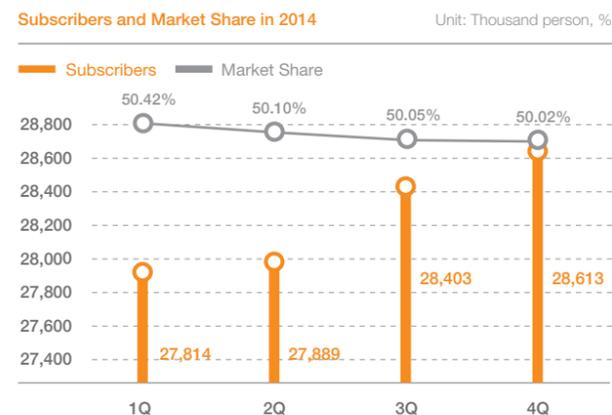
Our operating revenue in 2014 amounted to KRW 17.16 trillion, an increase of KRW 561.7 billion, or 3.4%, from KRW 16.60 trillion in 2013. This increase was primarily attributable to improved revenues from our consolidated subsidiaries, including an increase in digital handset sales principally due to the acquisition by PS&Marketing of the retail distribution business of SK Networks in April 2014, strong growth of SK Planet's commerce service businesses such as 11th Street and increased revenue from SK Broadband's IPTV services, as well as growth in the number of new subscribers to our LTE service and increase in data usage.



Subscribers & Market Share

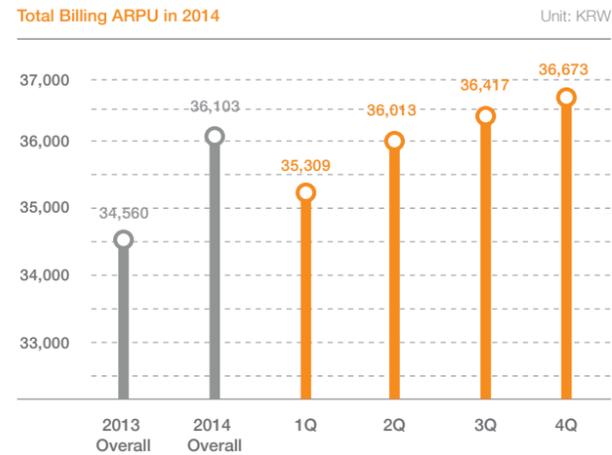
The total number of wireless subscribers in Korea was approximately 57.2 million as of December 31, 2014 with a wireless telecommunications service penetration rate of 111.5%. Despite the saturated wireless market in Korea, SK Telecom continued to add new subscribers throughout the year, and ended the year 2014 with approximately 28.61 million subscribers (including subscribers of MVNOs that lease SK Telecom's networks). SK Telecom's Korean wireless market share based on the number of subscribers (including subscribers of MVNOs) remained stable at 50.02%, which has not changed from our market share as of December 31, 2013.

The number of SK Telecom's LTE subscribers increased to 16.74 million as of December 31, 2014 from 13.46 million as of December 31, 2013.



Billing ARPU

SK Telecom's total billing ARPU increased by 4.5% to KRW 36,103 in 2014 from KRW 34,560 in 2013. This increase was primarily due to increases in LTE subscribers who subscribe to data plans with higher monthly basic charges than our other wireless services and data service usage attributable to increases in the number of smartphone users.



Subsidiaries

The consolidated revenue of SK Broadband consists of (i) revenue from broadband Internet service, (ii) revenue from corporate data services, (iii) revenue from fixed-line telephone service, (iv) revenue from IPTV services and (v) other revenues. The consolidated revenue of SK Broadband increased by 4.5% to KRW 2.65 trillion in 2014 from KRW 2.54 trillion in 2013, primarily as a result of an increase in revenue from IPTV services attributable to an increase in the number of IPTV subscribers. As of December 31, 2014, SK Broadband had approximately 4.8 million broadband Internet access subscribers, 4.5 million fixed-line telephone subscribers (including subscribers to VoIP services) and 2.8 million IPTV subscribers, with a market share in Korea of 25.1%, 15.4% and 26.6%, respectively, based on the number of subscribers.

PS&Marketing's revenue, which is mostly derived from sales of handsets, increased by 47.2% to KRW 1.62 trillion in 2014 from KRW 1.10 trillion in 2013, primarily due to the acquisition by PS&Marketing of 190 retail stores as part of its acquisition of the retail distribution business of SK Networks in April 2014.

SK Planet's revenue, which is mostly derived from its principal platform businesses, T Store, T-Map Navigation and 11th Street, increased by 9.7% to KRW 1.51 trillion in 2014 from KRW 1.38 trillion in 2013.

4. PROFITABILITY

Statement of Income Data (Consolidated)

Unit: KRW billion

	2014	% of Revenue	2013	% of Revenue
Continuing operations				
Operating revenue	17,163.8	100.0%	16,602.1	100.0%
Operating expense	15,338.7	89.4%	14,590.9	87.9%
Labor cost ⁽¹⁾	1,659.8	9.7%	1,561.4	9.4%
Commissions paid ⁽²⁾	5,692.7	33.2%	5,498.7	33.1%
Depreciation and amortization ⁽³⁾	2,714.7	15.8%	2,661.6	16.0%
Network interconnection	997.3	5.8%	1,043.7	6.3%
Leased line	399.0	2.3%	448.8	2.7%
Advertising	415.9	2.4%	394.1	2.4%
Rent	460.3	2.7%	443.6	2.7%
Cost of products that have been resold	1,680.1	9.8%	1,300.4	7.8%
Other operating expenses	1,318.9	7.7%	1,238.6	7.5%
Operating income	1,825.1	10.6%	2,011.1	12.1%
Finance income	126.3	0.7%	113.4	0.7%
Finance costs	(386.7)	(2.3%)	(571.2)	(3.4%)
Gain (losses) related to investments in subsidiaries and associates, net	906.3	5.3%	706.5	4.3%
Other non-operating income	56.3	0.3%	74.5	0.7%
Other non-operating expenses	(273.6)	(1.6%)	(507.2)	(3.1%)
Profit before income tax	2,253.8	13.1%	1,827.1	11.0%
Income tax expense from continuing operations	454.5	2.6%	400.8	2.4%
Profit from continuing operations	1,799.3	10.5%	1,426.3	8.6%
Discontinued operations				
Profit (loss) from discontinued operations, net of income taxes	-	-	183.2	1.1%
Profit for the year	1,799.3	10.5%	1,609.5	9.7%
EBITDA⁽⁴⁾	4,716.7	27.5%	4,830.9	29.1%

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

(2) Includes marketing commissions and other commissions

(3) Excludes R&D-related depreciation

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

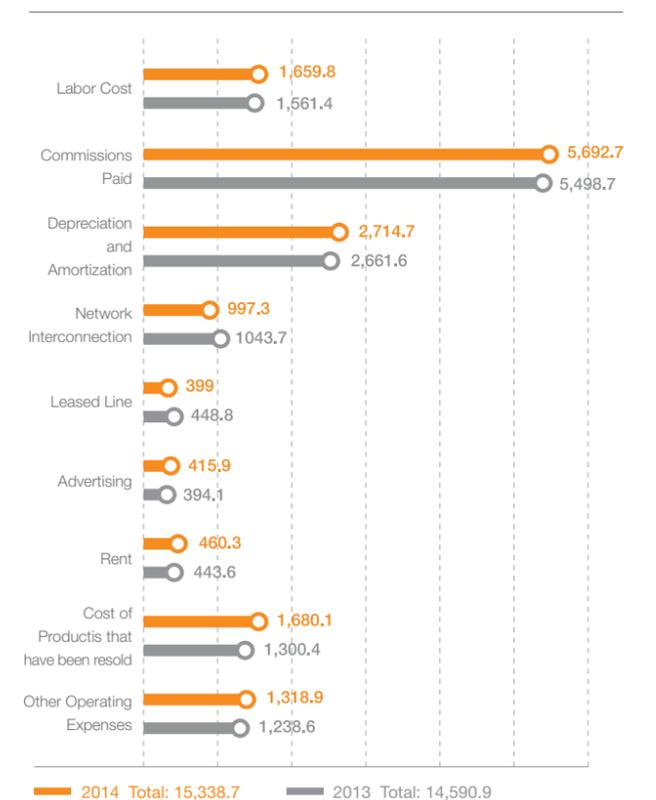
Operating Expense

Our operating expense for 2014 amounted to KRW 15.34 trillion, representing a 5.1% increase from KRW 14.59 trillion in 2013. The increase in operating expense was primarily due to a 29.2% increase in cost of products that have been resold, a 3.5% increase in commissions paid and a 6.3% increase in labor costs.

Our cost of products that have been resold increased by 29.2% to KRW 1,680.1 billion in 2014 from KRW 1,300.4 billion in 2013, primarily due to the acquisition by PS&Marketing of the retail distribution business of SK Networks in April 2014. Our commissions paid increased by 3.5% to KRW 5,692.7 billion in 2014 from KRW 5,498.7 billion in 2013, primarily due to an increase in marketing expenses to acquire new LTE subscribers in the first half of 2014 amidst intensified competition among us, KT and LG U+. Our labor costs increased by 6.3% to KRW 1,659.8 billion in 2014 from KRW 1,561.4 billion in 2013, primarily due to the significant increase in the number of employees in connection with several acquisitions in 2014, including the acquisition by PS&Marketing of the retail distribution business of SK Networks in April 2014, the acquisitions by SK Telecom of Neosnetworks in April 2014 and Iriver in August 2014.

Operating Expense

Unit: KRW billion



Operating Income and EBITDA

Our operating income decreased by 9.2% to KRW 1.83 trillion in 2014 from KRW 2.01 trillion in 2013 and our operating margin decreased to 10.6% in 2014 from 12.1% in 2013, as our operating expense increased at a rate higher than that of our operating revenue. Our EBITDA decreased by 2.4% to KRW 4.72 trillion in 2014 from KRW 4.83 trillion in 2013.

Non-Operating Income and Expenses

Our finance income increased by 11.4% to KRW 126.3 billion in 2014 from KRW 113.4 billion in 2013, primarily due to gain on valuation of derivatives compared to no such gain in 2013 and increases in gain on foreign currency transactions and gain on disposal of long-term investment securities. Such increases were partially offset by a decrease in interest income, which was mainly due to a general decrease in interest rates, and no gain on valuation of financial asset at fair value through profit or loss in 2014 compared to a gain in 2013 related to the valuation of convertible bonds of NanoEnTek in 2013, which were subsequently converted into equity in 2014. Our finance costs decreased by 32.3% to KRW 386.7 billion in 2014 from KRW 571.2 billion in 2013 primarily due to a decrease in loss relating to financial liability at fair value through profit or loss due to the valuation loss on our exchangeable bonds due to rising stock prices in 2013 and loss on redemption of debentures upon the exercise of exchange claims in 2013. Gains related to investments in subsidiaries and associates increased 28.3% to KRW 906.3 billion in 2014 from KRW 706.5 billion in 2013, primarily due to a KRW 916.5 billion gain attributable to our investment in SK Hynix, in which we have a 20.07% interest. Our other non-operating income decreased by 24.4% to KRW 56.3 billion in 2014 from KRW 74.5 billion in 2013, primarily due to a decrease in value-added tax refunds and other income recognized in 2013 but not in 2014 relating to one-off items. Our other non-operating expenses decreased by 46.1% to KRW 273.6 billion in 2014 from KRW 507.2 billion in 2013, primarily due to a decrease in loss on disposal of property and equipment and intangible assets.

Income Tax

Our income tax expense from continuing operations increased by 13.4% to KRW 454.5 billion in 2014 from KRW 400.8 billion in 2013, primarily due to a 23.4% increase in profit before income tax. Our effective tax rate decreased by 1.7%p to 20.2% in 2014 from 21.9% in 2013.

Profit for the Year

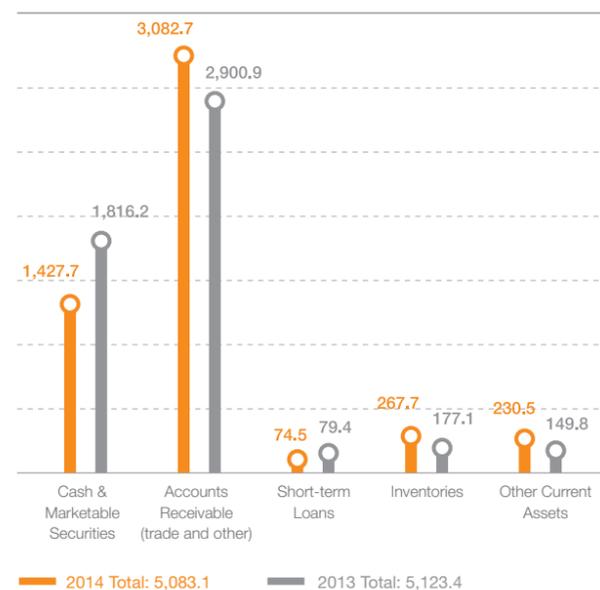
Principally as a result of the factors discussed above, our profit for the year increased by 11.8% to KRW 1.80 trillion in 2014 from KRW 1.61 trillion in 2013. Net margin was 10.5% in 2014 compared to 9.7% in 2013.

5. FINANCIAL STRUCTURE

Current Assets

We had current assets of KRW 5.08 trillion as of December 31, 2014, a 0.8% decrease from KRW 5.12 trillion as of December 31, 2013. Our cash and marketable securities (including short-term financial instruments) decreased by 21.4% to KRW 1.43 trillion as of December 31, 2014, from KRW 1.82 trillion as of December 31, 2013, primarily due to a decrease in cash and cash equivalents resulting from cash expenditures used to fund our various acquisitions in 2014. As of December 31, 2014, our total accounts receivable (trade and other) amounted to KRW 3.08 trillion, a 6.3% increase from KRW 2.90 trillion as of December 31, 2013, primarily due to the acquisition by PS&Marketing of the retail distribution business of SK Networks in April 2014.

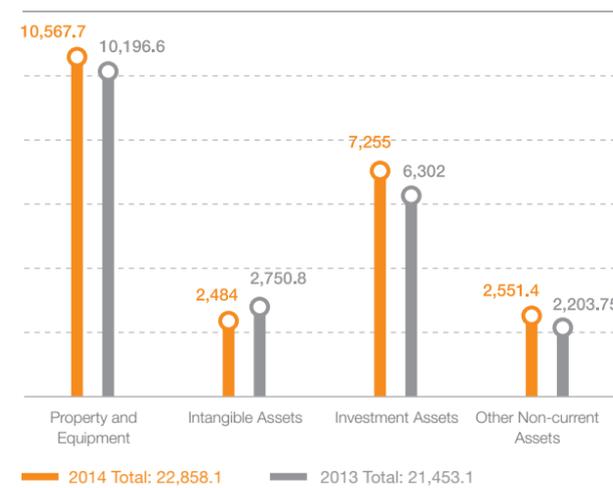
Current Assets Unit: KRW billion



Non-current Assets

We had non-current assets of KRW 22.86 trillion as of December 31, 2014, a 6.5% increase from KRW 21.45 trillion as of December 31, 2013. Our investment assets, consisting of long-term financial instruments, long-term investment securities and investments in associates and joint ventures, increased by 15.1% to KRW 7.25 trillion as of December 31, 2014 from KRW 6.30 trillion as of December 31, 2013. This increase was mainly attributable to an increase in the carrying amount of our 20.07% stake in SK Hynix. Our property and equipment increased by 3.6% to KRW 10.57 trillion as of December 31, 2014 from KRW 10.20 trillion as of December 31, 2013, primarily due to an increase in investments in our LTE network.

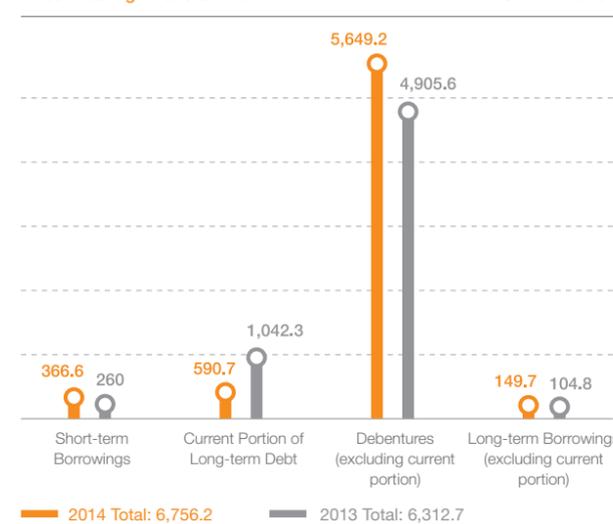
Non-current Assets Unit: KRW billion



Liabilities

We had KRW 12.69 trillion of total liabilities as of December 31, 2014, a 2.3% increase from KRW 12.41 trillion as of December 31, 2013, mainly due an increase in debentures issued during 2014 for investments to develop new growth engines, including acquisitions such as Neosnetworks, Iriver and Shopkick, and for investments to enhance the competitiveness of our broadband Internet and IPTV services. Our total interest-bearing financial debt increased by 7.0% to KRW 6.76 trillion as of December 31, 2014 from KRW 6.31 trillion as of December 31, 2013. Our debt-to-equity ratio as of December 31, 2014 was 44.3%, compared to 44.6% as of December 31, 2013.

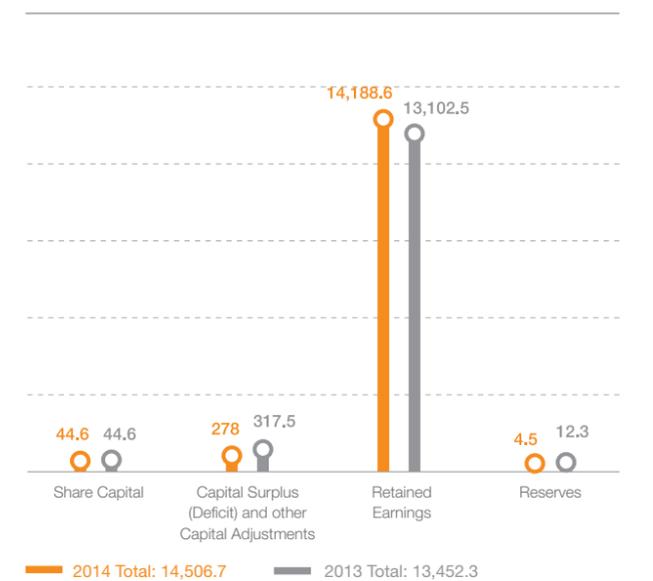
Invest-Bearing Financial Debt. Unit: KRW billion



Equity

Our total equity as of December 31, 2014 amounted to KRW 15.25 trillion, representing an increase of 7.6% from KRW 14.17 trillion as of December 31, 2013. This increase was primarily attributable to an increase in retained earnings to KRW 14.19 trillion as of December 31, 2014 from KRW 13.10 trillion as of December 31, 2013.

Equity Unit: KRW billion



6. CAPITAL EXPENDITURES (SEPARATE BASIS)

SK Telecom spent approximately KRW 2.1 trillion for capital expenditures in 2014 compared to KRW 2.3 trillion spent in 2013, each on a separate basis. Of the amount spent in 2014, we spent approximately KRW 1,357 billion, or 63.3%, on capital expenditures related to expanding and enhancing the quality of our LTE network and KRW 412 billion on other non-network related capital expenditures primarily related to developing new products and maintenance and upgrades to our information technology systems.

Non-Financial Statements

Section	MD&A	2012	2013	2014	
Human Capital	1.1	Total Employment (Person)			
		Total Number of Employees	4,081	4,203	4,253
		Special Employment & Minority	203	200	215
		Number of Employees in Overseas Operation	155	103	99
	1.2	Recruitment and Turnover (Person)			
		Total New Employees	425	418	396
		Total Turnover	242	238	265
	1.3	Maternity and Parental Leave (Person)			
		Employees on Maternity Leave	152 (Male 122)	161 (Male 124)	147 (Male 110)
		Employees on Parental Leave	35 (Male 2)	25 (Male 2)	71 (Male 9)
	-	Performance Evaluation (%)			
		Rate of Employees Subject to Performance Evaluation	95	96	96
	1.4	Executive and Employee Training			
		Annual Training Hours per Person	100	83.7	91
	1.5	Labor Practice (%)			
Rate of Labor Union Membership		81.2	84.3	83.4	
Rate of Occupational Accidents		0.02	0.02	0	
Social Capital	2.1	Product and Service			
		Churn Rate (%)	2.6	2.3	2.0
		Customer Information Leakage (Case)	0	0	0
	2.2	Mutual Growth with Partners			
		Mutual Growth Partnership (Organization)	263	205	291
		Total Mutual Growth Fund loan (KRW billion)	161	183	208
	2.3	Sustainability of Supply Chain (Organization)			
		Total Number of New Registered Partners	-	677	712
		Number of Registered Partners on Human Rights, Environment, Ethics, and Social Issues Evaluation	-	346	235
	-	Total Discount Offers for Vulnerable Population (KRW million)			
		Disabled	145,057	138,443	128,422
		Low Income Families	62,503	62,891	58,299
		National Merit Holders	9,960	10,105	9,931
		Others	199	178	154
		Total	217,719	211,617	196,806
2.4	Employee Volunteer Activities				
	Hours of Volunteer Activities	24,524	16,190	19,689	

Section	MD&A	2012	2013	2014	
Natural Capital	3.1	Greenhouse Gas Emission			
		Total Emission (tCO ₂ e)	673,742	707,963	742,884
		Intensity (tCO ₂ e/KRW billion)	54.63	55.05	57.09
	3.2	Energy Consumption			
		Total Energy Consumption (TJ)	13,847	14,589	15,271
		Total Electricity Saved (MWh)	48,362	46,487	45,729
		New Renewable Energy Generation Facilities (MWh)	2,729	2,729	2,729
	-	Intensity (TJ/KRW billion)	1.12	1.13	1.17
		Water Consumption			
		Annual Water Consumption (m ³)	649,351	683,387	695,725
	-	Intensity (m ³ /KRW billion)	52.65	53.14	53.46
		3.4	Waste and Recycling		
	Total Waste (Ton)		1,726	1,646	1,763
	-	Intensity (Ton/KRW billion)	0.140	0.126	0.135
		3.5	Resources (%)		
	Rate of New Electronic Bill Subscribers		61.5	69.4	77.0
	Device Retrieval Rate		7.4	8.0	4.5
3.6	Biodiversity				
	Base Stations within Protected Areas	56	91	650	
	Relay Stations within Protected Areas	553	184	5,105	
	Environmental Investment and Cost				
-	Total (excl. Green Purchase) (KRW million)	542	324	268	
	Green Purchase Cost (KRW million)	984	6,084	7,368	

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

Basis of Preparation

Reporting Standards and Principles

The Non-Financial Statement of Social & Environmental Performances is prepared to present our management's analytical opinions on the key non-financial performances of the company in the areas of human rights, labor, environment and anti-corruption among others. SK Telecom is committed to the UN Global Compact (UNGC), a voluntary policy initiative implemented by UN organizations and businesses for the purpose of improving the internal environment and social ethical practices as well as to the GC LEAD for the development and promotion of exemplary cases conforming to the UN Global Compact Blueprint. As a member of the UN Global Compact, we submit Communication on Progress (COP), highlighting our business performance in line with the Ten Principles every year and this Non-Financial Statement of Social & Environmental Performances meets the COP requirements of GC Advanced Level. In addition, this statement complies with international reporting principles as follows:

01_Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines G4

The GRI provides information on the aspects and indicators of reporting from the economic, social and environmental perspectives so that stakeholders can cognize the organization's performance. It defines the subject according to the correlation of each aspect from the impact on stakeholders and from the economic, social and environmental perspectives. Please refer to page 138 for the results of the materiality assessment conducted in accordance with the GRI requirements.

02_Accountability AA1000

The AA1000 series identifies and prioritizes the sustainability issues in relation to the organization and defines its framework and principles. The information on this report is verified by third parties according to the Assurance Standard (AA1000AS). Please refer to page 130 for the result of the third party verification performed by a verification institution.

03_International Integrated Reporting Framework (<IR> Framework)

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

and page 138 for the assessment of importance to define key subjects according to the impact on value creation.

References

01_UNGC COP(UN Global Compact Communication on Progress) (p.144)

A guideline for reporting the compliances to the Ten Principles of UNGC by a member of UNGC
 02_ISO26000

An international CSR standards presented in November 2010 by an international standard institution

03_SASB(Sustainability Accounting Standards Board) - Telecommunication Standards (p.145)

Key performance indicators in the telecommunications sector released in April 2014 by the U.S. SASB

Scope of Data

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

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

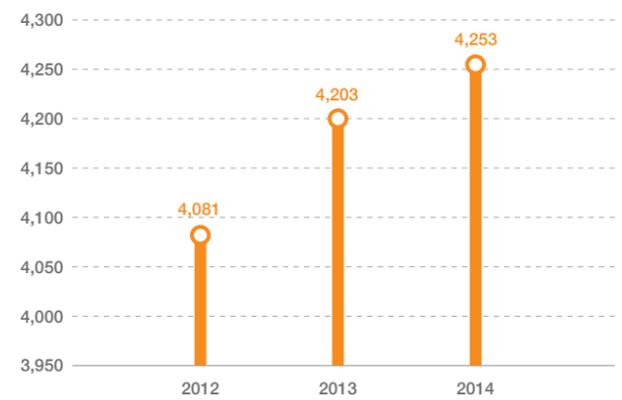
Section 1. Human Capital

1.1 Total Employment

The total number of employees includes those who are permanent employees, who have signed employment contract directly with SK Telecom, and temporary (contract-based) employees. This figure does not include the employees and executives of its subsidiaries.

With continuous growth in business, the total number of employees reached 4,253 in 2014, a 1.1% increase from the previous year. Percentage of female employees remained stable in 2014 at 13.9%. In terms of age group, the vast majority of the employees are in their 30s to 40s, accounting for 87.6% of the total employees. The percentage of permanent employees was 97.5%, a 0.4% increase from the previous year. As for the minority groups, 6 employees with disabilities and 9 veterans were additionally recruited. As for the overseas personnel, due to the stagnancy of the Indonesia and Singapore business and the increased number of expatriates returning, the size of the overseas personnel decreased.

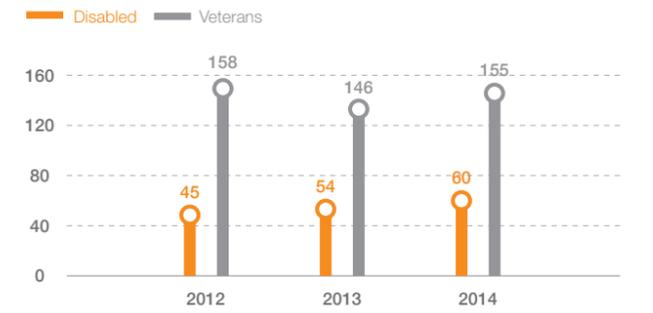
Total Number of Employees Unit: Person



Total Employment Unit: Person

		2012	2013	2014
Employment Type	Permanent	3,961	4,081	4,147
	Temporary	120	122	106
Gender	Male	3,502	3,616	3,662
	Female	579	587	591
Age	20s	363	328	290
	30s	1,359	1,340	1,277
	40s	2,220	2,372	2,450
	50s and older	139	163	236
Total number of employees		4,081	4,203	4,253

Special Employment and Minority Unit: Person



* Number of disabled employees includes individuals newly categorized as disabled employees and this number may differ from last year's report.

Overseas Employment Unit: Person

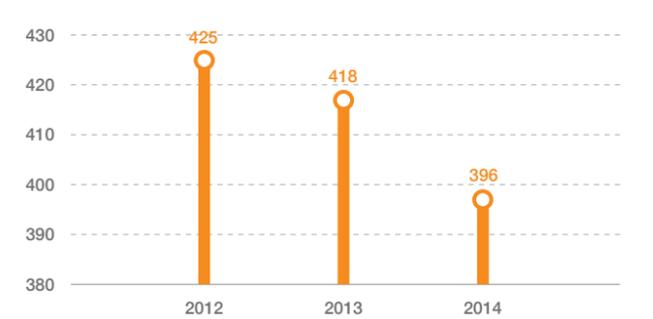
	2012	2013	2014
Expatriates Employees	72	31	26
Local Employees	83	72	73
Total number of employees	155	103	99
Total Number of Managers	28	28	19
Local Managers	6	5	6
Percentage of Local Managers (%)	21.5%	17.9%	31.6%

1.2 Recruitment and Turnover

The number of new recruits and the turnover rate (resignations) by age and gender are calculated based on permanent employees who have directly signed employment contracts with SK Telecom and temporary (contract-based) employees. These figures do not include employees and executives of its subsidiaries.

In 2014, the total number of new recruits was 396, which is a slight decrease from the previous year. The ratio of female recruits to total number of recruits was 23.9%, which is nearly equivalent to the ratio reported in the previous year. The current target of this particular ratio is 25-30%, and we plan to increase it to 30% by 2015. In terms of age groups, 79.8% of the new recruits were in their 20s and 30s, but the percentage of new recruits in their 40s and 50s increased by 3.7% compared to the previous year.

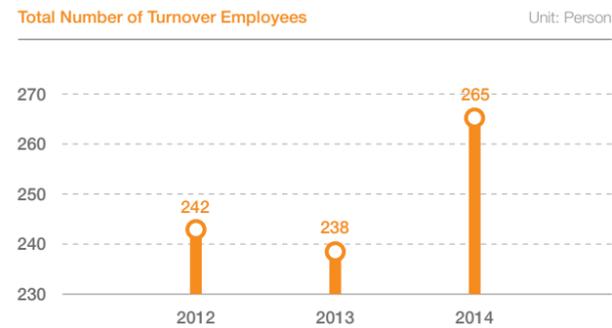
Total New Employees Unit: Person



Recruitment Unit: Person

		2012	2013	2014
Gender	Male	326	317	302
	Female	99	101	94
Age	20s	191	189	220
	30s	165	161	97
	40s	66	64	66
	50s and older	3	4	13
	Total number of new recruits	425	418	396

In 2014, the total turnover rate was 6.2%, a 0.57%p increase from the previous year. While the turnover rate for age groups of 30s to 50s decreased by 12.3%p, it increased for employees in their 20s by 0.9%p. In the case of the marginalized classes, additional credits were given during the recruitment process, and in the case of the disabled, a specified number of employees were recruited through the special screening system. Moreover, the Health-On Program, Refresh Vacation Program for long-term workers, housing provisions, increased number of clubs and the newly introduced Family Congratulatory Vacation Program (leave for employees whose grandparents turned 80) were implemented. As such, a wide range of welfare systems and programs are in place to increase the diversity of the personnel and promote work efficiency and productivity.

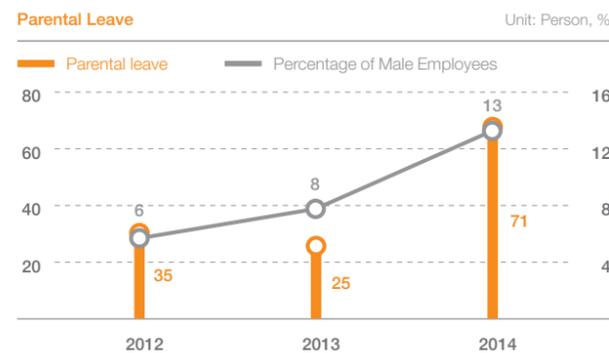


Turnover Unit: Person

		2012	2013	2014
Gender	Male	166	141	181
	Female	76	97	84
Age	20s	112	116	157
	30s	67	57	62
	40s	51	52	37
	50s and older	12	13	9
	Total Turnover	242	238	265

1.3 Maternity and Parental Leave

SK Telecom is providing assistance and special facilities for pregnant employees such as rest areas for women and congratulatory allowances for childbirths as a means to retain its female employees. Also, a wide range of maternity and childcare programs are being operated such as financial assistance for personal development, scholarships for children, operation of an in-house daycare center, maternity leave system, flexible time system, and camps for children. In addition, healthcare assistance is provided through the family care vacation system and family health examinations. Maternity leaves are paid leaves (for up to 90 days), and five paid leave days are given to male employees upon childbirth. The option to take parental leave is available for both the female and male employees for a maximum of 1 year per child. As such, with the increased number of support programs and by encouraging the employees to take advantage of parental leaves, 71 employees took parental leaves in 2014, which was a 184% increase from the previous year, and parental leave taken by male employees also increased from 8% to 12.7%.



Maternity Leave Unit: Person

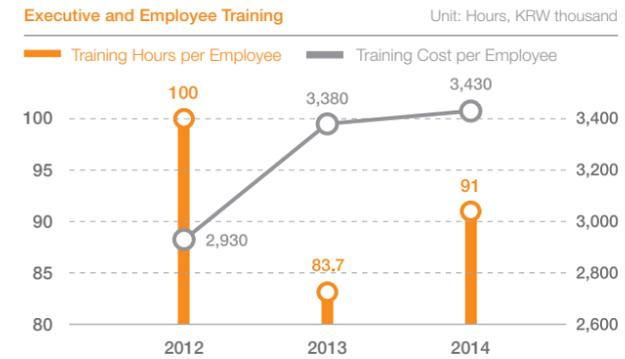
	2012	2013	2014
Employees on Maternity Leave	152 (male: 122)	161 (male: 124)	147 (male: 110)
Rate of Return (%)	98.7	99.4	100
Employees on Parental Leave	35 (male: 2)	25 (male: 2)	71 (male: 9)
Rate of Return (%)	100	100	99
Rate of Retirement within 12 Months after Return (%)	5.7	4	5.6

1.4 Executive and Employee Training

Education expenses per employee in 2014 was KRW 3.43 million, which was a 2.3% increase from the previous year. Sales volume per employee was 885-times higher than education expenses per employee in 2014, which was a slight decrease from the previous year. However, this resulted from a steady increase in education costs caused by an increase in and improvement of the education and training programs.

Also, in order to further reinforce the qualitative and quantitative management of human capital development, indicators are continually being developed to assess the application to the current job in order to measure the qualitative level of education in addition to other indicators such as expenses and training hours per employee.

In 2014, the individual development plan (IDP) expenses were used as a financial indicator of a means to encourage voluntary participation in the education and training programs. In the job competency satisfaction survey for the growth organization, with questionnaires filled out by the head of each of the growth organization, a perfect score of 5 out of 5 was given.



1.5 Labor Practices

The labor union membership rate is the ratio of current members of the labor union to total number of members eligible for membership. For the purpose of improving labor conditions for organization members and promoting a win-win relationship between labor and management, SK Telecom became the first within the SK Group to apply the legal standard wages in 2014 and preemptively resolve this wage issue. The company also extended the retirement age and newly introduced the wage peak system to contribute to employment stability. In 2014, the labor union membership rate decreased by 0.9%p compared to the previous year, but it was still maintained at over 80%.

As for the occupational accident rate in 2014, there were no cases classified as an occupational accident as all cases were resolved through the financial assistance provided by the company for medical costs. Fire drills (2 floors every month), CPR, fire extinguisher and gas mask usage practices, and other disaster and emergency response training were provided in order to maintain the disaster and accident rate at a low level.

Labor Union Membership

	2012	2013	2014
Number of Employees Eligible for Labor Union Membership (Person)	2,612	2,513	2,497
Labor Union Members (Person)	2,120	2,118	2,082
Rate of Labor Union Membership (%)	81.2	84.3*	83.4

* This figure has been corrected due to an error in last year's report

Occupational Accident Rate

	2012	2013	2014
Number of Occupational Accidents (Person)	1	1	0
Occupational Accidents Rate (%)	0.02	0.02	0

Section 2. Social Capital

2.1 Product and Service

By providing more benefits to long-term subscribers, SK Telecom has steadily reduced the churn rate. In 2014, the average monthly churn rate was 2.0%, 0.3%p lower than in 2013. The rate of micropayment frauds and the VoC rate on roaming charges, which are indicators of customer damage, are the ratio of the number of micropayment fraud cases to the number of micropayments made and the ratio of the number of VoC complaints on roaming charges to the number of roaming consultation cases, respectively. These indicators have been managed since 2013, and they were maintained at a low rate of less than 1%. As for customer information leakage, it refers to leakage of personal information of customers due to penetration and infringement of SK Telecom's customer information storage system through hacking. Risk factors related to customer information protection were eliminated in advance, and the data system was inspected on a regularly basis. As a result, there was not a single case of customer information leakage at SK Telecom from 2012 to 2014.

In the case of electromagnetic waves, SK Telecom has been faithfully implementing the electromagnetic wave measurement policy since its ob-

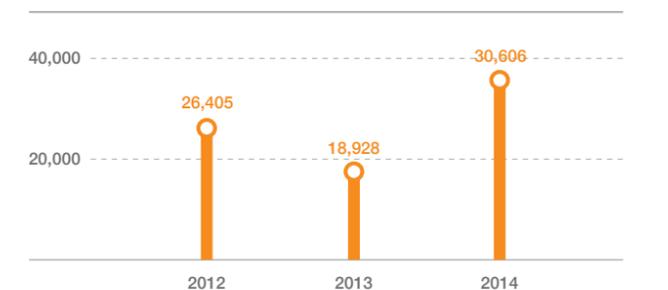
Average Monthly Churn Rate and Customer Safety Indicators

 Unit: %

	2012	2013	2014
Average Monthly Churn Rate	2.60	2.30	2.00
Rate of Micropayment Fraud	-	0.12	0.10
Rate of Roaming Charge VoC	-	0.28	0.27

servance became compulsory in June 2007. In 2014, the targets of the measurement were increased substantially by 62% compared to the previous year, and a total of 30,606 measurements were taken of the base stations. The results showed that the electromagnetic wave intensity of SK Telecom's base stations was merely one-tenth of the standard intensity that ensures the protection of the human body. Moreover, in August 2014, a newly introduced electromagnetic wave grade system was applied, and results showed that more than 99.9% of the base stations received Grade 1, which is the highest grade. Also, since August 2014, SK Telecom has been assisting the Korean Institute of Electromagnetic Engineering and Science in a 5-year research project, examining the impact of electromagnetic waves on the human body and annually 50% of the research costs of KRW 1.5 billion.

Number of Measuring Electromagnetic Fields at Base Station

 Unit: Cases


2.2 Mutual Growth with Partners

In 2003, SK Telecom became the first in the industry to launch a dedicated team to Mutual Growth called Business Relations Team. Since then, the company has been committed to achieving Mutual Growth with its partners, attested by the Top Excellence grade obtained for two years in a row in the Win-Win Index Assessment (mutual growth agreement execution assessment by the Fair Trade Commission and the partner experience survey assessment by the Korean Commission for Corporate Partnership) in 2013.

In 2014, SK Telecom signed Mutual Growth agreements with 291 companies, which were 86 more than the previous year, and faithfully implemented the 4 practices (contract conclusion, partner selection and management, internal review board establishment and management and written records issuance and retention) by funding SMEs, increasing revenue, and providing technical education and HR support. Under the Mutual Growth objective to “create a sound corporate system in the ICT industry and pursue happiness with partners,” SK Telecom began operating a welfare and support program for the executives and employees of its partners in 2014, and expanded the scope of its support such as increasing its participating in the private-government technology R&D program. The electronic bidding rate increased by 1.8%p compared to the previous year, which reduced unnecessary costs of partners incurring from the conventional offline bidding system and enhanced the transparency of the transactions.

Major Performances of the Mutual Growth Agreements in 2014

Type	Execution	Achievement rate
Adjustment of unit cost	Increased the unit cost upon being requested (due to changes in prices of raw materials and other costs) · 100% reflection of the requests	100%
Support for partners to generate increased revenue	Scale of transactions with partners increased by 44.7% · Supported revenue increase in 74 cases (exhibition support and pioneering of sales channels)	100%
Funding (financing)	Directly invested in private-government technology R&D program, operated a network loan system, and created a Mutual Growth fund of KRW 165 billion · More than KRW 2.9 bil. invested into the private-government technology R&D program and a deposit of KRW 78 bil. in the Mutual Growth fund (increase of KRW 2 bil. compared to the previous year), etc.	100%
Improvement of payment method and date	100% cash payment, 1.6 days faster payment compared to previous year · 100% cash payment policy (continuous) and payment date is within 10 days of deliver (SME payment priority program)	100%
Technical support and protection	Active implementation of technical support and protection · Technology transfers, joint R&D, open collaboration, infrastructure support, creative economy innovation center, technical data loans, patent application and registration assistance, etc.	100%

Type	Execution	Achievement rate
Education/training and HR/recruitment support	A total of 6,000 entrusted people for education and training · Training at the SK Win-Win Growth Academy, differentiated class-based training, dispatch of specialists, and support recruitment of specialized high school graduates, etc.	100%
Other support	· KPI allocated to organization specializing in Mutual Growth, entrusted information notification system, continuous ethical management activities, autonomous fair trade compliance program, etc.	100%
Other voluntary practices	Direct/indirect support related to management of partners · Support the welfare of partners, private contracts with excellent partners, management consulting, green purchases, etc.	100%

2.3 Sustainability of Supply Chain

Of the 1,510 major partners with whom transactions were made in 2014, basic written evaluations were conducted on 815 partners (54%) and detailed supplier evaluations were conducted on 207 partners (13.7%). Also ongoing monitoring was performed on the potential risks in the supply chain by visiting or engaging in face-to-face communication with 205 Mutual Growth partners in 2014. Through the Procurement Review Committee, SK Telecom strives to prevent internal risk factors in advance by carrying out internal evaluation for adequacy on supplier selection of major supply network and criteria for price determination. SK Telecom strives to create competitive environment in the market by applying the principle of “competitive procurement” when selecting its suppliers. It also grants rewards and bonus points to partners who achieve excellent performance scores in aspects of quality and delivery in the comprehensive supplier evaluation conducted at the end of ev-

Evaluations Conducted on Human Rights, Environment, Ethics, and Social Issues

	2013	2014	Target number for 2015
Number of Newly Registered Suppliers	346	712	-
Performance Evaluations Conducted*	346	235	-
Rate of Newly Registered Suppliers Assessed	100%	100%	100%
Level of Achievement	Achieved	Achieved	

* Performed on all suppliers on (assessment items: N/W equipment, R&D, operation, maintenance & repair, marketing, etc.)

Sustainability Assessment Status

	2013	2014	Target number for 2015
Total Registered Suppliers (Annual)	1,496	1,510	-
Suppliers Audited in Writing*	974	815	900
Suppliers Audited on Site**	162	205	237
Level of Achievement	Achieved	Achieved	

* Written and in-person audits (one-on-one-meeting) performed in combination

** The number of suppliers audited on site is the number of mutual growth partners in the beginning of 2014, and they are separately managed in Mutual Growth Team.

Number of Suppliers Taken Corrective Action for ESG factors

	2013	2014	Target number for 2015
Suppliers Warned for Correction*	2	2	-
Banned Temporarily (2-year suspension)	1	1	-
Banned Permanently (Permanent suspension)	1	1	-

* Resolved by the Procurement Review Committee

ery year. SK Telecom’s network equipment suppliers and partners are notified of annual demand estimates in advance, in order to improve delivery schedules.

SK Telecom adds more diversity to the supply chain throughout the market by providing opportunities to the SMEs. In addition, efforts are continually made to expand the ICT ecosystem through the technical development infrastructure support through the T Open Lab, forums for developers, T Developers and Big Data Hub Program.

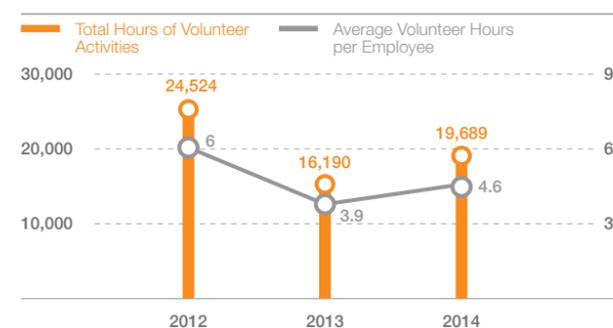
2.4 Employee Volunteer Activities

The executive and employee volunteer hours refer to the amount of time executives and employees spent on volunteer activities.

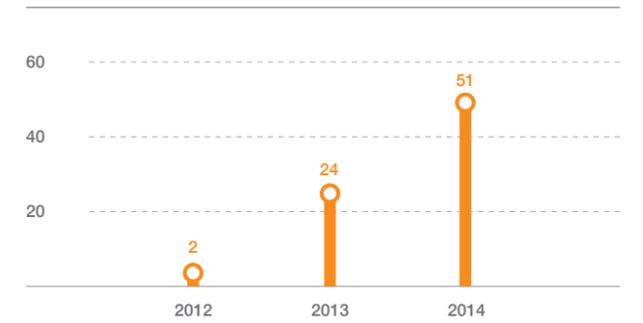
In 2014, the executive and employee volunteer hours increased by 21.6% compared to the previous year, while the average volunteer hours per person increased by 0.7 hours to 4.6 hours. The specialized volunteer rate is calculated by dividing the volunteer hours of ICT and pro bono volunteers by the total volunteer hours. This is an indicator that was introduced in 2014, and it was retroactively applied from 2012. SK Telecom significantly reduced labor-type volunteer work in 2013, and instead reinforced the specialized volunteer programs such as the ICT-based volunteer program and volunteer work requiring the use of one’s specialty and talent. As a result, the participation rate in ICT and other talent sharing activities accounted for 51% of the total volunteer participation rate, and this was a 49%p increase compared to the year 2012.

Furthermore, SK Telecom created a public interest platform using its mobile technology, and began operating a mobile donation program in 2004, thereby providing opportunities for users to donate in an easier manner and promoting donation and charity activities. A donation platform called GiveU and a volunteer work matching platform WithU were launched in 2012 and 2013, respectively. As of the end of 2014, the cumulative donations and registered volunteer cases reached KRW 889 million and 40,755 cases, respectively.

Employee Volunteer Activities



Specialized Volunteer Rate



2.5 Main Beneficiaries

The following is a list of main beneficiaries of SK Telecom in 2014:

Organization	Program
Korea Differently Abled Federation	Hosted the Disabled Youth IT Challenge
Korea Blind Union	Operated audio book application "Happy Library", an app for the visually impaired
Korea Handball Federation	Support the reinforcement of trainer and athlete competency and provided training for the Asian Games and Olympic Games
Korean Academic Society of Business Administration	Awarded the Best Essay Award
Community Chest of Korea Copion	Helped the people in need at the end of the year, etc. Global CSR projects incl. smart running support in Indonesia, etc.
Yeongdeungpo-gu Multicultural Family Support Center	Taught multicultural families how to use smartphones
Wangju Local Food Cooperatives Young Men's Christian Association	Built and developed the local food system Counseling office for youth from marginalized classes
Busrugy	Support for English learning at regional children's centers (Challenge! English Up!)
Platon Academy	Domestic and international scholarship programs and academic conferences and international forums for humanities and social natural sciences
Korea Wheelchair Basketball Federation	National Wheelchair Basketball Championships
Green Consumer Network in Korea	Eco-Camp and education for youth from marginalized classes
Korea Food for the Hungry International	Supported the volunteer activities of the Hantol Youth Volunteer Corps
Smile for Children	Assistance provided to children with facial deformities in Vietnam to receive surgery
UN Global Compact	UNGC LEAD annual membership fee payment and assistance in the Global CSR Conference
Happy ICT	Support for low-income farmers to pioneer new sales channels
Korea Association of Senior Welfare Centers	Guide senior citizens on how to use a mobile phone
KJChoi Foundation	Scholarships for college/univ. students from low-income families
Korea Foundation for Advanced Studies	Education and scholarships
SK Happiness	Provided meals (Happy Dosirak) for malnourished children during school vacations, invigorate the social company ecosystem and foster social entrepreneurs
SESNET	Operation of a pro bono volunteer team and management system

Section 3. Environmental Capital

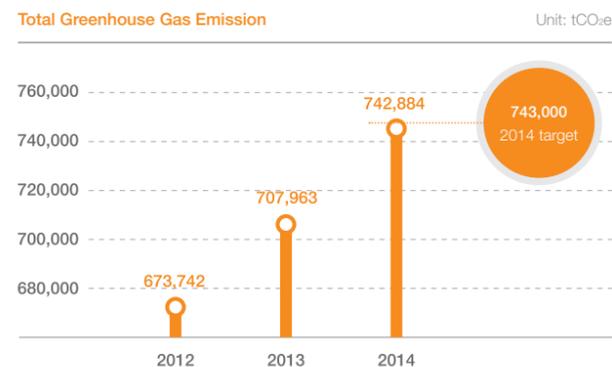
3.1 Greenhouse Gas (GHG) Emission

SK Telecom established a GHG inventory system in 2010 and has been operating the system to record and keep track of the companywide GHG emissions. At present, mid- and long-term strategies related to climate change are being established (set to be completed by June 2015).

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

In 2014, total GHG emissions of SK Telecom were 743,000 tons, a 4.9% increase from the previous year, and this figure exceeded the management target set for 2014 despite implementation of diverse GHG emissions reduction activities. The main contributor to the increase was new installations and extensions of network equipment resulting from widespread use of the LTE services and concentration of base station equipment. At present, it is expected that SK Telecom will be short of about 448,000 tons in carbon emissions credit between 2015 and 2017. Based on this estimate, there are plans to discover and implement independent reduction activities such as use of high-efficiency relay station and integrated management of base stations. In addition, by securing offsetting carbon emissions credit through cooperation with partners and SMEs, SK Telecom will actively participate in the emissions trading scheme and achieve its targets.

SK Telecom has set a GHG emission target of 782,000 tCO₂e, a 5% increase from the previous year. In the case of other indirect GHG gases (Scope 3), the scope of management has been gradually expanded through research on social GHG reduction and participation in the emissions trading scheme.



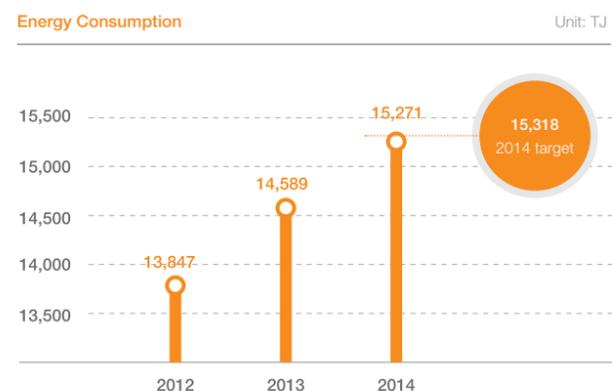
Greenhouse Gas Emission Unit: tCO₂e

	2012	2013	2014
Direct Emissions	7,803	7,375	7,134
Stationary Combustion	5,598	5,236	4,871
Mobile Combustion	2,205	2,139	2,263
Indirect Emissions	665,939	700,588	735,750
Electricity	665,862	700,484	735,664
Steam	78	104	86
Total Emissions	673,742	707,963	742,884
Intensity (tCO ₂ e/KRW billion)	54.63	55.05	57.09

3.2 Energy Consumption

Energy consumption is estimated based on the 26 company buildings of SK Telecom including data centers. The scope of this estimation includes emissions from all of the network facilities (base stations and equipment), but it does not include emissions from subsidiaries and supply chains. Energy consumption is managed in compliance with guidelines on preparing and managing the statements for the emissions trading system, and the numerical figures are aggregated by entering billing invoices from energy suppliers into the system. The intensity of energy consumption is calculated by dividing the total energy consumption by SK Telecom's parent-only revenues (equals the data coverage).

The amount of energy saved by using natural air-conditioning systems and new renewable energy sources is calculated using actual data measured from previous years (2012~2013). Total energy consumption in 2014 was 15,245TJ, was a 4.6% increase from the previous year, and the target of consuming less than 15,318TJ was achieved. The use of energy source for heating and cooling systems of company buildings was reduced, but due to increased electricity consumption by new and extended equipment and concentrated base station equipment, total energy consumption has been increasing steadily every year. For SK Telecom, indirect energy consumption resulting from the use of electricity accounts for 99.3% of the total consumption. Accordingly, SK Telecom is endeavoring to achieve improved energy efficiency by replacing low-efficiency and old equipment and generating electricity through renewable energy facilities.



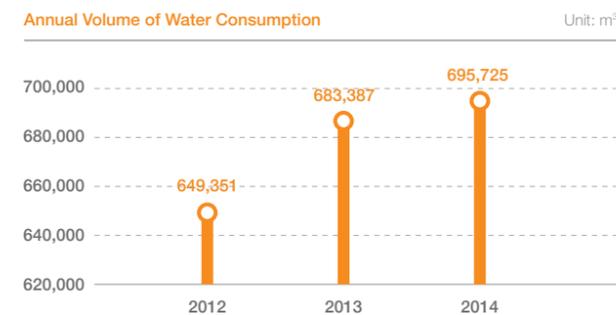
Energy Consumption

	2012	2013	2014
Direct Consumption (TJ)	134	163	121
Natural gas (Nm ³)	1,805,327	1,610,880	1,561,961
Diesel (Liter)	410,006	116,984	66,000
Kerosene (Liter)	509,226	509,323	439,182
Indirect Consumption (TJ)	13,713	14,426	15,150
Electricity (MWh)	1,428,119	1,502,377	1,577,830
Steam consumption (GJ)	2,608	3,318	3,192
Total Energy Consumption (TJ)	13,847	14,589	15,271
Building Management (MWh)	5,776	3,901	3,143
Natural Air-conditioning System (MWh)	39,857	39,857	39,857
Total power consumption reduction (MWh)	48,362	46,487	45,729
New Renewable Energy Generation Facilities (MWh)	2,729	2,729	2,729
Intensity (TJ/KRW billion)	1.12	1.13	1.17

3.3 Water Consumption

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

Water consumption in 2014 was 695,725m³, a 1.8% increase from the previous year. Main causes of increase were increase in drinking water consumption, and increased demand for cooling water in the coolers resulting from the expansion of telecommunications facilities. We adjusted the amount of water draining at the cooling tower in the Seongsu Office while making changes to the water supply for the cooling tower in the Wonju Office.



Water Consumption

Unit: m³

	2012	2013	2014
Waterworks Usage	583,681	623,429	632,304
Groundwater Usage	65,670	59,908	63,421
Annual Water Consumption	649,351	683,387	695,725
Intensity (m ³ /KRW billion)	52.65	53.14	53.46

3.4 Waste and Recycling

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

Wastes are discharged monthly through an outsourced service provider, and the discharge volume is managed using the Facility Management System (FMS) on a monthly basis. In 2014, the waste discharge volume was recorded at 1,763 tons, a 7% increase compared to the previous year.



Wastes and Recycling

Unit: Ton

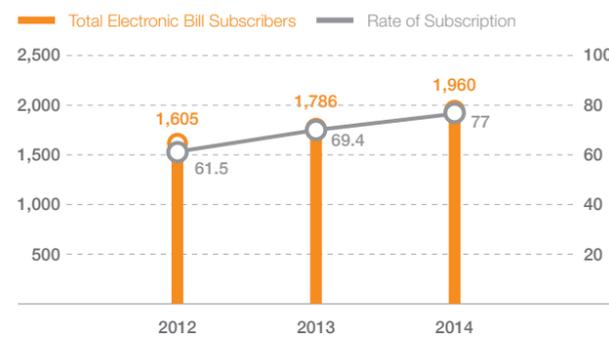
	2012	2013	2014
Domestic Waste	695	556	685
Large sized Waste	126	85	79
Recyclable Waste (B)	515	583	548
Food Waste	355	373	416
Designated Waste	36	29	33
Total Waste (A)	1,726	1,646	1,763
Recycling Rate (B/A) (%)	30	36	31
Intensity (Ton/KRW billion)	0.140	0.126	0.135

3.5 Resources

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

Since the introduction of MMS billing service in 2007 followed by the smart billing service in 2010, the number of people subscribing to electronic billing service has increased at a steady pace. By the end of 2014, the total number of electronic bill subscribers reached approximately 19.6 million, a 9.7% increase from the previous year. Electronic billing service has the benefits of improved security of personal information and reduced use of resources such as paper. For these reasons, the number of electronic bill subscribers has been steadily increasing over the years. The new electronic bill subscription rate has also been increasing continually and it was recorded at 77% in 2014.

Electronic Billing Service Subscription Trend Unit: Thousand persons, %



Device retrieval rate is calculated by dividing the number of devices retrieved in a year by the total number of devices sold. The device retrieval rate in 2014 was 4.5%, a 3.5%p decrease from the previous year, due to transfer of the "Happy Eco-phone" business to SK C&C.

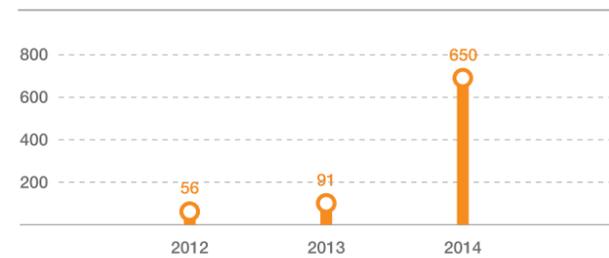
Device Retrieval Rate

	2012	2013	2014
Devices Sold (thousand units)	11,928	9,838	8,133
Devices Retrieved (thousand units)	885	785	370
Device Retrieval Rate (%)	7.4	8.0	4.5

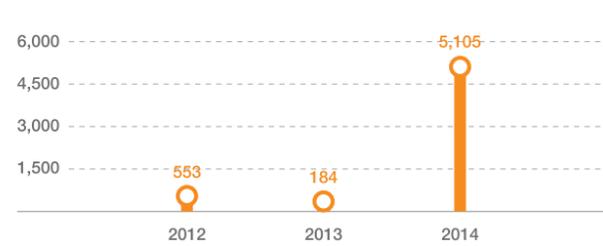
3.6 Biodiversity

Due to changes in regulations, the number of base stations and relay stations in protected areas increased in 2014. Eco-friendly radio stations are no longer counted as of 2014.

Base Stations within Protected Areas



Relay Stations within Protected Areas

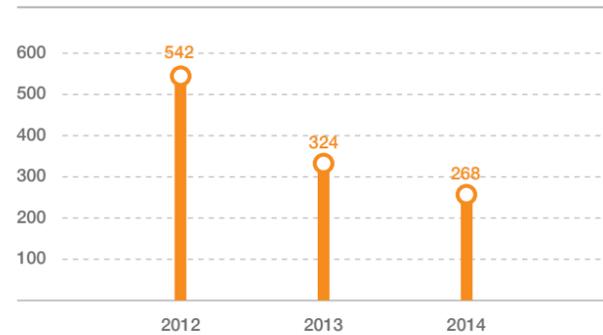


3.7 Environmental Investment and Cost

Environmental Investment and Cost is estimated on SK Telecom's parent-only basis. The criteria for green purchase cost were changed in 2013 and were retroactively applied to the 2012 data for recalculation purposes. Green purchase cost refers to cost of purchasing products with energy efficiency grade, high-efficiency energy certification, high-quality recycled product certification, environmental mark certification, etc. The green purchase cost has recently increased significantly due to installation of LED lighting in offices and high-efficiency relay stations.

External nature conservative cost is the expense paid for environmental voluntary activities performed by employees, such as river purification activity. However, since 2013, the cost is steadily decreasing. Due to reduction of hours and costs related to voluntary activities have shifted towards talent sharing as of recent years. Meanwhile, other costs were not estimated as the used handset collection was transferred to SK Networks in 2013.

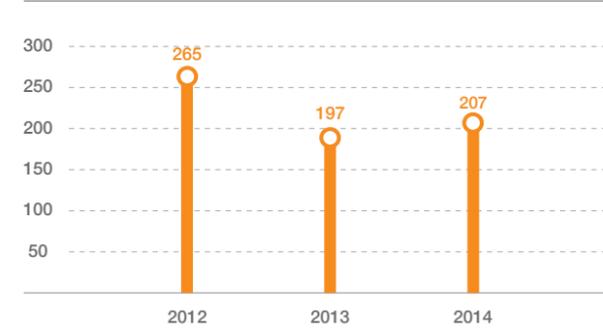
Total Environmental Cost (Excl. Green Purchases) Unit: KRW million



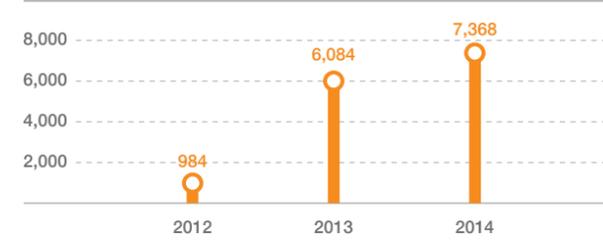
Environmental Investment and Cost Unit: KRW million

	2012	2013	2014
Waste Disposal Service	117	94	101
Education & Training Cost	10	35	13
Miscellaneous	77	0	0
Recycling Service	24	29	24
External Nature Conservation Cost	108	18	7
Charges & Taxes	206	148	123
Total Environmental Unit Cost (excl. Green Purchases)	542	324	268

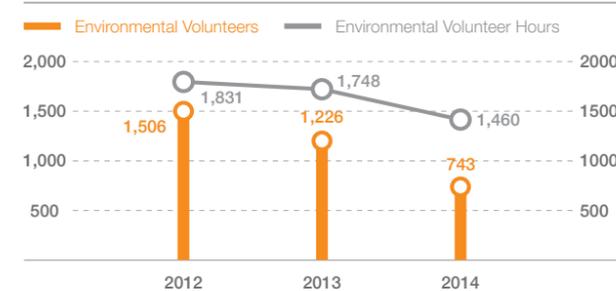
Energy Saving and Climate Changing Cost Unit: KRW million



Green Purchase Cost Unit: KRW million



Environmental Volunteers Unit: Person, Hours



Other Disclosures

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

List of Sanctions and Measures

Date	Sanctions	Corrective Measures
March 7, 2014		
Sanctions	45 days of business suspension ordered in relation to the "Failure to execute the suspension of violation (wrongful discrimination of users through payment of excess subsidies for mobile devices)" by the Korea Communications Commission (KCC)	Fulfilled the business suspension order and reported the result to Ministry of Science, ICT and Future Planning (MSIP) by May 2014
March 13, 2014		
Sanctions	Fine of KRW 16.65 billion, 7-day new subscription suspension and corrective action order in relation to the "Case of corrective action on the violation of the interests of the users in relation to the payment of mobile device subsidies" by KCC	Paid the fine and reported the corrective measures to KCC by April 2014 Reported the result of the new subscription suspension to KCC by Sept. 2014
Aug. 21, 2014		
Sanctions	Fine of KRW 37.1 billion and corrective action order in relation to the "Case of corrective action on the violation of the interests of the users in relation to the payment of mobile device subsidies" by KCC	Paid the fine and reported the corrective measures to KCC by Sept. 2014
Dec. 4, 2014		
Sanctions	Fine of KRW 800 million and corrective action order in relation to the "Case of correction relation in relation to the violation of the Mobile Device Distribution Improvement Act"	Paid the fine and reported the corrective measures to KCC by Jan. 2015

Independent Auditors' Report

Independent Auditors' Report
SK Telecom Co., Ltd.:

We have audited the accompanying consolidated financial statement of SK Telecom Co., Ltd. and its subsidiaries (the "Group"). The consolidated financial statements are comprised of the consolidated statement of the fiscal position as of December 31, 2014 and December 31, 2013, the consolidated statement of profits and losses, consolidated income statement, statement of changes in equity and consolidated cash flow statement between the reporting period ending on the same day, a summary the significant accounting policies and other explanatory information.

The responsibility of management in relation to the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for internal control in relation to the decisions to prepare consolidated financial statements that do not contain major misstatements resulting from errors or wrongful actions.

The responsibility of the auditors

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We performed the audit based on the Korean GAAP. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The selection of a procedure differs based on the judgments of the auditors in relation to the assessment of risks for misstatements in the consolidated financial statements resulting from errors or wrongful actions. When assessing such risks, the auditors must consider the internal control related to the preparation of the consolidated financial statements and fair indications of the company in order to design an appropriate auditing procedure for the situation. However, this is not to express one's opinions on the effectiveness of the internal control. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

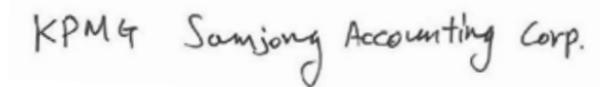
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditors' opinion

In our opinion, based on our audits and reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other matters

We performed the audit on the consolidated financial statements ending on December 31, 2013 of SK Telecom Co., Ltd. and its subordinate companies in accordance with the above accounting auditing standards, and used the results of an audit performed by another auditor for the assets, liabilities and profits and losses of one company other than SK Broadband Co., Ltd. located in Korea, whose financial statements constitute 21.2% of the Group's consolidated total assets, 11.7% of the Group's consolidated operating revenue and 33.6% of the Group's profit before income tax.



Seoul, Korea
February 23, 2015

This report is effective as of February 23, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Third Party Assurance Statement

Introduction

DNV GL Business Assurance Korea ('DNV GL'), part of DNV GL Group, has been engaged by SK Telecom Inc. ('SK Telecom') to provide independent assurance over the Annual Report 2014 (the 'Report'). SK Telecom is responsible for the collection, analysis, aggregation and preparation, presentation of the printed version of the Report. The responsibility of DNV GL is to provide independent assurance to the Management of SK Telecom on the reliability of the information contained in the Report and to express overall opinion as per the scope of assurance engagement as defined in this statement. Our responsibility is in accordance with the terms of reference agreed on with SK Telecom. The assurance engagement is based on the assumption that the data and information provided are complete and true. The intended recipients of the assurance statement are the stakeholders of SK Telecom. The Report covers the sustainability performances from the operations in Korea over which SK Telecom has management control, while financial performances are compiled based on the financial control approach, unless otherwise stated the performance from subsidiaries, associated companies and suppliers are excluded.

Scope of Assurance

The scope of assurance included a review of sustainability activities and performance data over the reporting period 1st January to 31st December 2014.

This included:

- Evaluation of the reporting principles for defining the sustainability report content and the quality in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0
- Evaluation of adherence to Accountability principles provided in AA1000 Accountability Principles Standard:2008
- Verification of Statement, information and performance data contained within the Report.
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

Verification Methodology

The assurance engagement was conducted in line with the requirements of the AA1000 Assurance Standard 2008, Type 2 assurance as well as DNV GL Verification Protocol for Sustainability Reporting V4.1 ('VeriSustainTM', www.dnvgl.com/assurance/default.aspx). A specific evaluation of the information and data on sustainability performance related to SK Telecom's selected indicators set forth in the GRI G 4.0 was performed, as indicated in the GRI Content Index included in the Report. We applied a moderate level of assurance as stated in AA1000 Assurance Standard(AS) 2008. The audit was carried out in May 2015. The site visits were made to the SK Telecom Head office in Korea. As part of the verification, we performed sample-based audits

and undertook the following activities:

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

Limitation

The engagement excludes the sustainability management, performance and reporting practices of SK Telecom's subsidiaries, associated companies, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Any financial data and the information acquired from the audited financial statements and officially filed in 'DART' (<http://dart.fss.or.kr/>) which is operated by Korea Financial Supervisory Service and announced in its website (www.sktelecom.com) are not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The aggregation and calculation process for building economic performances is reviewed and tested by the verification team. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data are used for the verification. The qualitative statements directly addressed in the GRI Content Index are not verified but the audit team has just confirmed that the indicator is reported in the GRI Content Index. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

In DNV GL's opinion, and based on the scope of this Assurance Engagement, the report provides an accurate and impartial representation of SK Telecom's sustainability-related strategies, management systems, practices and performance in 2014. Further opinions with regards to the following AccountAbility Principles are made below:

Inclusivity

SK Telecom has identified 6 internal and external stakeholder groups such as Customers, Governments, Shareholders/Investors, Local Communities and NGOs, Suppliers, and Employees. SK Telecom's stakeholder engagement activities occurred at the company and business unit levels through various platforms. SK Telecom has conducted yearly on-line stakeholder survey to identify key interests and concerns of stakeholders. The engagement and communication channels for selected stakeholders are described in the Report. The survey result is reported to the corporate citizenship committee under the board of directors. In our view, the level at which the Report adheres to the principle of Inclusivity is 'Good'.

Materiality

SK Telecom carries out the yearly materiality assessment. The relevant issue pool is formed by analysing the key issues from the global sustainability initiatives and standards, the topics which industry peer group considers to be material and the subjects covered by mass media. The issues in the pool are rated by stakeholders via survey in terms of the impact. The prioritization is finalized with being weighted by financial aspects such as profitability, capital efficiency, future value creation, and etc. As a result, the output of the process brings out 11 material aspects. SK Telecom reports the sustainability performance most relevant to the material issues. In our view, the level at which the Report adheres to the principle of Materiality is 'Good'.

Responsiveness

The Report provides a comprehensive overview of SK Telecom's activities. It keeps stakeholders informed of corporate decisions in terms of achievements and performance in relation to the sustainability material aspects. SK Telecom's stakeholder survey and materiality assessment were used to determine the type of information that is material to stakeholders. The information is considered in the preparation of the Report. The vision and strategy as well as the sustainability governance and performance achieved in 2014 are addressed in the Report as per the materiality assessment result. The communication on progress for UN Global Compact which SK Telecom is committed to support is disclosed in the Report as well. In our view, the level at which the Report adheres to the principle of Responsiveness is 'Good'.

Findings in relation to specific sustainability performance information:

DNV GL has evaluated the nature and extent of SK Telecom's adherence to the AA1000 Accountability Principles as described above. In addition, the reliability of data and information is evaluated for Type 2 Assurance. DNV GL has interviewed the personnel responsible for the data and information in order to figure out the generation, aggregation and processing of data and information and reviewed the relevant documents and records based on which the statements in the Report are addressed. Especially the in-depth review is conducted on the reliability of data and information with regard to Water consumption, Waste generation, Accident rate and Ethics & Compliance for Type 2 Assurance. The reporting of the management performance presented in the Report make it possible to understand the company's impact in economic, social and environmental areas, as well as the company's achievements in those regards. SK Telecom has developed an effective methodology for gathering the specific information and data respectively for reporting. The data owners interviewed are able to demonstrate to trace the origin and the data source of the specific data and information are identifiable. From our analysis of the data and information, and SK Telecom's processes, we conclude that the data and information included in the Report are the results of stable and repeatable activities.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported to SK Telecom's management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement. Without qualifying our conclusion above, DNV GL make the following recommendations;

- The reference of external and internal data and information should be clearly recorded and maintained for future reporting and maintaining the consistency in the interpretation of data and information by data owner.

Statement of Competence and Independence

DNV GL is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the verification process.

27th May 2015

Seoul, Republic of Korea

In Kyoon Ahn

Country Representative

DNV GL Business Assurance Korea Ltd.



Greenhouse Gas Assurance Statement

Terms of engagement

This Assurance Statement has been prepared for SK Telecom
 Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by SK Telecom to assure its GHG Inventory Report for the calendar year 2014 and summarised in Table 1 below (hereafter referred to as "the Report"). The SK Telecom data as present in the GHG Report have been prepared in accordance with greenhouse gas emission s in Korea. The Report related to direct GHG emissions and energy indirect GHG emissions.

Management Responsibility

The management of SK Telecom wan responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with SK Telecom. Ultimately, the Report has been approved by, and remains the responsibility of SK Telecom.

LRQA's Approach

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

In order to form or conclusions we have:

- Conducted site tours od the facilities and reviewed processes related to the management of GHG emissions data and records
- Interviewed relevant staff of the organization responsible for managing and maintaining raw and consolidated data and
- Verified the historical data and information back to source for the calendar year 2014

Level of Assurance & Materiality

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

LRQA's Opinion

Based on LRQA's approach we have found that the GHG data as presented in the Inventory Report of GHG emission and the amount energy used within the Report are materiality correct, subject to the following qualifications:

- The emissions from some small devices that have no information of the amount and fee of electricity in the ERP system have been estimated from the similar device data. This is not considered to be material.



17th Floor, Singsong Building,
 67 Yeouinaru-ro,
 Seoul, 150-923
 Republic of Korea

LRQA Reference : SEO 6017128

GHG emmissions reported in the SK Telecom GHG Inventory Report for the calendar year 2014

Scope (as defined within GHG Target Management Scheme in Korea)	Year 2014
Direct GHG Emissions	7,134
Energy Indirect GHG Emissions	735,750
Total GHG Emissions	742,884

Data is presented in tons of CO₂ equivalent

27 March 2015

SANG-KEUN YOO

On behalf of Lloyd's Register
 Quality Assurance Ltd.

This document is subject to the provision below:

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

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

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

SK Telecom
Annual Report 2014

**Partner for
New Possibilities**

5. Appendix

Materiality Report

CEO Statement on Human Rights

UN Global Compact

SASB Index

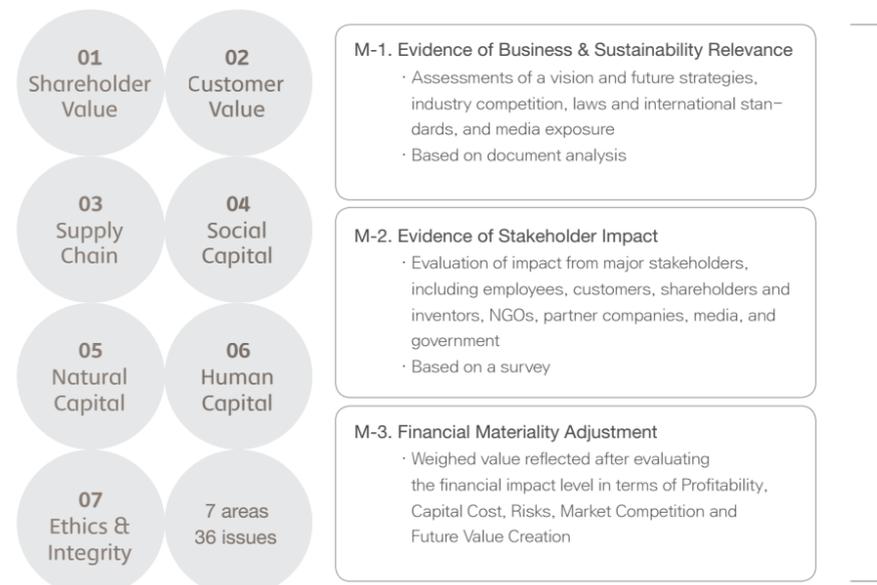
GRI Index

Non-Consolidated Financial Statement

Materiality Report

SK Telecom Materiality Analysis Process
 SK Telecom complies with the GRI guidelines of the Global Reporting Initiative (GRI) and the guides relating to deciding on report topics and composing contents recommended by the <IR> framework of the International Integrated Reporting Council (IIRC), and selects report topics through its annual materiality analysis process.
 "Materiality" as defined by SK Telecom refers to relevance in business and sustainability aspects and the impact that the level of aforementioned topics actually have on SK Telecom's stakeholders and SK Telecom's ability to create sustainable value. For the quantitative analysis of materiality, the company

assessed the topics in terms of corporate vision and strategies, industry competition, international standards and media exposure, and incorporated the impact evaluation of stakeholders collected from a survey that targeted those stakeholders that participate each year. The final evaluation reflected the financial materiality which considered the risks and opportunity factors in terms of financial aspects compared with the previous year and its effects on future value creation.
 The materiality report in this report was conducted in April 2015.



M-1. Evidence of Relevance
 To identify the relevance of each topic in business and sustainability aspects, the company assessed the relevance of its corporate vision and strategy, industry competition issues, the relevance of topics to international initiatives,

and keywords appearing in the media. The assessment was conducted based on document analyses, and report topics were prioritized according to the assessment results.

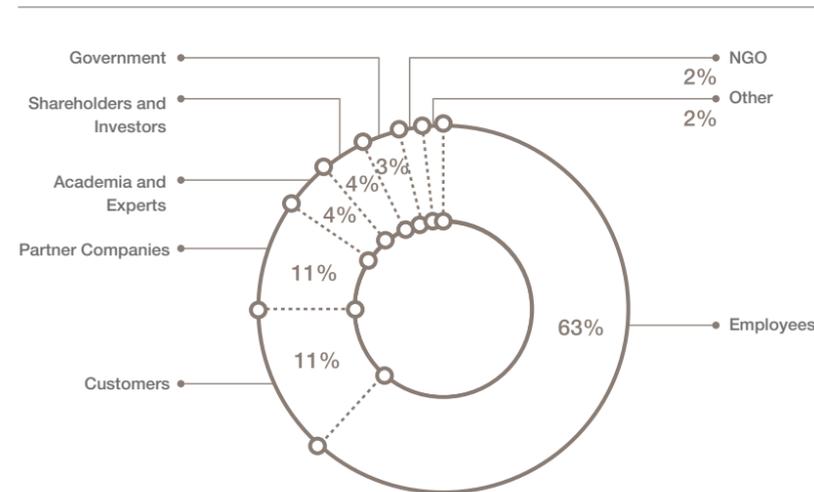
<p>Vision and Strategy Relevance</p> <p>In 2012, SK Telecom declared its new vision called, 'Partner for New Possibilities', and as a mid-term strategy for the vision, the company has been carrying out 4th To-Be Model. The company assessed whether each topic was a relevant issue to achieve mid to long-term and 4th To-Be detail strategy.</p> <ul style="list-style-type: none"> Survey details: Vision 2020 relevance, 4th To-be Model, BOD Corporate Citizenship Committee official reports, past sustainability reports, data from analyst meetings in 2014 	<p>Telecommunications Industry Issues</p> <p>The company assessed whether each topic was an issue facing global telecommunications companies. It also examined the topics that global mobile and cable telecommunications leaders regard as high priority issues.</p> <ul style="list-style-type: none"> Target companies: 12 global cable and mobile telecommunications operators Survey content: Core issues in major telecommunication companies' annual report and sustainability report
<p>Relevance to International Initiatives</p> <p>SK Telecom assessed the relevance of each topic based on the initiatives and standards deemed to be credible, including the UNGC Advanced Level program (for which SK Telecom publicly declared its support), ISO26000 (the global standard for social responsibility), and the Dow Jones Sustainability includes (DJSI), all of which are benchmarks of global sustainability</p> <ul style="list-style-type: none"> IIRC (International Integrated Reporting Committee) Integrated Reporting Frame Work SASB (Sustainability Accounting Standard Board) GRI G4 Guidelines UNGC COP(Communication On Progress) Advanced Level DJSI (Dow Jones Sustainability Index) ISO26000 	<p>Media Keywords</p> <p>Topics that appeared in the media in 2014 were surveyed. In 2014, total 1,141 keywords were analyzed as the most popular in the articles except those related to stock markets or personnel issues.</p> <ul style="list-style-type: none"> Target period: January 1, 2014 through December 31, 2014 Target outlets: 12 daily newspapers including the Chosun Ilbo, the Joongang Daily, and the Dong-a Ilbo, internet newspapers, TV news and economic magazines

M-2. Evidence of Impact
To identify the impact of each topic on stakeholders, an online stakeholder survey was conducted. The survey targeted about 357 parties, including SK Telecom's six biggest stakeholders, the media, and the academia. The survey consisted of questions that asked about the interest and materiality of each major issue as perceived by the stakeholders

along with general credibility evaluation on SK Telecom.

- Survey period: March 1, 2015 through April 1, 2015
- Survey method: Online survey
- Responses: 357 people

Response composition



Main stakeholders

Shareholders and investors

Korea Investment & Securities
Shinhan Investment
Mirae Asset Securities
CLSA
Credit Suisse
Deutsche Bank
Etc.

Government

Korea Information Society Development Institute (KISDI)
Electronics and Telecommunications Research Institute (ETRI)
National Assembly
Etc.

NGO

UNICEF
Child Fund Korea
Green Help Inc.
Global Civic Sharing
Etc.

Academia and Experts

UN Global Compact Korea
Korean Association
Global Competitiveness Empowerment Forum
Seoul National University
Yonsei University
Etc.

Business Partners

Gammanu
Prain
Vision ID&C
ISL Korea
Etc.

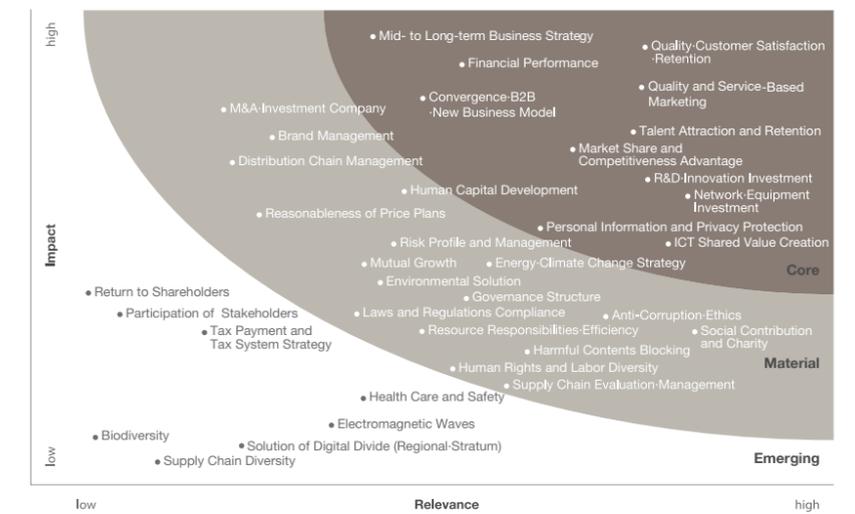
Media

Kookmin Ilbo
Seoul Economy Daily
Korea Economy Daily
E-daily
Etc.

M-3. Financial Materiality Adjustment
The effect each subject has on creating SK Telecom's financial value on a short-, mid- to

long- term basis were assessed and weighed in terms of 5 aspects, "Profitability", "Capital Efficiency", "Risk", "Market Competition", and "Future Value Creation".

Materiality Assessment Results



Results of the Selection of Material Aspects

Finally, material aspects are prioritized in terms of business and sustainability relevance, stakeholder impact and financial value creation, and are reflected in the report. As for the eleven "Core Group" items, including "Quality-Customer Satisfaction-Retention", the management approach method and major data for each subject are all made public through narrative methods. Most of the "Material Group" is also reported; however, parts of issues were reported only through data.

Location of Material Aspects in the Report

Material Aspect	Related GRI Aspects	Location and Method
1. Quality-Customer Satisfaction -Retention	Product and Service Labeling (Customer Satisfaction)	p.52
2. Quality and Service - Based Marketing	Product and Service Labeling Marketing Communications	p.52, p.121
3. Talent Attraction and Retention	Market Presence Employment Diversity and Equal Opportunity	p.74, p.115
4. Financial Performance	Economic Performance	p.26, p.36, p.102
5. R&D-Innovation-Investment	Non GRI	p.62
6. Market Share and Competitive Advantage	Market Presence	p.48
7. Network-Equipment Investment	Non GRI	p.58
8. Mid- to Long-term Business Strategy	Non GRI	p.42
9. Convergence-B2B -New Business Model	Non GRI	p.62
10. ICT Shared Value Creation	Local Communities Indirect Economic Impact	p.66
11. Personal Information and Privacy Protection	Customer Privacy	p.54

*All material aspects are limited to SK Telecom

CEO Statement on Human Rights

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

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

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

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

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

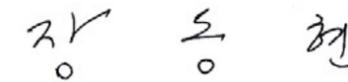
- 02) Human Rights in Privacy Policies
- Demanding minimum personal information, recording and saving to comply with laws
 - Notification prior to saving information, fiduciary duty, and ability to freely delete information
 - Optimal security system for preventing leaks, including data encryption
 -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

- 03) Human Rights in Access to Information & Freedom of Expression
- Obligation to ensure equality of access to services regardless of class/disabilities
 - Efforts to bridge the digital/smart divide: education, price plans, and systems
 - Responsibility for distributed information to protect minors, including children and adolescents
 - Fundamental support for freedom of expression

- 04) Prevention of Misuse of Technologies, Services, and Data (Human Rights in Technology)
- Refusal to use technologies, electronic devices, and data for dual purposes
 - Prevention of misuse of technologies, such as wiretapping, signal interference, or hacking

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

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



January, 2015
 Dong-Hyun Jang
 President and CEO
 SK Telecom

UN Global Compact

UN Global Compact Advanced Criteria Index

UNGC Advanced Criteria		Cross Reference/Direct Answer
Fulfillment of the UNGC 10 Principles in Strategy and Operation		
Criterion 1	Commitment to integrate the UNGC 10 principles into business function and units	p.18-21, p.91
Criterion 2	Practicing the UNGC 10 principles across the value chain	p.88-91
Definite Human Rights Policy and Procedure		
Criterion 3	Human rights commitment, strategy, and policy	p.142-143
Criterion 4	Effective management system to incorporate the human rights principles into business and management procedures	p.142-143
Criterion 5	Monitoring and evaluation mechanism to ensure compliance with the human right principles in the business and management procedures	p.88-91, Interpreted formal grievance mechanism for human rights, and evaluation mechanisms for human rights/labor/environment operated when evaluating partner companies
Definite Labor Policy and Procedure		
Criterion 6	Labor commitment, strategy, and policy	p.91, p.119-121
Criterion 7	Effective management system to incorporate the labor principles into business and management procedures	p.121, Through the trade union and collective bargaining, the labor principles are integrated and the labor-management council holds regular meetings
Criterion 8	Monitoring and evaluation mechanism to ensure compliance with the labor principles in the business and management procedures	p.89, p.121 The Labor-Management Council holds regular meetings and operate the grievance channel for employees
Definite Environmental Policy and Procedure		
Criterion 9	Environment commitment, strategy, and policy	p.70-73, p.124-127
Criterion 10	Effective management system to incorporate the environmental principles into business and management procedures	p.70-73, p.124-127
Criterion 11	Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures	p.70-73, p.124-127
Definite Ethics and Compliance Policy and Procedure		
Criterion 12	Ethics commitment, strategy, and policy	p.96, p.99
Criterion 13	Effective management system to incorporate the ethical principles into business and management procedures	p.96, p.99
Criterion 14	Monitoring and evaluation mechanism to ensure compliance with the ethical principles in the business and management procedures	p.96, p.99
Activities to Support the More Broad and Comprehensive UN Objectives and Goals		
Criterion 15	Contribution through key businesses to help achieve the UN objectives and goals	p.66-69, p.123
Criterion 16	Strategic community investment and charity work to help achieve the UN objectives and goals	p.66-69, p.123
Criterion 17	Public engagement and communication to help achieve the UN objectives and goals	p.66-69, p.88-91
Criterion 18	Partnerships and outside initiatives to help achieve the UN objectives and goals	p.66-69, p.88-91
Governance and Leadership for Sustainability		
Criterion 19	CEO's sustainability commitment and leadership	p.18-21
Criterion 20	The Board of Directors' selection and oversight of sustainability agenda items	p.88-91
Criterion 21	Stakeholder engagement	p.88-91

SASB(Sustainability Accounting Standards Board) Index - Telecommunication Standards

Activity Metric

Code	Accounting Metric	Cross Reference/Direct Answer
TC0301-A	Wireless subscribers	p.31
TC0301-B	Wireline Subscribers	p.34, SK Broadband, one of the major subsidiaries of SK Telecom, offers various range of wireless and fixed-line service.
TC0301-C	Broadband Subscribers	
TC0301-D	Network traffic, percentage on cellular network, and percentage on fixed network	p.34, p.60
TC0301-E	Network bandwidth capacity, percentage leased	p.60, In terms of Korea's mobile carrier, SK Telecom possesses its own network, and it mandatorily leases network to MVNO operators by following "Electrical Communication Business Act"

Disclosure Metric

Topic	Code	Accounting Metric	Cross Reference/Direct Answer
Environmental Footprint of Operations	TC0301-01	Total energy consumed, percentage grid electricity, percentage renewable energy; amount of energy consumed by (a) cellular and (b) fixed networks	p.124
	TC0301-02	Discussion of policies and practices relating to collection, usage, and retention of customer information and personally identifiable information	p.54
		Percentage of users whose customer information is collected for secondary purpose, percentage who have opted-in	-
		Amount of legal and regulatory fines and settlements associated with customer privacy	p.5, p.125, no fine charged related to customer information protection
Data Privacy	TC0301-05	Number of government or law enforcement requests for customer information, percentage resulting in disclosure	p.5, p.125, no legal restriction related to customer information protection
	TC0301-06	Number of data security breaches and percentage involving customers' personally identifiable information	No violation related to information protection
		TC0301-07	Discussion of management approach to identifying and addressing data security risks
Product End-of-Life Management	TC0301-08	Materials recovered through take back programs, percentage of recovered materials that are (a) reused, (b) recycled, and (c) landfilled	p.126
Managing Systemic Risks from Technology Disruptions	TC0301-09	Average interruption frequency and average interruption duration	-
	TC0301-10	Description of systems to provide unimpeded service during service interruptions	p.93
Fair Competition	TC0301-11	Amount of legal and regulatory fines and settlements associated with anti-competitive practices	p.127

GRI Index

GRI G4 General Standard Disclosures				• Reported / ◦ Not Reported
Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
Strategy and Analysis				
G4-1	CEO Message	•	p.18-21	
G4-2	Key Impacts, risks and opportunities	•	p.94-95	√
Organizational Profile				
G4-3	Name of the organization	•	SK Telecom Co., Ltd.	√
G4-4	Primary brands, products, and services	•	p.22, 57	√
G4-5	Location of the headquarters	•	SK-T Tower, 65, Eulji-ro, Jung-gu, Seoul, Korea	√
G4-6	Number and name of countries the organization operates	•	p.160	√
G4-7	Nature of ownership and legal form	•	p.4, Corporation	√
G4-8	Markets served (geographic breakdown, sectors served, and types of customer and beneficiaries)	•	p.22, over 95% of Revenues are generated from Republic of Korea.	√
G4-9	Scale of the organization	•	p.22-29, p.102-109, p.154	√
G4-10	Total number of employees	•	p.119	√
G4-11	Percentage of total employees covered by collective bargaining agreements	•	p.121, As stated in Article 35 in Labor Union & Labor Relations Act, 100% of the target for collective bargaining agreement is covered with 50% of labor union membership	√
G4-12	Organization's supply chain	•	Major suppliers include Single Device Supplier, System Supplier, Network Operator, Platform Operator and Contents Provider	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	•	p.24-25, 34	√
G4-14	Whether and how the precautionary approach is addressed	•	p.92-95, SK Telecom supports precautionary principles, and it immediately responds to risks which can have huge influence on people's life through UNGC Lead activities, even though it is cannot predict climate changes	√
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes	•	p.90-91	√
G4-16	Memberships of associations	•	p.2	√

				• Reported / ◦ Not Reported
Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
Identified Material Aspects And Boundaries				
G4-17	Entities included in the organization's consolidated financial statements, and whether any entity is not covered by the report	•	p.32-35, Entities list is included in p.6 the 2014 Business Report	√
G4-18	Process for defining the report content and the Aspect Boundaries and the application of reporting principles on the process	•	p.138-141	√
G4-19	List of all material aspects identified in the process	•	p.138-141	√
G4-20	Aspect Boundary within the organization limitation related to the Aspect Boundary within the organization	•	p.138-141	√
G4-21	Aspect Boundary outside the organization limitation related to the Aspect Boundary outside the organization	•	p.138-141	√
G4-22	Any restatements of information provided in previous reports, and the reasons	•	Specific attention indicated as notes if necessary	√
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	•	Specific attention indicated as notes if necessary	√
Stakeholder Engagement				
G4-24	Stakeholder groups engaged	•	p.89, p.140	√
G4-25	Basis for identification and selection of stakeholders	•	p.88	√
G4-26	Approach to stakeholder engagement	•	p.89, p.138	√
G4-27	Key topics and concerns raised by stakeholders, and how the organization has responded to those topics	•	p.89, p.138	√
Report Profile				
G4-28	Reporting period	•	p.2-3, FY2014	√
G4-29	Date of most recent previous report	•	p.2-3	√
G4-30	Reporting cycle (Annual, biennial)	•	p.3-4, Annually	√
G4-31	Contact point	•	p.162	√
G4-32	'In accordance' option	•	p.1, Comprehensive	N/A
G4-33	Policy and current practice with external assurance	•	p.1	N/A

• Reported / ◦ Not Reported

Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
Governance				
G4-34	Governance Structure of organization including the highest governance body and its committee	•	p.80-81	√
G4-35	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	•	p.84	√
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics	•	p.82-83	√
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	•	p.89	√
G4-38	Composition of the highest governance body and its committee	•	p.82	√
G4-39	Whether the Chair of the highest governance body is also an executive officer	•	p.80	√
G4-40	Nomination and selection processes for the highest governance body and its committees	•	p.82-23	√
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	•	p.83	√
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating the organization's purpose, value or mission statements, strategies, policies and goals to economic, environmental and social impacts	•	p.80	√
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	•	p.90-91	√
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics	•	p.87	√
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	•	p.89, p.92-95	√
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management process	•	p.84, p.92-95	√

• Reported / ◦ Not Reported

Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	•	p.84	√
G4-48	Highest committee or position that formally reviews and approves the sustainability report	•	p.87	√
G4-49	Process for communicating critical concerns to the highest governance body	•	p.87, p.90	√
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body, and policy to resolve the concerns	•	p.84, p.86-87	√
G4-51	Remuneration policies for the highest governance body and senior executives and remuneration policy performance criteria and highest governance body and senior executives' relevance to economic, environmental and social goals	•	p.87	√
G4-52	The process for determining remuneration (Participation of remuneration advisory committee, independent management performance, relationship of remuneration advisory committee with organization)	•	p.84, p.87	√
G4-53	How stakeholder's view and sought and taken into account regarding remuneration (Includes vote result and suggestion for remuneration policy)	•	p.87	√
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excludes the highest- paid individual)	•	p.87	√
G4-55	Ratio of the percentage in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excludes the highest- paid individual)	•	p.87	√
Ethics and Integrity				
G4-56	Values, principles, standards and norms of behavior such as codes of conduct	•	p.96, please refer to http://www.sktelecom.com/ethics	√
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	•	p.98	√
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior (System report, whistle blow system, hot line etc.)	•	p.98	√

GRI G4 Specific Standard Disclosures

• Reported / ◦ Not Reported

Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
Economic Performance				
DMA	Disclosures on Management Approach	•	p.26-29	
EC1	Direct economic value generated and distributed	•	p.36-37	√
EC2	Financial implications and other risks and opportunities due to climate change	•	p.70-71, p.94-95	√
EC3	Coverage of the organization's defined benefit plan obligations	•	Applied to all full-time employees as Defined Constructions or Defined Benefits	
EC4	Financial assistance received from government	•	p.36-37	√
Market Presence				
DMA	Disclosures on Management Approach	•	p.119-120	
EC5	Ratios of standard entry level wage by gender compared to local minimum wage	•	SK Telecom provides entry level wages higher than local minimum wage in all regions and operations, and does not discriminate due to employee's gender. However, entry level wage ratio to minimum wage was not disclosed due to our internal information policies	
EC6	Proportion of senior management hired from the local community	•	In Korea, all senior management were hired from the local community (100%)	√
Indirect Economic Impacts				
DMA	Disclosures on Management Approach	•	p.66-69	
EC7	Development and impact of infrastructure investments and services supported	•	p.60-61, p.66-69	√
EC8	Significant indirect economic impacts	•	p.60-61, p.66-69	√
Products and Services				
DMA	Disclosures on Management Approach	•	p.62-65, p.70-73	
EN27	Extent of impact mitigation of environmental impacts of products and services	•	p.72	√
EN28	Percentage of products sold and their packaging materials (by category)	N/A	Not applicable	
Employment				
DMA	Disclosures on Management Approach	•	p.119-120	
LA1	Total number and rates of new employee hires and employee turnover (by age, sex, region)	•	p.119-120	√

• Reported / ◦ Not Reported

Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
LA2	Benefits provided only to full-time employees which are not provided to part time or contract worker	•	p.120	√
LA3	Return to work and retention rates after parental leave	•	p.120	√
Diversity and Equal Opportunity				
DMA	Disclosures on Management Approach	•	p.74-77	
LA12	Composition of Governance bodies and breakdown of employees according to gender, age group, minority and other indicators of diversity	•	p.80-81, p.119	√
Local Communities				
DMA	Disclosures on Management Approach	•	p.66-69	
SO1	Percentage of operations with implemented local community engagement, impact assessment, and development programs	•	Over 95% of the revenues are generated from Republic of Korea, and SK Telecom fully implemented social engagement program in Korean local community	
SO2	Operations with significant actual and potential negative impacts on local communities	•	No significant actual/ potential impact on local communities found	
Product and Service Labeling				
DMA	Disclosures on Management Approach	•	p.52-57	
PR3	Type of product and service information required by the organization's procedures for product and service information labeling	•	p.121	√
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information labeling	•	p.121	√
PR5	Results of surveys measuring customer satisfaction	•	p.31, p.54	√
Marketing Communications				
DMA	Disclosures on Management Approach	•	p.52-57	
PR6	Sale of banned or disputed products	•	0 case, SK Telecom does not sell any banned or disputed product	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	•	p.127	
Customer Privacy				
DMA	Disclosures on Management Approach	•	p.52-57	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	•	p.54, p.121, Among total 46 complaints registered, no case related to customer information violation	√

GRI G4 Specific Standard Disclosures - Other Disclosures

• Reported / ◦ Not Reported

Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
EN3	Energy consumption within the organization	•	p.124-125	√
EN5	Energy intensity	•	p.124-125	√
EN6	Reduction of energy consumption	•	p.124-125	√
EN8	Total water withdrawal by source	•	p.125	√
EN11	Operation that possesses, leases and manages in protected areas, regions with high biodiversity value or neighboring regions	•	p.126	√
EN15	Direct greenhouse gas emissions (Scope 1)	•	p.124	√
EN16	Energy indirect greenhouse gas emissions (Scope 2)	•	p.124	√
EN18	Greenhouse gas emissions intensity	•	p.124	√
EN19	Reduction of greenhouse gas emissions	•	p.72, p.124	√
EN23	Total weight of waste by type and disposal method	•	p.125	√
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	•	p.73, 0 Cases, no fine or penalty paid	√
EN31	Total environmental protection expenditure and investments	•	p.126-127	√
EN32	Percentage of new suppliers that were screened using environmental criteria	•	p.122	√
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	•	p.89, Among total 46 grievances registered, no issue about environment was reported	√
LA6	Type and rate of injury, rate of disease caused in work, rate of work leave, rate of absence, number of death in work (by region, sex)	•	p.121	√
LA9	Annual average hours of training per employee (by sex, employee category)	•	p.120-121	√
LA10	Programs for skills management and lifelong learning that support the continued employability and assist employees in managing career endings	•	p.120-121	√
LA11	Rate of employees receiving regular performance and career development (by sex, employee category)	•	p.77, p.116	√
LA14	Percentage of new suppliers that were screened using labor practices criteria	•	p.122	√
LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	•	p.89	√

• Reported / ◦ Not Reported

Indicator	Description	Reported	Cross Reference /Direct Answer/Omission	Assurance
HR5	Operations and suppliers identified as having significant risk for incidents of child labor and measures taken	•	p.91, p.142-143, SK Telecom observes prohibition of child labor through human rights policy, and prevents child labor by including it into supply chain policy	√
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	•	p.91, p.142-143, No areas of business with the possibility of serious incidents of forced labor. SK Telecom disclosed the human right policy and included forced or compulsory labor criteria into the supply chain policy	√
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	•	p.91, p.142-143, SK Telecom applies human right policy to all operations and relevant supply chains	√
HR10	Percentage of new suppliers that were screened using human rights criteria	•	p.122	√
HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	•	p.89, Among total 46 grievances registered, no issue about human rights was reported	√
SO3	Total number and percentage of operations assessed for risks related to corruption	•	The corresponding number and percentage is not applicable	√
SO4	Communication and training on anti-corruption policies and procedures	•	p.96	√
SO5	Confirmed incidents of corruption and actions taken	•	p.97	√
SO6	Total value of political contributions by country and recipient/ beneficiary	•	No donations to political parties or politicians	√
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	•	p.127	√
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	•	p.127	√
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	•	p.122	√
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	•	p.89, Among total 46 grievances registered, 1 social issue was reported	√
PR1	Rate of products and services evaluated for safety effect for further improvement	•	p.121	√
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	•	p.127	√

Non-Consolidated Financial Statement

Non-Consolidated Statements of Financial Position

The 31st As of 2014.12.31

The 30th As of 2013.12.31

The 29th As of 2012.12.31

Unit: KRW million

	31 st	30 th	29 th
Assets			
Current Assets	2,689,913	2,817,782	2,589,699
Cash and cash equivalents	248,311	448,459	256,577
Short-term financial instruments	143,000	166,000	179,300
Short-term investment securities	197,161	102,042	56,401
Accounts receivable - trade, net	1,559,281	1,513,138	1,407,206
Short-term loans, net	67,989	72,198	75,449
Accounts receivable—other, net	305,990	388,475	383,048
Accrued revenue	6,354	5,682	4,147
Advance payment	51,619	9,112	3,366
Prepaid expenses	86,070	82,837	76,016
Derivative financial assets	-	-	9,656
Inventories, net	23,694	24,596	15,995
Assets classified as held for sale	-	3,667	121,337
Advanced payments and other	444	1,576	1,201
Non-current Assets	20,022,549	20,009,637	19,659,803
Long-term financial instruments	69	7,569	69
Long-term investment securities	608,797	729,703	733,893
Investments in associates and joint ventures	8,181,769	8,010,121	7,915,547
Property and equipment, net	7,705,906	7,459,986	7,119,090
Goodwill	1,306,236	1,306,236	1,306,236
Intangible assets, net	1,928,169	2,239,167	2,187,872
Long-term loans, net	38,457	39,925	49,672
Long-term prepaid expenses	28,551	23,007	21,582
Guarantee deposits	156,807	152,057	149,373
Long-term derivative financial assets	67,728	41,712	52,303
Deferred tax assets	-	-	123,723
Other non-current assets	60	154	443
Total Assets	22,712,462	22,827,419	22,249,502

Unit: KRW million

	31 st	30 th	29 th
Liabilities and Equity			
Current Liabilities	3,378,046	4,288,073	4,343,086
Accrued payables—other	1,086,485	1,556,201	1,509,456
Unearned revenue	39,148	43,599	46,693
Withholdings	801,119	574,166	552,380
Accrued expenses	615,488	653,742	600,101
Income tax payable	91,315	104,564	52,267
Unearned income	92,783	178,569	252,298
Derivative financial liabilities	-	21,170	-
Current liabilities	50,456	66,559	286,819
Short-term borrowings	200,000	260,000	330,000
Current long-term borrowings	211,863	622,703	555,106
Long-term non-trade payable	189,389	206,800	157,966
Non-current liabilities	5,792,195	5,223,938	5,529,368
Debentures	4,655,137	4,014,777	3,992,111
Long-term borrowings	80,147	85,125	348,333
Long-term payables-other	657,001	828,721	705,605
Long-term unearned revenue	19,544	50,894	160,820
Defined benefit obligations	15,555	22,886	34,951
Derivative financial liabilities	130,889	100,210	63,599
Other non-current liabilities	27,676	19,537	99,355
Deferred tax liabilities	144,876	44,601	-
Other non-current liabilities	61,370	57,187	124,594
Total Liabilities	9,170,241	9,512,011	9,872,454
Equity			
Share capital	44,639	44,639	44,639
Other paid up capital	433,894	433,894	(236,160)
Retained earnings	12,996,790	12,665,699	12,413,981
Reserves	66,898	171,176	154,588
Total Equity	13,542,221	13,315,408	12,377,048
Total Liabilities and Equity	22,712,462	22,827,419	22,249,502

Non-Consolidated Income Statement

The 31st As of 2014.12.31
 The 30th As of 2013.12.31
 The 29th As of 2012.12.31

Unit: KRW million

	31 st	30 th	29 th
Operating revenue	13,012,644	12,860,379	12,332,719
Revenue	13,012,644	12,860,379	12,332,719
Operating expense	11,275,484	10,890,695	10,657,331
Labor cost	588,635	598,885	508,226
Commissions paid	5,591,245	5,333,869	5,576,763
Depreciation and amortization	2,095,702	2,006,896	1,724,707
Network interconnection	771,786	770,125	796,580
Leased line	370,549	412,217	431,522
Advertising	213,605	237,291	209,804
Rent	377,112	362,659	330,611
Cost of products that have been resold	457,049	399,810	295,757
Other operating expense	809,801	768,943	783,361
Operating income	1,737,160	1,969,684	1,675,388
Finance income	82,276	81,196	381,930
Finance cost	293,338	422,764	533,198
Other non-operating income	37,422	47,618	161,756
Other non-operating expense	184,177	417,252	133,647
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	57,593	37,685	5,510
Profit before income tax	1,321,750	1,220,797	1,546,719
Corporate tax	293,209	310,640	303,952
Net profit for the term	1,028,541	910,157	1,242,767
Earnings per share			
Basic earnings per share (in won)	14,262	12,837	17,832
Diluted earnings per share (in won)	14,262	12,837	17,406

Non-Consolidated Statements of Income

The 31st As of 2014.12.31
 The 30th As of 2013.12.31
 The 29th As of 2012.12.31

Unit: KRW million

	31 st	30 th	29 th
Net profit for the term	1,028,541	910,157	1,242,767
Other inclusive gains and losses	(118,086)	22,515	(176,744)
Re-evaluation elements of the vested benefit obligations	(13,808)	5,927	(10,838)
Gain or loss from appreciation of tradable financial assets	(66,103)	4,795	(146,203)
Gain or loss from appreciation of derivative products	(38,175)	11,793	(19,703)
Total inclusive gains and losses for the term	910,455	932,672	1,066,023

Non-Consolidated Statements of Cash Flows

The 31st As of 2014.12.31
 The 30th As of 2013.12.31
 The 29th As of 2012.12.31

Unit: KRW million

	31 st	30 th	29 th
Cash flows from operating activities	3,221,433	3,022,473	3,161,516
Cash generated from operating activities	3,580,032	3,315,722	3,668,720
Net profit for the term	1,028,541	910,157	1,242,767
Adjustment for income and expenses	2,886,389	3,120,427	2,249,241
Changes in assets and liabilities related to operating activities	(334,898)	(714,862)	176,712
Interest received	20,954	29,695	45,748
Dividends received	13,048	20,641	30,567
Interest paid	(224,119)	(246,632)	(265,355)
Income tax paid	(168,482)	(96,953)	(318,164)
Cash flows from investing activities	(2,622,617)	(2,393,763)	(4,773,622)
Cash inflows from investing activities	319,389	531,208	1,565,475
Decrease in short-term financial instruments, net	-	-	35,416
Decrease in short-term investment securities, net	30,500	13,300	455,700
Collection of short-term loans	197,925	279,815	273,147
Decrease in long-term financial instruments	2,522	-	-
Proceeds from disposal of long-term investment securities	54,218	29,762	449,720
Proceeds from disposal of investments in associates and joint ventures	-	1,808	88,602
Proceeds from disposal of investment property	-	-	61,186
Disposition of tangible assets	25,677	3,148	187,560
Proceeds from disposal of intangible assets	1,127	965	2,811
Disposition of non-current assets scheduled to be disposed of	3,667	190,393	-
Collection of long-term loans	3,660	11,727	10,689
Proceeds from disposal of other non-current assets	93	290	644

Unit: KRW million

	31 st	30 th	29 th
Cash outflows for investing activities	(2,942,006)	(2,924,971)	(6,339,097)
Increase in short-term investment securities, net	94,802	45,031	-
Increase in long-term financial instruments	195,700	275,913	243,494
Acquisition of long-term investment securities	2,522	7,500	-
Acquisition of investments in associates and joint ventures	28,801	9,313	4,425
Acquisition of property and equipment	210,060	206,791	3,131,483
Acquisition of property and equipment	2,319,016	2,201,354	2,883,630
Acquisition of intangible assets	91,060	179,069	72,328
Increase in long-term loans	45	-	22
Cash outflows due to business overtake	-	-	3,387
Increase in other non-current assets	-	-	328
Cash flows from financing activities	(798,911)	(436,749)	973,161
Cash inflows from financing activities	801,035	1,529,858	3,934,051
Proceeds from short-term borrowings	-	-	330,000
Proceeds from long-term borrowings	3,552	96,455	1,986,800
Issuance of hybrid bond	-	398,518	-
Issuance of debentures	797,364	1,014,859	1,530,714
Cash inflows from derivative transactions	119	20,026	86,537
Cash outflows for financing activities	(1,599,946)	(1,966,607)	(2,960,890)
Repayment in short-term borrowings, net	60,000	70,000	-
Repayment of long-term borrowings	12,814	457,110	1,650,000
Repayment of long-term non-trade payables	207,668	161,575	92,158
Repayment of debentures	629,940	621,976	558,184
Payment of dividends	666,802	655,946	655,133
Interest on hybrid bond	16,840	-	-
Outflow of cash due to transaction of derivative products	5,882	-	5,415
Net increase (decrease) in cash and cash equivalents	(200,095)	191,961	(638,945)
Cash and cash equivalent at beginning of the year	448,459	256,577	895,558
Effects of exchange rate changes on cash and cash equivalents	(53)	(79)	(36)
Cash and cash equivalents at end of the year	248,311	448,459	256,577

Global Network

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DATE OF ESTABLISHMENT

March 29, 1984

PAID IN CAPITAL

KRW 44,639 million as of December 31, 2014

NUMBER OF COMMON SHARES

80,745,711 Shares as of December 31, 2014

SECURITIES LISTINGS

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

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AVAILABLE FILINGS

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

ANNUAL GENERAL SHAREHOLDERS' MEETING

Friday, March 20, 2015, at 10 AM
SK Telecom Boramae Building, Boramaero 5gil 1,
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SK Telecom
Annual Report 2014

**Partner for
New Possibilities**

Publication Date

July 2015

Publishing

SK Telecom

Publisher

Dong-Hyun Jang

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Planning & Advisory

Korea Productivity Cente

Editing & Design

Media Brain

Photograph

Noon Pictures

Printing

Iijin Printing

You can download this Report as a PDF file from the official website of SK Telecom (<http://www.sktelecom.com>)

To contribute to resource recycling and environmental protection, SK Telecom used Forest Stewardship Council's FSCTM-certified paper to publish the 2013 Annual Report and print it using soy-based ink certified with the FSCTM Chain of Custody (Certificate No.: C110010). The company also participates in the Carbon Neutral Program run by the Korea Energy Management Corporation to offset greenhouse gas emissions generated from the pulp and energy used to print reports.

Despite the company's varying efforts to reduce environmental impacts, since the process of making and printing in paper generates pollutants, this Report is published both in print and as an interactive PDF file. SK Telecom plans on reducing resource and energy use and using more interactive PDF files that contain a lot more information than in the print version due to lack of space. We encourage our readers to access this Report as a PDF file instead of the print edition to save resources and protect the environment, while accessing a lot more information more conveniently.

