

# 5G heading for tomorrow

SK Telecom Annual Report 2017

### About This Report

As an Integrated Annual Report prepared for the purpose of reporting the annual performance to the investors and stakeholders, this Report comprises not only the financial performance records of SK Telecom, but also comprehensive information on value creation including non-financial performance, future prospects and efforts to improve company value (Value Creation Story). The BOD gave the final approval for this Report in June of 2018.

#### Integrated Reporting According to International Guidelines

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

#### Scope and Boundary of the Report

In this Report, the terms, "SK Telecom" and "the company," refer to SK Telecom, excluding its subsidiaries that are subject to consolidated financial statements in accordance with the Korean International Financial Reporting Standards (K-IFRS). The financial data is based on consolidated financials, while the non-financial data on the environmental performance and fulfillment of the corporate social responsibility is based on a non-consolidated basis. The data presented in this Report exclude those of SK Telecom's overseas branches, subsidiaries and invested companies unless otherwise indicated in the general descriptions and information section. Such data, however, were included on a separate basis in cases in which they are likely to have a significant impact on the stakeholders' decisions, in consideration of SK Telecom's financial and operational control and the actual influence and effects of its business. As for the geographical boundaries, this Report covers data for the company's major places of business where over 99% of revenue is generated, which is in the Republic of Korea, while the temporal scope is

between January 1 and December 31, 2017. This Report, however, may disclose a portion of the qualitative data generated until May 2018. In case of any changes in the previously reported data requiring attention, such data were re-calculated based on the 2017 data. The reporting period of this Report is one fiscal year, and the preceding report was the <SK Telecom Annual Report 2016> issued in July 2017.

#### Third Party Assurance and Disclaimer

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

#### Global Initiatives and Partnerships

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



### 5G heading for tomorrow

The long-awaited 5G era is finally here. SK Telecom has been preparing for the 5G era by expanding technology investments



5G technology

and strengthening global partnerships, in preparation of the world's first commercialization in 2019. Boasting ultra-high speed, ultra-



for a better life

large capacity, and ultra-low latency, 5G is a core infrastructure which will lead the innovation of the Fourth Industrial Revolution through the application of ICT to the



5G technology

offline world. SK Telecom will introduce unprecedented changes to people and their homes, industries, and society through the conver-

gence of the 5G network and state-of-the-art communication technology (ICT) such as arti-



for expanded industries

ificial intelligence

(AI), Internet of things (IoT), big data, augmented reality (AR), and virtual reality (VR).

The daily lives of individuals and business competitiveness will be enhanced through the changes created by 5G



5G technology

and ICT, to help society to grow in a healthy way. As a 5G leader, SK Telecom will evolve into a global

New ICT company and open the doors to a future that everyone has been



for social value

dreaming of. We invite you to take a look at the exciting new 5G era that we are creating.

# 5G for

SK Telecom's 5G is a futuristic infrastructure designed for people who dream of a better life. An exciting new future that has existed only in our imaginations will soon unfold with the use of connected cars, smart homes, and next-generation media services. 5G will bring a great deal of convenience and joy to the daily lives of its users.

SKT 64% 오후 2:06

DISTANCE 15,3 KM

TAKE TIME 25MIN 3HR

WASHINGTON AVE

2min. 800y President St.  
1min. 600y Lake Road  
200y Bridge Street

18 32 50

NUGU

Distance  
**15,3** KM

11m 합정역

41m

137m

Anna

"전화 연결" "거절 문자" "전화 거절"

7.0m

7m 합정역

62m

# a better life

### Connected cars, the hub of a hyper-connected society

Connected cars, the hub of a hyper-connected society, are intelligent automobiles with autonomous driving capability. Following the introduction of a connected car which uses core infrastructure and technologies such as 5G, Vehicle to Everything (V2X), 3D ultra-high definition maps, and quantum cryptography, in November 2016, we have succeeded in operating multiple 5G autonomous driving vehicles in February 2018.

5G networks are expediting the realization of the vision of connected cars that connect drivers with automobiles and cities.



이렇게 말씀해주세요.

"광학문으로 가지"

"가까운 주유소 찾아줘"

"김이리에게 전화해줘"

- 1 SK타워
- 2 SK하이닉스 본사
- 3 SK남산빌딩
- 4 SK텔레콤 인재개발원

"주유소 찾아줘" "뉴스 검색"



## Realizing Artificial Intelligent platform-centered smart homes

NUGU, which was introduced by SK Telecom as the first AI platform in Korea, is continuously learning and growing to create optimal smart homes for individuals.

A wide variety of smart home services are already available, ranging from voice searches, music broadcasts, and news briefings to weather forecasts, product delivery orders, grocery shopping, and home and electrical appliance controls.

SK Telecom is continuously expanding its network of service areas, including the introduction of T map x NUGU and B tv x NUGU. The addition of 5G networks to our AI platform will enable the realization of perfect smart homes to make people's lives even more exciting and convenient.



## Experiencing vivid impressions with immersive media

SK Telecom's "oksusu" mobile media platform is evolving into a next-generation immersive media platform through its convergence with 5G. Our newly introduced "oksusu Social VR" allows users to watch video content and interact with other users for an incredibly realistic viewing experience.

We are creating excitement through 5G-based next-generation media technologies such as high-definition content combining AR and VR technologies, and AI speakers that use holograms.

**Transforming traditional agro-livestock businesses into forward-thinking enterprises**

Traditional industries are transforming into the most futuristic industries with 5G. SK Telecom's Smart Farm technology is creating intelligent farms that can dramatically boost their productivity. This is being done by equipping the agro-livestock industry with IoT and other cutting-edge ICT technologies, leading to innovations within the industry and healthy growth in farming incomes. We will promote Smart Farm, where next-generation ICT technologies are combined with agriculture and livestock, as the leading business in the Fourth Industrial Revolution.

3.3k

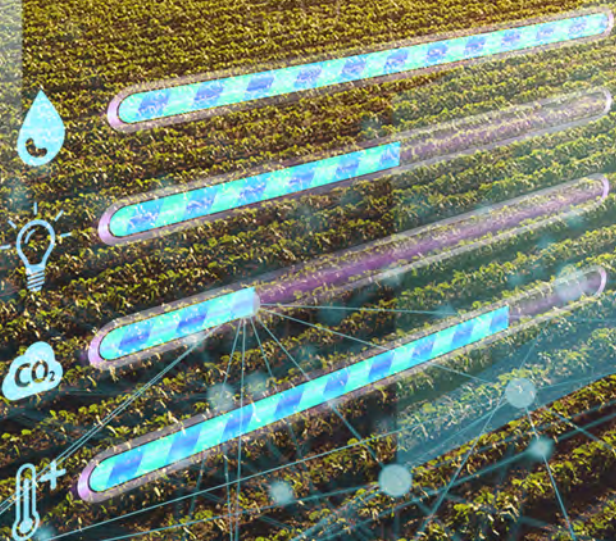
January 21



12°C  
76%  
95 km/h

**Dure Farm Center**

Monitoring Group 04  
Location - Sector 447  
Stage of growth - Tillering (Stage 5)



Product Code 33175  
Next pesticide application: Jun 8  
Shipping schedule: Oct 15

Dron No. 2379  
Survey Mode  
Temperature 27.5°C  
Humidity 38.7%RH

# 5G for

SK Telecom's 5G is also an innovative infrastructure that can enhance the digital transformation of many industries. The deployment of cutting-edge ICT to industries such as agro-livestock, manufacturing, and distribution has the potential to boost their productivity exponentially. The 5G network will be the most reliable infrastructure in the Fourth Industrial Revolution that requires digital transformation.

# expanded industries



## Enhancing productivity in the livestock industry with IoT-based domestic animal management

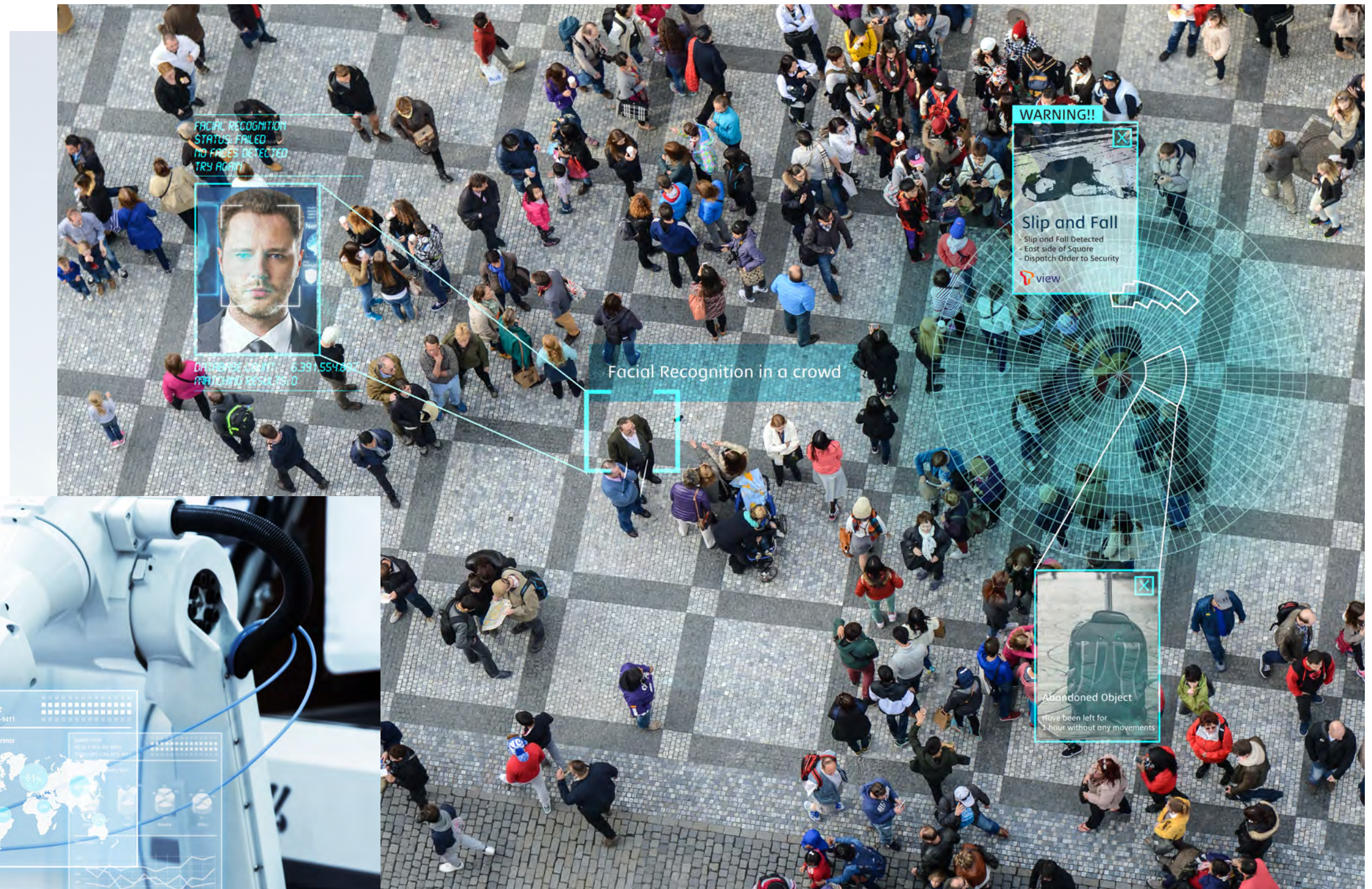
SK Telecom's "Live Care" is an IoT livestock management service that is being made available to animal breeders in cooperation with uLikeKorea and Namyang Dairy Products. It supports a highly innovative level of animal management, informing farmers of important events in the lives of their livestock such as illnesses, pregnancies, and births. This information is based on data revealing changes in an animal's internal body temperature that is measured by administering capsules, that carry "LoRa" IoT-dedicated network communications modules, into its stomach. This futuristic combination of Live Care services with 5G networks will significantly contribute to improving both the productivity of farms and the quality of their products.

### Leading innovations in the manufacturing industry through smart factories

SK Telecom offers a wide variety of smart factory solutions that are capable of managing a broad range of production processes, ranging from design and development to manufacturing, logistics, and distribution. These solutions involve the application of AI, IoT, big data, and other advanced ICT technologies.

We are partnering with manufacturers, including SK Hynix, to provide solutions by using big data and are gathering smart factory building technology and experience.

With the introduction of the 5G network, we will lead innovations in the manufacturing industry, by developing perfect smart factories that will enhance both its productivity and its competitiveness.



### Opening an era of smart security with integrated security systems

SK Telecom is now fully entering the smart security business through its acquisition of ADT Caps. SK Telecom will expand the range of services by establishing a total security system which includes video security technology, AI, IoT, big data, and ICT technologies to go beyond the security of individuals and assets, to our currently existing physical security and protective services. By doing so, we will lead the next-generation security service industry.



# 5G for

SK Telecom's 5G is a shared infrastructure that creates social values for everyone. Its application will lead to the creation of more convenient and pleasant smart cities, enhanced public safety, and an advanced society that grows together. With the 5G network, our society will become a healthier, caring, and equitable world in which the technological benefits are available to everyone.



# social value

### Enjoying a more comfortable and safer life in smart cities

Smart cities, where all infrastructures are connected by the 5G network and advanced ICT, will become part of our daily lives. SK Telecom is developing smart cities in major areas of the country in cooperation with government agencies and municipalities.

These efforts involve connecting all of the solutions required for a safer, more pleasant, and more convenient urban lifestyle. They include "Intelligent Emergency Call Services," "Integrated Fire Management Solutions," and intelligent transportation, fire, and energy management—all aimed at enhancing the safety and well-being of people living in urban areas.



# Using drones to save lives in disaster areas

5G can also play an important role in ensuring public safety during emergencies such as natural disasters and accidents. The application of 5G networks to SK Telecom's controlled drones and Drone Mobile Stations (DMS), both of which are already used in the field, enables speedy real-time location and follow-up measures even in hard-to-reach locations through the use of sophisticated drone controls and the real-time transmission of ultra-high-definition videos. We will continue to protect valuable lives and properties with comprehensive public safety solutions including firefighting drones and disaster response drones.

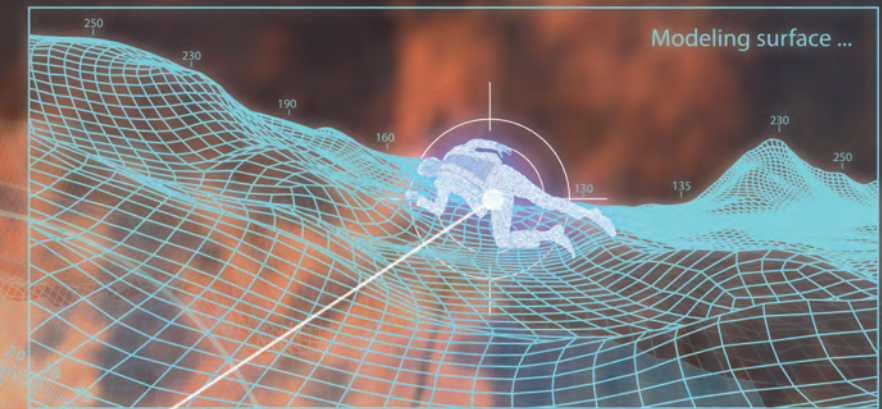


### Control Center Information

#### Order to move

Team 001	268
Team 002	923
Team 003	184
Team 004	645
Team 005	917
Team 006	836

#### Spot Information



### MERGING DATA ...



## Moving toward a better world for the future of our children

SK Telecom visits children living in islands and mountain villages to give access to life-enriching technology through the application of 5G and ICT. "T.um Mobile," a mobile ICT experience center, is accessible in all parts of the country and other places around the world including Spain and Peru to help reduce the information gap experienced by underprivileged children. It introduces them to a new world through training in smart robot coding and a variety of ICT experiences, including AR, VR, and holograms. Using the unlimited potential of 5G and ICT, we will spread T.um Mobile to the far corners of the world.



SK Telecom is  
the first to bring 5G  
connectivity to the world

**SK Telecom, the first to lead the 5G era that connects all things**

5G, which connects all things, is ushering in a world we have never experienced before. Using the 5G network and state-of-the-art ICT, we would like to invite people closer to a new world that everyone has been dreaming of, by providing convenience in daily life, supporting industrial growth, and creating greater social value. We invite you to join with us in welcoming the new 5G era and the amazing future—all led by SK Telecom, a global New ICT company.



## ABOUT US

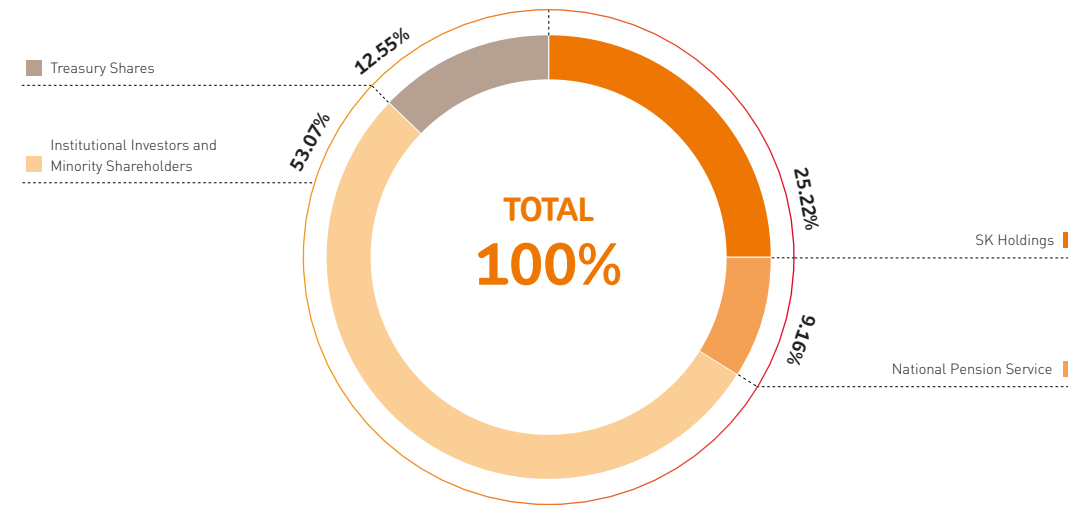
SK Telecom is evolving into a new global ICT company with core competencies such as media, IoT/Data, service platform and commerce based on mobile telecommunications services. SK Telecom, as of the end of 2017, had 30.195 million subscribers and is leading South Korea's ICT ecosystem through the world's 'best' and 'first' technology services.

### HIGHLIGHTS OF SK TELECOM (AS OF DEC. 31, 2017)

<b>Date of Establishment</b>	March 29, 1984
<b>Number of Subscribers</b>	30.195 million[*]
<b>Number of Employees</b>	4,516
<b>Number of Subsidiary Companies</b>	39
<b>Stock Exchange Registration Status</b>	Korea Stock Exchange New York Stock Exchange London Stock Exchange

[\*] Including MVNO subscribers

### SHAREHOLDER STATUS (AS OF DEC. 31, 2017)



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# 01

# COMPANY OVERVIEW

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## LETTER TO STAKEHOLDERS



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

To our respected stakeholders,

### 2017 WAS A YEAR IN WHICH SK TELECOM SET A NEW GROWTH BASE TO BECOME A REPRESENTATIVE NEW ICT COMPANY.

In 2017, SK Telecom laid the groundwork to become a new ICT leader to bring about changes of the future, to go beyond Korea's No.1 telecommunications company. While renewing the new ICT strategy centered on mobile communication, media, IoT, and the 5G and AI-based service platform, we have succeeded in demonstrating the world's first 5G data communication network based on international standards and strengthened our network leadership. In addition, while strengthening our products and services based on the data analysis of customers in our MNO business, we have enhanced our business models in areas such as media, IoT, and AI through collaborations with external partners to create a growth ecosystem which will provide joint growth for everyone.

As a result of these efforts, SK Telecom reported financial results of KRW 17,520 billion in revenue and KRW 1,536.6 billion in operating profit on a consolidated basis in 2017. Furthermore, SK Telecom continued to receive the highest levels of external assessments across all of its management activities by ranking 1st place in the National Customer Satisfaction Index (NCSI) for 21 consecutive years (as of 2018), being the first Asian telecommunications company to be included in the Dow Jones Sustainability Indices (DJSI) World Index for the tenth consecutive year, and maintaining the highest possible grade, "Excellent," in the Win-Win Index for the sixth consecutive year (as of 2018). It was all possible due to the loyalty of our customers. SK Telecom will not remain complacent with current performance and are listening and considerate of our customers' concerns to become a representative new ICT company that will be loved by more customers.

SK Telecom used the detailed analysis of the voice of the customers and is implementing a 'customer value innovation program' that improves the penalty system and reforms roaming charges and memberships. It also eliminated excessive competition caused by marketing costs and provided actual benefits to customers. We are also aiming to earn customer trust through credibility in order to transform into a company that people love. Through these efforts, we have succeeded in increasing net subscribers and revenue generated from mobile telecommunications. SK Telecom will stabilize the market and streamline marketing costs to enhance trust-based customer relationships and will make achievements in the new ICT growth business as well.

### WE WILL LEAD THE ICT ECOSYSTEM THROUGH THE IMPLEMENTATION OF THE 5G NETWORK AND INNOVATION OF BUSINESS MODELS THAT WILL LEAD TO OFFLINE-MOBILE CONVERGENCE.

SK Telecom defines 5G as a core infrastructure that will lead the 4th Industrial Revolution through wirelessization and is focusing its internal capabilities to commercialize 5G for the first time in the world in 2019. SK Telecom is building unrivaled competitiveness to lead the 5G era by securing distinguished technology such as network operating technology, next-generation technology based network solutions and quantum cryptography communication, and is leading the standardization process through partnerships with various global players.

The 5G network will enable a hyper-connected era where 43 billion objects in the world are connected wirelessly with 'safety' as its core competitive edge. Since 2011, SK Telecom has been leading the development of the best existing security technologies including quantum cryptography and the creation of ecosystems. In February 2018, we acquired the Swiss company, IDQ, which holds the world's best patent for quantum cryptography, and laid the groundwork for the global security market. Meanwhile, at the 5G spectrum auction in June 2018, we have secured the 'largest amount of spectrum' as an 'optimal bandwidth' which is helpful in providing secure service while making it easy to expand the frequency band. By doing so, we are preparing for the world's first commercialization of the 5G network that provides the best quality.

In addition, as a mobile network operator and growth company, SK Telecom will develop business models based on autonomous vehicles, next generation technology-based high-definition media contents, and 360-degree live video calls which uses the 5G network's core technologies such as ultra-high speed, ultra-low latency, hyperconnectivity, for the innovation of the new ICT generation.

SK Telecom is steadily moving toward the goal of becoming the No.1 media platform, with a continuous increase of wired and wireless IPTV subscribers and is creating continuous growth in content revenue. As the competitive edge of the media business is directly related to content capability, we will increase our investment in contents through strategic alliances and strengthen our platform services with the mobile media platform 'oksusu.' In addition, we will expand our platform based on the integration of technology convergence services including voice recognition, augmented reality (AR) and smart home, and will grow into the No.1 domestic comprehensive media company.

In the IoT area, we have secured a variety of network portfolios that can respond to demands from outside partners by completing LTE Cat.M1, the nationwide network in April 2018, following LoRa in 2016. In addition, we will expand our competitiveness in the IoT solution business based on our data analysis to security, distribution, logistics, and manufacturing, and will grow into a company that leads the digital transformation of existing industries. Meanwhile, in order to secure a new growth in the security business where global ICT companies are in a rush to enter, in May 2018, we have signed a contract to acquire ADT Caps, the second largest physical security provider in Korea. We will finalize the acquisition through the Fair Trade Commission's M&A review process.

We have diversified the platform lineup and expanded the users of speech recognition services through the Korea's first voice recognition AI speaker, 'NUGU,' in 2016 and with 'T map x NUGU' and set-top box 'Btv x NUGU' in 2017. We will upgrade the personal lifestyle pattern data collection and analyses, which links car, home and mobile, and we plan to expand the service that will innovate the value of life and build a virtuous circle structure of the AI platform.

The commerce sector was reorganized in June 2018 based on 11st, SK Planet's No.1 commerce platform. During this process, 11st was valued at KRW 2.75 trillion by H&Q Korea and was successful in attracting KRW 500 billion worth of new funds. 11st will continue to improve profitability through effective marketing based on data analysis, and we will strengthen the commerce sector, the core of our strategic category, to improve our growth potential.

## WE WILL BECOME A GLOBAL NEW ICT COMPANY THAT THRIVES TOGETHER WITH SOCIETY THROUGH CHANGE AND INNOVATION.

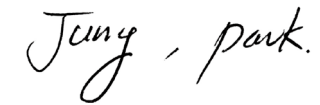
SK Telecom not only provides products and services that add value to society by utilizing ICT-based shared infrastructures, but also evaluates and manages the social and environmental impacts of its business activities by measuring the social value of its business performance. We also aim for the Double Bottom Line to increase environmental efficiency at the same time. In particular, we plan to create a sustainable future value beyond short-term growth by simultaneously pursuing economic performance as well as social performance throughout the entire management decision-making process that implements the company's management activities and core management strategies.

SK Telecom is now facing more difficulties than ever, due to the rapid technological development in the ICT sector, changes in market competition and regulations, and increased social demands. SK Telecom will strive to become a new ICT leader in a healthy way in 2018, with its shareholders, employees and business partners.

I would like to thank our loyal customers, investors, and stakeholders for your continued interest and support.

Thank you.

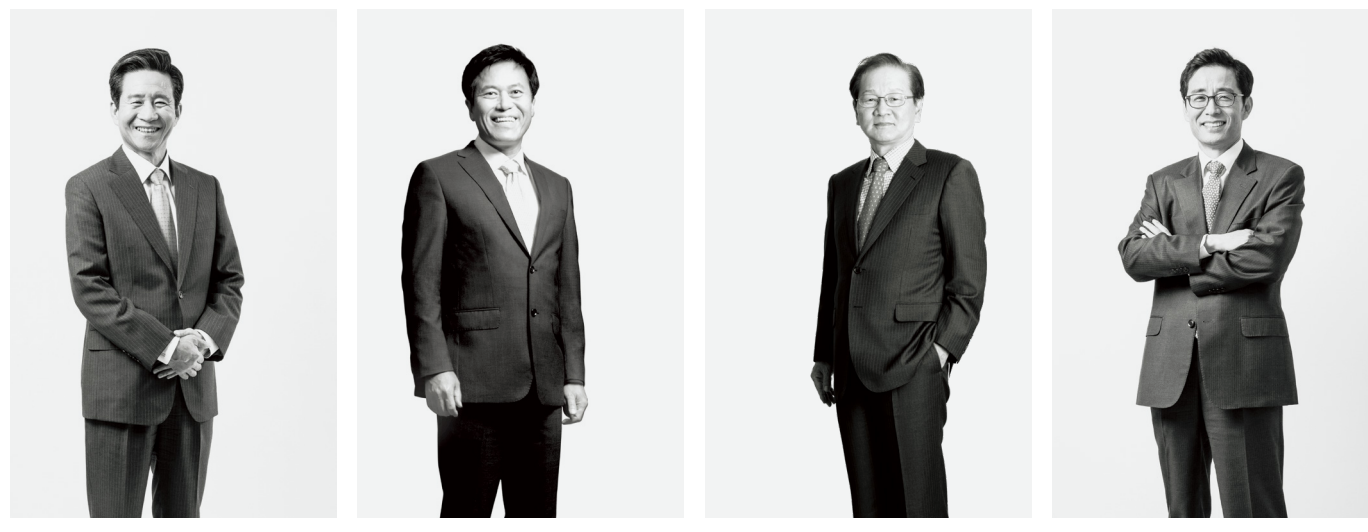
June 2018



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



## BOARD OF DIRECTORS



1

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3

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### 1 Jae-Hoon Lee

Chairman of the Board  
Independent Director  
March 2014

Advisor for Kim & Chang Law Firm (2018-present)  
President of Korea Polytechnic University (2014-2017)  
Vice Minister of Knowledge & Economy Ministry (2008-2009)

Member of the Independent Directors Recommendation Committee  
Member of the Audit Committee  
Member of the Compensation Committee  
Member of the CAPEX Review Committee

### 3 Dae-Shick Oh

Independent Director  
March 2013

President of Jeil T&M (2016-present)  
Advisor for BKL LLC (2008-2016)  
Commissioner of the Seoul Regional Tax Office (2007-2008)

Member of the Audit Committee  
Member of the Compensation Committee  
Member of the CAPEX Review Committee

### 2 Jung Ho Park

President & CEO  
March 2017

President & CEO of SK Telecom (2017-present)  
President & CEO of SK Holdings C&C (2015-2016)  
EVP of Corporate Development Division of SK C&C (2013-2014)

Member of the Independent Directors Recommendation Committee

### 4 Jae-Hyeon Ahn

Independent Director  
March 2014

Chief Professor of KAIST AIM Program (2015-present)  
Dean of the External Dept. at KAIST College of Business (2013-2015)  
Dean of KAIST Graduate School of Information & Media Management (2011-2013)

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

SK TELECOM INTENDS TO ENHANCE CORPORATE VALUE AND MAXIMIZE PROFITS OF ITS STAKEHOLDERS THROUGH A REASONABLE AND CONSTRUCTIVE DECISION-MAKING PROCESS LED BY A TRANSPARENT AND RESPONSIBLE BOARD OF DIRECTORS (BOD).

SK TELECOM'S BOD CONSISTS OF FIVE INDEPENDENT DIRECTORS, TWO EXECUTIVE DIRECTORS AND ONE NON-EXECUTIVE DIRECTOR, MAKING A TOTAL OF EIGHT DIRECTORS. ALL INDEPENDENT DIRECTORS SATISFY SK TELECOM'S REQUIREMENTS FOR 'INDEPENDENCE AND EXPERTISE.'



5

6

7

8

### 5 Jung Ho Ahn

Independent Director  
March 2017

Associate Professor, Graduate School of Convergence Science and Technology, Seoul National University (2013-present)  
Visiting Scholar, Google Inc. (2016)  
Senior Research Scientist of Exascale Computing Lab, HP Labs (2007-2009)

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

### 6 Young Min Yoon

Independent Director  
March 2018

Dean of School of Media and Communication and Graduate School of Journalism & Mass Communication, Korea University (2017-present)  
Professor of Media Department, Korea University (2006-present)  
Vice Chairman of Korea Academic Society for PR (2015-2016)

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

### 7 Daesik Cho

Non-executive Director  
March 2017

Chairman of the SK SUPEX Council (2017-present)  
President & CEO of SK Holdings (2013-2016)  
Head of Financial and Risk Management & Corporate Auditing Office and Head of Business Management Office at SK Holdings (2012)

### 8 Young Sang Ryu

Executive Director  
March 2018

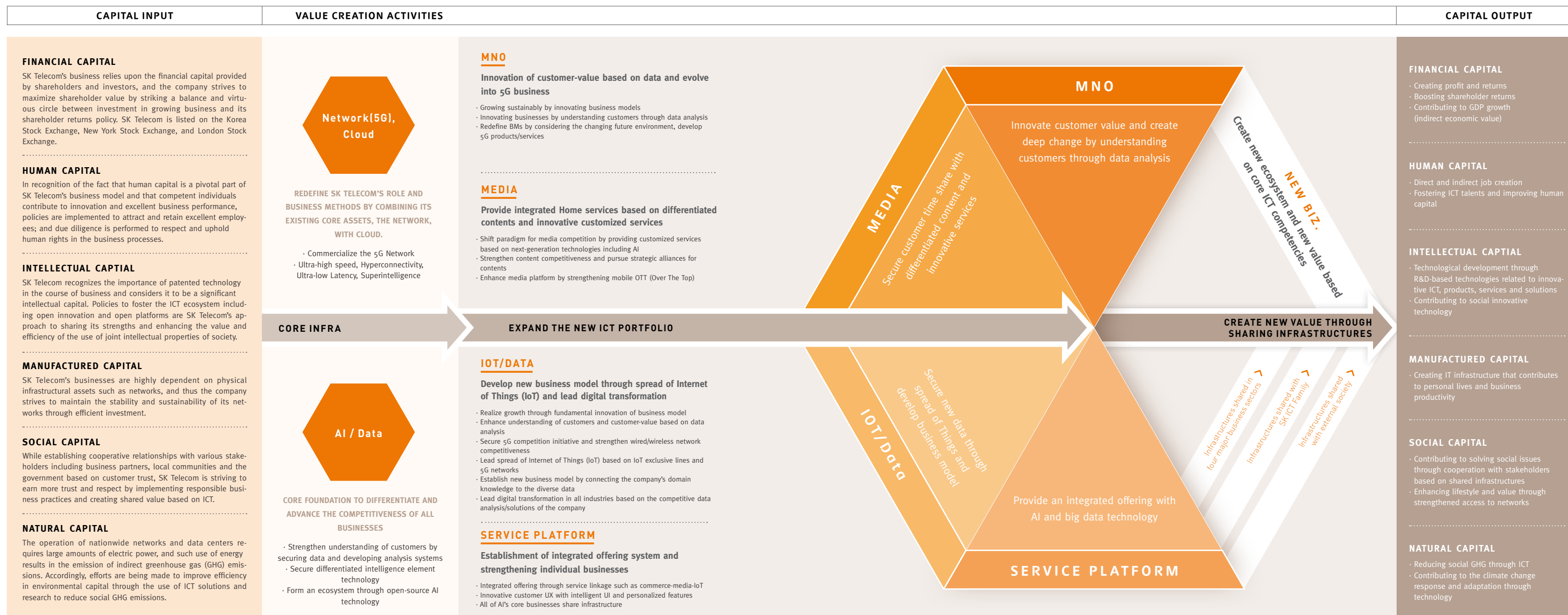
Head of SK Telecom's Corporate Center (2017-present)  
Head of SK Holdings C&C Business Development Sector (2015-2016)  
Head of SK Telecom's Business Development Strategy HQ (2014)

Member of the CAPEX Review Committee

# OUR BUSINESS MODEL

NEW ICT ECOSYSTEM LEADER TO LEAD ICT OFFLINE

For the past three decades, SK Telecom's networks have connected people with the world and evolved toward a new future. SK Telecom, a company that has pioneered the history of South Korea's wireless communications with unprecedented services and advanced technology, is now preparing for a new evolution based on an innovative business portfolio in new ICT areas such as 5G, media, IoT/Data, and service platforms. As the leader of the new ICT ecosystem, SK Telecom is driving innovation and growth to meet new demands in the era of 5G, in which everything is connected with ICT. In pursuit of this vision, while SK Telecom is expanding its new ICT business portfolio and creating new value by sharing infrastructures, the company also strengthens core infrastructures such as network and AI.



## NEW ICT COMPANY LEADING THE 5G ERA

BASED ON INNOVATION AND GROWTH IN ITS TELECOMMUNICATIONS BUSINESS, SK TELECOM WILL DEVELOP A BUSINESS PORTFOLIO BEFITTING A NEW ICT COMPANY THAT IS LEADING THE 5G ERA AND DRIVE FUTURE VALUE CREATION.

### 2017 PERFORMANCE

#### Becoming a New ICT Company

In 2017, SK Telecom not only maintained its leadership in the MNO sphere, but also successfully drove changes in its growth business portfolio into media, IoT/Data and service platforms to become a leading company in the new ICT ecosystem.

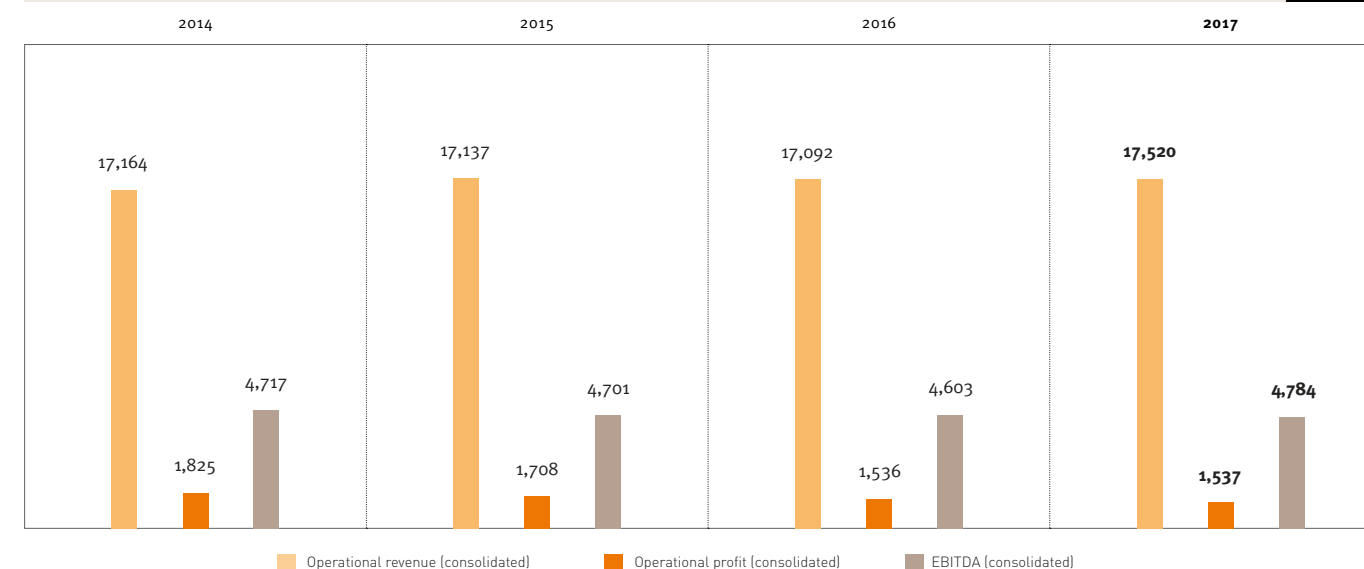
In the MNO sector, SK Telecom has put into practice its principle of rejecting wasteful market share competition in the mobile telecommunications marketplace, exploring and securing new handset-oriented markets, and embracing a competitive paradigm focused on products and services through which customers can experience value. Particularly in 2017, the company has made its products and services more competitive by substantially enhancing customer value despite the decrease in profits due to pricing regulations, such as raising of the selective contract discount rate. SK Telecom also sought to prepare a solid foundation for stable profit margins due to the steadfast growth in LTE subscribers and demand for data that attracted about 30.195 million subscribers by year-end (including MVNO subscribers).

In addition, SK Telecom has achieved remarkable performance in the media, IoT/Data, and service platform sectors opening new competitive paradigms to become a global new ICT company. SK Broadband, a subsidiary, achieved sales growth of 3.6% YoY and operating profit growth of 56.4% YoY due to the expansion of Giga Internet and IPTV subscribers and increased usage of fee-based contents. Sales in new business sectors increased by 10.8% due to the expansion of revenue in the IoT solution area. In addition, in order to strengthen competitiveness in the rapidly growing artificial intelligent speaker market, the company implemented an AI virtuous cycle strategy that continuously enlarges its service area, contents, and total users, and the number of monthly active users (MAU) of 'NUGU' reached 2.11 million as of the end of 2017. These achievements proved the visible potential of the new growth businesses and laid the foundation for accelerating the growth of New ICT.

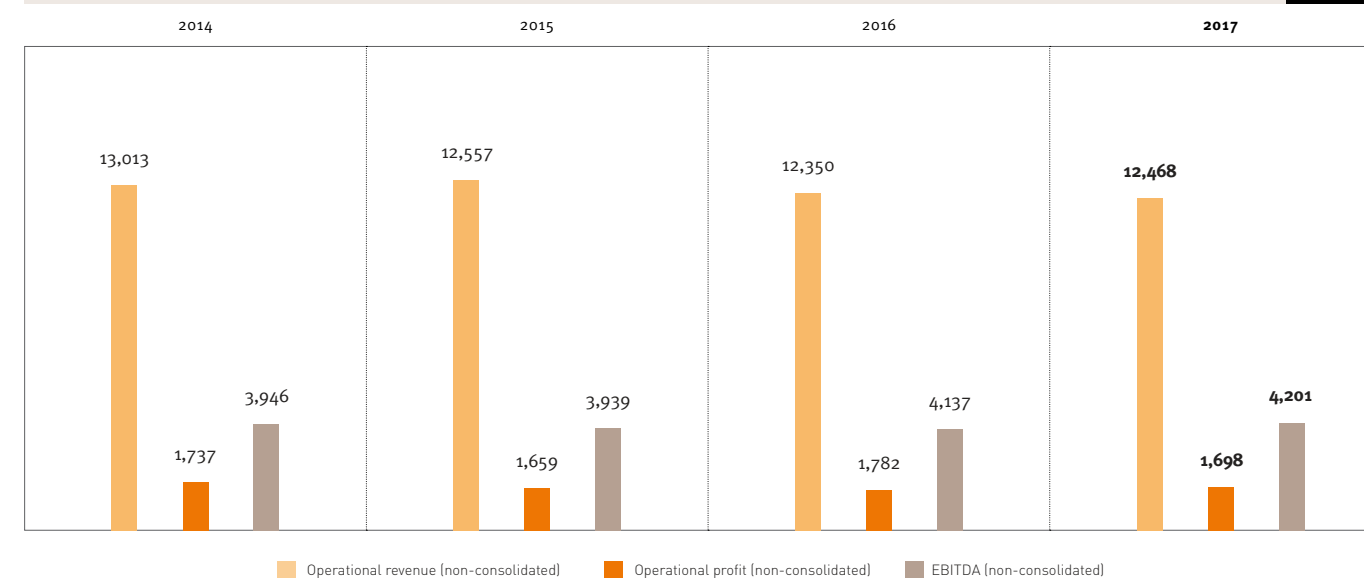
#### Maintaining Solid Business Fundamentals and Overcoming Growth Limitations

In 2017, SK Telecom achieved KRW 17,520 trillion in annual revenue and KRW 1,536 trillion in operating profit according to the consolidated financial statements of the Korean International Financial Reporting Standards (K-IFRS). Despite growth limits in the domestic telecommunications market and pricing regulations, SK Telecom could maintain revenue volume at last year's level thanks to the efforts to expand handset subscribers and increase in data use, and made a successful turnaround in sales for the first time in three years since 2014 with an increase of 2.5% YoY in the media and IoT sectors. Operating profit increased 0.1% compared to the previous year boosted by growth of media business and profit improvement of the '11st.' Annual net profit increased 60.1% compared to the previous year affected by the increase in the equity method of SK Hynix. In terms of the overall financial performance in 2017, profits increased in MNO despite the impact resulting from price discount policy, and the company's business fundamentals remain solid because of the positive demand in the media, IoT/Data and service platform sectors and its growth potential has been accelerated. Moving forward, SK Telecom will continue to manage its various business activities so that the quality of the consolidated performance including subsidiaries will improve.

### PERFORMANCE BASED ON CONSOLIDATED FINANCIAL STATEMENTS



### PERFORMANCE BASED ON NON-CONSOLIDATED FINANCIAL STATEMENTS



2018 FUTURE PLANS AND OUTLOOK

In 2018, SK Telecom will shift its paradigm in the competitive market by securing 5G competitiveness, and will actively create results in new ICT areas. SK Telecom plans to achieve operating revenues of KRW 17.5 trillion, which is the same as the previous year on a consolidated basis in 2018.

**STRATEGIES FOR 2018**

- 1 Set a goal of achieving KRW 17.5 trillion in revenue by accelerating new business growth
- 2 Strengthen core ICT and capabilities including 5G and AI
- 3 Strengthen the media platform and lead the home/automobile centered IoT ecosystem

**Telecommunications Business - Earn Qualitative Growth through Innovation in Customer Value**

In the telecom business, SK Telecom sets customer value innovation as its priority, and strives to maintain the solid growth of core businesses by differentiating the company's products and services so that customers can benefit from them. Based on data analysis, the company plans to build a long-term growth base by establishing a distribution network through scientific understanding of each customer and innovating authentic customer experiences. In the context of the customer retention-based, stabilized market competition, SK Telecom plans to expand its base of new net subscribers centered on handsets. By leading the customer retention competitive system, which is quality-oriented and cost-efficient, the company also plans to reinforce its stable profit and growth base to continue the excellent performance of the previous year. In addition, SK Telecom will strengthen competitiveness of wired and wireless infrastructure to provide New ICT services and realize 5G competition initiatives.

**Media - Growth as a Leading Total Media Platform Provider**

In the media platform sphere, SK Telecom intends to become the leading total media platform provider through growth in the next-generation media business by strengthening content competitiveness, AI-based B tv evolution, and home IoT growth. SK Telecom has successfully increased IPTV subscribers and revenue, but the company, rather than being satisfied with such achievements, will provide the personalized content based on data analysis, enhance content competitiveness and linkage with the mobile channel "oksusu" and upgrade technology-based home services such as AI and voice recognition. In addition, by expanding the OTT (Over The Top) alliance, the company plans to expand customers' experiences with the new media businesses and enhance the competitiveness of the media business. Meanwhile, the company continues its growth in sales and operating profit by increasing the proportion of subscribers to premium rates such as giga Internet and UHD broadcasting.

**IoT/Data - Leading Digital Transformation by Advancing the IoT ecosystem**

In the IoT platform sphere, SK Telecom continues to strive to lead digital transformation in diverse industries through competitive data analysis and solutions. Following the expansion of coverage of the IoT business and the expansion of the data solution business and security-related home service business last year, the company continues to focus on developing new business models focusing on the energy and smart car business in 2018. Moreover, in order to lead the IoT-era that will start with the 5G era, SK Telecom plans to expand our business into more advanced technologies such as autonomous driving and smart city based on our core infrastructure such as data and AI. Through this, the company will create a virtuous ecosystem based on connectivity between openness and sharing, provide individualized services to business areas that require the IoT ecosystem, and create new value.

**Service platform - Expanding shared infrastructure based on AI to secure status as an AI-leading player**

In the service platform area, SK Telecom expands the scope to utilize AI as the core shared infrastructure of all businesses and strengthen individual businesses such as commerce to build an integrated offering system for various services. Following the launch of NUGU, the country's first voice recognition system-based AI speaker, the NUGU mini was introduced last year expanding the device lineup. By improving the quality of voice-recognition services, the company is expanding the number of monthly active users (MAU). Based on this growth, SK Telecom plans to secure five million MAU of NUGU by the end of 2018.

In addition, by linking T map and Smart Watch JOON to NUGU service and launching the B tv integrated set-top box, the company has diversified customer experience to car life, kids and home sphere, and enlarged the data storage. SK Telecom provides contents based on accumulated data through the expansion of services to the living area such as Car-Mobile-Home and through an AI virtuous cycle strategy that attracts more users, the company plans to secure leadership as the top AI platform operator in Korea.

On the other hand, in the rapidly changing competitive environment, SK Planet's commerce business is continuing to enhance its sales and profitability, centering on 11st through aggressive e-commerce marketing by traditional retailers. In order to grow into a competitive digital marketing platform in the future, SK Telecom plans to utilize the accumulated data and analytical technology of the SK ICT Family to provide customized shopping environments throughout the entire purchasing process, and to strengthen its platform competitiveness by differentiating customer experiences.

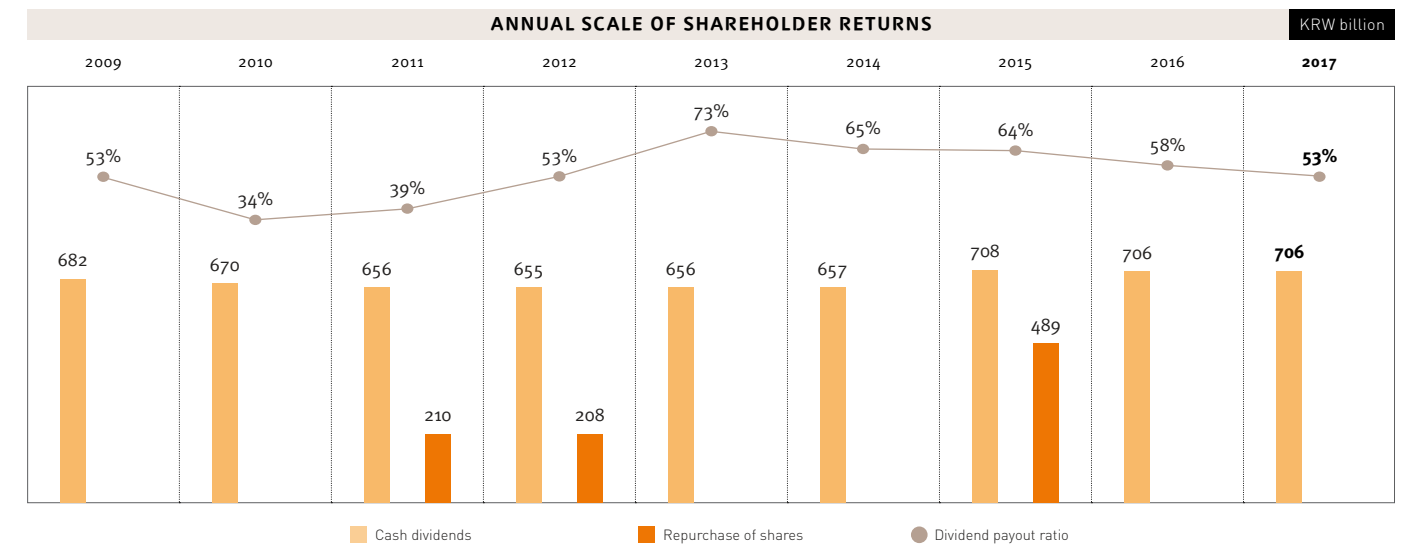
**5G Service Leadership**

SK Telecom is spearheading technology development with the aim of commercializing the world's first 5G service, and is mobilizing capabilities by forming the largest 5G task force to develop services that truly impress customers. Following the successful demonstration of 5G data communication based on international standards for the first time in the world last year, in February 2018, two autonomous driving cars communicating with each other, based on 5G technologies, were demonstrated in Hwaseong K-City solidifying its position in the 5G areas.

SK Telecom is also developing a 5G end-to-end system that will enhance operational efficiency by providing various 5G services with one universal hardware infrastructure through All-IT virtualization technology. SK Telecom utilizes differentiated technologies such as reliable network operation technology, AI solution technology, and quantum cryptography communication, and leads the standardization process based on mutual cooperation with global-leading players to be equipped with the unparalleled competitiveness required to lead the 5G era. Based on this competitiveness, the company will develop a new ICT business model for ultra-high speed, ultra-low latency, hyperconnectivity, create new profit-generating models, and lead the 4th Industrial Revolution as a global new ICT company.

**Maintaining Balance Between Growth Investment and Shareholder Return, and Strengthening Virtuous Cycles**

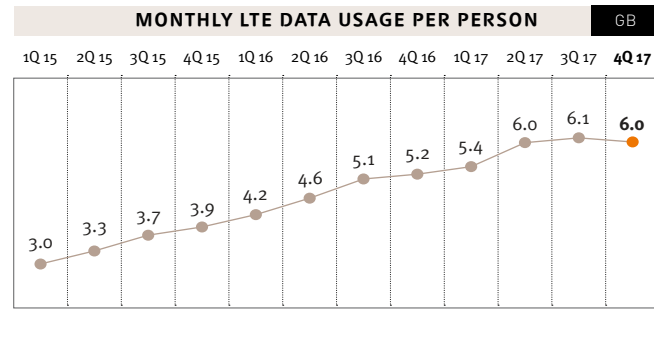
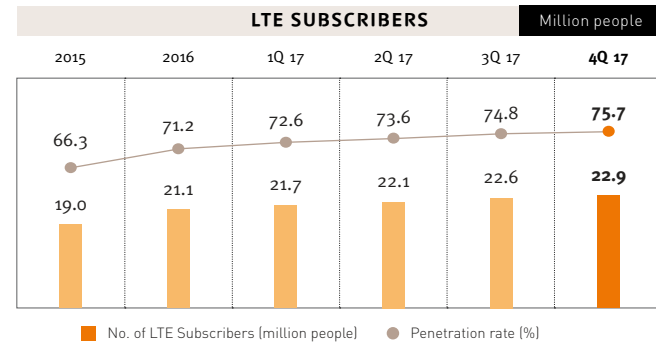
In 2017, SK Telecom made corporate value innovation a top priority and put forth great efforts to improve value for stakeholders including shareholders and investors. From 2015, SK Telecom has raised the total dividends to KRW 10,000 per share including an interim dividend of KRW 1,000. The company will strive to increase corporate value by maintaining a balance between growth investments and shareholder returns.



OPERATIONAL REVIEW

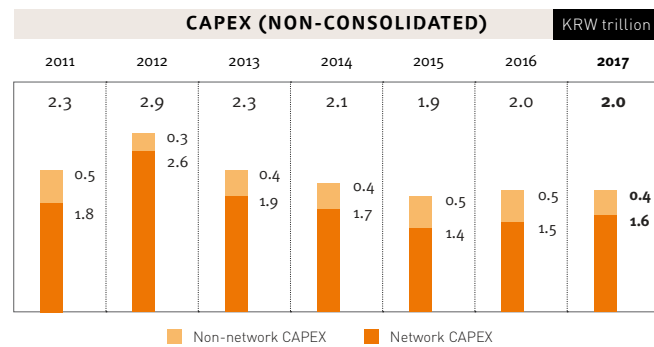
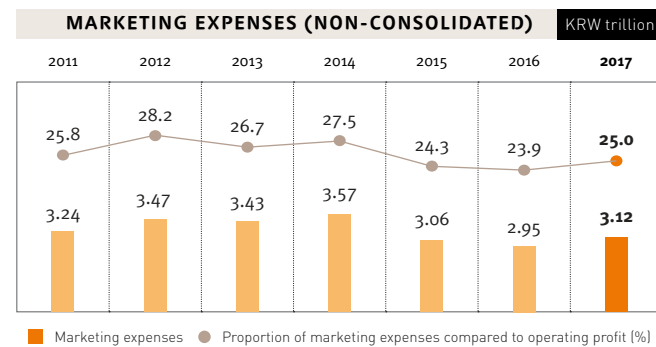
LTE Subscribers and Data Usage per Person

The numbers of LTE subscribers and volume of data usage per person are steadily increasing. As much as customers' needs related to data and actual usage amount are growing, SK Telecom will both enhance the value that customers experience and leverage this into revenue growth through differentiated services based on data analysis and a diverse product lineup.



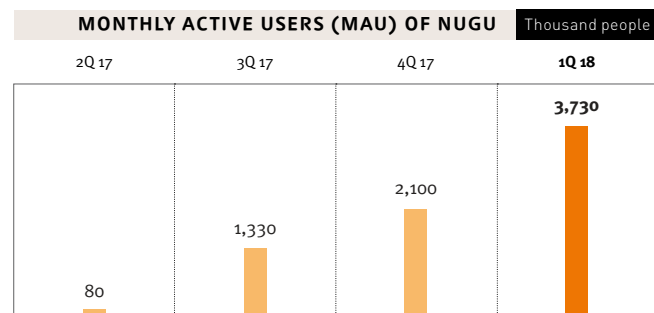
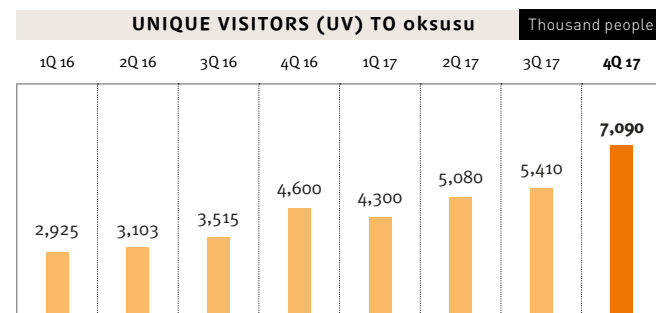
Marketing Expenses and CAPEX

Marketing expenses increased 5.6% YoY due to its handset subscriber retention policy. However, the marketing expenses, at 25%, are on a downward trend compared to revenue after market stabilization. Additionally, CAPEX is also showing a downward trend at about KRW 2 trillion.



ICT Convergence Service Users

Due to active marketing efforts and stronger content creation, as of the fourth quarter of 2017, the number of unique visitors to the mobile IPTV service oksusu stood at a record 7.09 million, a substantial 54.1% rise compared to same quarter last year. As of the first quarter of 2018, the number of subscribers of NUGU, the nation's first voice recognition based AI service, has also steadily increased to about 3.73 million MAU and the company aims to secure more than 5 million MAU by the end of 2018.



\* Based on the number collected by SK Broadband

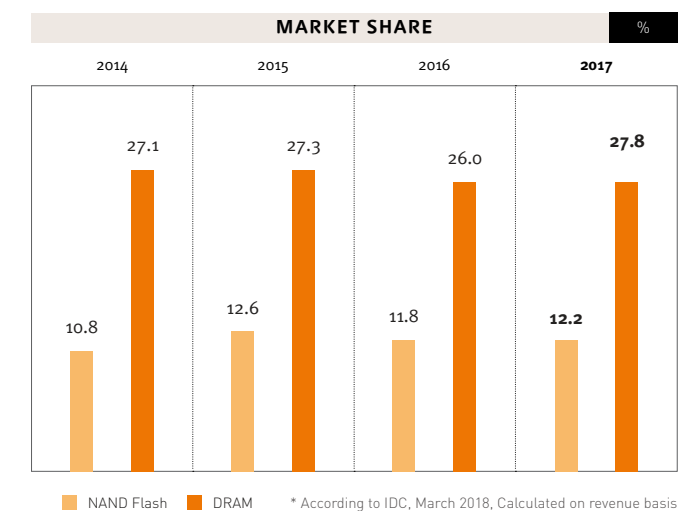
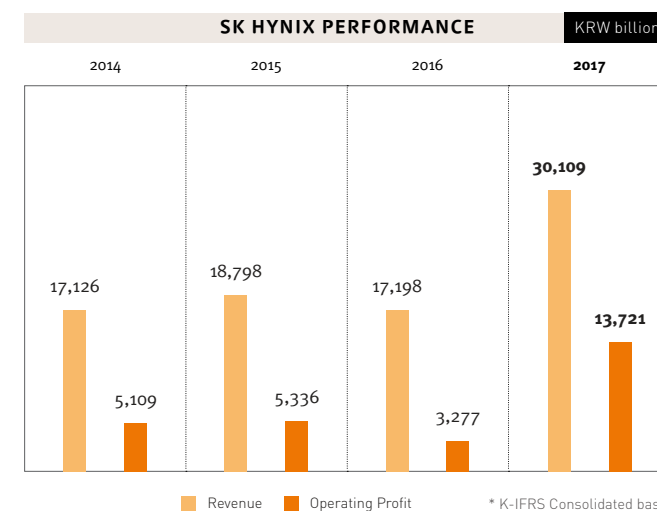
ENHANCING ICT COMPETITIVENESS THROUGH  
HARDWARE - NETWORK - CONTENT



Following SK Hynix's experimental production of the nation's first 16Kb SRAM in 1984, the company has solidified its technological leadership by presenting innovative semiconductor products in the marketplace that exemplify the world's first-smallest-fastest and lowest voltage products. With the advancement of the communication and ICT industries, use of and demand for semiconductors are gradually expanding, and SK Hynix is continuing its efforts to secure leadership in mobile, server and storage solutions sectors.

As a result of solidifying its position as a leading technology-oriented company in the semiconductor market, which entered a crucial point, the company recorded KRW 30.1094 trillion in sales for the first time in 2017. Thanks to the increase in sales and profit margins, operating profit also reached KRW 13,7213 trillion, equivalent to 46% of sales.

In addition to expanding the diversity of data-driven technology application industries, focusing on rapid changes and developments in the IT industry, SK Hynix secures competitiveness in technology and costs through investment in R&D, and strengthens product competitiveness in the high-value-added premium products market. SK Hynix is not content to remain within the friendly memory market environment, but through the development of advanced technology and applied technology as well as the development of advanced technology, application technology and composite application products that combine memory controllers and firmware, the company will accelerate the 'Deep Change' of the future.



\* K-IFRS Consolidated basis

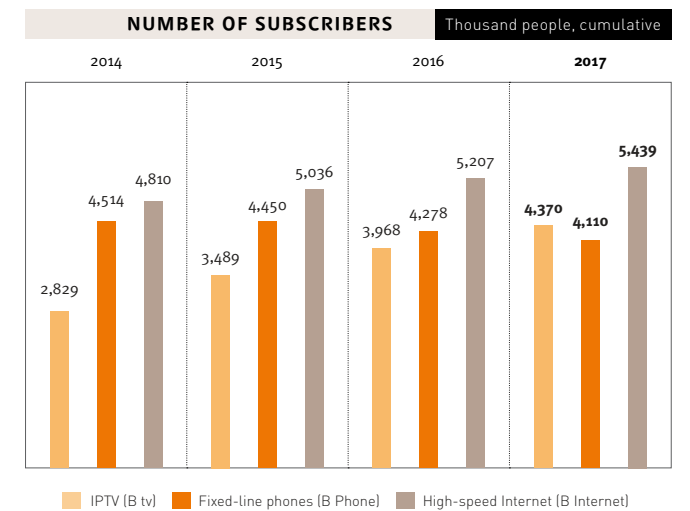
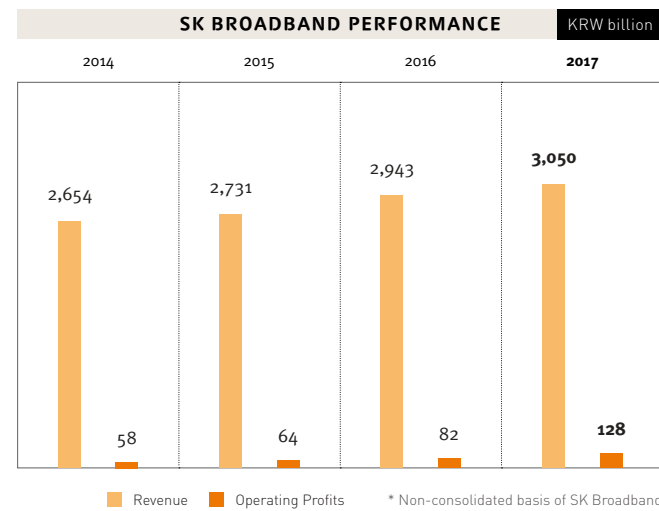
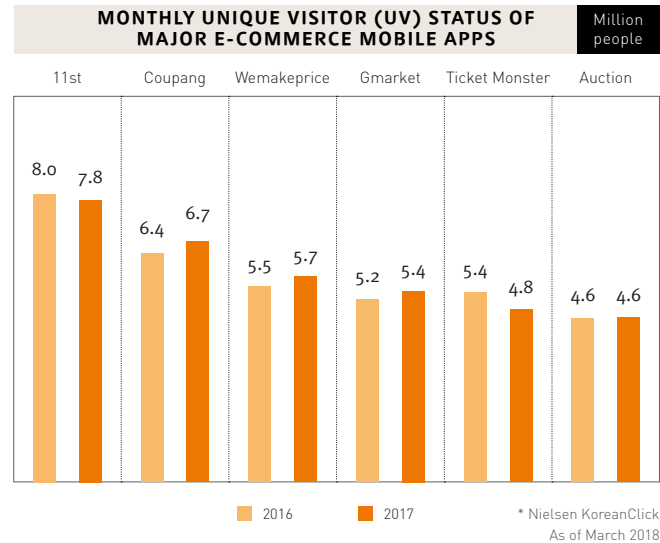
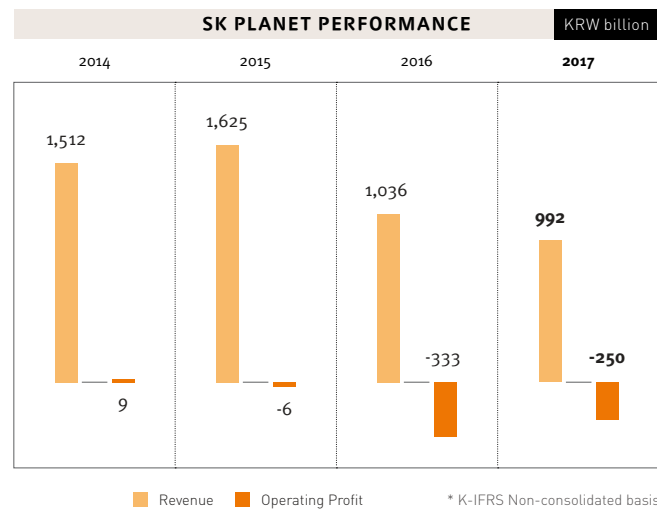
\* According to IDC, March 2018, Calculated on revenue basis



SK Planet is an integrated & personalized commerce company that connects the online and offline worlds and reinvents the possibilities of mobile. SK Planet is evolving into a 'digital marketing platform' leading the new shopping paradigm with a commerce platform integrating online and offline and mobile, and effectively provides essential information to customers through highly data-efficient services such as OK Cashbag and Syrup Wallet.

In 2017, the company's operating loss was significantly improved YoY due to the continued expansion of mobile sales transaction amount and high marketing-efficiency, and total revenue increased 8.5% YoY to KRW 991.6 billion in 2017, excluding the effect of the business organization split. In particular, 11st's revenue increased by 18.7%, contributing to the total revenue growth.

SK Planet has strengthened its leadership in online - mobile areas centered on 11st and OK Cashbag, and achieved the No.1 spot in E-commerce mobile UV in 2017. The company also established a basis to focus on the commerce platform through the sale of the advertising agency M&C division. SK Platform aims to grow into a 'commerce & marketing platform,' equipped with unique competitiveness by utilizing SK ICT Family's data and analysis technology.



Starting with the commercialization of the world's first ADSL service and Korea's first high-speed wireless Internet service, SK Broadband has continuously expanded its business areas to include multimedia such as IPTV and mobile OTT (Over The Top) and is leading a new paradigm in the domestic information communication business.

In 2017, SK Broadband's revenue reached KRW 3.0501 trillion due to increased subscribers to premium IPTV services, increased contents consumption and growth of the platform business; together with revenue coming from IPTV amounted to KRW 1.021 trillion, leading total revenue increase. By improving revenue and efficiency in expenses, the company succeeded in increasing operating profits of KRW 128 billion, 56.4% increase YoY. SK Broadband attracted a total of 5.44 million high-speed Internet subscribers, 4.11 million fixed-line phone subscribers and 4.37 million IPTV subscribers.

SK Broadband is concentrating on improving quality and differentiated services by enhancing subscribers' convenience through expanded distribution of media platform connecting AI and home IoT and strengthened contents competitiveness and data analysis. Moreover, SK Broadband will find more customized content for fixed and wireless IPTV growth including B tv and Oksusu. The company will also continue to improve its competitiveness as a next-generation media platform company by strengthening alliances and collaboration with content producers/distribution partners. SK Broadband seeks to become the 'No. 1 wired and wireless media platform company' through openness and cooperation.

# MATERIAL TOPIC MANAGEMENT FOR SOCIAL VALUE IMPROVEMENT

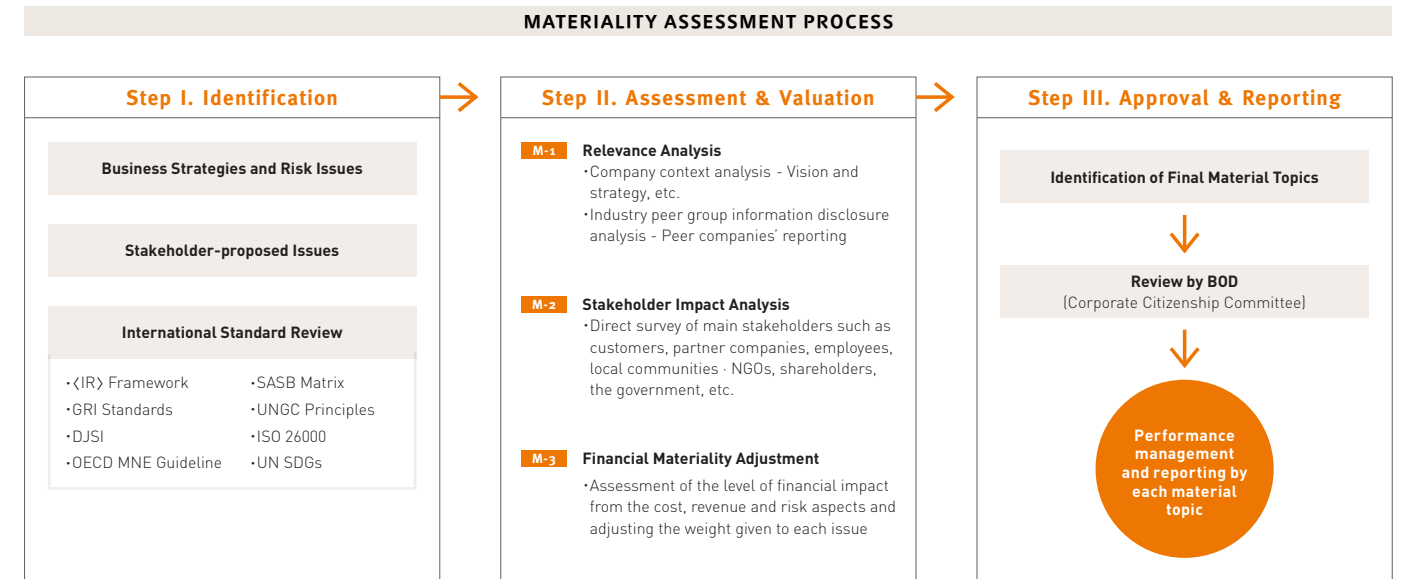
SK TELECOM REVIEWS MANY ECONOMIC, ENVIRONMENTAL AND SOCIAL TOPICS THAT AFFECT THE COMPANY'S CREATION OF FUTURE VALUE AND SUSTAINABILITY. AS A RESULT, SK TELECOM DEFINES ITS MATERIAL TOPICS AND DISCLOSES ITS RESPONSES AND PERFORMANCE REGARDING EACH TOPIC ANNUALLY.

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

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

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

SK Telecom has conducted a three-step Materiality Assessment to determine priorities for material topics. The first (M-1) assesses the relevance through a document-based materiality assessment process at the industry-level (peer-to-peer analysis) and at the enterprise-level (SK Telecom's strategies). The second (M-2) is a more direct process of listening to stakeholder feedback, reflecting the opinions of stakeholders raised by each issue. SK Telecom conducts a survey of stakeholders in this process to evaluate the impact that each issue has on stakeholders. Based on the evaluation results, we have prioritized the impact level by issue. The final (M-3) is a qualitative assessment of the financial impact, assessing the impact of the issue in terms of cost, revenue, and risk and reflecting it in the final issue prioritization. Through this process, SK Telecom selected a total of 11 material topics to report on including two core, four moderate and five relevant topics in 2017.



\* SK Telecom's issue pool includes 26 topics organized into seven categories.

## Step 1 Identification

### Configuring the Issue Pool

The pool was formed with topics by considering matters raised by global political, economic, environmental and social topics, regulations, mid- and long-term social change trends raised by international organizations and non-profit organizations (NGOs), as well as by considering the externalities within the business process.

Business Strategy and Risk Issues	Stakeholder-proposed Issues	International Initiatives Review
<p>SK Telecom's economic, environmental and social topics were determined by taking into account the industry characteristics, value chain, and business strategy.</p> <p>Mid- and long-term issues such as new value creation through ICT and the future changes brought by the 4th Industrial Revolution were drawn through these processes.</p> <p><b>Relevant Topics:</b> New ICT Strategies, Social Value, Privacy Policy, Network Quality, Social Innovation, and Climate Change, etc.</p>	<p>The material topics raised by stakeholders through the main stakeholder channels have been included in the issue pool. Please refer to the stakeholder engagement and communication channels on p.77-78 for more details related to SK Telecom's main stakeholder engagement and communication channels.</p> <p><b>Relevant Topics:</b> 5G Leadership, New ICT Strategy, Customer Value Enhancement, Service Accessibility, Responses to Regulatory Issues and Mutual Growth, etc.</p>	<p>SK Telecom has referred to the global issues raised by diverse and widely supported international initiatives such as the UN Global Compact (UNGC), Advanced Level program, the global social responsibility standard ISO 26000 and the UN SDGs (Sustainable Development Goals).</p> <ul style="list-style-type: none"> <li>• IIRC &lt;IR&gt; Framework</li> <li>• SASB (Sustainability Accounting Standard Board)</li> <li>• GRI Standards</li> <li>• UNGC COP (Communication On Progress) Advanced Level</li> <li>• DJSI (Dow Jones Sustainability Indices)</li> <li>• ISO 26000</li> <li>• OECD MNE (Multinational Enterprises) Guidelines</li> </ul>

**Step2** / Assessment & Valuation

**M-1. RELEVANCE ASSESSMENT**

To identify each issue's relevance from the business and sustainability aspects, SK Telecom conducted a relevance assessment based on document review and according to the results, the level of relevance for each issue was prioritized.

Company Context Analysis	Industry Context Analysis
<p>Through bold changes and innovation centered on customers, SK Telecom has set a new strategy in 2018 to become the new ICT leading company.</p> <ul style="list-style-type: none"> <li><b>Content Reviewed:</b> New ICT strategy, reports to the BOD's Corporate Citizenship Committee, report topics from previous Annual Reports, media analysis(*) results and analysis of investor meetings(**).</li> </ul> <p><small>(*) Media analysis (Jan. 01, 2017~March 01, 2018): 660 cases drawn from 13 daily news media and 47 media outlets (**) Analysis of major issues by investors/analysts (Jan. 04, 2017~Dec. 27, 2017): 357 cases of investors meeting materials</small></p>	<p>Each issue was evaluated to determine whether it was an issue that other global telecommunications companies also faced. The topics that were prioritized highly in reporting by global players in fixed and wireless telecommunications were identified.</p> <ul style="list-style-type: none"> <li>Key topics covered in the companies' Annual Reports and Sustainability Reports</li> <li>Analysis of key topics of the companies included in the DJSI (Dow Jones Sustainability Indices) World Index</li> </ul>

**M-2. IMPACT ASSESSMENT**

SK Telecom conducted a stakeholder survey to understand the impact that stakeholders experience according to each topic. The company prioritized each issue's impact using the survey results.

Stakeholder Survey	Stakeholder Survey Results (*)
<p>A total of 732 individuals and institutions, including SK Telecom's six main stakeholder groups and the media, participated in the online survey. The online survey consisted of questions to select key topics and understand their materiality, including an assessment of the overall confidence in SK Telecom, as well as an assessment of the current level of each issue.</p> <ul style="list-style-type: none"> <li><b>Survey Period:</b> March 08, 2018 ~ March 27, 2018</li> <li><b>Survey Method:</b> Online survey</li> <li><b>Responses:</b> 732 people including individuals from the government, shareholders and investors, customers, business partners, employees, the media and experts.</li> </ul>	

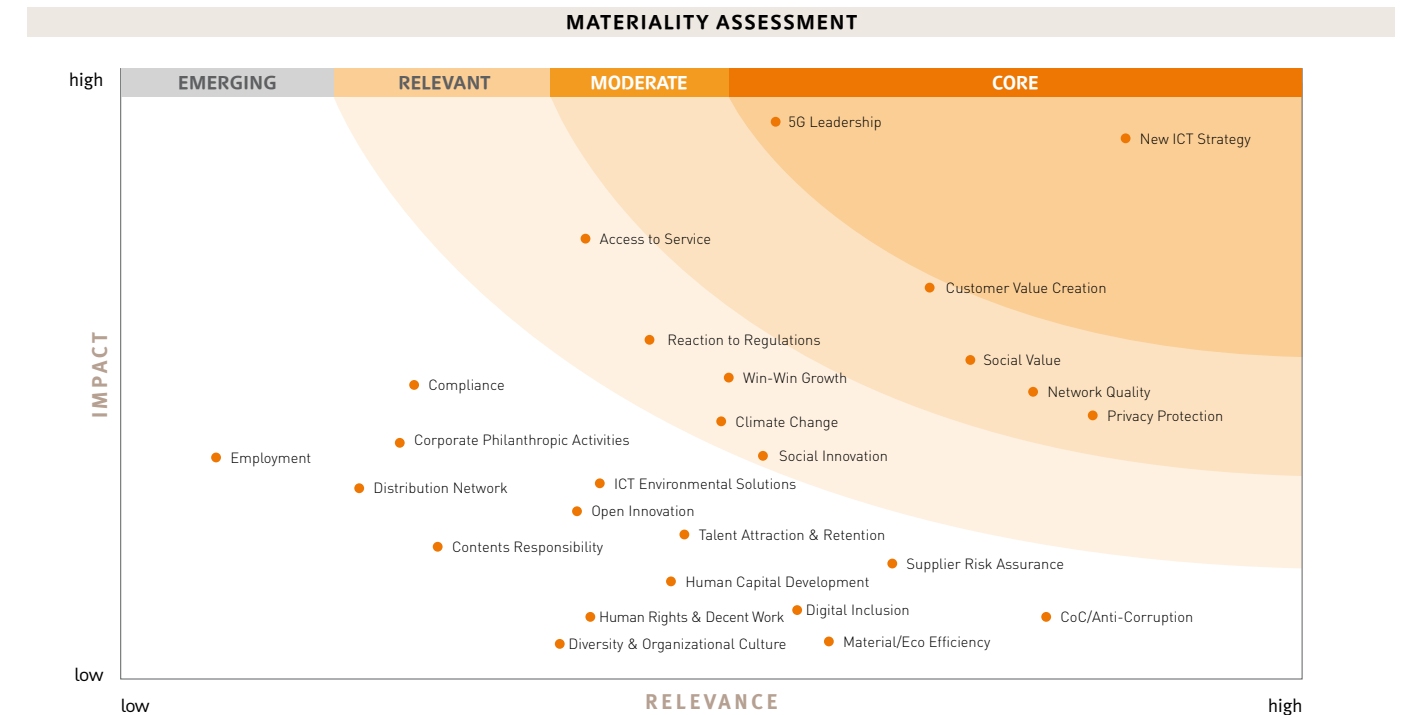
(\*) The percentage of total responses that have been selected as important, the results of the top 15 topics from a total of 26 topic pools

**M-3. FINANCIAL MATERIALITY ADJUSTMENT**

Finally, SK Telecom assessed how each topic may impact the company's short-, mid- and long-term financial value creation from the three aspects of 1) cost, 2) revenue, and 3) risk - weighting and reflecting them accordingly. From the cost aspect, SK Telecom evaluated each issue's impact on the company's comprehensive capital costs to understand whether it could be linked not only to direct costs but also to potential costs such as current and future fines and expenses related to compliance with regulations. From the profitability aspect, SK Telecom assessed the topics to determine whether any of them could be a factor for direct profit creation opportunities, such as the creation of new markets or a factor for potential competitive advantages. From the risk aspect, the company reviewed whether an issue presented a potential risk factor from the short-, mid- and long-term perspectives not only now but in the future as well.

**Step3** / Approval & Reporting

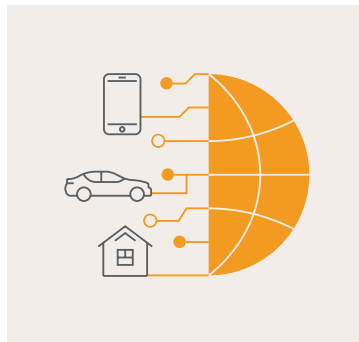
The material topics (core, moderate and relevant topics) that SK Telecom selected are as follows. According to the results of the materiality assessment, SK Telecom determined a total of 11 material topics such as new ICT strategy, 5G leadership; and is disclosing the key results and goals as well as business cases regarding the selected topics in greater detail across the entire report. To learn more about the business-social context for each material topics, please refer to the following page.



Level	Material Topics	GRI Standards Disclosure	Financial Materiality			Page
			Cost	Revenue	Risk	
Core	New ICT Strategy	Non-GRI	○	○	○	pp.49, 51, 55-58
	5G Leadership	Non-GRI	○	○	○	pp.49, 51
Moderate	Customer Value Creation	Non-GRI	○	○	○	pp.49, 52, 123-124
	Privacy Protection	Customer Privacy		○	○	pp.50, 52, 91, 124
	Network Quality	Non-GRI	○	○		pp.50-52
	Social Value of Telecommunications	Indirect Economic Impacts	○	○	○	pp.49-50, 63-68
Relevant	Access to Service	Non-GRI	○	○	○	p.121
	Reaction to Regulations	Non-GRI	○	○	○	pp.81-82
	Win-win Growth	Non-GRI		○	○	pp.93-96
	Climate Change	Energy/Emissions	○	○	○	pp.83-84
	Social Innovation	Non-GRI				pp.61-62

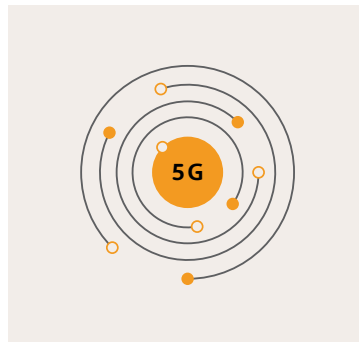


1



New ICT Strategy

2



5G Leadership

3



Customer Value Creation

## MATERIAL TOPICS CONTEXT

### 1 - New ICT Strategy

ICT, which is the core of the 4th Industrial Revolution, brings innovation into our lives as an intelligent information technology that has a great impact on society and the industry in general. With hyperconnectivity and superintelligence, the potential of human beings and machines is expected to be significantly enhanced, creating a new value of 100 trillion dollars or more. In order to lead the era of innovation that transcends borders and spheres, the company needs to secure differentiated global competitiveness beyond the paradigm of existing industries. SK Telecom leads the 4th Industrial Revolution through New ICT Strategies focusing on growth in four business sectors including network and artificial intelligence-based infrastructure of the MNO, media, IoT/Data, and service platforms. To achieve this, SK Telecom innovates its business models by sharing core technologies and infrastructures among four business sectors, and creates new business opportunities and social value by strengthening cooperation with the SK ICT Family(\*) and external business partners. Through openness and cooperation beyond boundaries, the company will actively build a shared infrastructure and lead the New ICT ecosystem. Please refer to pp.55-58 for more details on the business case, performance and outlook.

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

### 2 - 5G Leadership

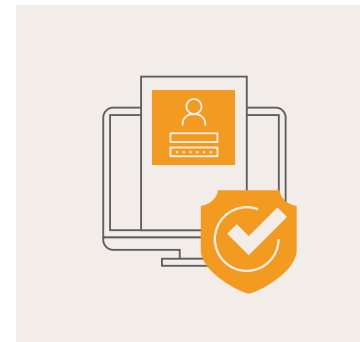
5G is transforming the structure of existing networks through innovation in various areas by making the offline area wireless, connecting people and objects, and collecting and analyzing data through intelligent IoT and artificial intelligence (AI). SK Telecom secures global technology leadership through technology development that enables stable and safe operation of the 5G network. SK Telecom led the standardization process of 5G core technologies such as network slicing

together with global leading players, and the company has succeeded in demonstrating 5G data communication based on international standards for the first time in the world. Based on these technologies, SK Telecom plans to utilize 5G as a momentum for new business model innovation to enhance customer value through autonomous driving and security, and services that have not been available in the logistics area. In addition, the company continues to pursue efficient 5G network investment strategies to reduce costs such as joint use of indispensable facilities. SK Telecom is committed to leading the 5G technology, the core infrastructure of the next-generation network, for a 'Perfect 5G' network. Please refer to pp.59-60 for more details on the business cases, performance and outlook.

### 3 - Customer Value Creation

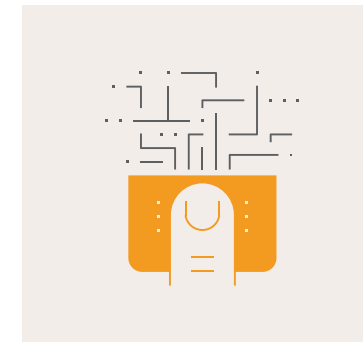
Customers are at the center of corporate growth. Thus, it is important to build trust through customer satisfaction and become a company that grows with customers. As a result, SK Telecom uses the Customer Experience Management (CEM) system, which reflects customer service experience in the course of developing products and services to provide customers with a better experience. For example, the company provided differentiated membership services through age-specific tailored consulting services and various alliance programs. In particular, SK Telecom strives to eliminate customer complaints on penalty for breach of contract, roaming charges, memberships, etc., and to enhance customers' experience. Recognized for its efforts, SK Telecom has been ranked 1st for 21 consecutive years in the National Customer Satisfaction Survey Index (NCSI), and for 18 consecutive years in the Korea Service Quality Index (KS-SQI). SK Telecom will continue to differentiate its products and services by making customer value innovation a top priority and providing changes and real benefits for customers. Please refer to p.123 for more details on business cases, performance and outlook.

4



Privacy Protection

5



Network Quality

6



Social Value

### 4 - Privacy Protection

In step with the growing use of mobile phones, the internet and email services, the issue of customer privacy protection is drawing keen interest, and the need to adopt stringent policy guidelines and activities for privacy protection has also increased substantially. The importance and impact of issues related to the sensitive information that telecommunications companies store, such as location based services (LBS) and demographical statistical data that are utilized by third-party service providers or are directly linked to revenue, are especially expected to increase. Including privacy, the utilization of personal information that uses ICT is evolving into a human rights issue. SK Telecom is endeavoring to prevent human rights violations as related to ICT across all services through a human rights due diligence process based upon the company-wide human rights policy. Please refer to pp. 89-92, 123-124 for more details on the business case, performance and outlook.

### 5 - Network Quality

Stable network operation and quality control are becoming more important today with the increase in traffic due to increased data usage, and in the era of 5G where high-capacity content is expected to be consumed. In response, SK Telecom was selected as the fastest LTE service provider in the 'Communication Service Quality Assessment' hosted by the Ministry of Science, ICT and Future Planning in 2017, proving its unparalleled superiority to its competitors. In addition, the company provides differentiated network quality nationwide through technologies applied based on new frequencies acquired. Despite these efforts, on April 6, 2018, a temporary voice and text service failure occurred, causing inconvenience to customers, and the company compensated customers for the network failure. SK Telecom thoroughly checks the entire telecommunications infrastructure to provide


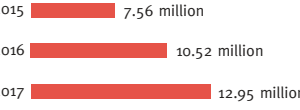

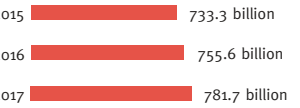

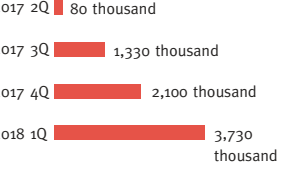
better network quality to its customers, and to provide safer and more reliable services. Please refer to pp.59-60, 122 for more details on business cases, performance and outlook.

### 6 - Social Value


SK Telecom has contributed to economic development and declared 'creating social value' as a mission to thrive with society based on SK Group SKMS (SK Management System)'s management philosophy. As a means of implementing social value enhancement, we are pursuing a Double Bottom Line that measures and manages both economic and social values to achieve sustainable business model innovation required by the times. SK Telecom conducted an environmental profit and loss analysis to analyze the environmental impacts across the entire value chain and to measure the social performance created through products and services through social benefit analysis and to measure the integrated performance as a Double Bottom Line. SK Telecom will continue to understand the established role of the company for joint growth with society, communicate about social values with various stakeholders, and enhance the Double Bottom Line. In addition, we will create a platform for sustainable growth by creating true social values in the process of checking, complementing, and improving performance. Please refer to pp.63-68 for more details on the business cases, performance and outlook.

# PROGRESS ON MATERIAL TOPICS




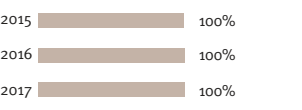
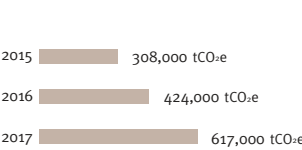
## NEW ICT STRATEGY

<p><b>NEW ICT MEDIA</b></p> 	<p><b>PROGRESS</b></p> <p>Voice UX, user experience based service, strengthened IPTV product competitiveness and OTT (Over The Top) growth by applying new technologies such as personalization of data bases, and strengthened media competitiveness by securing discriminatory content</p>	<p><b>NUMBER OF B tv + oksusu(CUMULATIVE)</b></p>  <table border="1"> <tr><th>Year</th><th>Subscribers (million)</th></tr> <tr><td>2015</td><td>7.56</td></tr> <tr><td>2016</td><td>10.52</td></tr> <tr><td>2017</td><td>12.95</td></tr> </table>	Year	Subscribers (million)	2015	7.56	2016	10.52	2017	12.95	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>Reaching 27 million wired and wireless subscribers (by 2021)</li> <li>Reaching KRW 4.5 trillion in revenue in the wired and media sectors (by 2021)</li> </ul>		
Year	Subscribers (million)												
2015	7.56												
2016	10.52												
2017	12.95												
<p><b>NEW ICT IoT/DATA</b></p> 	<p><b>PROGRESS</b></p> <p>We are creating business models based on new services and solutions through the collection and analysis of a wide range of data in a various areas, including homes, urban vehicles and industries.</p>	<p><b>IoT REVENUE</b></p>  <table border="1"> <tr><th>Year</th><th>Revenue (billion)</th></tr> <tr><td>2015</td><td>733.3</td></tr> <tr><td>2016</td><td>755.6</td></tr> <tr><td>2017</td><td>781.7</td></tr> </table>	Year	Revenue (billion)	2015	733.3	2016	755.6	2017	781.7	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>Growing into a business with trillions in revenue by exploring various revenue sources in the IoT / Data business area (by 2022)</li> </ul>		
Year	Revenue (billion)												
2015	733.3												
2016	755.6												
2017	781.7												
<p><b>NEW ICT SERVICE PLATFORM</b></p> 	<p><b>PROGRESS</b></p> <p>We are building an AI business ecosystem that connects to car-home-mobile by providing AI services at various customer contact points.</p>	<p><b>NUGU'S MONTHLY ACTIVE USERS</b></p>  <table border="1"> <tr><th>Period</th><th>Active Users (thousand)</th></tr> <tr><td>2017 2Q</td><td>80</td></tr> <tr><td>2017 3Q</td><td>1,330</td></tr> <tr><td>2017 4Q</td><td>2,100</td></tr> <tr><td>2018 1Q</td><td>3,730</td></tr> </table>	Period	Active Users (thousand)	2017 2Q	80	2017 3Q	1,330	2017 4Q	2,100	2018 1Q	3,730	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>Achieving more than 10 million Monthly Active Users (MAU) (by 2019)</li> </ul>
Period	Active Users (thousand)												
2017 2Q	80												
2017 3Q	1,330												
2017 4Q	2,100												
2018 1Q	3,730												

## 5G & NETWORK QUALITY

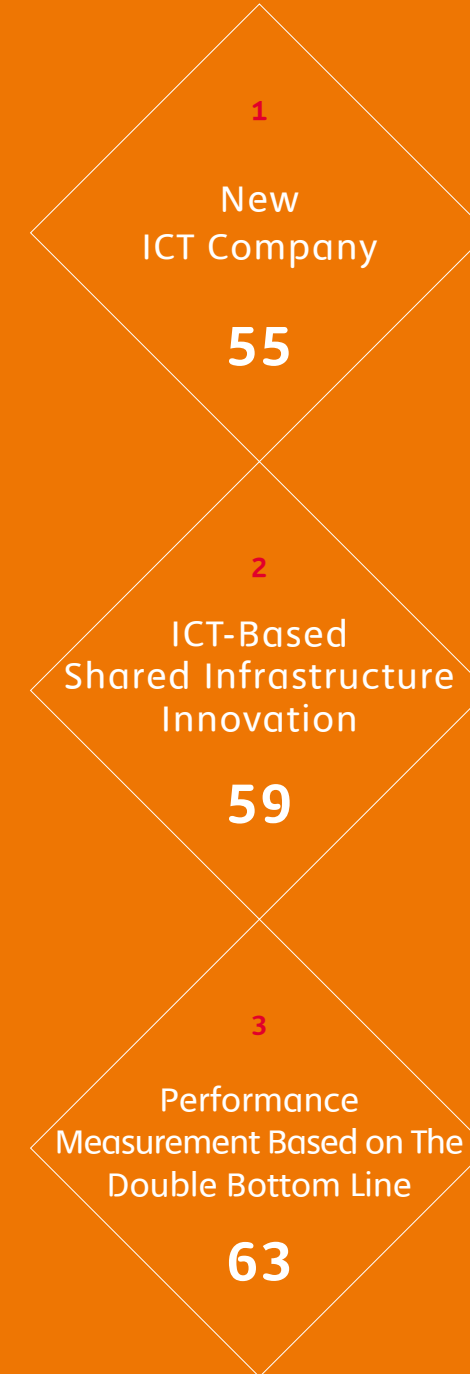
<p><b>5G LEADERSHIP</b></p> 	<p><b>PROGRESS</b></p> <p>We are pursuing partnerships and cooperation with various business operators to gain new business opportunities as well as technologies to lead the 5G network. We are strengthening our internal capabilities through investment efficiency.</p>	<p><b>5G TECHNOLOGY</b></p> <ul style="list-style-type: none"> <li>Succeeded in building the 'Perfect 5G' test network and in providing a 360-degree virtual reality (VR) live streaming service (September, 2017)</li> <li>Successful demonstration of an international standard-based 5G network (December, 2017)</li> <li>Successful joint operation of the world's first self-driving car (February 2018)</li> </ul>	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>World's first commercialization of the 5G service (by 2019)</li> </ul>
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**N** NEW  ON TRACK  NEED FOR IMPROVEMENT

<p><b>NETWORK QUALITY</b></p> 	<p><b>PROGRESS</b></p> <p>SK Telecom maintains a differentiated network quality, as demonstrated by the Ministry of Science, ICT and Future Planning's recognition of the company as having the fastest LTE service in the Telecommunications Service Quality Assessment in 2017.</p>	<p><b>NUMBER OF LARGE-SCALE NETWORK FAILURE CASES</b></p>  <table border="1"> <tr><th>Year</th><th>Cases</th></tr> <tr><td>2015</td><td>1</td></tr> <tr><td>2016</td><td>0</td></tr> <tr><td>2017</td><td>0</td></tr> </table>	Year	Cases	2015	1	2016	0	2017	0	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>Keep large-scale network failures to zero cases through long-term investment and managing operational risk (by 2020)</li> </ul>
Year	Cases										
2015	1										
2016	0										
2017	0										
<p><b>CUSTOMER AND SOCIAL VALUE</b></p>											
<p><b>CUSTOMER VALUE CREATION</b></p> 	<p><b>PROGRESS</b></p> <p>We are creating innovative customer values and provide products and services with the highest quality that customers can be proud of.</p>	<p><b>THE NATIONAL CUSTOMER SATISFACTION INDEX (NCSI)</b></p>  <table border="1"> <tr><th>Year</th><th>Ranking</th></tr> <tr><td>2015</td><td>1st place</td></tr> <tr><td>2016</td><td>1st place</td></tr> <tr><td>2017</td><td>1st place</td></tr> </table>	Year	Ranking	2015	1st place	2016	1st place	2017	1st place	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>Achieve first place in the National Customer Satisfaction Index (NCSI) for the longest period in the mobile service sector (No.1 in NCSI for 24 consecutive years based on the year 2021)</li> </ul>
Year	Ranking										
2015	1st place										
2016	1st place										
2017	1st place										
<p><b>PRIVACY PROTECTION</b></p> 	<p><b>PROGRESS</b></p> <p>SK Telecom is making every effort to protect customers' personal information by regularly diagnosing all retailers and strengthening the information protection system.</p>	<p><b>AUDITING STORES FOR CUSTOMER DATA PRIVACY (*)</b></p>  <table border="1"> <tr><th>Year</th><th>Coverage (%)</th></tr> <tr><td>2015</td><td>100%</td></tr> <tr><td>2016</td><td>100%</td></tr> <tr><td>2017</td><td>100%</td></tr> </table> <p>(*) Please refer to p.91 to see data coverage by year.</p>	Year	Coverage (%)	2015	100%	2016	100%	2017	100%	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>Maintaining customer information leakages at zero through more advanced audits of the distribution network (by 2022)</li> <li>Annual on-site audits for distribution networks at 100% (by 2022)</li> </ul>
Year	Coverage (%)										
2015	100%										
2016	100%										
2017	100%										
<p><b>SOCIAL VALUE OF BUSINESS</b></p> 	<p><b>PROGRESS</b></p> <p>Beyond social contribution, we strive to create and measure social values and increase positive impact as a representative company that creates social value.</p>	<p><b>SOCIAL GREEN HOUSE GAS REDUCTION THROUGH T map</b></p>  <table border="1"> <tr><th>Year</th><th>Reduction (tCO<sub>2</sub>e)</th></tr> <tr><td>2015</td><td>308,000</td></tr> <tr><td>2016</td><td>424,000</td></tr> <tr><td>2017</td><td>617,000</td></tr> </table>	Year	Reduction (tCO <sub>2</sub> e)	2015	308,000	2016	424,000	2017	617,000	<p><b>LONG-TERM TARGET</b></p> <ul style="list-style-type: none"> <li>Become a global leader in creating social value (by 2028)</li> <li>Reduce social greenhouse gas emissions to 650,000 tCO<sub>2</sub>e through T map (navigation service) (by 2020)</li> </ul>
Year	Reduction (tCO <sub>2</sub> e)										
2015	308,000										
2016	424,000										
2017	617,000										

# 02

# SOCIAL VALUE



## GLOBAL ICT COMPANY LEADING THE SHARING·COLLABORATIVE ICT ECOSYSTEM

In the 5G era when the offline world becomes ICT, SK Telecom is becoming the 'Global New ICT Company' leading the sharing·collaborative ecosystem.

### ISSUE

#### What are the issues?

5G, which is characterized by ultra-low latency and hyperconnectivity, will advance the opening of the full-fledged IoT era by realizing autonomous driving and smart cities and improving factory automation systems, and it is expected that all industries will be re-centered around ICT. While a wide range of social changes take place, it is necessary to expand the ICT ecosystem in all directions to secure new business opportunities.

### APPROACH

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

SK Telecom aims to lead the creation of the ICT ecosystem by sharing and cooperating as a new ICT ecosystem leader. SK Telecom will expand its business portfolio including in mobile communications(MNO), media, IoT/Data, and service platforms based on its competitive edge in the 5G network, artificial intelligence, data infrastructure and other differentiated core competencies, and create new value by sharing the infrastructures to evolve into a global new ICT company by the year 2021.

### VALUE CREATION

#### How will we create value?

- **5G:** Commercialization of the world's first 5G service with safety stability (by 2019)
- **Media:** Fixed-line and media revenue of KRW 4.5 trillion (by 2021)
- **IoT/Data:** Grow into a company with multi-trillion in sales by discovering various revenue sources (by 2022)
- **Service platform:** Reach 10 million Monthly Annual Users(MAU) for the voice recognition AI device, NUGU (by 2019)

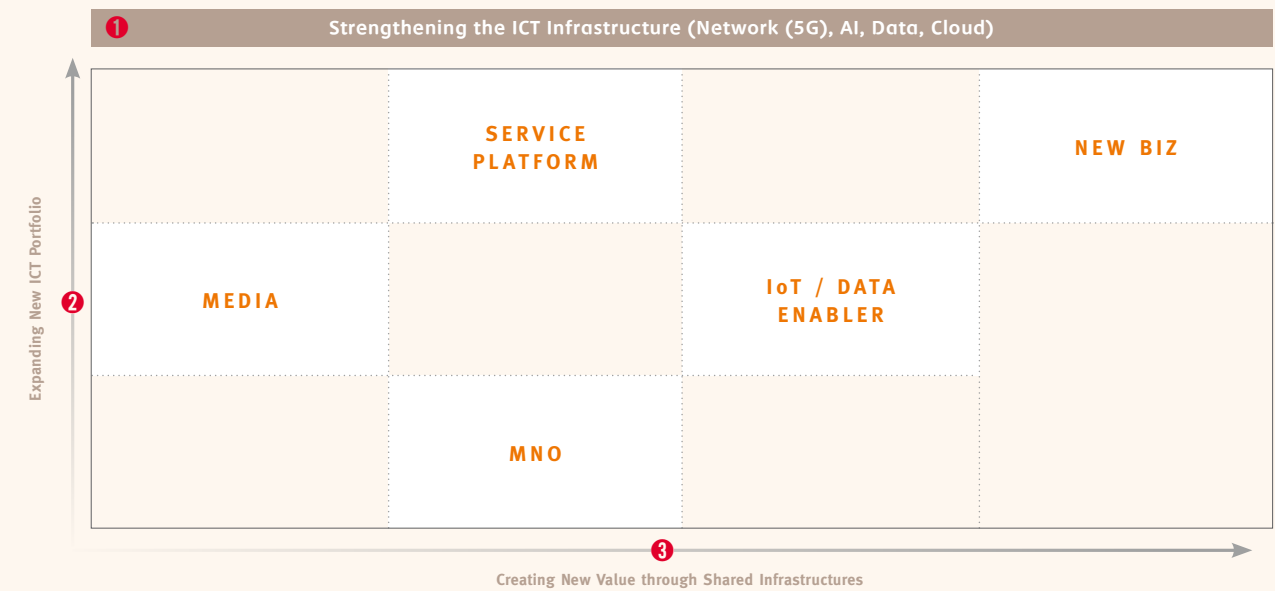
The development of basic technologies such as 5G, artificial intelligence (AI), big data, Internet of Things (IoT) and the spread of various mobile devices are leading to unprecedented social change and innovation. In particular, as the first infrastructure to connect the physical world to the IT world, 5G goes beyond the existing paradigm that interprets data through the intuition and experience of human beings, and leads the world toward a society of superintelligence where data learning and behavior are automated based on the hyperconnectivity of all data. Such characteristics of 5G will lead ICT of the offline world, and SK Telecom will be able to provide unprecedented services. And these changes affect the value chain of ICT industries as well as business models in all industries and ultimately become the basic technologies of the 4th Industrial Revolution leading the comprehensive social transformation. SK Telecom is not only securing a base for the ICT core, which includes 5G, AI and cloud technology, but also seeking opportunities to lead with next-generation platforms. 5G networks can be redefined as intelligent infrastructures, and data combined with artificial intelligence

will lead a generation change to a new platform that is different from conventional IoT, media and service platforms. SK Telecom has a new vision to become a global new ICT leader based on its strengthened core ICT capabilities to drive innovation and growth.

New ICT means a system of sharing, opening and cooperation that combines innovative technologies such as 5G and AI and creates new business models throughout the industry. As a New ICT Leader, the company is leading the development of the ICT ecosystem and driving the integrated growth of the economy, environment and society in Korea, creating new value and providing the highest quality products and services that customers can feel proud of using.

SK Telecom will expand its business portfolio such as mobile communication, media, IoT/Data, and service platforms based on its competitive edge in networks and AI. By maximizing its corporate value, SK Telecom will evolve into a global new ICT company by the year 2021.

### SK TELECOM'S MID-AND LONG-TERM NEW ICT STRATEGY



1	2	3
<b>Strengthening the ICT Infrastructure</b> "5G Network and Infrastructure as SKT's Core Competitiveness"	<b>Expanding the New ICT Portfolio</b> "MNO, Media, IoT/Data, Service Platform that prompts the future of ICT"	<b>Creating New Value through Shared Infrastructure</b> "Create new value through openness and cooperation with various players"
<ul style="list-style-type: none"> <li>• Gain a differentiated competitiveness in the 5G Network, artificial intelligence (AI) and data, which form the core of the ICT portfolio</li> <li>• Secure the foundation for leading the ICT industry by securing infrastructure competitiveness</li> <li>• Innovate business model through creation of the sharing·collaborative ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• MNO: Innovate customer value and create deep change by understanding customers through data analysis</li> <li>• Media: Provide media services with next-generation technology and differentiated content</li> <li>• IoT/Data: Secure the data capability business model and promote the enabler business</li> <li>• Service platform: Provide an integrated offering with AI and big data technology</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance competitiveness of all business areas through sharing infrastructure</li> <li>• Promote exploration of new business based on SK ICT family-level shared infrastructure</li> <li>• Create BM by establishing a win-win framework between peer groups and merging capabilities between different industries and solve social problems</li> </ul>

**STRATEGIC DIRECTION 1. STRENGTHENING ICT INFRASTRUCTURE**

The strengthening of the ICT infrastructure comprises the enhancement of the 5G network as well as AI technology and the innovation of infrastructure. SK Telecom will lay the foundation for the expansion of the ICT business portfolio by strengthening infrastructure to anticipate the New ICT core capabilities. Through commercialization of the 5G network, the company provides personalized data traffic required for MNO, media business, autonomous driving, smart city, etc., and is establishing infrastructure that can respond to user scenarios as a top priority, while the company secures competitiveness in cloud technology that enables efficient storing, management and analysis of data. Exploring new business models by expanding application of AI through development of the apps providing a competitive edge in AI engine technology and comprehensive solutions are the main challenges of the company. 5G is a core factor that will lead all businesses. SK Telecom focuses its energy on securing differentiated competitive advantages through commercialization with stability and safety. In the era of 5G, the company is strengthening its capabilities as a network operator by securing frequencies and standardizing technologies, and building alliances and cooperative relationships with various operators in order to capture new business opportunities. Internally, SK Telecom is forming a company-wide 5G TF to concentrate its capabilities, and is maximizing its internal synergies to develop new business models befitting the coming era of 5G.

**STRATEGIC DIRECTION 2. EXPANDING THE NEW ICT PORTFOLIO**

SK Telecom is pursuing a new ICT business whose key direction is innovating business models in not only the MNO business but also in the media, IoT/Data and service platform on the basis of 5G and AI, connecting and integrating them with one another, and thereby expanding its portfolio. The MNO business will provide core assets for the expansion of the ICT portfolio through customer-based data and the distribution network. SK Telecom will innovate its business models to enhance understanding of the customer and evolve into a integrated marketing company through customer data analysis. In the media business, it is essential to secure customers' time share by offering distinctive content and innovative technology-based services. Therefore, the company will strengthen its business partnerships to expand the next-generation device-based OTT (Over The Top) platform, while advancing new technology-based services such as voice recognition service and AR to expand the customer contact. As competition in the media market is reorganized focusing on the contents, SK Telecom will expand content investment and provide customized programs using large-scale user data to enhance customer value. In the IoT/Data business area, SK Telecom will secure data solution capabilities based on extensive data collected in smart home/automotive/energy sectors to lead digital transformation in diverse industries. Based on the internalization of insight derived from data analysis, the company is developing a processing technology that can substantially solve the problems beyond the provision of initial solutions, and ultimately creates an ecosystem with a virtuous cycle based on openness and sharing to become a core platform provider in the era of the 4th Industrial Revolution. In the service platform business sphere, SK Telecom will create synergy among businesses through the integrated offerings of various services utilizing AI and big data. The company will strengthen the competitiveness

of individual businesses by providing personalized services. SK Telecom internalizes content capability, which is the core of media, platform, and commerce business, and leads business model innovation by organically linking the existing e-commerce and O2O (Online to Offline) customer contact data collection capabilities with the next-generation infrastructure.

**STRATEGIC DIRECTION 3. CREATING NEW VALUE THROUGH SHARING OF INFRASTRUCTURE**

Infrastructure such as network, AI, data, and distribution network that SK Telecom has built to make an advance as a New ICT Company, is expected to provide new market opportunities such as autonomous vehicles and smart cities in the mid- to long-term. As a result, SK Telecom is transforming and developing its ICT infrastructure and management support infrastructure to an infrastructure shared with affiliates and business partners, thereby improving management performance and corporate value, and creating a wide-range of social value.

First, SK Telecom plans to pursue sharing of infrastructure among the MNO, media, IoT/Data and Service platforms. This is to establish a basis for raising the competitiveness in all business areas, rather than implementing business strategies that are focused on specific businesses. For example, the company collects and analyzes customer data through business areas such as MNO, IPTV, and e-commerce which have high customer contracts to secure insight and knowledge about customers, and to create new business models. Furthermore, based on network stability and safety, which are SK Telecom's major competitive strengths in the era of 5G, the company can expand the base of IoT services such as autonomous driving and health care, creating a cyclical value structure based on data and network infrastructure.

In addition, the company plans to mobilize capabilities at the group-level including affiliates and investment companies through the SK ICT Family(\*). The SK ICT Family refers to ICT affiliates within the SK Group including SK Telecom and its subsidiaries. The SK ICT Family intends to enhance the utilization of core infrastructure capabilities among family companies and build a win-win business model through cooperation. For example, it is possible to share business partners of each company, to build a new cooperation system by integrating the purchasing infrastructure, and to seek constructive mutual growth.

Furthermore, it aims at promoting sharing of infrastructure with other companies and society to create value in a broader area. The company continues to pursue growth by shifting to win-win frameworks, avoiding unnecessary competition among mobile operators, which has continued to expand our market share for many years, and explore new profit-generating structures through capability convergence among different industries. In addition, the company will conduct measurement and valuation of social and environmental impacts through business, minimize the negative impacts of business activities, and seek ways to maximize positive impacts that contribute to social problem solving.

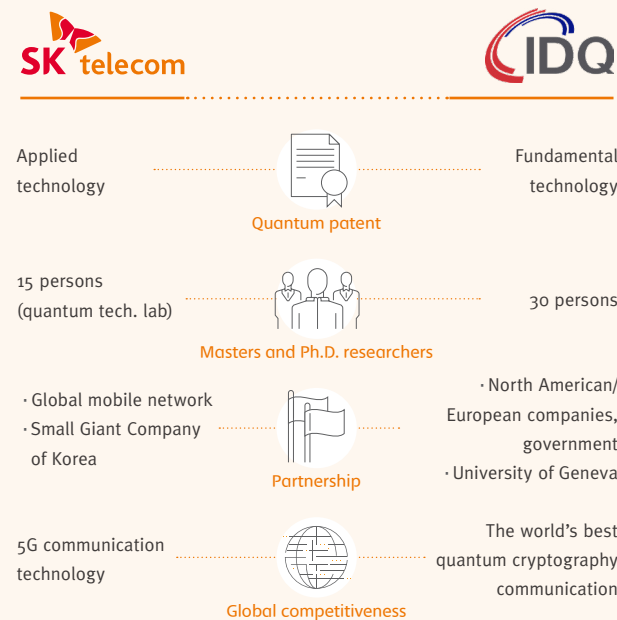
The shared infrastructure defined by SK Telecom refers to the creation of new value by identifying the correlation between segmented ideas and restructuring it scientifically beyond simple sharing. SK Telecom, as a New ICT leader that leads future change, creates integrated value beyond the existing value-creating paradigm and forms a shared and cooperative ecosystem.

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

**CASE 1**

**Telecommunications Security Technology in the 5G Era, Quantum Cryptography**

SK Telecom is leading the technological development of quantum cryptography to build the world's most secure 5G network. Quantum cryptography uses features of quantum mechanics such as indeterminacy and irreproducibility to securely distribute encryption keys used for communication data encryption to senders and receivers. It uses a powerful security technology that prevents attacks on fiber-optic cables and plays a very important role in keeping data we exchange safe. The 5G network will enable a hyper-connected world where 43 billion devices in the world are connected wirelessly with 'safety' as its core competitive edge. In the 4th industrial revolution, data is transmitted at ultra-high speeds to implement self-driving, smart home and smart city services, and data transmission security will be a key competitive advantage for network operators. For this reason, SK Telecom established the Quantum Technology Institute in 2011, and through our continuous effort in technological development, we succeeded in developing the world's smallest (5x5mm) Micro Quantum Random Number Generator (MQRNG) chip in 2017. Facing the commercialization of the 5G network and to ensure a more thorough level of security, in February 2018, we have decided to acquire the world's number one quantum cryptography company, IDQ, a company with the most patents in quantum cryptography. By strengthening our quantum cryptography telecommunications, SK Telecom was able to build a 5G network with the highest level of safety. We plan to enhance our differentiated competitive factor 'safety,' in the new ICT area, by supplying chips and modules with quantum key distribution and quantum random number generator technology to IoT devices, servers and handsets.



**ESTABLISHMENT OF THE MOST SECURE 5G NETWORK**

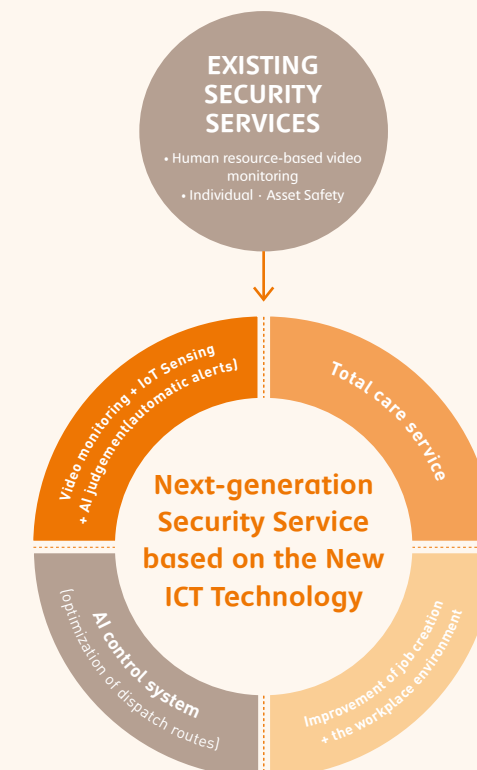
**CASE 2**

**Entered the Next-generation Security Business using the New ICT Technology**

The securities industry is evolving into a technology-intensive industry using the new ICT technology as its key competitive factor. The distribution rate of domestic security services is relatively low compared to the U.S. and Japan, and the demand for security is continuously growing in the domestic and commercial sectors. There is a demand for change in the securities industry to adapt to trends including the growing number of single-person households, the elderly, start-ups, and unmanned stores. Recently, global ICT companies such as Google and Amazon are entering the industry where growth opportunities are expected to secure growth engines.

In May of 2018, SK Telecom entered the security business where high growth, profitability and synergy is expected by acquiring a 55% stake and management rights in 'ADT Caps,' Korea's second largest physical security provider with 0.57 million domestic subscribers and a market share of about 30%. Through the synergy between SK ICT Family's technology and customers with ADT CAP's security infrastructure, we are aiming to create innovation in the security industry and secure new growth engines.

Through the acquisition of ADT Caps, SK telecom created new values by adding new ICT technologies including quantum cryptography and will create synergy by providing an integrated offering of mobile communications, media and commerce businesses. We aim to change the meaning of security through preemptive risk responses using data instead of the traditional method of providing post-incident responses. As a life partner of our customers and businesses, we will lead the securities industry by providing 'Safety & Care' services.



## CREATING SOCIAL VALUES THROUGH THE ICT SHARING INFRASTRUCTURE

SK Telecom will continuously create social values and lead the innovation of the ICT sharing infrastructure for members of society to enjoy a better life through the ICT infrastructure and technology.

### ISSUE

#### What are the issues?

In addition to the ICT sharing infrastructure innovation providing a better communication environment, it also shows effort in creating new human, environmental, economic, and social values. As a result, there is a need for creating better social values by building and continuously sharing the shared infrastructure that meets social needs and by creating technology through partnerships.

### APPROACH

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

We will expand our business by strengthening our new ICT infrastructure including, the perfect 5G network and AI and build innovative business models that can create social values. With the foundation of openness and the cooperation of various players, we will continue to build social values through the creation of shared infrastructure, including support for start-ups and social innovation for public safety solutions in addition to increasing customer values in AI, IoT, and media.

### VALUE CREATION

#### How will we create value?

- Successful transition to 5G through a portfolio indicating the efficient use of 4G LTE and by building a perfect 5G network (by 2019)
- Supporting the development of 80 start-ups through the start-up support program (by 2020)

### 1. GAINING AN INNOVATION BASE BY BUILDING AN ICT INFRASTRUCTURE

#### Perfect 5G: New Value-based Evolution that Surpasses Network Evolution

SK Telecom is heading towards 'Perfect 5G'. It is not simply a change from 4G LTE to 5G, but we will also provide new values using hyper-connectivity, ultra-low latency, and high-speed technology. To achieve this, we are combining our internal capabilities to build a stable and secure network based on the development of virtualization and intelligence, and we are working with various business partners to create a successful 5G network. 'Perfect 5G' can achieve maximum download speeds of about 20Gbps, which is 20 times faster than 4G LTE top speed 1Gbps (as of January 2018), and it can provide high-speed data communication services between 4G and 5G through an organic link with LTE. SK Telecom will continuously develop hyper-connectivity services such as hyper real-time data including augmentation and virtual reality. We will also develop real-time services such as remote robot coordination, self-driving cars, drones, and IoT in face of the revolutionary future that will begin with 'Perfect 5G'.

#### Establishing an Autonomous Communication Environment with 5G

SK Telecom is advancing the era of autonomous driving through the development of self-driving technology using the 5G network. We are developing a highly secure V2X (Vehicle to Everything) solution using our network operating capabilities to build a self-driving communication environment and through our partnership with Here, the world's leading HD mapping company, we are making continuous efforts to improve the quality of ultra-precision maps. In December 2017, SK Telecom and the Korea Safety Transportation Safety Corporation established the world's first 5G infrastructure in the major test areas of 'K-City,' the experimental city for self-driving. In February 2018, SK Telecom succeeded in a joint effort in which two self-driving cars drove using 3D HD maps, 5G vehicle communication and deep learning driving technologies.

5G is the key infrastructure for implementing vehicle communication technologies such as vehicle-to-vehicle communication and vehicle-to-everything communication. SK Telecom will upgrade the infrastructure to make K-City the center of self-driving systems and will open it to various companies and research institutes to establish a joint research institute for industry-academia cooperation to provide the safest self-driving technology.



Perfect 5G



5G autonomous driving



LTE Cat.M1

#### TANGO, Providing the Best AI-based Network Quality

SK Telecom operates a stable network using 'TANGO' (T Advanced Next Generation Operations Supporting System) which uses big data analysis and machine learning. TANGO automatically optimizes the network quality based on traffic information by region and time zone and provides optimal responses when network anomalies are detected. In addition, it improves network reliability by efficiently responding to network failures with intelligent technologies such as analyzing network conditions in real-time and digitizing and managing the quality of customer experience. Following the application of TANGO to wired networks and to all communication networks using a wireless network in October 2017, we are continuously working to upgrade TANGO's features to provide the best network quality to our customers.

#### T-MANO: Establishment of a Virtual Environment through Innovation of the Network Structure

SK Telecom uses T-MANO (T-Management and Orchestration), the world's first virtual integrated management platform, for the integrated management of network equipment and software on a single platform, regardless of the equipment manufacturer. T-MANO enables the flexible utilization of resources such as allocating capacity by region and according to traffic volume. Additionally, it allows system upgrades to be made at once, dramatically reducing the time required to start new services. Using these technologies, we will continue to develop technologies to ensure stable network operation even in emergencies such as disasters and large-scale events.

#### 'LTE Cat. M1,' The High-efficiency IoT Nationwide Network

SK Telecom aims to establish a bridgehead in the 5G era, and we are creating a high-efficiency IoT ecosystem by commercializing the IoT nationwide network 'LTE Cat.M1' following the 'LoRa' network. 'LTE Cat. M1' enables low-capacity video, HD photo and voice transmission, and works with the 'LoRa' network which is suitable for low-power and low-capacity data transmission to create a perfect IoT network environment. In addition, its power efficiency is ten times greater than the existing high-capacity IoT network technology 'LTE-M,' and the low cost of the communication module contributes to reducing the cost of production and the burden of customers. The low-cost and high-efficiency advantage will reduce barriers for manufacturers to enter the market to promote activating the IoT ecosystem.

**2. PROVIDING SOCIAL VALUE SERVICES USING THE ICT INFRASTRUCTURE**

**‘NUGU X Customer Service’**

Following the release of NUGU, the first AI service, in September 2016, we launched NUGU Mini, a compact version of NUGU which can be used without the restriction of time and space in August 2017. NUGU Mini is ‘portable’ and ‘economical,’ which incorporates the elements customers want in the AI speaker as they have expressed in an SK Telecom internal customer survey. It contains the same functions as NUGU but is less than half the size, one fifth of the weight, and has an internal battery. SK telecom provides services that combine NUGU into various areas to provide a richer AI experience for our customers. NUGU was added to the national navigation app, T map, in the January 2018 update and is provided to customers of all carriers. T map helps to reduce the dangers drivers face when operating the navigation screen while driving and improves safety and convenience for drivers. T map X NUGU experienced an exceptional customer response with over 3 million downloads in 18 days. We are also leading the smart home area expansion by releasing B tv X NUGU, a set-top box that combines IPTV with AI. We will create an AI ecosystem starting with these customer services and the advancement of AI data securing services.

**IoT Services for Enhancing Customer, Social, and Environmental Values**

SK Telecom provides various B2B and B2C services to create social and environmental values through the IoT. Live Care, the IoT livestock management service, enables body temperature monitoring of cattle by injecting bio-capsules into cattle to track signs of disease, estimate optimal insemination time, and identify signs of labor. In August 2017, we launched an air quality managing IoT service to identify the air quality and fine dust levels in schools and provided air purification and improvement guides to support the healthy school life of children. In December, we launched E2MS (an energy equipment managing IoT service), which provides real-time monitoring and remote control of energy producing equipment while reducing maintenance costs and responding quickly to failures. SK Telecom will expand the scope of customized IoT services tailored to various areas including homes, schools, and workplaces to create more social and environmental values.



Live Care



IoT Open House



Public Safety Solutions

**3. INNOVATION OF BUSINESS MODELS USING SHARED INFRASTRUCTURE**

**Creating Shared Synergy by Combining ICT and Content**

SK Telecom will share its business infrastructure with SM Entertainment, a leading Hallyu (Korean wave) content business, to combine AI with content to secure future growth engines. The two companies signed a strategic partnership in July 2017 to create a close partnership in the next-generation content distribution business. IRiver, SK Telecom’s audio equipment making subsidiary has abundant capabilities in AI, media, and music devices, and SM Entertainment has the intellectual property rights of the stars it manages, expertise in creating content and the strong loyalty of fans. This partnership will accelerate ICT and content convergence such as AI-based personalized content delivery services and expand our diverging culture and content businesses. For example, we can develop an AI speaker that communicates using the voice of popular singers in Korea to expand our business into foreign markets. By using Hallyu content, we will be able to provide products and services, that combine ICT technology and devices, in tourist areas. SK Telecom will continue to share our business infrastructure with various businesses and will look for ways to generate synergy in the new ICT ecosystem.

**4. SOCIAL INNOVATION, CREATING VALUE THROUGH CONNECTIONS**

**Social Innovation through Start-up Support**

SK Telecom established the SK Seoul Campus to gain mutual growth and collaborate with start-ups. The SK Seoul Campus is a place many people can freely use to boost the ICT ecosystem and discover potential ventures. In March 2017, we opened a conference room for companies in the campus as well as outside venture companies to develop a human network between start-ups and to promote information exchange. In addition, we will lead social innovation by providing SK Telecom professional consultation services, supporting various infrastructures to promote growth, and activating the ICT ecosystem. Furthermore, we launched the IoT Open House to provide comprehensive IoT solutions for ventures and start-up companies. The IoT Open House acts as an eco-player that fosters developers by providing comprehensive solutions ranging from product development to the commercialization of services of developers and start-ups and aims to reduce the time required for developing and commercializing services.

We are committed to nurturing start-ups at a global level. TIP (Telco Infra Project) is a global consortium involving more than 500 companies that aim to change the way next-generation communication infrastructures are built. It operates TEAC (Telco Infra Project Ecosystem Accelerator), an ecosystem acceleration center that focuses on the innovation of communication infrastructure ecosystems through partnerships and discovering start-ups. SK Telecom is in charge of ‘TEAC in Seoul’ and provides test networks and office space for companies that have been selected in September 2017. Through these activities, we will work with start-ups to pursue the evolution of the next-generation network.

**ICT in Disaster Sites**

SK Telecom believes it is important to have network stability with reliable communication that works even in disasters and rescue situations. As a result, SK Telecom creates public safety solutions and provides body cameras, controlled drones, and T Live Caster video monitoring to firefighters to enable them to quickly identify and respond to disasters. Additionally, we are conducting research with Hoseo University on underwater station based communication to secure technology in underwater communication, an unfamiliar area of communication. In 2017, we have succeeded in testing the communication technology at Incheon South Port. SK Telecom will share its ICT infrastructure to ensure the safety of customers and society and will work to provide better values.

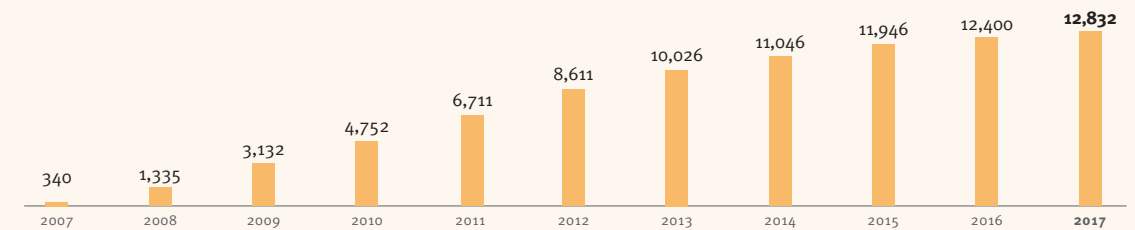
**CASE**

**Reducing the Digital Divide of Senior Citizens**

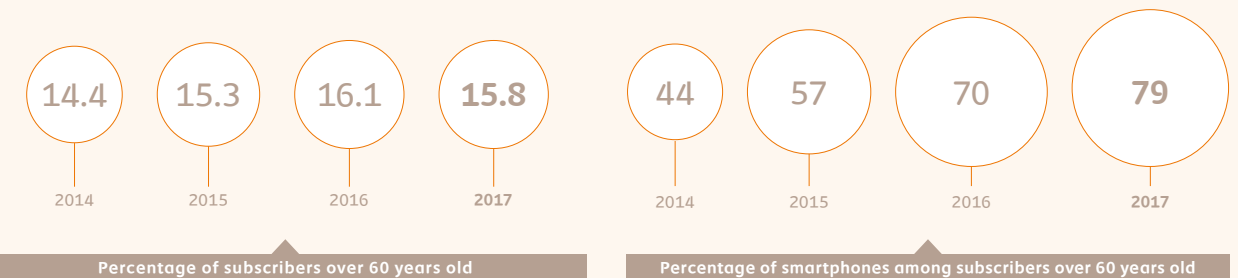
According to the 2017 National Digital Divide Survey conducted by the Ministry of Science and ICT and the National Information Society Agency, the average level of digital informatization among the four most disadvantaged groups (persons with disabilities, low-income groups, farmers and fishermen, senior citizens) was 65.1%, among which the senior citizens showed the lowest level at 58.3%. This digital divide will lead to social class conflicts and widen the income gap. The percentage of elderly people aged 65 and over has increased to 14% of the total population, making Korea an aged society as defined by the UN. This means that the growing number of the elderly and digital divide should be viewed as an issue that needs to be socially addressed rather than viewing it as a temporary problem that is attributed to individuals or families. To address this, SK Telecom is operating a volunteer group to educate middle-aged people on using smartphones. We are also operating ‘T-MarU,’ where we

provide overall training for the elderly in local senior citizen centers on how to use applications, Wi-Fi and smartphones. These efforts indirectly contributed to the percentage of smartphone subscribers (a 9% increase compared to 2016) among customers over the age of 60. Our efforts to resolve the digital divide for the elderly will help improve information and communication accessibility, help solve social problems, and positively impact the long-term productivity of SK Telecom’s business model. If the annual average growth rate (11.2%) of smartphone subscribers among subscribers over 60 is maintained, it is estimated that the percentage of smartphone users over the age of 60 will exceed 90% by the end of 2018. As a result, as of the end of 2017, at least one million feature phone subscribers are expected to change to smartphone subscribers by the end of 2020, and is expected to lead to an annual revenue increase of about KRW 127.4 billion.

**RESULTS OF SMARTPHONE EDUCATION FOR SENIOR CITIZENS (CUMULATIVE NUMBER OF PARTICIPANTS)**



**SUBSCRIBERS OVER THE AGE OF 60 & RATE OF SMARTPHONE USE**



# 3

## Performance Measurement Based on The Double Bottom Line

### CREATING FUTURE VALUE BY MEASURING SOCIAL VALUE BASED ON THE DOUBLE BOTTOM LINE

SK Telecom pursues a Double Bottom Line which simultaneously targets economic and social value that will be used in the entire management decision-making process, as we thrive together with society.

#### ISSUE

##### What are the issues?

Companies not only need to contribute to economic development, they must thrive together with society through social value creation. SK Group is building a performance measurement and management system based on the Double Bottom Line and is developing a methodology for measuring social value. Through social value measurement, we can communicate with various stakeholders and monitor, improve, and complement the results to achieve sustainable growth with society.

#### APPROACH

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

SK Telecom reflects in the company's philosophy, that the company's success factors are not only based on short-term performance but also through the creation of sustainable future value in consideration of stakeholders. We intend to increase value creation through the measurement and performance analysis of social values. Following the first measurement of social value using the Social-environmental Profit & Loss Statement (SE P&L) last year, in May 2018, we measured more advanced social value in the second year and created a basis for creating integrated value. We will strive for stability and growth and achieve sustainable growth by promoting social value creation.

#### VALUE CREATION

##### How will we create value?

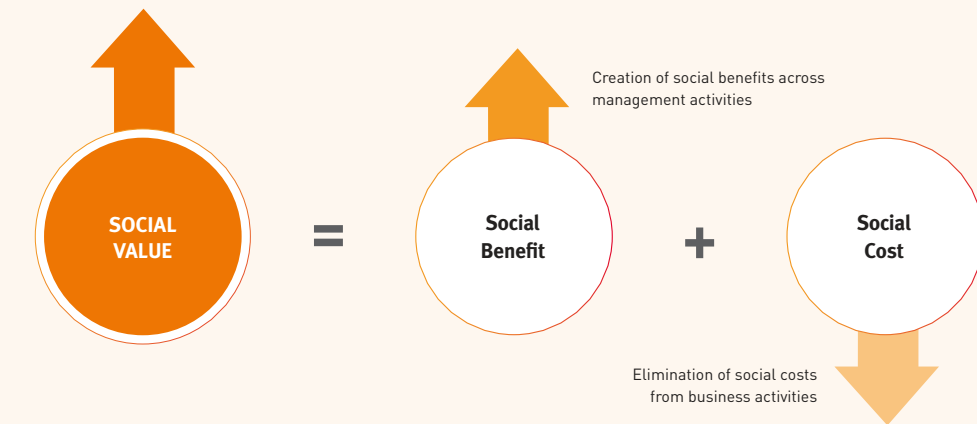
- Become a leading company in social value creation by improving the formalized methodology that measures both economic and social performance based on the Double Bottom Line (by 2028)
- Reduce social greenhouse gas emissions to 650,000 tCO2e through T map (navigation service) (by 2020)

#### MEASURING SK TELECOM'S SOCIAL VALUE

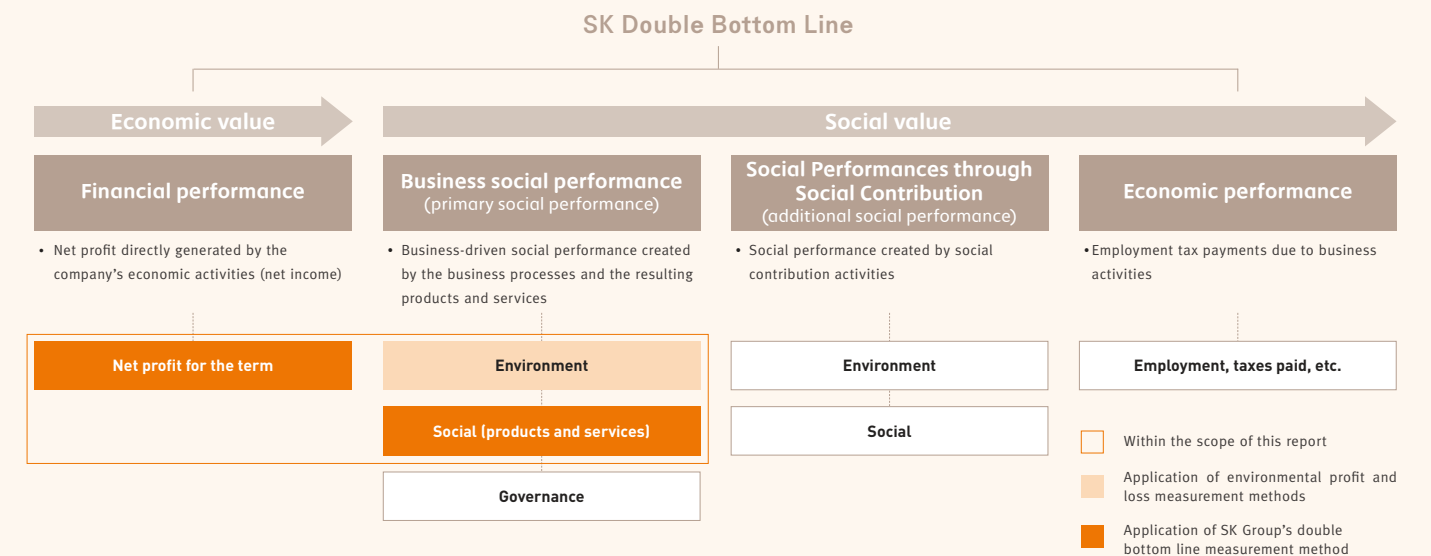
SK Telecom has adopted the double bottom line, which simultaneously aims to achieve financial performance such as operational profit and social performance in the Environmental, Social and Governance (ESG) criteria. It was also introduced and implemented throughout the management decision-making system. We set social value as the second bottom line in addition to the single bottom line which only measures and manages financial value. By implementing it in management decision-making, it can create long-term sustainable performance, as it is a fundamental system in which our company can use to thrive together with society. The SK Group reflects in SKMS, our management philosophy that "companies contribute not only to economic development but also to social development through social value creation." We use this as a starting point to promote the double bottom line and are leading the social value measurement of affiliates. As a result, SK Telecom measured

social value through the Social-Environmental Profit & Loss Statement (SE P&L) for the first time last year. In 2018, SK Telecom strengthened linkage with the double bottom line measurement methodology and measured social value and analyzed social performance. There are social costs and benefits that are not directly derived from the social values that arise from the management activities of the company. SK Telecom strives to calculate the impact of its overall management activities through the linkage with SK Group's double bottom line measurement method. However, because the social value created by management activities are so extensive, there is a limit to generating comprehensive impacts, and it is difficult to consistently standardize value measurement methods. As a result, SK Telecom plans to build a company-wide social value system and enhance the double bottom line measurement method by communicating with stakeholders.

SK Telecom's Double Bottom Line - The Concept of Social Performance



SK Group and SK Telecom's Performance Measurement and Reporting Scope





SK Group's Double Bottom Line has established economic value, financial performance and social values, such as 'business social performance (primary social performance),' 'social performance through social contribution (additional social performance),' 'economic social performance', built with value metrics. In particular, in the social value measurement index, we have set social performances as our primary performance and set social values created through product services as the key role of our company. As a result, SK Telecom produced integrated performances by analyzing the financial performance (net profit) using a social-environmental profit and loss analysis of business social performance as social performances.

As of May 2018, the methodology for measuring social values is continuously advancing. In the environmental aspect s, the performance evaluation based on the Double Bottom Line method was not completed; therefore, we maintained our estimate based on the reporting methodology EP&L (Environmental Profit & Loss) used in the '2016 SK Telecom Annual Report' published in 2017.

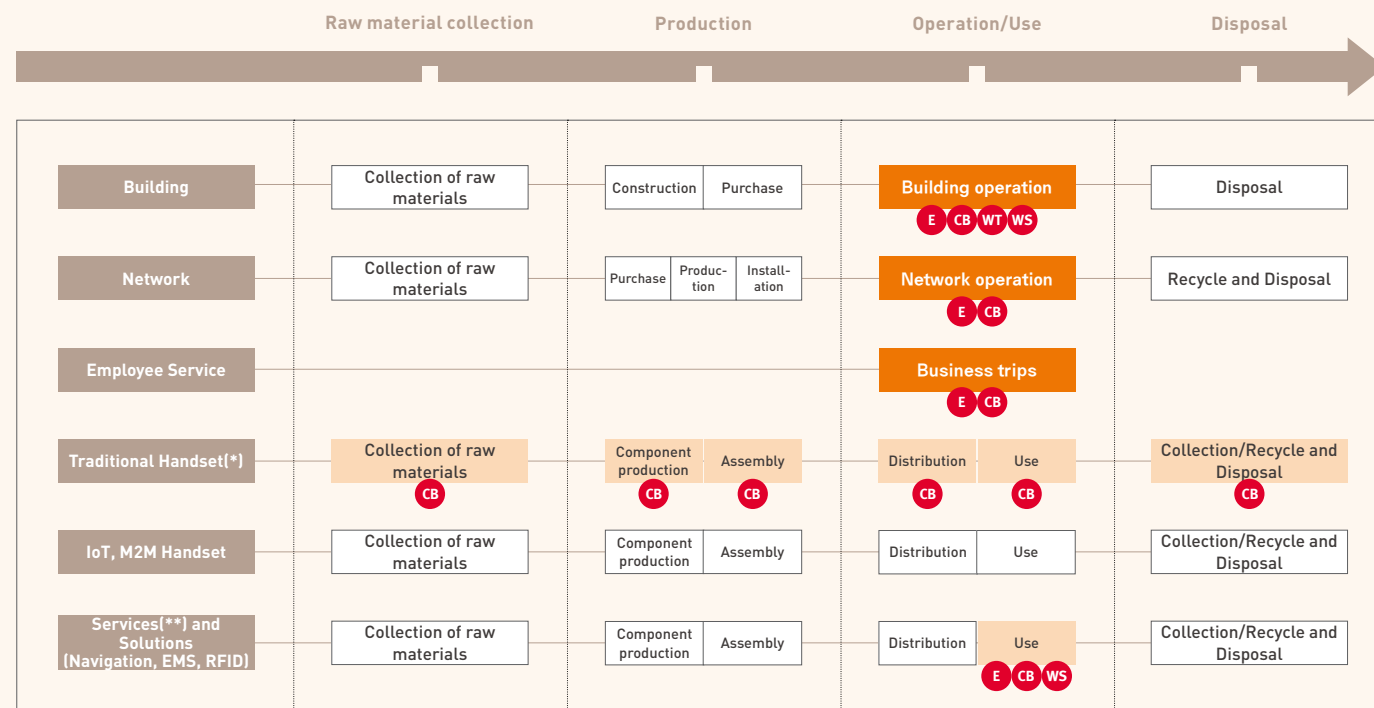
1. ENVIRONMENTAL PROFIT AND LOSS ANALYSIS

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

Setting the scope and data collection

Life Cycle Assessment (LCA) is a value chain category which is divided into buildings, networks, executives, handsets, services and solutions for an environmental profit and loss analysis. Environmental data was gathered through the collection, production, operation, use, and disposal of raw materials. Buildings and networks that are part of the calculation only include the operating phases in which data management is being carried out during the raw material collection, production and disposal phases. We are considering expanding the life cycle range to include the entire range of impacts such as raw material collection, purchasing, production, installation and disposal.

Setting The Scope in the Environmental Profit and Loss Analysis



Legend: Products and Services (orange box), 100% applied (dark orange box), E Energy, CB GHGs, WT Water, WS Waste

[\*] Handset: Handsets: Environmental or carbon label, CTS and LCA Certification Standard: Galaxy S8, Galaxy Tab S3, Galaxy S7 Edge, Galaxy Note 7, Galaxy S6, Galaxy S5, Galaxy S4, Galaxy S3, Galaxy Note 2, Galaxy Note, Galaxy Note 10.1, iPhone X, iPhone 8, iPhone 7 Plus, iPhone 6s, iPhone 6s plus, iPhone SE, iPhone 6, iPhone 6 plus, iPhone 5s, iPhone 4s, iPhone 4, iPhone 3Gs, iPad 5th generation, iPad Pro 12.9", iPad Mini 4, iPad 3, iPad Mini 2, iPad Mini, iPad Air 2, iPad Air, iPad 4th Generation, iPad 3G, iPad 2

[\*\*] Navigation: The amount of GHG emissions reduced was determined by calculating the difference between the GHG emissions emitted when drivers used the 'shortest distance route' and when they used the 'optimal route' provided by T map for reaching their destinations. SK Telecom's methodology for calculating the social GHG emissions saved through use of T map navigation was recognized as an internationally recommended standard by the International Telecommunication Union (ITU) and this standard methodology was used in this case.

In terms of handsets, data is collected based on the results of the life cycle environmental impact assessment conducted directly by manufacturers on some models of Samsung and Apple's tablets and smartphones that have the most subscribers, and this is converted into the total subscriber range. SK Telecom provides the optimal route for GHG reduction to users of the T map navigation service. It estimates how much greenhouse gas is reduced compared to the shortest route provided by standard navigation devices and is calculated through social GHG reduction research. However, at the present stage, SK Telecom's various platform and solution services are limited to the T map navigation platform, EMS solutions and RFID food waste disposal services.

Valuation

The results of the profit and loss analysis are calculated in monetary values. In the process of applying the social value measurement method, if negative impacts (ex. environmental damage) are expected to be high between the 'total amount (total amount of environmental impact)' and 'relative amount (reduction of environmental impacts of the previous period)', we used the 'total amount' instead of the relative amount. However, for T map, EMS (energy management solution), and RFID (electronic tag) solution services, in order to recognize the environmental impact benefits of clients and consumers as social performances, we used the 'relative amount' for energy saving and greenhouse gas reduction compared to general, and food waste reduction by RFID (electronic tag). On the other hand, when measuring the impact of greenhouse gas emissions in the process of enhancing the

environmental value measurement, we recognized that the market price of the GHG emission trading system does not reflect all the potential effects of global warming. Therefore, in order to return to the state before the negative environmental impact, we replaced it and calculated results with Eco-Cost\* that measures costs incurred to improve the reliability of environmental impact measurement.

[\*]Eco-Cost: costs incurred to reduce environmental pollution and resource depletion caused by products and services, to acceptable levels for the global environment using the measurement of the environmental burden of a product or service based on the EVR [Eco-costs/Value Ratio] model

2. SOCIAL PROFIT AND LOSS ANALYSIS

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

Social Performance through Products and Services

Product and service name	Product and service description	Social performance measurement
Happy GPS	IoT network-based location tracking roaming sensor	Prevention of senior citizens from going missing
U relief alerts	U-relief child location support service	Protecting children from crime
Mobile clinic	Mobile medical vehicle support	Reduced travel time and costs for hospital visits
Son Nuri, Sori Nuri	People with hearing and speech impairments (Son Nuri) and the visually impaired (Sori Nuri) rate plans	Increased convenience for vulnerable groups
Cookiz watch, Cookiz phone	Child handsets that support emergency calls and location tracking	Protecting children from crime
LBS-based IoT business (electronic ankle monitors)	Tracking the location of sex offenders using location tracking	Reduction of social costs due to crimes against women
Blocks text and voice spam	Blocks spam calls and messages	Prevention of voice phishing
Communications school	Selecting store employees and professional sales training	Support for small businesses
T map safe driving	T map function for logging driving habits	Traffic accident reduction
NUGU	Voice recognition based AI speakers	Improving information accessibility for the visually impaired

Environmental Performance through Products and Services

Product and service name	Product and service description	Measurement of environmental performance
EMS	Building and home energy management system	Reduced energy and carbon emissions
RFID(electronic tag) individual food waste metering solutions	Payment by electronic tag metering of food waste	Reduced food waste pollution
T membership mobile card	Membership for SKT customers	Reduced plastic pollution
T map	Optimal routes provided through navigation	Reduced social carbon emissions

Environmental Impact Value Measurement Results (Excluding Services)

Impact Area	Impact	2016		2017		
		Value	Impact value	Value	Impact value	
Building	Building operation	Energy use	2,938 TJ	(-) 91,273,939,686	3,025 TJ	(-) 93,976,741,848
		GHG emissions	143,681 tCO <sub>2</sub> e	(-) 2,717,869,796	148,294 tCO <sub>2</sub> e	(-) 2,805,129,304
		Water use	712,910 m <sup>3</sup>	(-) 628,572,747	720,000 m <sup>3</sup>	(-) 634,824,000
		Waste discharge	1,691 ton	(-) 256,419,858	2,496 ton	(-) 378,488,448
Network	Network operation	Energy use	13,977 TJ	(-) 434,219,147,375	14,886 TJ	(-) 462,458,769,967
		GHG emissions	678,942 tCO <sub>2</sub> e	(-) 12,842,866,872	723,135 tCO <sub>2</sub> e	(-) 13,678,821,660
Employee Service	Business trips	Energy use	78 TJ	(-) 2,423,201,939	72 TJ	(-) 2,236,801,789
		GHG emissions	4,485 tCO <sub>2</sub> e	(-) 84,838,260	3,972 tCO <sub>2</sub> e	(-) 75,134,352
Handset	Raw material collection and production	GHG emissions	667,178 tCO <sub>2</sub> e	(-) 12,620,333,627	663,430 tCO <sub>2</sub> e	(-) 12,549,441,513
	Use	GHG emissions	284,223 tCO <sub>2</sub> e	(-) 5,376,361,092	349,903 tCO <sub>2</sub> e	(-) 6,618,766,258
	Collection/recycle	GHG emissions	2,469 tCO <sub>2</sub> e	(-) 195,321,672	18,578 tCO <sub>2</sub> e	(-) 351,426,001

**Setting the scope and data collection**

The social profit and loss analysis classifies the results of last year's traditional market ICT solutions as "social performances through social contribution" but was not reflected in the value measurement of this report. This report focuses on measuring business social performance of products and services. As a result, we included 10 products and services, that create social value by increasing customer safety and convenience, such as 'Happy GPS' to prevent elderly people with dementia from going missing, 'U-Safe Alert' to prevent crime against children, and 'Mobile Clinic' to reduce the time and costs of hospital visits.

**Valuation**

The valuation of the 10 products and services for value measurement was calculated using individual methodologies. Relative pricing was used in cases that were difficult to directly estimate social values. For example, NUGU, an AI platform, uses voice commands to lead to social performances that enhance accessibility to information for the visually impaired. However, as performance cannot be determined through the direct valuation method, we compared the price and performance of NUGU to the screen readers of the visually impaired and set the actual price of NUGU as a 'reward result' to measure the value of improved information accessibility. The direct valuation method was applied to the location-based service (LBS) IoT project (electronic valuation) to measure the effect of social cost reduction caused by the prevention of crime against women. We have determined the reduction in the crime rate due to electronic ankle monitors, and the resulting reduction of costs caused by crimes was measured as a reduction in social costs.

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

The results of the social-environmental profit and loss analysis which is calculated by combining the environmental profit and loss analysis and

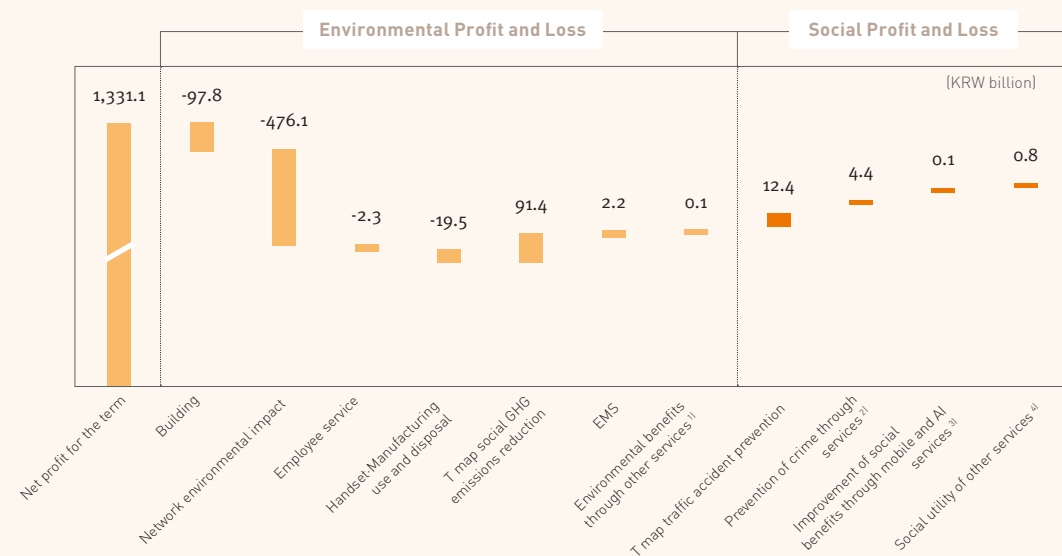
social profit and loss analysis are as follows. SK Telecom recorded a net income of KRW 1,331.1 trillion in 2017. In the course of business operation, we estimated the environmental impact of buildings, networks, employee business travel, and the environmental impact of the handset manufacturing-use-disposal phase by applying the domestic standard environmental costs to estimate an environmental net loss of about KRW 595.7 billion. Although the environmental total net loss increased due to improved services and more network operating equipment, the environmental loss per unit of equipment has decreased YoY through energy efficiency efforts. We will continuously make efforts to reduce the total net loss in the mid- to long- term.

On the other hand, we contributed to the environmental cost reduction of about 93.7 billion KRW through the provision of an optimal route compared to the shortest distance route by using the T map navigation, EMS solution, RFID food waste disposal system and T membership card. In the social aspect, we generated about 17.7 billion KRW in social performances through products such as Happy GPS and U-relief alerts. Based on these measurement results, we have created social values and economic values.

This analysis was excluded in the environmental impacts due to the production and installation of network equipment among the value chain in the environmental profit and loss analysis, and we have limitations of applying only a restricted number of services to the social profit and loss analysis. In addition, the results from the governance item of 'Business social performance', the Double Bottom Line's core social performance, and 'social performance through social contribution' were not included in this report due to externality issues and issues of measurement precision and advancement of the computational methodology.

SK Telecom plans to advance its environment profit and loss analysis of the entire value chain and business model, while strengthening its promotion system for social value creation and making a leap forward as a global leader in social value creation.

2017 Socio-Environmental Profit and Loss Analysis Results (\*)



(\*)The figures indicated by the results of the socio-environmental profit and loss analysis are the measurement factors of the SK Group's Double Bottom Line method excluding the governance of business social performance, social performance through social contribution, and economic social performance measurement.

- 1) Environmental benefits through other services: RFID food waste disposal, T membership mobile card
- 2) Prevention of crime through services: U relief alerts, Cookiz watch/Cookiz phone, LBS-based IoT electronic ankle monitors, text and voice spam blocking system
- 3) Improvement of social benefits through mobile and AI services: mobile clinic, NUGU
- 4) Social utility of other services: including Happy GPS, Son Nuri/Sori Nuri, communications school

**CASE**

Measurement of SK Telecom's Consumer Surplus

After the number of mobile subscribers in Korea exceeded 100% in 2010, the rate of mobile subscribers continued to rise to more than 120% in 2017, and mobile communication has become an indispensable and essential asset to our daily lives. As the domestic and global mobile communication business continues to grow, international organizations and academic institutions such as OECD (2012)<sup>1)</sup> and MIT (2013) are actively conducting research to measure consumer and manufacturer surplus in the mobile communication business. As Korea's leading mobile network operator, SKT has measured consumer surplus in order to understand the value given to consumers through our products and service.

SK Telecom's consumer surplus measurement methodology is based on 'An Analysis of Mobile Telecomm. Market's Consumer Surplus and Dead-Weight Cost in Korea' (Park, Chun-hwan, Hansung, 2014). The study calculates consumer surplus through mobile telecommunication sales and price elasticity of demand (\*), and reflects the Consumer Price Index as a variable over time. Therefore, SK Telecom reflected the Consumer Price Index (\*\*) in the consolidated wireless communication revenue and used the price elasticity of demand to identify consumer surplus. As a result, the consumer surplus generated by SK Telecom's mobile telecom business in 2017 was estimated at KRW 15.7341 trillion.

Consumer surplus is the amount calculated when the actual price is

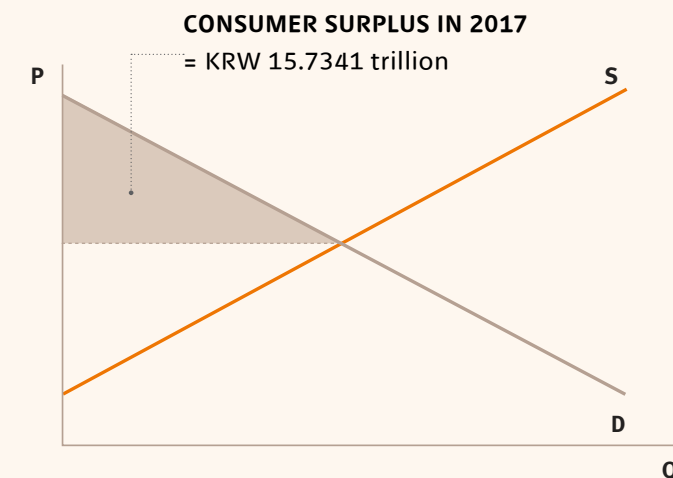
deducted from the price customers are willing to pay for services. Therefore, the calculation of consumer surplus implies that customers are provided with a higher level of value than the actual amount paid for telecommunication rates. We interpret it as the result of SK Telecom's continued efforts of customer-centered innovation to provide benefits customers can experience.

SK Telecom is committed to providing more effective value to subscribers by providing high quality mobile communication services that are reliable, as Korea's leading MNO. In particular, we are making continuous efforts to enhance customer satisfaction by making customer value innovation a top priority in the mobile communications business. SK Telecom will continue to make efforts to provide more value and convenience to customers and will thoroughly analyze customer data to provide optimal services to each customer to gain their loyalty and trust.

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

(\*\*) Consumer Price Index: Reflects the Consumer Price Index in the communication sector of Statistics Korea

**CALCULATION OF CONSUMER SURPLUS IN SK TELECOM'S MNO SECTOR**



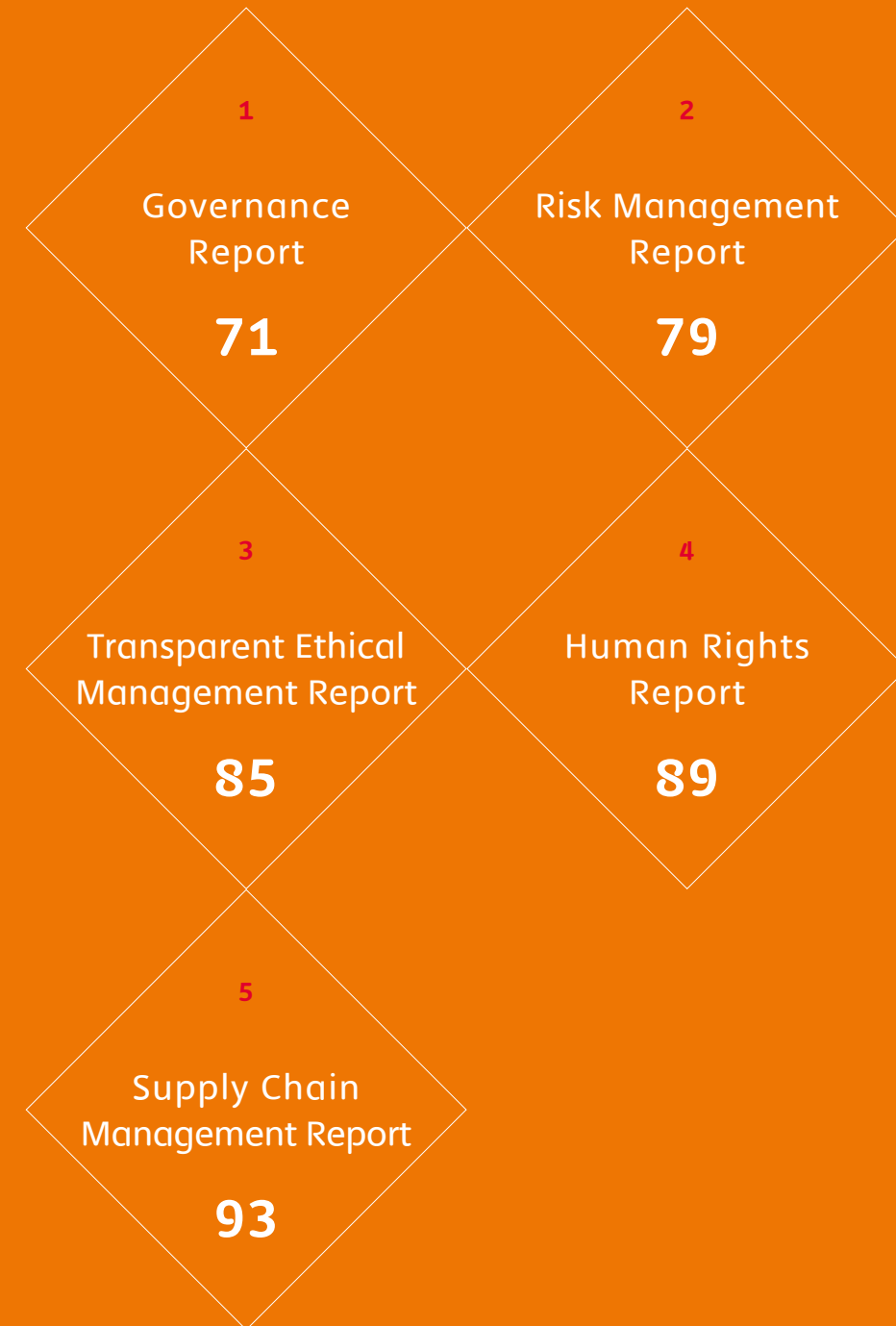
P : Price  
Q : Quantity  
S : Supply  
D : Demand

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# 03

# ACCOUNT- ABILITY



## ESTABLISH LONG-TERM CORPORATE VALUE BY IMPLEMENTING SOUND AND TRANSPARENT CORPORATE GOVERNANCE

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

### SK Telecom's Ownership Structure and Voting Rights Status

As of December 2017, SK Telecom's major shareholder is SK Holdings which holds 25.22% of the total shares. The National Pension Service (NPS), as the second largest shareholder, owns 9.16% of shares while institutional investors and minority shareholders hold 53.07% of the total shares. SK Telecom owns 12.55% of its treasury shares.

The total number of issued shares of SK Telecom is 80,745,711, which consists of 100% common shares without preferred shares. SK Telecom complies with the one-share one-vote principle, and does not have a differential voting stock system that grants multiple voting rights to specific stocks. In addition, 10,136,551 treasury shares of the company restrict voting rights pursuant to the Commercial Act of Korea; and as of December 2017, about 70,609,160 shares (87.45% of total issued shares) have been granted voting rights.

SK Telecom established the voting rights principle to protect and facilitate the exercise of shareholders' rights so that the shareholders can exercise control in proportion to their ownership. The company guarantees equal treatment of all shareholders including minority shareholders and foreign shareholders, and respects the rights of shareholders pursuant to the laws and regulations as well as the Articles of Incorporation.

In order to protect shareholder rights and increase participation, an electronic voting system was introduced in accordance with the BOD's decision in February, 2018.

### Management Ownership

SK Telecom encourages the CEO and executives to hold stocks so that management's interests may be completely aligned with shareholders' interests, aiming for responsible management activities based on mid- and long-term performance. As of March 2018, the CEO of SK Telecom held 1,000 shares through self-determined investment, and through the resolution at the 33rd General Shareholders' Meeting in March 2017, Jung Ho Park, CEO of SK Telecom, was granted a total of 66,504 stock options over three years. As of March 2018, the total stocks held by the CEO are 18.02 times of the salary.

As of December 2017, the Korean government does not hold any stake of SK Telecom. In relation to the owner & family ownership, Chey Tae-won holds 100 shares of SK Telecom in person, and he also serves as

the representative director of SK Holdings, the largest shareholder of SK Telecom. Chey Tae-won holds 23.40% of stake in SK Holdings, which has a 25.22% stake in SK Telecom.

### Performing Responsible Management Centered on the Board of Directors

According to laws and regulations, and SK Telecom's Articles of Incorporation, the Board of Directors has been given the highest decision-making authority related to the company's management from the shareholders. The Board holds the responsibility and role as the highest decision-making body and thus mediates diverse stakeholders' interests and approves management decisions. Furthermore, the Board undertakes the deliberation and approval of matters such as company's investment plans and conflicts of interest related to the internal transactions as well as transparent compensation.

#### MAJOR SHAREHOLDERS OF SK TELECOM

Classification	Number of shares owned	Ownership rate
SK Holdings	20,363,452	25.22%
National Pension Service	7,392,350	9.16%
Institutional investors and minority shareholders	42,853,358	53.07%
Treasury Shares	10,136,551	12.55%
Total sum	80,745,711	100.0%

As of December 31, 2017

#### TYPE OF SHARES AND VOTING RIGHTS

Classification	Number of stocks issued	Ratio	Note
Preferred Shares	-	0%	Without voting rights
Common Shares	70,609,160	87.45%	With voting rights
- With voting stock			
Treasury Shares	10,136,551	12.55%	Without voting rights
Total Issued Shares	80,745,711	-	-

As of December 31, 2017

#### MANAGEMENT OWNERSHIP

	Name	Shares	Stock option	Total (number of shares)	Compared to annual salary[*]
CEO	Jung Ho Park	1,000	66,504	67,504	Holds 18.02 times annual salary [**]
Executive director	Young Sang Ryu	-	1,358	1,358	-
Executive of affiliate	Chey Tae-won	100	-	100	-
Executive of affiliate	Dong-Hyun Jang	251	-	251	-

As of March 31, 2018

[\*] Share price is converted based on the closing price of stocks at the end of December 2017 and divided by the basic salary.

[\*\*] Only the equity of the registered executives is indicated.

Furthermore, the BOD of SK Telecom fulfills its roles and responsibilities to independently deliberate upon the positive and negative impacts that the company's decision-making may have on the person with interests to protect the corporate value from a long-term perspective. In 2017, a total of 12 Board meetings were held and the executive directors' and independent directors' attendance rate stood at 93.06%, satisfying the minimum quorum. As of December 31, 2017, the average tenure of the board members is 2.5 years.

### Corporate Governance Charter

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

### An Independent and Transparent Board

SK Telecom is continuing to strengthen the Board's operation with a focus on independent directors. Currently, the percentage of independent directors is 62.5%, which is higher than that of other large corporations in South Korea on average (50.6%, according to the large corporation governance status reported to the Fair Trade Commission in December 2017). Moreover, since 2009, SK Telecom has separated the positions of the Chairman of the Board and the CEO to enhance the independence of the governance structure and after 2012, an independent director who satisfies all independence requirements has assumed the responsibility of the Chairman of the Board.

SK Telecom's requirements for independent directors comply with domestic Commercial Laws, the Fair Trade Law and other laws, and they are also specified in the Board's Articles of Incorporation.

Additionally, to prevent conflicts of interest, directors are restricted from engaging in transactions pertaining to the company's business interests without prior approval or becoming a general partner or director of a company within the industry. In the interests of improving the Board's efficiency, independent directors and auditors are also limited to holding a maximum of two concurrent positions.

### A Diversity- and Expertise-Based Board Selection Policy

SK Telecom takes the diversity of its employees and stakeholders into consideration and forms a Board of Directors that can represent them. To accomplish this, the company maintains a director selection process in order to actively pursue diversity during the course of nominating and selecting directors in a manner that is free of discrimination based on gender, race/ethnicity or country of origin/nationality. In March 2018, SK Telecom appointed a new female independent director. Thus,

out of the total of eight directors, one director is female.

Furthermore, through its corporate Articles of Incorporation, SK Telecom stipulates that the members of the Board shall have deep expertise and experience in the areas of economics, management, accounting, law and telecommunications and execute precise decision-making based on this foundation, thereby contributing to the company's development, risk management and protection of shareholder rights. On this basis, SK Telecom is nominating and selecting as director candidates those individuals who are experts and can fill the skills gap vis-à-vis the company's goals for the Board's expertise. In particular, by maintaining a certain number of directors with the industrial backgrounds to make knowledge-based decisions, SK Telecom is focusing its efforts on ensuring skill balance & diversity.

Currently, SK Telecom has 8 industrial experts on the Board including 2 executive directors. According to the principles of independence, diversity and expertise, SK Telecom's Independent Director Recommendation Committee may nominate an independent director candidate and if the candidate is given final approval through a majority vote by the Board members attending, the candidate's appointment may be finalized at the General Shareholders' Meeting through a transparent and lawful procedure.

#### INDEPENDENCE OF SK TELECOM'S BOARD AND CONFLICT OF INTEREST STATEMENT

##### DISQUALIFICATION CRITERIA

- 1 Current executives, executive officers, and employees involved in the business affairs of the company; or former executives, executive officers and employees who were involved in the business affairs of the company in the past two years
- 2 The largest shareholder of the company, and his/her spouse and lineal descendants and ascendants
- 3 In case the largest shareholder is a corporate body, its directors, auditors, executive officers and employees
- 4 Spouses and lineal descendants and ascendants of the directors, auditors and executive officers of the company
- 5 The directors, auditors, executive officers and employees of the parent company or subsidiaries
- 6 The directors, auditors, executive officers and employees of corporate bodies who are major stakeholders
- 7 The directors, auditors, executive officers and employees of other companies at which a director, executive officer or employee of the company is serving as a director or executive officer

##### CONFLICTS OF INTEREST

- 1 A person who controls a company having a competitive relationship with the Company, as of interest specified in the Monopoly Regulation and Fair Trade Law (FTL) or any person relating to such a person
- 2 A person who is, or has within last two years been an officer or an employee of a company having a competitive relationship with the Company, or a company which belongs to the same enterprise group as such competitor under the Fair Trade Law (FTL)
- 3 A person who is, or has within last two years been an officer or an employee of a corporation that is the largest Shareholder or the 2nd largest Shareholder of a company having a competitive relationship with the Company, or a company which belongs to the same enterprise group as such corporation under the Fair Trade Law (FTL)

### The Board's Committees

To ensure that the Board of Directors faithfully executes its roles and responsibilities, SK Telecom operates five committees under the Board including the Independent Director Recommendation Committee, Audit Committee, Compensation Committee, CAPEX Review Committee and Corporate Citizenship Committee. To safeguard fairness and transparency, all the committees, except for the Independent Director Recommendation Committee, are entirely composed of independent directors.

### Independence of the Audit Committee

At SK Telecom, the composition, operation, authority and responsibility of the Audit Committee are stipulated in the Committee's regulations in accordance with commercial laws, other applicable laws related to the capital market and financial investment businesses and the company's own Articles of Incorporation. The Audit Committee is composed entirely of independent directors. It is responsible for overseeing accounting and conducting operational audits. In order to accomplish this, the Committee audits the financial statements and supplementary schedules; reviews the procedures and results of the audits performed by independent accounting firms; reviews the company's major issues; and reviews the operating status of the company's internal accounting system as reported by an internal accounting manager and an external auditor.



### BOARD ACTIVITIES (2017)

Session	Date	Main Agendas	Attendance rate (*)
397	Jan. 4, 2017	Approval of stock exchange agreement with SK Communication	100%
398	Feb. 2, 2017	33rd fiscal year financial statements, 33rd fiscal year business report, 2017 authorization of long-term financing, transactions with SK Broadband's real estate sublease, approval of the transaction size for the 2017 IT SM contract, status of the internal accounting management system, 2016 Q4 follow-up report	100%
399	Feb. 23, 2017	Revision of BOD Regulation, convoking the 33rd General Shareholders' Meeting, results of evaluating the operating status of the internal accounting management system	100%
400	March 23, 2017	Appointment of the CEO, appointment of the Chairman of the Board, appointment of the committee members, 2017 Q2 transactions with SK Holdings, revision of the Board of Directors' statutes, company bond transactions with the affiliated financial firm (SK Securities), fund management deal with the affiliated financial firm (SK Securities)	100%
401	April 27, 2017	2017 introduction of the in-house work welfare fund, 2017 payment of the operating expenses of the SUPEX Pursuance Association, 2017 Q1 follow-up report	100%
402	June 30, 2017	2017 Q3 follow-up report, company bond transactions with the affiliated financial firm (SK Securities), fund management deal with the affiliated financial firm (SK Securities), Happynarae share purchase, business transfer of Public Cloud, 2017 donation to the Korea Foundation for Advanced Studies, expense settlement with joint R&D affiliates	75%
403	July 17, 2017	Participation in iRiver's capital increase	75%
404	July 28, 2017	Investment in SK China, SSD technology transfer to SK Hynix, improvement of the Audit Committee's regulations, interim dividends, 2017 first-half statement of accounts report, 2017 Q2 follow-up report	100%
405	Sept. 28, 2017	2017 Q4 transactions with SK Holdings, subcontract with SK Holdings to supply the India Bharti Airtel with an AI network solution, comprehensive stock exchange with SK Telink, 2017 construction for building fixed-line and wireless networks, company bond transactions with the affiliated financial firm (SK Securities), fund management deal with the affiliated financial firm (SK Securities)	75%
406	Oct. 26, 2017	2017 donations for public silver housing spaces, plans for SK Telecom - Hyundai Motors - Hanhwa Group to establish a joint-fund for AI/autonomous-driving, 2017 Q3 follow-up report	100%
407	Nov. 9, 2017	Approval of share exchange agreement with SK Telink	100%
408	Dec. 15, 2017	2017 Management plan, 2018 Q1 transactions with SK Holdings, 2017 change of payment of the operating expenses for SUPEX Pursuance Association, 2018 deal with SK Infosec, 2018 construction for building fixed-line and wireless network infrastructure, 2018 resale of fixed-line products with SK Broadband, approval of short-term electronic bond issuance limits, company bond transactions with the affiliated financial firm (SK Securities), fund management deal with the affiliated financial firm (SK Securities), 2018 contract for joint management of business aircrafts, 2017 donations for construction of the SK Future Building in Korea University, 2018 operation service of customer contact channels, 2018 base station maintenance service, plan to promote the quantum cryptography business through acquisition of IDQ, results of inspection and validation of compliance, 2018 purchase of PS&M customer terminal bonds, extension of SK Brand usage agreement	100%

(\*) Attendance rate of Independent director

### COMPOSITION AND RESPONSIBILITIES OF THE COMMITTEES WITHIN THE BOARD (MARCH 2018)

Name of Committee	Composition	Authority and Responsibility
Independent Director Recommendation Committee	Executive director 1 Independent directors 2	· Recommend independent directors candidates for appointment at the General Shareholders' Meeting · Operate a fair and transparent process for appointment of outside directors.
Audit Committee	Independent directors 4	· Inspect and audit the directors' job execution, work performance and financial status · Investigation of the Board, injunction of violated actions and convening of an Extraordinary Shareholders' Meeting in accordance with the Commercial Act · Review and approve the transactions of affiliates including private contracts for transactions that are above a certain amount · Review the remuneration system and level for the CEO
Compensation Committee	Independent directors 3	· Review the CAPEX plan for the following year and review the CAPEX plan and risk factors when comprehensively changing the business plan for the current year
CAPEX Review Committee	Executive director 1 Independent directors 5	· Change the major CAPEX (exceeding 10% of CAPEX) / Review the quarterly or semi-annual CAPEX execution performance · Set and review initiative directions for responsible management in five sectors (ethical management, win-win growth, customer-centered management, social contribution and environmental management)
Corporate Citizenship Committee	Independent directors 3	· Report CSR initiatives and performance to the Board · Handle stakeholder communication and resolve their grievances · Comprehensive review of the company's mid-and long-term risks and opportunities

### ACTIVITIES OF THE COMMITTEES UNDER THE BOARD (2017)

Name of Committee	Date	Main Agendas	Attendance rate (*)
Independent Director Recommendation Committee	Jan. 23, 2017	Recommend independent director candidates	100%
Recommendation Committee	April 27, 2017	Appointment of chairman	
Audit Committee	Feb. 1, 2017	Operation status of the internal accounting management system, 2016 second-half management diagnosis and audit results and 2017 plan, auditors' opinion on the internal compliance monitoring system, contract for customers' gift payment, Happynarae expendable materials and supplies procurement	100%
	Feb. 22, 2017	Results of the 2016 fiscal year audit, results of the 2016 fiscal year internal accounting management system evaluation, evaluation of the operating status of the internal accounting management system, confirmation of the bill for the 33rd General Shareholders' Meeting and the opinion on the document examination, 33rd audit report	
	Mar. 23, 2017	2017 optical cable maintenance service, transmission equipment maintenance service, consultation for SK's innovation of social contribution	
	April 26, 2017	Chairman appointment, 2017 remuneration for outside auditors, 2016 comprehensive approval of service provision by outside auditors, 2017 accounting audit plan	
	June 29, 2017	Construction of fixed and wireless communications networks in 2017	
	July 27, 2017	Results of the half-yearly review of outside auditors, 2017 first-half management diagnosis and audit results and second-half plan	
	Nov. 22, 2017	Purchase of NU200 (NUGU mini) from IRIVER in 2017	
	Dec. 14, 2017	2018 switchboard maintenance service, lease transaction for electrical communication equipment, accounts receivables collection delegation, service transaction with SK Planet, product and service transaction with SK Techx, service transaction with SK Wyverns, 2018 work alliance contract with One Store, Happynarae expendable materials and supplies procurement	
Compensation Committee	April 26, 2017	Chairman appointment	100%
CAPEX Review Committee	April 26, 2017	Chairman appointment	100%
	Dec. 14, 2017	Investment plan for 2018	
Corporate Citizenship Committee	April 26, 2017	Chairman appointment	100%
	July 27, 2017	Report on major issues of 2016 Annual Report (integrated report)	
	Nov. 22, 2017	2017 CEM initiatives, Current status and plan of implementation of ethical management in 2017, plan for win-win growth in 2017 and major achievements	

(\*) Attendance rate of Independent director

### Performance Evaluations and Remuneration

SK Telecom evaluates its directors' performance and evaluations are considered during re-nomination after the end of his/her term, and the remuneration and severance pay for the directors are determined by a vote at a General Shareholders' Meeting and paid in a fair and transparent manner.

Each year, SK Telecom conducts a performance evaluation that covers the independent directors' attendance of the Board and the committee meetings, expertise in the company's businesses and technologies, contributions, how actively they fulfilled their Board activities, etc., and the results are discussed at a Board meeting. 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.

The remuneration of executives, including the CEO, is calculated based on the performance within the limits determined at the General Shareholders' Meeting. Performance evaluations include external key indicators such as three major customer satisfaction surveys and sustainability evaluation results as well as environmental and social indicators such as greenhouse gas reduction, sales for green solutions, and social contribution solution business sales. When calculating the remuneration in line with the performance, 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, share price and EVA and the long-term based KPIs including total shareholder returns, ESG performance and ESG related risk management performance, new Business Portfolio and growth drivers by executing new growth strategy. In the interest of enhancing the transparency of management and directors' remuneration, including that of the CEO, since 2014, SK Telecom has disclosed the individual remuneration of auditors and directors and auditors whose remunerations were above KRW 500 million within the company's business reports.

Meanwhile, in order to enhance the consistency of management's interests and shareholders' interests, and to provide compensation in a responsible manner in accordance with mid- to long-term performance, SK Telecom provides some of the compensation with stock options. To improve the long-term and ultimate corporate value through strengthened responsible management that considers long-term performance and alignment between the company and management's interests, SK Telecom granted stock purchasing options for 66,504 shares to the CEO in March 2017 and 5,707 shares to three executives in March 2018 through a vote at the General Shareholders' Meeting.

In addition, the company sets a performance period that is considered in calculating CEO compensation up to a maximum of 10 years, and institutionalizes the vesting period for share purchasing options to a maximum of 4 years to pursue long-term achievements.

### STOCK OPTION GRANTED FOR EXECUTIVES

Name	Position	Shares(*)	Date	Exercise period
Jung Ho Park	CEO	22,168	2017.03	March 2019 - March 2022
		22,168	2017.03	March 2020 - March 2023
		22,168	2017.03	March 2021 - March 2024
Sungwon Suh	Head of MNO	2,755	2018.03	March 2020 - March 2023
	Division			
Sang Ho Lee	Head of Service platform Division	1,594	2018.03	
Young Sang Ryu	Head of	1,358	2018.03	
	Corporate Center			

(\*) The stock option granted is automatically canceled if the executive does not serve for more than two years from the date of being granted, or if the executive retires, or is not appointed to a position as of the exercise date.

### CEO-EMPLOYEE REMUNERATION RATIO

Total CEO remuneration (KRW million)	Average employee remuneration (KRW million)	Ratio (*)
781	106	7.4

(\*) Amount calculated by dividing the total CEO remuneration by the average employee remuneration. The total CEO remuneration is the actual amount of remuneration paid from March 24, 2017 to December 31, 2017 to the CEO who was newly appointed in March 2017.

### REMUNERATION PAYMENT FOR DIRECTORS

	Total number (persons)	Total payment (KRW million)	Average remuneration (KRW million)
Registered director (*)	3	1,847	616
Independent director (**)	1	83	83
Audit committee member or auditor	3	180	60

(\*) Registered directors include the executive director and other non-standing directors.

(\*\*) Excluding audit committee members

### REMUNERATION PAYMENT FOR DIRECTOR/EXECUTIVE (\*)

Name	Total payment (KRW million)	Results
Dong-Hyun Jang (Executive director)	1,066(**)	<p><b>[Earned income-bonus]</b></p> <p>1) Calculation standard</p> <p>The management incentive for the 2016 performance, which was paid in early 2017, consists of the target incentive and profit sharing. The payment of the CEO's performance-based compensation of 0~200% of the annual salary is determined by a comprehensive evaluation of measurable indices such as financial performance including revenue and operating profit and the non-measurable indices such as leadership, achievement of strategic goals, expertise and contribution to the company's management performance.</p> <p>2) Basis of calculation</p> <p>- The company achieved a certain level of performance in terms of measurable indices in 2016 with sales of 1,791.8 trillion won and operating profit of 1,535.7 trillion won and was ranked 1st in NCSI for 19 consecutive years, and ranked No. 1 in all three network quality assessments such as KS-SQI and KCSI, and solidified its leadership as the industry's No. 1 mobile communications carrier by maintaining its solid performance, launching a customer-oriented special rate scheme, and brisk sales of mid-to low-end handsets.</p> <p>- Based on the open platform strategy, T map which is a mobile navigation service, and T-phone, a phonedial platform, were recognized by the market in the platform area. The launch of 'oksusu,' a mobile video service, and 'Nugu,' a voice-recognition in the Korean language AI device, have led the popularization of AI. The company paid a total of KRW 1,066 million of management incentives considering that the management has solidified the brand value through various initiatives in new business areas.</p>
		<p><b>[No remarks regarding retirement income and other income]</b></p>
Jung Ho Park (CEO)	781	<p><b>[Earned Income - Salary] KRW 772 million</b></p> <p>Calculation standard</p> <p>- Salary: In accordance with the directors' remuneration standards, the basic salary was set at a total of KRW 1,000 million considering the position (CEO), title (president), leadership, expertise, and contribution to the company, and by dividing the total amount into 12 months, about KRW 83.3 million is paid per month.</p> <p>* Total salary is the salary paid from March 24, 2017, the date when the CEO was appointed, through to December 31, 2017.</p>
		<p><b>[Earned Income - miscellaneous] KRW 9 million</b></p> <p>Payment of tuition and medical expenses</p>
		<p><b>[No remarks regarding retirement income and other income]</b></p>

(\*) Includes remuneration of the retired directors/executives based on the amount paid to director/executive who received more than KRW 500 million in 2017.

(\*\*) Remuneration of the highest remuneration recipient (Dong-hyun Jang) decreased by 19.9% compared to the previous year, and the average remuneration for the employees increased by 3.9%.

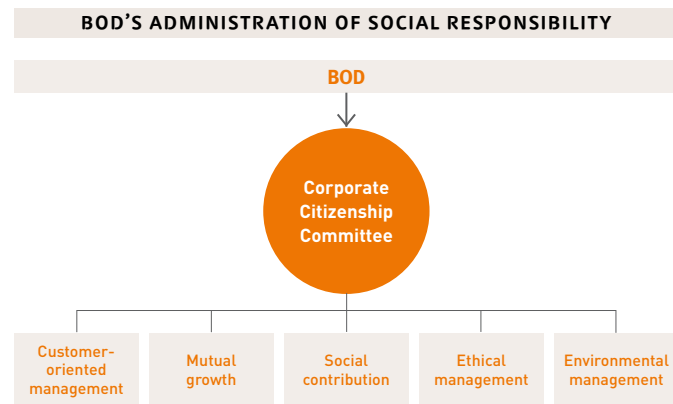
# RESPONSIBLE MANAGEMENT CENTERED ON THE BOD AND STAKEHOLDER ENGAGEMENT

## Corporate Citizenship Committee

To strengthen responsible management, SK Telecom established the Corporate Citizenship Committee in May 2008 as the highest decision-making body for responsible management under the Board. With a focus on the Corporate Citizenship Committee, SK Telecom is fulfilling its responsibility as a global company and practicing responsible management as part of its core management activities.

To improve long-term corporate value, the Corporate Citizenship Committee has a duty to carefully consider the company's sustainability and social responsibility in addition to making decisions for responsible management. As of March 2018, the Corporate Citizenship Committee consists of three independent directors, whose roles include setting the implementation direction in the five major sustainability management areas including customer-oriented management; mutual growth; CSV and social contribution; transparent and ethical management; and environmental management as well as advising on sustainability management activities, and monitoring the key issues and results.

Looking forward, SK Telecom has strengthened the role of the Corporate Citizenship Committee including through the operation of a consultative body that can support the Committee's activities, and expanded the Board's sustainability management roles and responsibilities. Since 2013, SK Telecom has published a yearly integrated report containing both the sustainability management report and financial performance results. The Corporate Citizenship Committee reviews of the integrated report including materiality assessment process and material issues before it is published.



## Stakeholder Engagement

Through the company's continued success and development, SK Telecom seeks to create value for its stakeholders as well as contribute to social and economic development and the well-being of humankind. In October

2016, SK Group revised its management system, SKMS, and expressed its resolution to make 'stakeholders' happiness' its top philosophy and increase the company's social value. SK Telecom amended its corporate Articles of Incorporation to include this resolution and reflected it in the Corporate Governance Charter adopted in February 2018. To put this into practice, SK Telecom clearly delineates its stakeholders into six groups, namely, customers, business partners, employees, local communities/NGOs, shareholders, and the government and is carrying out management activities based on communication with these groups. SK Telecom established its stakeholder engagement policies and both internally and externally expressed its commitment to stakeholder engagement. Based upon this, the company further improves the transparency and efficiency of its management through stakeholder engagement and seeks to acquire stakeholders' support and trust. SK Telecom's stakeholder engagement policies define the requirements for internal and external stakeholders to participate in all management activities, and to provide guidelines from the company-wide perspective related to stakeholder communication to the relevant internal organizations, and to provide a process to resolve stakeholder issues. These policies apply to all of the company's management activities including overseas operations. To equip individual departments to manage and process each of the stakeholder communication channels according to the stakeholder engagement policy, the company has designated the organizations and individuals in charge and operates according to a responsibility system. Of the feedback and grievances received through each channel, those deemed to have a substantial impact or are otherwise considered important are reported to the Corporate Citizenship Committee.

## CSR Grievances and Complaints

SK Telecom operates an integrated channel on its website to collect stakeholders' CSR complaints and grievances related to labor, human rights, the environment and ethics. Through this, if there are opinions, on the social responsibilities promised to stakeholders, cases of social responsibility violations in business processes or grievances and complaints about cases of damage, SK Telecom seeks to understand and actively resolve the CSR issues. After verifying the content of the feedback and grievances received through the CSR grievance channel, SK Telecom actively resolves them through the operating department's monitoring and due diligence. Furthermore, the content and handling process of CSR issue-related cases that were judged and acted upon as critical issues are reported to the Corporate Citizenship Committee under the Board, and actively reflected in management activities; and improvement efforts are being developed to prevent recurrence.

## STAKEHOLDER ENGAGEMENT AND COMMUNICATION CHANNELS

### GOVERNMENT

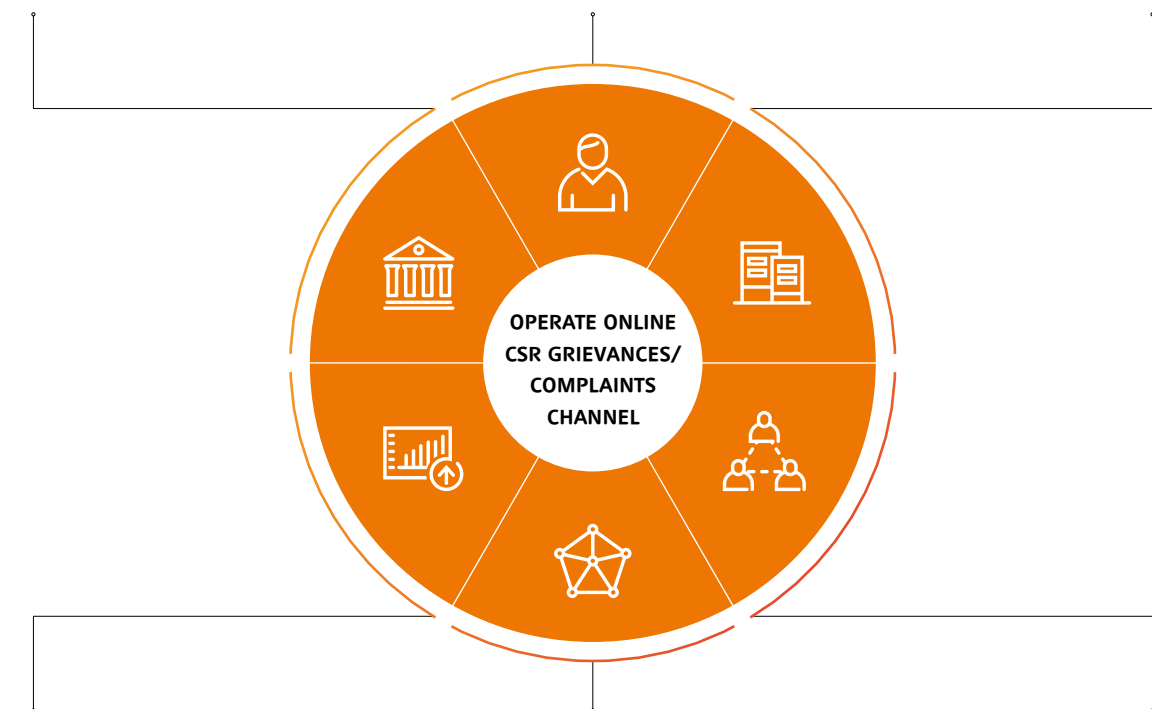
- Policy proposal by participating in meetings and discussions supervised by the government
- Public-private Project Participation
- Respond to government's competent authorities (Ministry of Science and ICT, Korea Communications Commission, Fair Trade Commission, Korea Commission for Corporate Partnership)

### CUSTOMERS

- VOC Collection channels such as On/offline Customer Center, "T World"
- Customer interaction within the distribution network through stores/branches
- CRM questionnaires
- Customer satisfaction survey
- SK Telecom homepage
- Social media pages such as blogs, Facebook, etc.
- Customer Advisory Board
- Meetings and events across the year

### BUSINESS PARTNERS

- VoP reception channel
- Portal site for business partners (Open2U)
- Win-Win Conference
- Partner's Day
- One-on-One Meetings
- Win-Win Innovation Center website
- Win-Win Growth Satisfaction Survey
- T open lab, Open Innovation Center



### SHAREHOLDERS

- Investor meetings (conferences, NDR, One-on-One/Group meeting etc.)
- Seminars on business status
- Information to investors (homepage)
- Public disclosure (FSS, KRX, SEC, LSE, etc.)
- Shareholders' meeting

### LOCAL COMMUNITIES

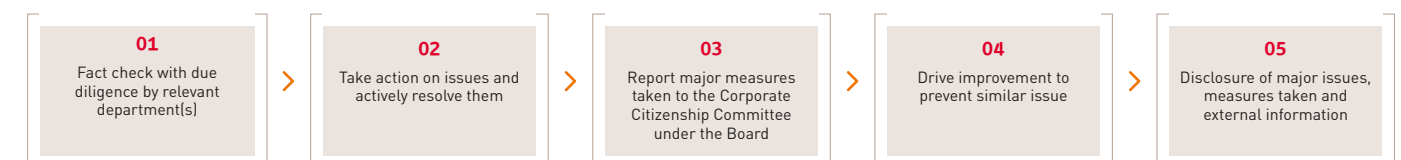
- Semi-annual meetings with NGOs
- Online volunteer platform
- Online donation platform
- Local Residents' Council (participating in community development)
- Social contribution programs
- CSV Advisory Council

### EMPLOYEES

- Labor union (labor union website)
- Labor-Management Council
- Letter to the HR (intranet)
- Company newsletter and in-house broadcast

## CSR GRIEVANCES/COMPLAINTS CHANNEL

The process for grievances/complaints on human rights, labor, social, environmental and customer privacy protection issues



# INTEGRATED RISK MANAGEMENT BASED ON A COMPANY-WIDE SYSTEM

## Risk Management Governance

SK Telecom's Board defines the company-wide risk profile and threshold levels by risk and holds the top responsibility for overall risk management decision-making. In the decision-making process for major management issues, the Board conducts decision-making regarding potential risks by issue and risk management. In particular, the Board recognizes the risks that the company may face and conducts the ultimate decision-making regarding the company's tolerance to exposure and response strategy regarding all of the risks including strategic risk, financial risk, and investment risk. Risks from the environmental and social perspective include operational risks, tax risks and reputational risks.

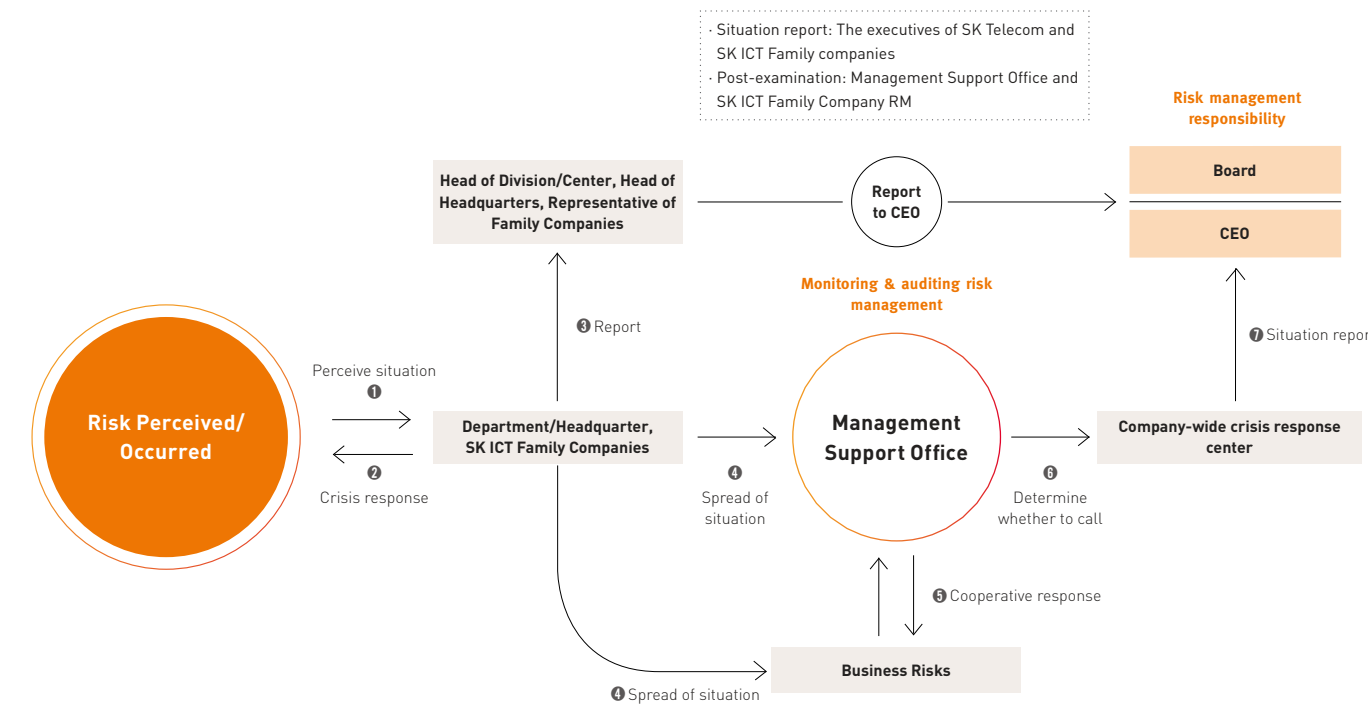
Monitoring and responding to company-wide risks is the responsibility of the Management Support Office, which is under the direct control of the CEO. The Management Support Office is in charge of managing the risk profile, mapping the responsible department regarding key risks

and defining the response by risk. Through close cooperation with the various business departments, this office also oversees monitoring according to the defined risk levels, spread of risk awareness, and coming up with appropriate responses. If an urgent risk arises, the Management Support Office reports it to the CEO and has the authority to summon the personnel of the Company-wide Crisis Response Situation Room, supervised by the head of the relevant Corporate Center.

## Managed Risks

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

### COMPANY RESPONSE SYSTEM FOR RISK INCIDENTS



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

## Crisis Response Process

Since 2014, SK Telecom has been strengthening its risk management system to operate a company-wide crisis response center to respond promptly to serious crisis situations. The Company-wide Crisis Response Situation Room is called upon during serious crisis situations necessitating urgent responses such as when the risk may affect various sections within the company or may have a serious impact on business operations, including a dramatic increase or spread of traditional and social media reports of a certain situation and drastic increases in reports of the same type of customer complaints (e.g. VOC, Voices of Customers) within a short period of time.

Such company-wide crisis situations include a nationwide network failure (incl. failures caused by natural disasters), leakage of customer information, as well as investigations and media coverage of unethical behaviors of executives and employees of the company.

## A More Advanced Risk Management Structure

SK Telecom has not only set up autonomous risk response systems by department and established risk response systems suitable for each business organization's characteristics and situation, but also enhanced the preemptive inspection system by business area. In par-

ticular, to prepare for the increasing impact of the risk of information security incidents, SK Telecom is continuously examining the level to which it is complying with security policies while also diagnosing and removing physical and technological vulnerabilities. Additionally, by conducting regular simulations, the company is building a response system that enables swift and methodical responses.

## Support for Investment Companies' Risk Management Systems

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

With the aim of improving management stability within the even more organic cooperative system, SK Telecom is operating a company-wide risk management working group, and has also formalized risk management meetings that include investment companies so that potential risks can be identified in an ongoing manner. Moving forward, SK Telecom will continue to ensure the stability of business operations by diligently overseeing its risk management system.


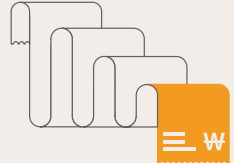

RISK MANAGEMENT AREAS AND FACTORS		
<b>Business Risks</b>	<ul style="list-style-type: none"> <li>• Strategy - Predict customer needs and demands, business decision-making, changes in technology and industry environment, etc.</li> <li>• Regulatory risks - Sudden changes in related systems and policies,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



# RISKS & OPPORTUNITIES



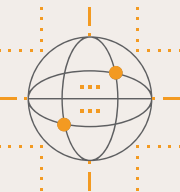
## Long-term Risks & Opportunities

SK Telecom is thoroughly analyzing significant risk factors in the management environment, identifying emerging risks and categorizing their impacts from the short-, mid- to long-term perspectives to respond strategically to them. Through advanced risk management that considers future risks to the company from a long-term perspective, SK Telecom seeks to overcome risks and create new opportunities.

RISK & OPPORTUNITIES	CONTEXT	STATUS
 <p><b>Limits to growth in the wireless telecommunications market</b></p>	<ul style="list-style-type: none"> <li>There are limits to growth in the saturated wireless telecommunications market as demonstrated by the over 48 million smartphones in use domestically and a wireless telecommunications penetration rate of 122.9% (as of December 2017).</li> <li>In addition, flagship terminal specifications that are the main factors causing market competition are upgraded, decreasing demand for the latest terminal, and the replacement cycle is continuously slowing down.</li> <li>It is possible that the growth trend of subscribers will remain stagnant due to the high domestic wireless telecommunications service penetration rate, which may have a negative effect on management performance. Continual efforts to explore new profit sources and create management results are necessary.</li> </ul>	Matured
 <p><b>Increased regulatory risk from telecommunications rate cuts</b></p>	<ul style="list-style-type: none"> <li>Reduction of telecommunications expenses to ease the burden of household telecommunications expenses is one of the concessions that civic groups and political circles have continued to demand.</li> <li>In conjunction with the National Planning Advisory Committee's Initiative to reduce household communication expenses announced in June 2017, the company has increased the selective contract discount rate on September 15, 2017, and adopted a plan to reduce rates for low-income families on December 22, 2017. The company's plan to reduce the rate for pensioners passed the review by the regulation innovation committee in April 2018, and other relevant discussions are underway.</li> <li>In particular, adopting a universal rate plan proposed by the government may be the continued risk in the Korean telecommunications market, where the government substantially determined the rate in the private sector and there are no examples either in Korea or overseas.</li> </ul>	Matured
 <p><b>Laying the Foundation for 5G Commercialization</b></p>	<ul style="list-style-type: none"> <li>In order to commercialize 5G, it is essential to develop 5G core technology, including stability and security, as well as to secure frequency that can implement the 5G technology.</li> <li>As global competition for 5G leadership is accelerating, many companies are speeding up the development of new services based on differentiated 5G technologies such as ultra-high speed/ultra-low latency, and many countries including the United Kingdom and the United States are pursuing frequency allocation within this year.</li> <li>In Korea, a frequency auction is scheduled to be held in June 2018, and the government is targeting the world's first 5G in March 2019.</li> </ul>	Emerging

POTENTIAL IMPACTS ON SKT	WHAT ARE WE DOING ABOUT IT?
<ul style="list-style-type: none"> <li>Korea's wireless telecommunications service market is maturing and mobile telecommunications demand is stabilizing.</li> <li>The telecom division's long-term profitability growth, which accounted for the majority of telecom operators' operating revenues, is expected to be limited, which could lead to a slowdown in SK Telecom's mobile telecom growth.</li> </ul>	<ul style="list-style-type: none"> <li>SK Telecom holds the top market share (48.2%, as of December 2017) through the highest quality data and voice call services, distribution network quality control in data and voice call service, network quality control, enhancement of substantial customer benefit and retention-oriented marketing activities.</li> <li>In order to secure the number of mobile subscribers, the company will set customer value innovation as a top priority and lead the qualitative growth of mobile communication by offering differentiated products and services that can give real benefits to customers. The company also seeks the opportunities to expand new revenue through the advanced 5G services.</li> <li>In addition, based on the core competencies of the traditional mobile communication business, such as our subscriber base, infrastructure and data, SK Telecom is focusing on reorganizing its business structure as a provider of new ICT-based services and creating new revenue models in growth areas.</li> </ul>
<ul style="list-style-type: none"> <li>Telecom businesses are highly influenced by government regulations, and financial effects such as a decrease in sales of the mobile communications business due to measures to reduce household telecom costs and profit damage are inevitable.</li> <li>In recent years, the government's artificial intervention risks are compromising the overall market competition, while the recent market autonomous competition has strengthened customer benefits and eased their communications expense burden.</li> <li>On the other hand, if rational conclusions are drawn in relation to the introduction of full self-sufficiency of handsets, it will be possible to create an opportunity to reduce the inconvenience of consumers and to transform the market competition into product and service quality competition and ultimately enhance competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>SK Telecom strives to increase the users' actual benefits by providing differentiated products and services rather than just decreasing the rate.</li> <li>In particular, the company actively adopts special rate systems for low income families as well as the disabled and senior citizens in order to provide indispensable communication services to the group with low service accessibility. SK Telecom provides price discount benefits in accordance with the government's rate-reduction policy.</li> <li>We are making efforts to create just policies by proactively communicating with the Ministry of Science and ICT and the Korea Communications Commission in relation to the company's investment capabilities and role in 5G, the core infrastructure of the 4th Industrial Revolution.</li> </ul>
<ul style="list-style-type: none"> <li>With the intensified competition for early commercialization of 5G by the global mobile operators, it is expected that the securement of global standardization and frequencies through securing core technologies such as 5G front hall and network slicing will be key to 5G competitiveness.</li> <li>Excessive costs for 5G frequency and investment in network may be the risks to the mobile communication operators before 5G related business models are materialized, and there might be unexpected difficulties for Korea in occupying the leading position in the global 5G market.</li> </ul>	<ul style="list-style-type: none"> <li>In the case of 5G core technologies, SK Telecom has contributed to establishing international standards for major technologies such as 5G front hall and network slicing, and has actively engaged in the global standardization process by demonstrating the world's first 5G data communication based on international standards at the end of 2017.</li> <li>In the case of frequency, the company plans to secure optimal frequency by comprehensively examining the business model to be developed through 5G, infrastructure competitiveness, and efficient operation of frequency resources.</li> <li>SK Telecom is continuing with its efforts to upgrade and standardize 5G-related technologies, explores new business models realizing ultra-low latency and super connectivity, which are the characteristics of 5G, thus creating a new profit model.</li> </ul>

## RISKS & OPPORTUNITIES

RISK & OPPORTUNITIES	CONTEXT	STATUS
 <p><b>Privacy Risk</b></p>	<ul style="list-style-type: none"> <li>The high-speed Internet network has the nature of a public good, and privacy protection is not only the foundation of customer trust but also the basic duty of a provider.</li> <li>Privacy protection is a basic right and legally protected under the Protection of Communications Secrets Act, etc. However, it can also be restricted for the public interest in cases of certain criminal suspects, terror and national security.</li> <li>Wireless telecommunications providers have an obligation to protect customers' personal information that the company maintains from damages due to hacking, viruses infection, etc.</li> <li>Telecommunications companies have an obligation to maintain the confidentiality of personal telecommunications information. Thus they must establish clear, balanced positions and policies between governmental or political requests for personal information and the protection of customers' privacy.</li> </ul>	Emerging
 <p><b>Climate Change Risk and Increased Pressure on Energy Efficiency</b></p>	<ul style="list-style-type: none"> <li>As the danger from climate change becomes a major global agenda, climate change regulations are gradually being strengthened by enhancing the Emissions Trading Scheme (ETS). This is therefore giving rise to risks related to securing emissions credits and increased operating expenses from the cost of electricity.</li> <li>The Korean government, following the completion of the post-Kyoto Protocol at the COP21 (Paris Pact) at the end of 2015, set a national target of reducing GHG emissions by 37% compared to BAU by 2030, and is strengthening market and non-market regulations.</li> <li>The government announced its policy of denuclearization in 2017, and announced a road-map to promote new &amp; renewable energy and improve the national energy system.</li> <li>ICT-based business opportunities are newly emerging such as the Next Grid for the greater risk of climate change and improving energy efficiency.</li> </ul>	Emerging
 <p><b>Network Neutrality</b></p>	<ul style="list-style-type: none"> <li>Network neutrality is based on the principle that Internet service providers should allow equal access to all traffic on Internet networks without regard to the users or content providers. In Korea, the 'Network Neutrality and Internet Traffic Management Guidelines (2011);' 'Standards for the Reasonable Management of Traffic on Communications Networks / Transparent Use and Traffic Management (2013);' and 'Criteria for illegal acts of imposing unreasonable or discriminatory conditions or limitations among the telecommunications providers (2017)' - are in effect, and telecommunications companies comply with them.</li> <li>There are changes being made to global net neutrality. The US Federal Communications Commission (FCC), a supporter of net neutrality, eased the Net Neutrality Guidelines, while the Body of European Regulators for Electronic Communications (BEREC) also reviewed the conflict between 5G's characteristics and net neutrality.</li> <li>It is expected that the Korean government will comprehensively consider global trends and unfold network neutrality policies in the interest of ecosystem development including growth-business related to the 4th Industrial Revolution before commercializing 5G.</li> </ul>	Emerging

POTENTIAL IMPACTS ON SKT	WHAT ARE WE DOING ABOUT IT?
<ul style="list-style-type: none"> <li>Procedures and grounds for requests of personal information from domestic law enforcement agencies, investigative agencies and government agencies are stipulated in the Communication Privacy Act and Telecommunications Business Law.</li> <li>The amount of communication data provided by domestic telecommunications service providers at the request of government agencies such as the prosecutors, the police, the NIS, etc., is 473,145 communication data, and 142,657 communication confirmation data (Based on the number of documents requested announced by the Ministry of Science and ICT in May 2018). Moreover, the use of personal information for criminal investigation purposes is expected to increase further in the future.</li> <li>SK Telecom needs to establish a balanced policy between the efforts to protect the user's rights such as privacy protection and to cooperate with government agencies, and the company considers it from a long-term risk perspective.</li> </ul>	<ul style="list-style-type: none"> <li>SK Telecom has established human rights principles for freedom of expression and abuse of technology through formalized corporate human rights policies, and is committed to protecting the rights of users and human rights by protecting personal information.</li> <li>The cooperation for 'communications data,' 'communication confirmation data,' and 'communication restriction measures,' is carried out according to the strict procedures and restrictions stipulated by the current law.</li> <li>SK Telecom is pursuing zero cases of privacy protection incidents through the company-wide efforts. To protect customer privacy, the company is strengthening the features of the privacy protection control tower and updating the diagnostic system, building a data-based Intelligent Security system, strengthening the wireless telecommunication network IT system. The company is pursuing zero accidents of information security by strengthening personal and material security systems in accordance with the changes in the ICT environment.</li> </ul>
<ul style="list-style-type: none"> <li>SK Telecom consumes a large amount of energy across its data centers and networks to operate its networks and base stations, increasing the necessity of capitalizing the externalities from GHG emissions and managing them.</li> <li>There is a need for SK Telecom to be continuously aware of this situation because of the financial burden that the company may have to bear as well as the negative impact this may have on future business operations, such as the environmental liabilities that may result because the amount of emissions credit allocations from the government are low compared to SK Telecom's anticipated GHG emissions (BAU) and there are long-term uncertainties in the emissions trading market.</li> </ul>	<ul style="list-style-type: none"> <li>SK Telecom continues discussions through the Corporate Citizenship Committee of the Board in order to actively respond to the Emissions Trading Scheme (ETS). In addition to its own greenhouse gas reduction activities, SK Telecom takes diverse actions to mitigate price risk through diversified purchasing of emission credits. These measures were recognized through the amounts reduced between 2012 and 2013, and an additional allocation of quota was applied for GHG emissions through the purchase of new equipment in 2017.</li> <li>SK Telecom is striving to minimize environmental risks that may occur in the future by providing social GHG reduction research and infrastructure that utilizes ICT. For instance, the company's GHG savings calculation method utilizing T map navigation was recognized as an international standard.</li> <li>SK Telecom is carrying out diverse data-based environmentally efficient businesses such as BEMS (Building Energy Management System), FEMS (Factory Energy Management System) and various ICT-based smart/ green solutions by approaching continued climate change risks from a new market-opportunity perspective.</li> </ul>
<ul style="list-style-type: none"> <li>5G provides network slicing which enables various services in one hardware infrastructure through software virtualization technology, and it is expected that customized services tailored to the characteristics of each industry can be provided.</li> <li>If net neutrality is deregulated, it will be possible to implement ultra-low latency and reliable services. It is possible to expand the business model to the B2B domain beyond B2C through cooperation with various industry groups, thus diversifying the profit structure.</li> </ul>	<ul style="list-style-type: none"> <li>SK Telecom has complied with the domestic regulations related to network neutrality since it has established the 'Guidelines for Network Neutrality and Internet Traffic Management' in 2011.</li> <li>The company will fulfill its role as a network provider by responding promptly to changes in network neutrality regulations.</li> <li>The company also pursues differentiated infrastructure competitiveness and successful commercialization of 5G based on efficient and reliable network operation technology, and seeks diversified profit models such as customized B2B services based on the improvement of net neutrality regulation in the 5G era.</li> </ul>

# PRACTICING FAIR AND TRANSPARENT ETHICAL MANAGEMENT

## Code of Conduct and Practice Guidelines

SK Telecom has declared its responsibilities to stakeholders including its employees, business partners, customers, shareholders, and local communities through its Code of Ethics and Practice Guidelines, and clearly presented the directions regarding the company's comprehensive ethical management including application standards and attitudes of the Code of Ethics with which all employees are expected to comply. The company is applying a zero-tolerance policy regarding violation of internal rules and regulations. Based on the standards set forth in the Code of Ethics and the Practice Guidelines, detailed action plans are presented in the Practice Guidelines for the Code of Ethics (FAQ) to prevent any confusion that may arise due to the different judgment of each individual. In addition, SK Telecom provides counseling and guidance through ethical management consultation on various ethical issues that are not included in the Practice Guidelines for the Code of Ethics.

## Ethical Management System

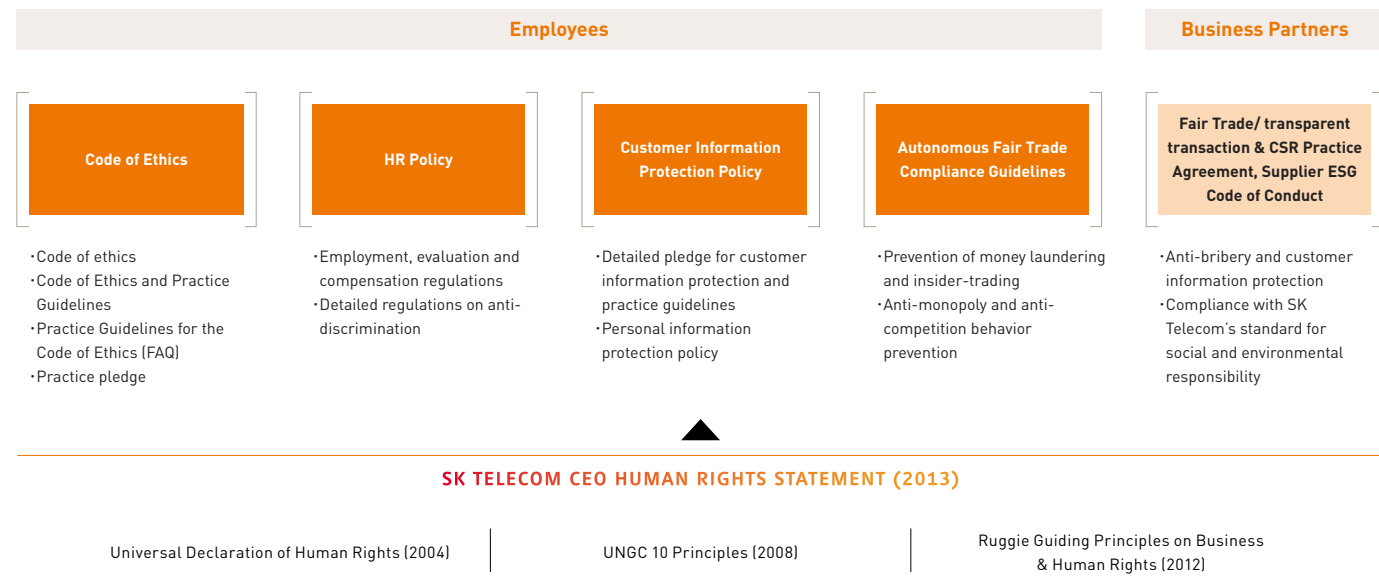
SK Telecom is implementing ethical management from three perspectives: Prevention - Detection - Response. In 2017, while SK Telecom continued

to develop each of the three domains of its ethical management framework, the company implemented ethical management to strengthen prevention activities, establish a culture of practice, and improve the ethical management infrastructure of investment companies.

## Strengthened Prevention Activities

SK Telecom conducts ethical management practice surveys in order to preemptively identify potential risks for ethical management and improve the vulnerable areas. All the employees of the investment companies are subject to surveys on ethical management practice diagnosis, and through a periodical diagnosis once yearly, SK Telecom prevents the company and its employees from being exposed to unethical risks. Following the amendment of the Code of Ethics in November 2017, the Practice Guidelines for the Code of Ethics was amended in January 2018 to strengthen the linkage with the company-wide core values and to divide the ethical practice into 'Customer - Business Partner - Company - Member - Me.' Through this process, we have clearly communicated ethical practice messages based on our interests and strengthened our employees' awareness of ethical management practices.

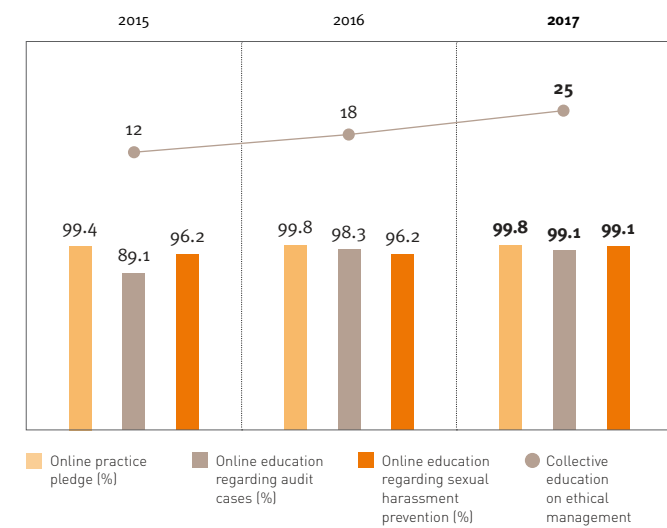
### SK TELECOM'S CODE OF CONDUCT FRAMEWORK



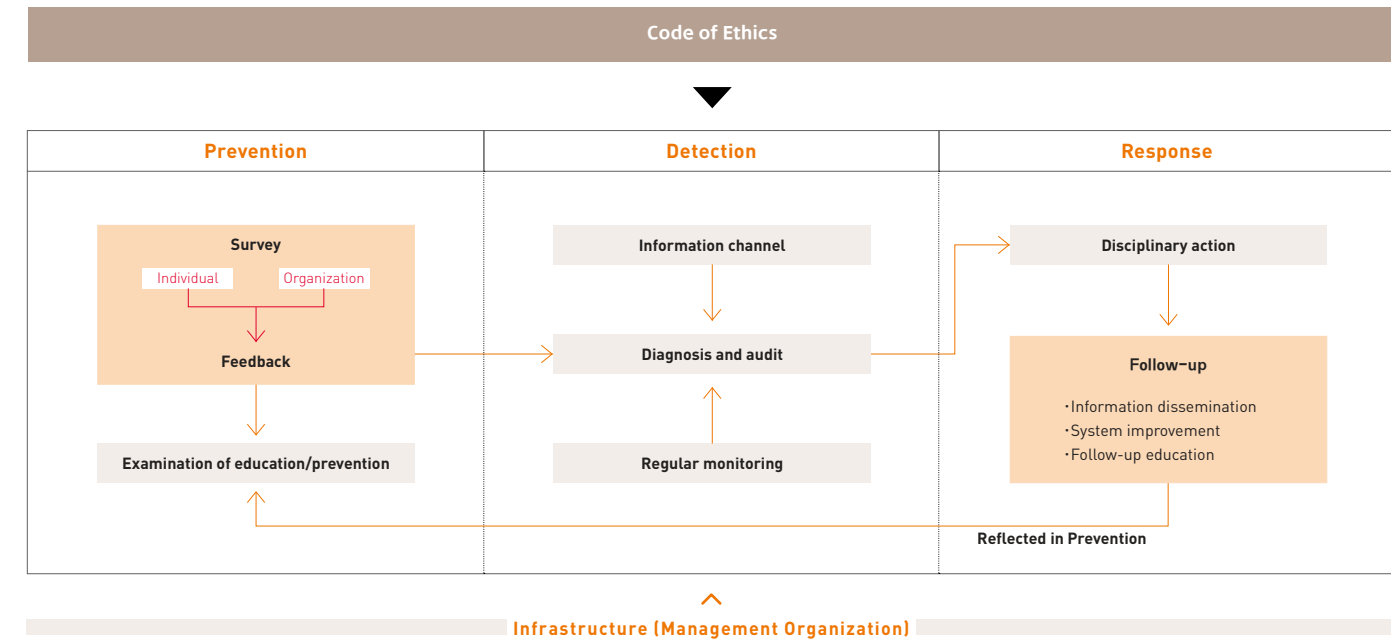
## Internalization of Ethical Management Practice

SK Telecom, through preventive inspections and education on identified potential risks, implements proactive prevention on case occurrences and protects employees, and it is conducted online for the convenience of the participating members. The ethics pledge and ethics education are regularly implemented for all employees and the needs of new employees/experienced employees/leaders and organizations are reflected to reinforce on-demand education that focuses on raising awareness of ethical management in employees. In 2017, SK Telecom hosted the ethical management practice workshop to enhance employees' awareness at all levels at SK Telecom, and the investment companies' abilities to resolve conflicting and dilemma situations that the employees may face in performing actual business activities. SK Telecom spreads its ethical management culture through all business activities by expanding the scope of targets for ethical management education to partner companies, distribution networks and investment companies. Moreover, SK Telecom issues the "Ethics Practice Letter" every other month to support education on the Code of Ethics and Practice Guidelines and internalize the Practice Guidelines for the Code of Ethics to continue efforts to prevent the occurrence of ethical risks.

### STATUS OF EMPLOYEE ETHICAL MANAGEMENT EDUCATION



### SK TELECOM ETHICAL MANAGEMENT FRAMEWORK



COMPANY OVERVIEW | SOCIAL VALUE | ACCOUNTABILITY | FINANCIAL & NON-FINANCIAL STATEMENTS | OTHER INFORMATION

**Ethical Management Diagnosis and Auditing**

In order to preemptively prevent business, management, and ethical risks in field organizations, SK Telecom has developed 27 internal control audit support scenarios based on the SK Group Ethical Management Policy (2015), and carried out sequential inspections on ethical issues. In particular, in 2017, there were 20 of the 27 scenarios developed as automatic inspection items in the ethical management portal to build a self-inspection and regular monitoring system at the organizational level.

In addition, SK Telecom regularly conducts ethical management diagnoses and audits to help leaders take the initiative in ethical management and to prevent inefficiencies and potential risks in each of the business areas. In 2017, the ethical management diagnostics and auditing included the diagnosis on the roaming business, management diagnosis on investment companies, iRiver and Entrix, and inspections on field activity expenses of the marketing department, and correctional measures based on the diagnostic results were implemented 100%.

**ACTIONS TAKEN AGAINST CODE OF ETHICS VIOLATIONS IN 2017**

Type	Cases	Actions
Sexual harassment and workplace conduct	6	6 suspensions
Entertainment and other special treatment	3	1 suspension / 2 reprimands
Receiving gifts or money	2	2 dismissals
Excessive loans	2	1 dismissal / 1 reprimand
False reporting and budget abuse	1	1 dismissal
Side jobs	1	1 dismissal
Misappropriation of company money	-	-
Management responsibility	-	-
Reputation damage	-	-
Breaches of the Anti-trust Policy	-	-
<b>Total</b>	<b>15</b>	<b>7 suspensions / 5 dismissals / 3 reprimands</b>

**Ethics Counseling and Reporting**

SK Telecom operates an Ethics Counseling Center to enable regular reporting of ethical management issues and counseling. SK Telecom opens online and offline channels such as a corporate website, in-person counseling and mail correspondence, etc., which are available to all SK Telecom stakeholders including employees, customers and partner companies, who need ethical counseling and reporting. These channels serve not only as a window to report wrongful conduct and corruption, but also as a tool to provide consulting various ethical issues that the stakeholders face.

In addition, SK Telecom operates various internal counseling and reporting channels for employees. Employees can use the direct reporting channel connected to the chairman of the Audit Committee whenever they wish to make a direct report. SK Telecom also strives to provide counseling and to resolve ethical issues and grievances of employees through multifaceted methods such as 'My Counselor', 'Letter to HR', the availability of female counselors for sexual harassment cases, intranet channels and anonymous bulletin boards.

**ETHICS COUNSELING CENTER OPERATION**



**Strengthened Protection of Reporters**

SK Telecom operates a counseling and reporter protection program to protect the identity of the person who uses the counseling and reporting system and the contents discussed, and ensures that the relevant matters are kept confidential so that they are not disclosed against the will of the person concerned. Along with these efforts, in September 2015, the company strengthened the policy of protecting internal reporters, stipulated provisions for the protection of identity, matters consulted and reported by the internal reporter in the Code of Ethics and Practice Guidelines, and introduced a disciplinary action system regarding the leakage of the reporter's identity.

**Fair Competition, Culture of Transparent Transactions**

In order to enhance fair competition and transaction transparency of partner companies, SK Telecom operates the Autonomous Fair Trade Compliance Program and inserts the provisions on fair and transparent transactions in the CSR Practice Agreement, making fair trade compliance mandatory. The same fair trading compliance standards for suppliers are applied regardless of country or region, and if any supplier disagrees or does not comply with them, SK Telecom will not accept registration as a partner company or will terminate the existing contracts to firmly enforce compliance.

**Anti-Trust Compliance**

The SK Group, which SK Telecom is part of, enacted the "SK Compliance System Guidelines" in 2008 and has distributed it to each affiliated company to strengthen its fair trade system. SK Telecom has not been involved in any antitrust investigations in 2017 nor did it pay any fines for breaching fair trade practices. SK Telecom will continue to spread the fair trade culture and lead the growth of the entire ICT industry through cooperation with partners.

**TRANSPARENT PUBLIC POLICY PARTICIPATION AND DONATIONS**

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

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

**PUBLIC POLICY EXPENSES** KRW million

	2015	2016	2017
<b>Political Donations(*)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Lobbying funds, support for interest groups or similar	0	0	0
Local, regional or national political campaigns/candidates	0	0	0
Trade associations or taxexempt groups	0	0	0

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

**CONTRIBUTIONS TO ASSOCIATIONS** KRW million

	2015	2016	2017
<b>Association Donations(*)</b>	<b>9,562</b>	<b>7,416</b>	<b>3,274</b>

(\*) Association donations: association fees for telecommunications policy-related institutions with guaranteed political neutrality

Organization(**)	Barun ICT Research Center	Large Small and Medium Business Agricultural Cooperative Federation	Korea Telecommunications Operators Association (KTOA)	Korea Association for ICT Promotion (KAIT)	Korea Welfare Information & Communication Association (KWICA)
<b>Donation amount in 2017</b>	980	936	213	200	50

(\*\*) Top 5 contributions to associations in 2017

## COMPANY-WIDE HUMAN RIGHTS DUE DILIGENCE AND MITIGATION MEASURES

SK Telecom takes the utmost care to prevent either the company's direct operation or its business relationships from causing any human rights violations. SK Telecom believes that information and communication technologies can promote information exchange and individual access, and enhance social knowledge, openness, and transparency, ultimately contributing to the improvement of quality of life and human rights. SK Telecom is committed to respecting the human rights declared in the Universal Declaration on Human Rights and integrating the UN Guiding Principles on Business and Human Rights into the overall business process. Please refer to pp.137-138 for the CEO's statement on SK Telecom's human rights policy.

### IDENTIFICATION OF HUMAN RIGHTS ISSUES IN THE VALUE CHAIN AND THE MITIGATION PROCESS

#### Scope

The UN Guiding Principles on Business and Human Rights provide companies and stakeholders with a clear framework to promote human rights in the business operation process. Under the principles of "Protect, Respect, Remedy," it expects companies to respect human rights, strive to prevent infringements on rights, and actively remove negative human rights issues.

SK Telecom introduced a corporate-level human rights policy in 2012, and has continuously strengthened the company's management in the human rights sector. SK Telecom, through its human rights policy, identified major human rights factors related to the business: 1) the human rights of all the employees and business partners, 2) the protection of personal information and privacy, 3) the rights to access information and freedom

of expression, and 4) the prevention of the misuse of technological services and data. In this regard, SK Telecom conducts a survey regarding whether there are any detailed human rights risks throughout the value chain to which SK Telecom, subsidiaries and business partners belong.

#### Risk Identification

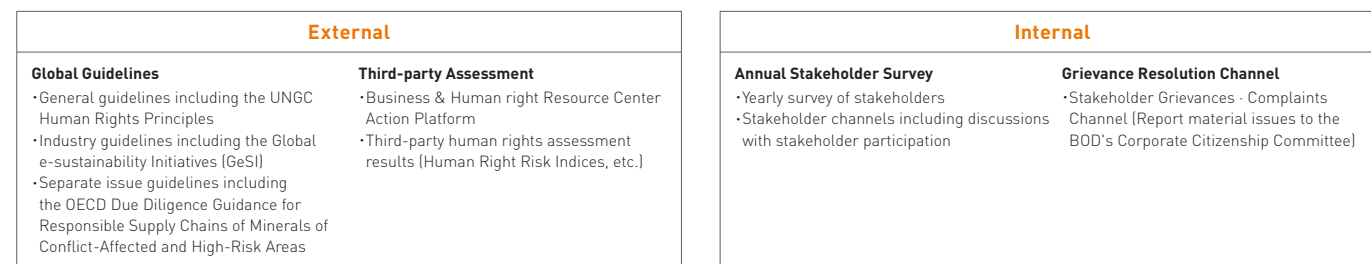
SK Telecom redefined the priorities of major human rights issues by conducting a Gap Analysis that compares human rights policies with the UN Guiding Principles on Business and Human Rights. SK Telecom's human rights risk identification procedures include: 1) Research regarding recent human rights issues including OECD guidelines for conflict minerals, 2) tracking of human rights issues from third parties such as Global Human Rights Action Platform and NGOs, 3) annual stakeholder surveys and issue identification and 4) review of integrated grievance resolution content gained through the Board of Directors(Corporate Citizenship Committee) and channel for raising CSR issues.

#### Establishment of Mitigation Process

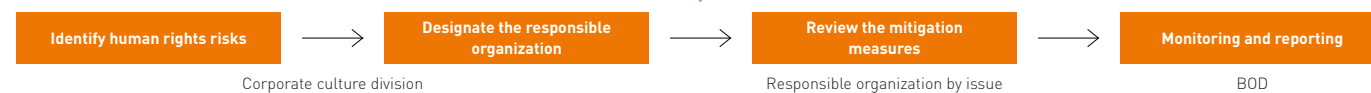
Risk analysis for 2017 was led to selection of the following human rights issues: 1) Conflict mineral at the raw material collection stage for network and device equipment, 2) employees' work hours and safety at the network construction and operation stage, 3) humanitarian treatment and protection of customer service consultants, and 4) personal information protection in the sales and distribution processes. The relief and mitigation measures enable SK Telecom to understand the current status of the identified priority in the human rights issues through due diligence; and to map the dedicated organization for each issue so that the measures can be carried out continuously, and not just as a one-time

### HUMAN RIGHTS RISK IDENTIFICATION AND MITIGATION MEASURES ESTABLISHMENT PROCESS

#### Risk Identification



#### Process for Establishing Mitigation Measures



event. For example, in the case of conflict minerals, which are the major risks, the SCM office takes responsibility for the regular tasks regarding the issues, while the call center work environment issues are handled by the Customer Value Innovation Office's Customer Care Team. As such, SK Telecom matches each issue with the responsible organizations for fundamental solutions.

### RESULTS OF THE DUE DILIGENCE ON CORE HUMAN RIGHTS RISKS

#### Conflict Minerals

The term "conflict minerals" refers to minerals such as gold, tungsten, tin, and tantalum mined from the Democratic Republic of the Congo (DRC) or neighboring countries, and the fact that armed rebels within the DRC have raised funds through conflict minerals over the past 10 years has brought a major human rights issue in the telecommunications and electronics industries into the public domain. The products that require the most attention in relation to conflict minerals are electronic devices such as mobile phones and notebooks. Although SK Telecom does not manufacture electronic devices itself, the company identifies the country of origin and conducts due diligence using RBA (Responsible Business Alliance, the former EICC) and the CMRT (Conflict Minerals Reporting Template) provided by GeSI to verify whether the materials, parts, or equipment supplied to SK Telecom contain conflict minerals. The results of the due diligence of the supply chain in 2017 did not show any direct purchase of conflict minerals as well as any direct contractual relationship with the refineries in the disputed area. As a result, no conflict minerals require additional supply chain inspection.

	2015	2016	2017
SK Telecom's Use of Conflict Minerals	0	0	0
Measures for Resolution	Continuous monitoring of whether conflict minerals are used in main business sites		

#### Network Operation Employees' Working Hours and Safety

SK Telecom has built and operates 2.79 million base stations nationwide for its wireless communication network. In the course of carrying out data processing works and physical maintenance of the network, workers may be exposed to human rights issues related to safety accidents and working hours. Network O&S, a subsidiary of SK Telecom, has continuously managed the occurrence of safety accidents at the company-wide level, inspected the status of the use of safety equipment (helmets, etc.) and carried out a campaign for safe operation of vehicles. In 2017, SK Telecom surveyed the monthly safety status and identified one major risk. Working hours, one of the global human rights issues, has recently become a major business issue in Korea as it has agreed to shorten the statutory maximum working hours (including O/T work). As the increase in the amount of equipment due to a change in the communication service environment could have led to an increase in the working hours, the company has systemized the registration of work status through the prior permission of the team leader during holidays or night shifts. Through these efforts, the company is constantly striving to create a comfortable working environment so that employees can have sufficient rest and work efficiently during working hours.

	2015	2016	2017
Work hours per person (Hours / Week)	52.9	53.2	52.6
Measures for resolution	Instances of working during rest days or night shifts must be registered in the absenteeism and tardiness management system and approved by the team leader. Working during rest days or night shifts take place after the team leader grants advance approval of the work order.		

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

SK Telecom has regularly cooperated with its call center subsidiaries to take protective measures by improving the treatment of service consultants and enhancing the work environment. Consultants who are in charge of service counseling are exposed to emotional labor at all times and experience verbal abuse and profanity on an average of once or twice a month.

The subsidiary of SK Telecom's call center is continuously improving its policy to protect service consultants from the negative impact of emotional labor. Major policy includes procedures for understanding (warning), terminating the conversation, and connecting to senior employees (employee protection program) when exposed to unlawful acts such as abusive language, profanity, intimidation, sexual harassment, or to unreasonable demands, etc. Taking effect from April 2018, the company started to guarantee the consultant's rights to relax by limiting general counseling services (such as fees inquiries) from 12:00 to 13:00 during lunch hours except in emergency cases. In addition, SK Telecom operates its "Mind Care" program, which is a preliminary/follow-up program to understand consultants' job stress and their response to it through one or more mental health examinations each year, and to continue personal and group consultation for those in high risk. In addition, in order to protect individual freedom and prevent stress, the company has been operating a four-hour work system and a six-hour work system that allow employees to freely choose their working time since 2014.

### EMOTIONAL HEALTH DIAGNOSES AND CONSULTATION

	2015	2016	2017
<b>Service Top</b>			
Number of Participants in Diagnoses	3,963 persons (97%)	3,735 persons (100%)	3,214 persons (100%)
Measures for resolution- Personal consultation	352 persons	605 persons	721 persons
Measures for resolution- Group consultation	322 persons	546 persons	679 persons
<b>Service Ace</b>			
Number of Participants in Diagnoses	3,781 persons (100%)	3,384 persons (98.5%)	3,204 persons (96.3%)
Measures for resolution- Personal consultation	106 persons	107 persons	127 persons
Measures for resolution- Group consultation	179 persons	311 persons	218 persons

**Privacy Protection**

In order to protect personal information and prevent privacy violations, all business partners including branches of SK Telecom periodically diagnose the level of risk exposure and take corrective measures against the risks occurred. Since 2015, SK Telecom has conducted personal information protection audits of about 3,800 distributors in marketing and solutions sectors and conducted remote audits of about 20,000 PCs annually for information leakage. In 2017, the company also implemented 100% audits and inspections of customer information in the distribution network.

In order to prevent information leaks in the distribution network, SK Telecom selected and implemented four major tasks: strengthening of regular diagnosis of distribution networks; strengthening of target diagnosis through data analysis; improvement of customer information handling processes; and raising awareness of customer information protection. As part of the efforts to implement the tasks, the company identified the risks in the blind spot of the distribution network through sampling network diagnosis, and implemented 668 improvement measure in 2017. In addition, SK Telecom identified 153 improvement items through an in-depth analysis of customer information protection and implemented 90 short-term measures and 63 long-term measures and 100% action has been implemented for improvements.

**SAMPLING DIAGNOSIS OF CUSTOMER INFORMATION PROTECTION LEVEL IN THE DISTRIBUTION CHANNEL (2017)**

Type	Number of diagnosis (cases)	Improvement and mitigation cases	Remarks
Diagnosis of the customer information management status in the distribution channel (*)	1,822	668	Identify risks in the blind spot of the distribution channel and im

[\*] After listing all the offline distributors, diagnoses were made of each store through sampling diagnosis.

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

	2015	2016	2017
Rate of inspection among all stores (%)	100[*]	100[**]	100[***]
Discovered cases requiring improved security	491	326	153
Corrective measures- Rate of completed measures (%)	100	100	100
Short-term measures taken (cases)	322	218	90
Long-term measures taken (cases)	169	108	63

[\*] Systemized and enhanced the structure of the methods of managing store data privacy.

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

[\*\*\*] Audited 100% of alleged stores for 1) data analysis based target diagnosis, 2) online sales store diagnosis, and 3) diagnosis on customer information leakages including leakage on SNS (100%).

1) Data based diagnosis extracted through Safe PC/ Eagle Eye

2) Analysis of T-Gate incoming URLs (about 130,000)

3) Diagnosis of customer information exposed on Naver Band/Cafe/KaKao Group, etc.

**POTENTIAL HUMAN RIGHTS ISSUES REQUIRING ADDITIONAL ATTENTION**

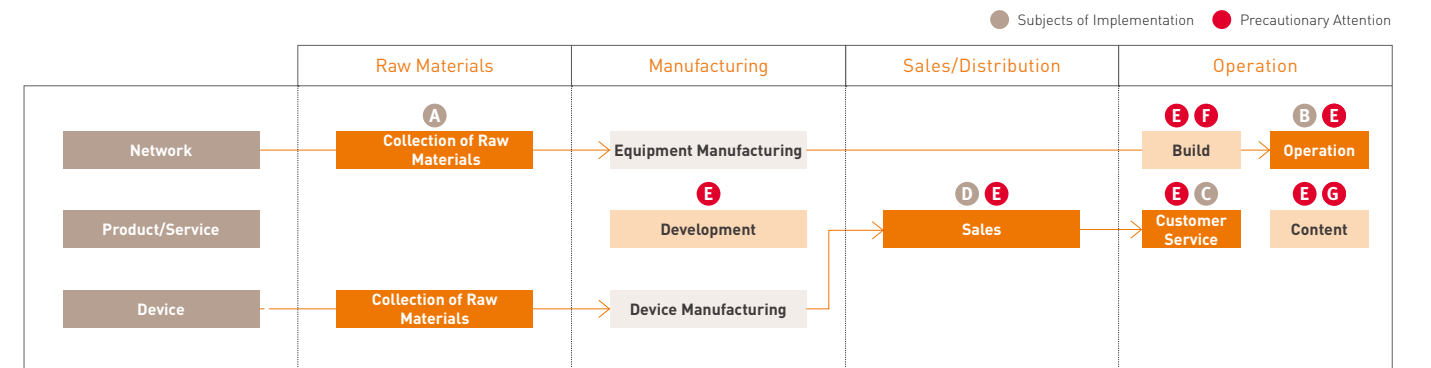
**Residents' Land Rights**

Telecom companies may experience the issue of violating indigenous land rights during the process of constructing base stations and network infrastructures. The risks of violating such land rights by SK Telecom is low, as more than 99% of the company's revenue is generated in Korea, and there is no plan to advance overseas in the mobile communication (MNO) business. When constructing domestic business sites, base stations, and network infrastructures, SK Telecom is conducting preventive reviews to prevent the violation of residents' rights as well as safety issues such as electromagnetic waves. In addition, SK Telecom receives cases of infringement of rights through regular channels (customer centers, etc.) and actively takes action when problems occur.

**Prohibition of Discrimination in Access to Information**

In this age of high accessibility to the Internet, blocking access of certain groups to the information can lead to restrictions on citizenship and political participation. SK Telecom recognizes that equal access to information is a very important human rights issue, and strives for digital inclusion through various approaches such as 1) reduction of fees for vulnerable groups, 2) improvement of accessibility through education, and 3) network expansion for universal information access. Please refer to 'Service Accessibility' on page 121 for SK Telecom's measures to increase accessibility to information. In addition, SK Telecom supports universal measures (restriction on adult content, blocking illegal content, etc.) to ensure that children can have safe access to online information and responsible content as an important right.

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



Key Human Rights Issues	Vulnerable Groups	Subjects of Review	Nature of Issues	Risk Level	2017 Due Diligence Results		
					Survey Scope	Issues Discovered	Measures Taken
<b>A</b> Conflict Minerals	Indigenous people, Children	Raw Material Suppliers	When the tin, tungsten, tantalum and gold used in electronic devices are products of the Democratic Republic of Congo or neighboring countries, it contributes to continued conflict in those areas	Subject of Due Diligence	100%	0%	100%
<b>B</b> Work Hours/Safety	Installation & Operation Operators	Subsidiary (Network O&S)	Compliance with work hours in the network operation process and resolution of safety issues that threaten physical harm	Subject of Due Diligence	100%	0.84%	100%
<b>C</b> Humane Treatment	Consultants	Subsidiary (Service TOP, Service ACE)	Protection of consultants who are exposed to customers' irrational words and behavior (profanity, verbal abuse, threats, insults, sexual harassment, etc.) or unreasonable demands	Subject of Due Diligence	100%	23.8%	100%
<b>D</b> Privacy Protection	General	Subsidiaries, Partners	Protection of personal information and privacy, an important right of the information age	Subject of Due Diligence	100%[*]	3.3%	100%
<b>E</b> Work Hours	Internal Employees	SK Telecom	Issues regarding forced labor in employees' work environment, child labor and rights violations	Precautionary Attention	100%	0%	100%
<b>F</b> Indigenous Rights	Indigenous people	Local communities	Direct violations of indigenous rights such as land use and property during business expansion	Precautionary Attention	-	-	-
<b>G</b> Access to Information	Children, General	SK Telecom	Protection of the universal right to access information and content responsibility toward children	Precautionary Attention	-	-	-

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

## GREATER COMPETITIVENESS THROUGH A RESPONSIBLE VALUE CHAIN

SK Telecom observes the supply chain sustainability management policy and procedures, and provides stakeholders with information on the responsibility and assurance of the value chain of SK Telecom's products and services. SK Telecom collaborates with various partner companies to develop and distribute network devices, build and operate network infrastructures, and develop and provide platform contents in the course of business. The company will review the risks of partner companies in the value chain and continue our efforts to mitigate risk factors. At the same time, SK Telecom will support the efforts to strengthen capabilities to find opportunities, build a more responsible value chain and strengthen our competitiveness.

### Business Partner ESG Code of Conduct

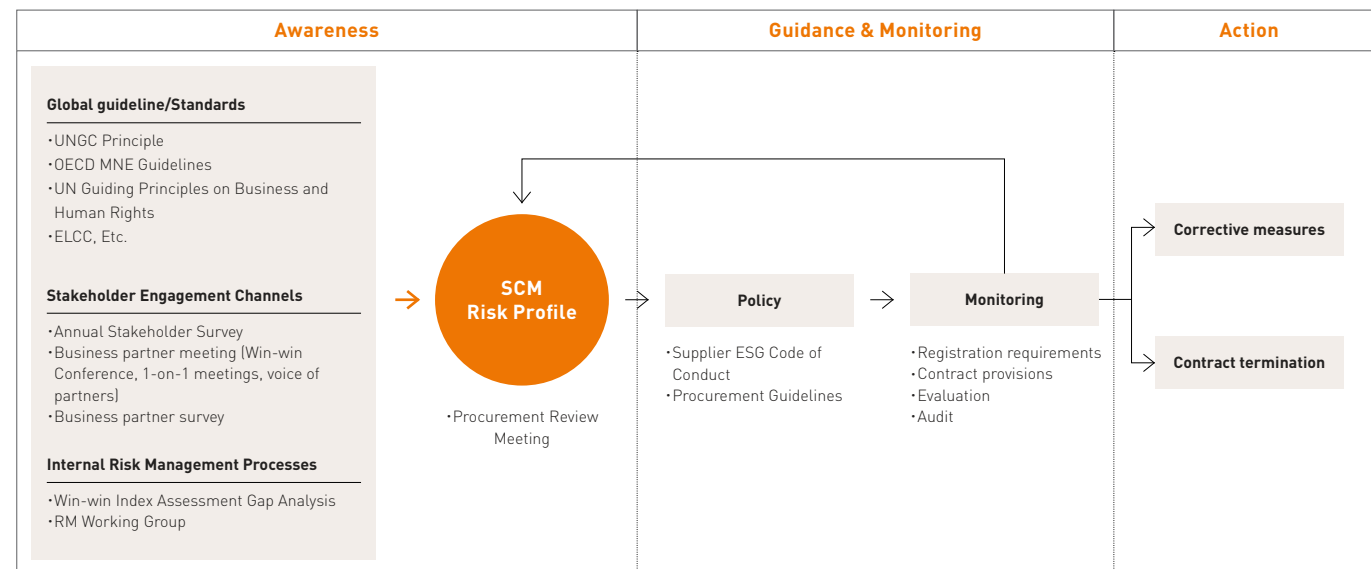
SK Telecom defines CSR compliance requirements for our partner companies through the Supplier ESG Code of Conduct as follows: 1) anti-corruption, 2) fair trade compliance, 3) data privacy protection, 4) financial transparency, 5) appropriate participation in public policies, 6) respect for customer value, 7) environmental protection, 8) employees' welfare and safety, 9) community involvement, and 10) human rights. Please refer to pp.139-140 and the corporate website (<http://www.sktelecom.com/supplychain>) for details of SK Telecom's supply chain policy.

Based on our supply chain policy, SK Telecom provides partner companies with the 'Business Partner ESG Code of Conduct' and 'Fair Trade/Transparent Transactions and CSR Practice Agreement' and requests compliance. As a representative UNGC LEAD company, SK Telecom has reflected UNGC principles in its supply chain guidelines based on UNGC LEAD activities, and refers to the recommendations of GeSI Joint Audit Cooperation (JAC) Guidelines, the Global e-Sustainability Initiative. SK Telecom requires partner companies to comply with these principles in the process of signing contracts, and through regular monitoring processes, the company takes various measures such as requesting corrective actions and terminating business relations.

### SK Telecom's Supply Chain Status

SK Telecom designated a "Critical Supplier" group with comprehensive consideration of transaction dependency and impact on SK Telecom's ongoing business. SK Telecom's critical suppliers are comprehensively managed and categorized according to 1) the relevance to the company's core businesses and reliability, 2) high level of transaction volume and 3) possession of proprietary technologies for which substitution is not possible. As a result, about 278 out of a total of 1,444 registered partner companies were classified in the Tier 1 critical supplier group.

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



### Advance Screening of Supply Chain Sustainability

Through the electronic contract system (Open2U), SK Telecom screened 100% of newly registered partner companies in 2017 through the "Fair Trade/Transparent Transactions and CSR Practice Agreement," and requests them to comply with the supply chain policy. The Fair Trade/Transparent Transactions and CSR Practice Agreement is an official document requesting compliance with and consent to SK Telecom's Supply Chain ESG Policy. At the same time, SK Telecom includes its commitment to the requirements for the SK Telecom supply chain policy compliance in the written contracts with suppliers. The company requests partner companies to sign a compliance pledge of ethical practices corresponding to SK Telecom's Code of Conduct throughout the company's business practices and contracts with all the 2nd tier suppliers (100%). In addition, according to the screening results of newly registered partner companies, no partner company that fails to meet the predetermined criteria can be a supplier of SK Telecom. In addition, newly registered partner companies are evaluated for having cash payment and support programs for sub-suppliers, environmental policies and human rights/labor policies, etc. and those that do can receive up to 10 extra point.

### Identification and Analysis of Key Supply Chain Risks

SK Telecom reviews the risk gap analysis and risk mapping results of each supplier at the monthly procurement performance analysis and improvement meeting by comprehensively reflecting the risk factors found in internal risk processes including business partner surveys such as the biannual Win-win Growth Satisfaction Survey, meetings

with suppliers, listening to the voice of partners, and risk management working groups. SK Telecom defines major risks occurring in the supply chain perspective as follows and reflects them into the supply chain sustainability process.

### SUPPLY CHAIN SPEND ANALYSIS

Partner Category	Number of Partners	Proportion of Procurement
Total number of registered suppliers	1,444	100
Equipment (Network and infrastructure)	211	15
Tier 1 Services (Software and solution development)	802	56
Goods	194	13
Construction	237	16
Critical suppliers	278	90
Non-tier 1 Critical suppliers	47	-

### SUPPLY CHAIN ESG ASSESSMENT (ADVANCE SCREENING)

Partner Category	2015	2016	2017	2020 target	Notes
Total Number of Newly Registered Partner Companies	706	725	615	750	
Human Rights-Environment-Ethics-Social Screening	706	725	615	750	Service/ Construction/ Equipment/ Goods Suppliers
Rate of Advance Assessments	100	100	100	100	

### SUPPLY CHAIN RISK IDENTIFICATION & ANALYSIS RESULTS (2017)

Main Risk Factors	Risk Level	Assessed Sourcing Group		High Risk Rate (*)
		Assessed Group	Rate (No. of companies)	Rate (No. of companies)
Overall	Overall Risks	-	100% (1,444)	1.7% (25)
	Ethical and Anti-corruption Principle Violation in the Contract Process	High	All suppliers	0.1% (2)
	Economic Risks	High	All suppliers	0% (0)
	Delayed Payment to Subcontractors	High	All suppliers	0% (0)
Tier 1	Unsound Financial Structure (low credit rating)	High	All suppliers	1.6% (23)
	Social Risks	Moderate	Service supplier/construction suppliers	0% (0)
	Violation of ILO Labor Regulations and Reasonable Labor Practices (compliance with work hours, wage payment, and other labor rights)	Moderate	Service supplier/construction suppliers	72% (1,039)
	Conflict Minerals	Low	Equipment suppliers	0% (0)
Environmental Risks	Violations of Environmental Regulations	Moderate	Equipment suppliers	0% (0)
	High GHG Emissions	Moderate	Equipment suppliers	0% (0)
	Failure to Adopt an Environmental Management System	Low	Construction suppliers/ Equipment suppliers	0% (0)
Non-Tier 1	Overall Risks	-	100% (47)	0% (0)

(\*) The rate of suppliers determined to have a high risk level according to the risk analysis results.

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

**Supply Chain ESG Assessment**

SK Telecom Co., Ltd. (SK Telecom) considers the percentage of the written surveys and on-site surveys carried out for the registered suppliers as a key indicator in ESG evaluation of the supply chain. In 2017, SK Telecom investigated 1,056 first-tier suppliers (out of 1,444 companies) in writing, visited 224 suppliers (including direct visits and interviews with individual companies, and in-depth meetings, etc.) and conducted third-party audits for 60 suppliers, which are equivalent to 93% of total registered suppliers. In addition, 278 companies participating in the company's mutual growth agreements were assessed by third-party external auditors and evaluators in 2017. We applied these policies and achievements to all domestic and overseas suppliers. Our overseas purchases account for KRW 16.8 billion (0.45%) of total purchases (about KRW 3.7 trillion), and regional performance indicators are managed mainly in Korea.

Through the electronic contract system (Open2U), SK Telecom has pre-screened all the newly registered suppliers in 2017 through the Fair and Transparent Transaction and CSR Implementation Agreement. Moreover, SK Telecom conducted risk identification and analysis for

all the first-tier suppliers (1,444 companies) and the second-tier and above suppliers (47 companies) in 2017, for the suppliers identified as being exposed to "high risk", SK Telecom conducted supply chain audits through a 100% on-site survey or third-party audit to prevent any occurrence of potential risks.

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

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

	2015	2016	2017	2020 target		
<b>Tier 1</b>	Total number of registered suppliers	2,346	1,881	1,444	2,100	
	Number of suppliers evaluated	1,582	1,726	1,340	2,000	
	Number of suppliers surveyed in writing (audit)	1,270	1,351	1,056	1,400	
	Number of suppliers surveyed on-site (audit)	212	225	224	242	
	Number of suppliers surveyed by 3rd parties	100	150	60	150	Includes separate discussions with Construction/Equipment Suppliers and 1-on-1 meetings
	Assessment rate of suppliers	67	92	93	95	Partner experience survey conducted by the Korean Commission for Corporate Partnership
	Total number of core suppliers (**)	20	35	47	40	
<b>Non-Tier 1</b>	Number of core suppliers evaluated (***)	10	21	35	38	
	Ratio of core suppliers evaluated (****)	50	60	74	95	

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

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

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

**RISK MONITORING AND ASSESSMENT (BY TYPE, 2017)**

Category	No. of Companies	No. of Companies Assessed	Rate (%)	Notes
Core suppliers	325	313	96	Tier 1 & Critical Non-Tier 1 Suppliers
Suppliers at a high risk level	25	25	100	Tier 1 Suppliers

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

**Corrective Measures**

Using the diagnosis and assessment results, SK Telecom has established a corrective measures plan for partner companies that need improvement and made efforts to enhance their ESG performance according to the corrective measure plan.

Despite these efforts, a total of two companies imposed corrective measures according to the diagnosis and assessment results of partner companies in 2017, and due to the seriousness of policy violations such as violations of fair trade, transparent transactions and occurrence of non-ethical issues, a permanent suspension of transactions were imposed on these two companies.

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

Partner Companies	2015	2016	2017	2020 Target	Notes
Rate of High Risk Level Suppliers with Established Plans for Improvement (%)	100	100	100	100	
Rate of Suppliers with Improved ESG Performance within 12 months of Establishing Plans for Improvement (%)	83	90	90	100	
Number of Partner Companies that Received Corrective Measures	2	3	2	-	Reviewed by the Procurement Review Committee
Banned Temporarily	0	1	0	-	1 year suspension
Banned Temporarily	2	2	2	-	Permanent suspension

**Procurement Strategy and Supply Chain Sustainability**

SK Telecom's strategic priorities are: 1) securing competitiveness by improving its purchasing structure through Total Cost Ownership (TCO), 2) improving cost-efficiency by reviewing the production cost structure from the zero-base perspective, 3) optimizing and improving business-friendly procurement processes, 4) creating an environment for advance procurement risk management and fair trade compliance and 5) expanding joint development, supporting exports, and creating a fair trade environment as targets for supply chain sustainability management. In addition, the company is revitalizing strategic integrated procurement through a procurement synergy consultative group with SK subsidiaries and investment companies.

SK Telecom maximizes the resources of the company and the business partners through the linkage of these corporate procurement strategies and sustainability management targets. At the same time, SK Telecom boldly eliminates unnecessary procedures, formats, and practices to optimize the process through high efficiency. Achievement of procurement strategies through responsible supply-chain risk management can be demonstrated through the following business cases.

**CASE**

**BUSINESS CASE 1.**

**5G-PON (5G-Passive Optical Network)  
Discovering Solutions**

'5G-PON' is a solution applied to the front haul of the wired transmission network that connects the building base station unit (RU) such as antennas and repeaters to the integrated base station unit (DU). The era of 5G requires establishing a base station that is more compact than LTE. As the data capacity to accommodate increases, the front haul that receives and transmits wireless data signals to the DU is becoming more significant. Since 2015, SK Telecom partnered with small giant companies of Korea to develop the 5G-PON, a solution that accommodates the integrated use of 3G, LTE and 5G. It eliminated the inconvenience of building a separate, exclusive wired network each time a new network was built, and we are expecting to efficiently spread the next generation infrastructures. Using the technological convenience of 5G-PON, SK Telecom expects the time required to build the 5G communication network to be about 20% less compared to building the LTE communication network.



**BUSINESS CASE 2.**

**N/W Repeater Equipment Joint Development and Preferential Procurement**

SK Telecom has jointly developed and commercialized LTE and other optical repeaters for mobile communications with partner companies to replace imports of base station equipment. The company has also jointly developed and applied for patents for its technologies such as energy-saving optical repeaters and transponder enclosure technology to replace the imported goods; and it has supported productivity innovation, partnership business, and the export of ICT solutions. In addition, through a patent grant and joint development, the company exported transmission equipment used for a cloud-based base station in the United States.

**72 cases**

related to repeater equipment joint development with SME business partners



Purchase amount of **KRW 36.3 billion**



## CSR PRACTICE AGREEMENT

**FAIR TRADE/TRANSPARENT TRANSACTIONS & CSR PRACTICE AGREEMENT (2017)**

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

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

# 4

## FINANCIAL & NON-FINANCIAL STATEMENTS

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135	Greenhouse Gas Assurance Statement

## FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

KRW million

	2017	2016	2015
<b>Assets</b>			
Current Assets	6,201,799	5,996,628	5,160,242
Cash and cash equivalents	1,457,735	1,505,242	768,922
Short-term financial instruments	616,780	468,768	691,090
Short-term investment securities	144,386	107,364	92,262
Accounts receivable - trade, net	2,126,007	2,240,926	2,344,867
Short-term loans, net	62,830	58,979	53,895
Short-term accounts receivable - other, net	1,260,835	1,121,444	673,739
Short-term accrued revenue	3,979	2,780	10,753
Short-term advance payment	49,860	55,675	96,570
Prepaid expenses	197,046	169,173	151,978
Inventories, net	272,403	259,846	273,556
Advanced payments and other	9,938	6,431	2,610
Non-current Assets	27,226,870	25,301,035	23,421,145
Long-term financial instruments	1,222	937	10,623
Long-term investment securities	887,007	828,521	1,207,226
Investments in associates and joint ventures	9,538,438	7,404,323	6,896,293
Property and equipment, net	10,144,882	10,374,212	10,371,256
Investment property, net	0	0	15,071
Goodwill	1,915,017	1,932,452	1,908,590
Intangible assets, net	3,586,965	3,776,354	2,304,784
Long-term loans, net	50,874	65,476	62,454
Long-term accounts receivable	287,048	149,669	2,420
Long-term prepaid expenses	90,834	88,130	76,034
Long-term guarantee deposits	292,590	298,964	297,281
Long-term derivative financial assets	253,213	214,770	166,399
Deferred tax assets	88,132	75,111	17,257
Defined benefit assets	45,952	30,247	0
Other non-current assets	44,696	61,869	85,457
<b>Total Assets</b>	<b>33,428,669</b>	<b>31,297,663</b>	<b>28,581,387</b>

KRW million

	2017	2016	2015
<b>Liabilities and Equity</b>			
Current Liabilities	7,109,123	6,444,099	5,256,493
Short-term accounts payable - trade	351,711	402,445	279,782
Short-term accrued payables - other	1,867,074	1,767,799	1,323,434
Short-term unearned revenue	161,266	174,588	136,844
Short-term withholdings	961,501	964,084	865,327
Short-term accrued expenses	1,327,906	1,125,816	920,739
Income tax payable	219,791	474,931	381,794
Short-term unearned income	175,732	188,403	224,233
Derivative financial liabilities	28,406	86,950	0
Current liabilities	52,057	66,227	40,988
Short-term borrowings	130,000	2,614	260,000
Current portion of bonds payable and longterm borrowings	1,530,948	888,467	703,087
Current portion of capital lease Liabilities	0	0	26
Long-term non-trade payable	302,703	301,773	120,185
Other current liabilities	28	2	54
Non-current liabilities	8,290,351	8,737,134	7,950,798
Debentures	5,596,570	6,338,930	6,439,147
Long-term borrowings	211,486	139,716	121,553
Long-term payables—other	1,346,763	1,624,590	581,697
Long-term unearned revenue	7,052	2,389	2,842
Defined benefit obligations	61,960	70,739	98,856
Non-current Derivative financial liabilities	11,064	203	89,296
Other non-current liabilities	32,669	31,690	29,217
Deferred tax liabilities	978,693	479,765	538,114
Other non-current liabilities	44,094	49,112	50,076
<b>Total Liabilities</b>	<b>15,399,474</b>	<b>15,181,233</b>	<b>13,207,291</b>
<b>Equity</b>			
Equity attributable to owners of the Parent Company	17,842,139	15,971,399	15,251,079
Share capital	44,639	44,639	44,639
Other paid up capital	196,281	199,779	189,510
Retained earnings	17,835,946	15,953,164	15,007,627
Reserves	(234,727)	(226,183)	9,303
Non-controlling interests	187,056	145,031	123,017
<b>Total Equity</b>	<b>18,029,195</b>	<b>16,116,430</b>	<b>15,374,096</b>
<b>Total Liabilities and Equity</b>	<b>33,428,669</b>	<b>31,297,663</b>	<b>28,581,387</b>

## CONSOLIDATED STATEMENT OF INCOME

KRW million

	2017	2016	2015
Operating revenue	17,520,013	17,091,816	17,136,734
Revenue	17,520,013	17,091,816	17,136,734
Operating expense	15,983,387	15,556,072	15,428,728
Labor cost	1,966,156	1,869,763	1,893,745
Commissions paid	5,486,263	5,376,726	5,206,951
Depreciation and amortization	3,097,466	2,941,886	2,845,295
Network interconnection	875,045	954,267	957,605
Leased line	342,240	394,412	389,819
Advertising	522,753	438,453	405,005
Rent	520,244	517,305	493,586
Cost of products that have been resold	1,886,524	1,838,368	1,955,861
Other operating expense	1,286,696	1,224,892	1,280,861
Operating income(loss)	1,536,626	1,535,744	1,708,006
Finance income	366,561	575,050	103,900
Finance cost	433,616	326,830	350,100
Other non-operating income	31,818	66,303	30,910
Other non-operating expense	343,872	298,629	243,491
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	2,245,732	544,501	786,140
Profit before income tax	3,403,249	2,096,139	2,035,365
Income tax expense Income tax expense from continuing operations	745,654	436,038	519,480
Profit(loss) for the year Profit from continuing operations	2,657,595	1,660,101	1,515,885
Attributable to			
Controlling interest	2,599,829	1,675,967	1,518,604
Non-controlling interest	57,766	(15,866)	(2,719)
Earnings per share			
Basic earnings per share (in won)	36,582	23,497	20,988
Diluted earnings per share (in won)	36,582	23,497	20,988

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KRW million

	2017	2016	2015
Net profit(loss) for the term Net of income continued operations	2,657,595	1,660,101	1,515,885
Other comprehensive income Other continued comprehensive income	(1,013)	(247,331)	1,835
Items that will not be reclassified to profit or loss:	5,921	(7,524)	(14,489)
Remeasurement of defined benefit obligations after income tax	5,921	(7,524)	(14,489)
Items that maybe be reclassified to profit or loss:	(6,934)	(239,807)	16,324
Net change in unrealized fair value of available-for-sale financial assets	158,440	(223,981)	(3,661)
Net change in other comprehensive income of investments in associates and joint ventures	(141,008)	(9,939)	(5,709)
Net change in unrealized fair value or derivatives	22,586	(13,218)	(1,271)
Foreign currency translation differences for foreign operations	(46,952)	7,331	26,965
Total comprehensive income	2,656,582	1,412,770	1,517,720
Total comprehensive income attributable to			
Controlling interest	2,597,160	1,432,982	1,522,280
Non-controlling interests	59,422	(20,212)	(4,560)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KRW million

	Equity						Total Equity
	Controlling Interest of Parent Company				Total	Non-controlling Interest	
	Share Capital	Other Paid up Capital	Retained Earning	Reserves			
2015.01.01(Basic Capital)	44,639	277,998	14,188,591	(4,489)	14,506,739	741,531	15,248,270
Total Comprehensive profit(loss)	0	0	1,518,604	0	1,518,604	(2,719)	1,515,885
Profit for the year	0	0	1,518,604	0	1,518,604	(2,719)	1,515,885
Other comprehensive income	0	0	(13,402)	17,078	3,676	(1,841)	1,835
Annual dividend paid(Dividends paid)	0	0	(668,494)	0	(668,494)	(143)	(668,637)
Interim dividend paid(Dividends paid)	0	0	0	0	0	0	0
Interest on hybrid bond	0	0	(16,840)	0	(16,840)	0	(16,840)
Acquisition of treasury stock	0	(490,192)	0	0	(490,192)	0	(490,192)
Proceeds from treasury stock	0	425,744	0	0	425,744	0	425,744
Proceeds from subsidiaries	0	0	0	0	0	(5,226)	(5,226)
Stock compensation expense	0	0	0	0	0	0	0
Changes in equity of subsidiaries	0	(24,040)	(832)	(3,286)	(28,158)	(608,585)	(636,743)
2015.12.31(End of term capital)	44,639	189,510	15,007,627	9,303	15,251,079	123,017	15,374,096
2016.01.01(Basic Capital)	44,639	189,510	15,007,627	9,303	15,251,079	123,017	15,374,096
Total Comprehensive profit(loss)	0	0	1,675,967	0	1,675,967	(15,866)	1,660,101
Profit for the year	0	0	1,675,967	0	1,675,967	(15,866)	1,660,101
Other comprehensive income	0	0	(7,499)	(235,486)	(242,985)	(4,346)	(247,331)
Annual dividend paid(Dividends paid)	0	0	(706,091)	0	(706,091)	(300)	(706,391)
Interim dividend paid(Dividends paid)	0	0	0	0	0	0	0
Interest on hybrid bond	0	0	(16,840)	0	(16,840)	0	(16,840)
Acquisition of treasury stock	0	0	0	0	0	0	0
Proceeds from treasury stock	0	0	0	0	0	0	0
Proceeds from subsidiaries	0	0	0	0	0	0	0
Stock compensation expense	0	0	0	0	0	0	0
Changes in equity of subsidiaries	0	10,269	0	0	10,269	42,526	52,795
2016.12.31(End of term capital)	44,639	199,779	15,953,164	(226,183)	15,971,399	145,031	16,116,430
2017.01.01(Basic Capital)	44,639	199,779	15,953,164	(226,183)	15,971,399	145,031	16,116,430
Total Comprehensive profit(loss)	0	0	2,599,829	0	2,599,829	57,766	2,657,595
Profit for the year	0	0	2,599,829	0	2,599,829	57,766	2,657,595
Other comprehensive income	0	0	5,875	(8,544)	(2,669)	1,656	(1,013)
Annual dividend paid(Dividends paid)	0	0	(635,482)	0	(635,482)	(281)	(635,763)
Interim dividend paid(Dividends paid)	0	0	(70,609)	0	(70,609)	0	(70,609)
Interest on hybrid bond	0	0	(16,840)	0	(16,840)	0	(16,840)
Acquisition of treasury stock	0	0	0	0	0	0	0
Proceeds from treasury stock	0	0	0	0	0	0	0
Proceeds from subsidiaries	0	0	0	0	0	0	0
Stock compensation expense	0	414	0	0	414	0	414
Changes in equity of subsidiaries	0	(3,912)	9	0	(3,903)	(17,116)	(21,019)
2017.12.31(End of term capital)	44,639	196,281	17,835,946	(234,727)	17,842,139	187,056	18,029,195

## CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2017	2016	2015
Cash flows from operating activities	3,855,820	4,243,168	3,778,129
Cash generated from operating activities	4,492,891	4,713,426	4,080,294
Net income of continued operation	2,657,595	1,660,101	1,515,885
Adjustment for income and expenses	2,096,764	3,039,561	3,250,143
Changes in assets and liabilities related to operating activities	(261,468)	13,764	(685,734)
Interest received	66,713	44,602	43,400
Dividends received	106,674	98,267	62,973
Interest paid	(234,127)	(245,236)	(275,796)
Income tax paid	(576,331)	(367,891)	(132,742)
Cash flows from investing activities	(3,070,607)	(2,462,208)	(2,880,499)
Cash inflows from investing activities	456,778	1,140,664	914,542
Decrease in short-term financial instruments, net	0	222,322	0
Decrease in short-term investment securities, net	0	0	105,158
Collection of short-term loans	216,700	238,980	398,308
Decrease in long-term financial instruments	27	28	7,424
Proceeds from disposal of long-term investment securities	129,726	555,519	149,310
Proceeds from disposal of investments in associates and joint ventures	5,925	66,852	185,094
Proceeds from disposal of property and equipment	29,368	22,549	36,586
Proceeds from disposal of intangible assets	8,848	16,532	3,769
Net proceeds from the disposition of non-current assets held for sale	0	0	1,009
Collection of long-term loans	6,205	1,960	2,132
Decrease of deposits	24,550	14,894	14,635
Proceeds from disposal of other non-current assets	1,185	728	607
Increase in cash due to acquisition of a subsidiary	4,112	0	10,355
Proceeds from disposal of subsidiaries	30,132	0	155
Receipt of National Treasury subsidy	0	300	0
Cash outflows for investing activities	(3,527,385)	(3,602,872)	(3,795,041)
Increase in short-term loans	156,012	0	385,612
Increase in short-term investment securities, net	28,975	6,334	0
Increase in short-term loans	205,878	239,303	370,378
Increase in long-term loans	5,869	32,287	16,701
Increase in long-term financial instruments	2,034	342	10,008
Acquisition of long-term investment securities	19,328	30,949	312,261
Acquisition of investments in associates and joint ventures	193,100	130,388	65,080
Acquisition of property and equipment	2,715,859	2,490,455	2,478,778
Acquisition of intangible assets	145,740	635,387	127,948
Increase in deposits	26,377	12,943	12,536
Increase in other non-current assets	47	763	2,542

## CONSOLIDATED STATEMENT OF CASH FLOWS

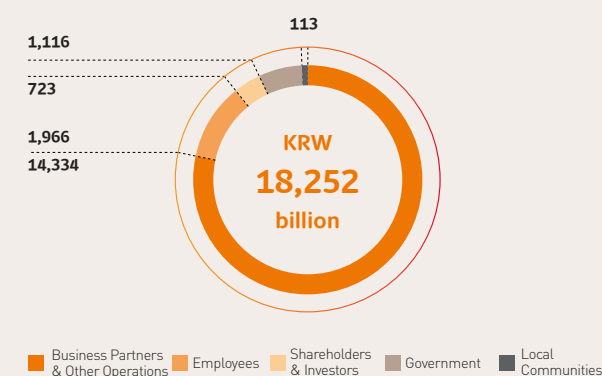
KRW million

	2017	2016	2015
Cash outflows due to business overtake	0	4,498	13,197
Net Cash outflows due to acquisition of subsidiaries	26,566	19,032	0
Cash outflows due to liquidation of subsidiaries	1,600	191	0
Cash flows from financing activities	(826,618)	(1,044,829)	(964,583)
Cash inflows from financing activities	1,261,803	861,624	1,375,206
Net decrease in short-term borrowings	127,386	0	0
Issuance of debentures	973,291	776,727	1,375,031
Proceeds from long-term borrowings	120,000	49,000	0
Cash inflows from derivative transactions	188	251	175
Cash increase due to consolidated capital transactions	40,938	35,646	0
Cash outflows for financing activities	(2,088,421)	(1,906,453)	(2,339,789)
Repayment in short-term borrowings, net		257,386	106,600
Repayment of long-term non-trade payables	305,476	122,723	191,436
Repayment of debentures	842,733	770,000	620,000
Repayment of long-term borrowings	32,701	33,387	21,924
Outflow of cash due to transaction of derivative products	105,269	0	655
Decrease in finance lease liabilities		26	3,206
Payment of dividends	706,091	706,091	668,494
Interest on hybrid bond	16,840	16,840	16,840
Acquisition of treasury stock	0	0	490,192
Decrease in cash from the consolidated capital transaction	79,311	0	220,442
Net increase (decrease) in cash and cash equivalents	(41,405)	736,131	(66,953)
Cash and cash equivalent at beginning of the year	1,505,242	768,922	834,429
Effects of exchange rate changes on cash and cash equivalents	(6,102)	189	1,446
Cash and cash equivalents in assets held for sale	0	0	0
Cash and cash equivalents at end of the year	1,457,735	1,505,242	768,922

## Creation and Distribution of Economic Value

SK Telecom generated a total KRW 20.143 trillion in economic value including operating income, financial investment income, asset sales income and other profits of KRW 17.5 trillion in 2017 on a consolidated basis. Out of those values generated, the company distributed a total of KRW 18.252 trillion to the stakeholders considering the future value and investment efficiency of the company, and added the total economic value of KRW 1.891 trillion, which was reserved after all the distributions, to the total amount of capital. Meanwhile, SK Telecom enjoyed a total of KRW 34 billion in tax credits granted by the government in 2017 for investment in research and development manpower, investment in productivity improvement, and investment in energy conservation.

## DISTRIBUTION OF ECONOMIC VALUE (KRW billion)



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

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

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

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

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

**KRW 1.891 trillion**  
ECONOMIC VALUE RETAINED

## Effective Tax Rate

SK Telecom strictly complies with domestic and overseas tax laws and regulations in all transactions which aim at creating economic and social value in order to faithfully carry out liability to taxation and accurately reports and pays the tax amount to be paid in accordance with tax laws and regulations. In addition, the company discloses related information to stakeholders to ensure transparency in tax payment. In order to ensure the appropriateness of the application of the tax laws, the company is reporting tax amounts to the taxation items prescribed by laws and regulations through the accounting firm. In 2017, SK Telecom's earnings before tax was KRW 3.403 trillion and the reported taxes amounted to KRW 823.1 billion at a reported tax rate of 24.2%. Meanwhile, the company's real taxes amounted to KRW 745.7 billion at a real tax rate of 21.9%. During the past two years, the company's average reported tax rate stood at 24.2% and the real tax rate was 21.4%. The real tax rate in 2017 was 2.8%p lower than the reported tax rate. The main reasons for this include the effects stemming from tax-exempt income, non-deductible expenses, and tax deductions and exemptions. This result is also attributable to changes in deferred income taxes that are not feasible, refunded income taxes from past periods, and the effect of tax rate fluctuations.

Tax and Tax Rates		2016	2017	Average of 2016 and 2017
Earnings before tax	KRW million	2,096,139	3,403,249	
Reported taxes (*)	KRW million	506,804	823,124	
Reported tax rate	%	24.2%	24.2%	24.2%
Cash taxes paid (**)	KRW million	436,038	745,654	
Cash tax rate	%	20.8%	21.9%	21.35%

(\*) Reported taxes: Income tax expense

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

Reason for the difference		2016	2017
Tax exempt income	KRW million	(38,989)	(40,080)
Non-deductible expenses	KRW million	52,648	31,285
Tax deductions and exemptions	KRW million	(29,484)	(34,300)
Changes in deferred income taxes that are not feasible	KRW million	(84,276)	31,857
Refunded income taxes from past periods	KRW million	27,599	(110,209)
Effect of tax rate fluctuations etc.	KRW million	1,736	43,977

## FINANCIAL MD&A (MANAGEMENT DISCUSSION & ANALYSIS)

### MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion & Analysis (MD&A) is provided to enable readers to assess our results of operations and financial condition for the fiscal year ended December 31, 2017, compared to the preceding year. This MD&A section should be read in conjunction with our audited consolidated financial statements included in this annual report. Unless otherwise specified, all amounts are presented on a consolidated basis and are based on our audited consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by Korea. All amounts are in Korean Won (KRW). All references to "we," "us" or "our" shall mean SK Telecom Co., Ltd. and, unless the context otherwise requires, its consolidated subsidiaries. References to "SK Telecom" shall mean SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries.

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

#### 1. 2017 OVERVIEW

In a wireless telecommunications industry currently defined by fast-paced advancements in the LTE network, we have emerged as the leader in the new information and communication technology ("ICT") era by launching innovative new products and services designed to meet customers' evolving preferences and needs. We aim to maintain our leading position in the Korean market for wireless telecommunications services and actively develop our next-generation growth businesses in Internet of Things ("IoT") solutions, media and e-commerce and other innovative products offered through our platform services. We plan to further utilize our big data analysis capabilities to create products and services that are tailored to our customers' evolving needs, as well as incorporate artificial intelligence capabilities directly into

many of the products and services we offer. We also aim to research and develop cutting-edge 5G technologies that will be adopted as the technological standard for 5G and to acquire the necessary bandwidth to launch 5G services.

Our operations are reported in four segments: (1) cellular services, (2) fixed-line telecommunications services, (3) e-commerce services and (4) other businesses.

#### Cellular Services

We offer wireless voice and data transmission services, sell wireless devices and provide IoT solutions and innovative platform services through our cellular services segment. Our wireless voice and data transmission services are offered through our backbone networks that collectively can be accessed by approximately 99.0% of the Korean population. We maintained our leadership position in the wireless business in 2017 with 30.2 million subscribers (including subscribers of mobile virtual network operators (MVNOs) that lease our networks) as of December 31, 2017, of which approximately 22.9 million subscribed to our LTE service and 23.0 million used smartphones. Our share of the Korean wireless market based on the number of subscribers (including subscribers of MVNOs) was approximately 48.2% as of December 31, 2017 compared to 49.1% as of December 31, 2016.

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

We continue to endeavor to strengthen our customer relationships by engaging our subscribers to integrate our service offerings in various aspects of their daily lives such as "T map," our interactive navigation service which we provide to all users free of charge and "oksusu," our mobile IPTV service with a wide range of unique media offerings. We also provide bundled subscriptions to our wireless and fixed-line service offerings, and we believe such bundled subscriptions contribute to increased customer retention and acquisition of new subscribers for both our wireless and fixed-line services due to convenience. In addition, we believe our "T Membership" program, our membership service, also contributes to our subscriber retention with the breadth of membership benefits we provide through our membership partners. We also offer artificial intelligence solutions and in September 2016, we launched NUGU, the first intelligent virtual assistant service launched in Korea with Korean language capabilities based on advanced voice recognition technologies. We have integrated NUGU into our T map service as well as our IPTV service. In 2017, our cellular services segment revenue was KRW 13.26 trillion, representing 75.7% of our consolidated operating revenue.

#### Fixed-line Telecommunications Services

We offer fixed-line telephone, broadband Internet and advanced media platform services (including IPTV) and business communications services through our fixed-line telecommunications services segment. Our fixed-line telecommunications services are provided by our subsidiaries, SK Broadband and SK Telink. As of December 31, 2017, we had approximately 4.3 million fixed-line telephone subscribers (including subscribers to VoIP services of SK Broadband and SK Telink), approximately 5.4 million broadband Internet access subscribers and approximately 4.4 million IPTV subscribers, with market shares of 16.1%, 25.7% and 13.4%, respectively, based on the number of subscribers.

As part of our initiative to be the leading next-generation platform provider, we aim to provide an advanced media platform with various media content and service offerings. We currently offer IPTV services under the brand name "B tv" with access to our standard 56 live high definition channels and to as many as 219 channels depending on the subscription service, as well as video-on-demand service providing a wide range of media content, including recent box office movie releases, popular U.S. and other foreign TV shows and various children's TV programs. We also offer "B tv UHD," which is an ultra-high definition IPTV service and has a resolution that is four times as high as the standard high definition broadcasting service in the IPTV industry.

Further, we provide mobile IPTV services through "oksusu" that provides subscribers access to a wide variety of media contents, including various television programs, movies and other video contents that can be downloaded to wireless devices. Oksusu subscribers have access to more than 90 live TV channels, a wide range of sports contents and popular U.S. and other foreign TV shows, among other contents. We are also collaborating with media content developers to provide original media content for our oksusu service. As of December 31, 2017, we had approximately 8.6 million subscribers to oksusu.

In 2017, our fixed-line telecommunications services segment revenue was KRW 2.72 trillion, representing 15.5% of our consolidated operating revenue.

#### E-commerce Services

Our e-commerce services segment consists primarily of our marketplace business operated by our subsidiary, SK Planet. Our key platform in the e-commerce business is "11st" which is an online marketplace that offers a wide range of products through an online and mobile interface. As of December 31, 2017, the mobile version of 11st was the leading mobile commerce platform in Korea in terms of unique visitors according to Nielsen Koreanclick. The mobile version of 11st is continuing to grow, with an increase in the percentage of annual gross merchandise volume, which represents the total annual monetary value of customer purchases of goods and services, net of estimated refunds, to 61% in 2017 from 52% in 2016. In 2017, our e-commerce services segment revenue was KRW 1.04 trillion, representing 6.0% of our consolidated operating revenue.

#### Other Businesses

We strive to continually diversify our products and services and develop new growth engines that we believe are complementary to our existing products and services, such as our portal service and other miscellaneous businesses, which we include in our others segment. We offer a portal service under our "Nate" brand name through SK Communications that can be accessed through its website, www.nate.com, or through its mobile application. In addition, we offer high-end audio devices under the brand name "Astell&Kern" that are manufactured by our subsidiary, Iriver, and we operate a security and network surveillance business through our subsidiary NSOK, a provider of residential and small business electronic security and other related alarm monitoring services. We also operate a mobile application marketplace, "One Store" in collaboration with KT, LG U+ and NAVER Corporation. In 2017, our others segment revenue was KRW 0.49 trillion, representing 2.8% of our consolidated operating revenue.

#### 2. EXECUTIVE SUMMARY

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

In our fixed-line telecommunications services segment, we earn revenue principally from our fixed-line telephone services and broadband Internet services and advanced media platform services (including IPTV) through monthly plan-based fees and usage charges as well as interconnection fees paid to us by other telecommunications operators for use of our fixed-line network by their customers and subscribers. In our e-commerce services segment, we derive revenue from our consolidated subsidiary SK Planet, which earns revenue principally through third party seller fees earned (including commissions) for transactions in which it acts as a selling agent to the "mini malls" on 11st, its online open marketplace platform, as well as advertising revenue from 11st and its other commerce solutions.

In our others segment, we earn revenue from our hardware businesses through sales of projection display devices and high end audio devices, our security business operated by our subsidiary, NSOK, advertising revenue from our "Nate" portal service operated by our subsidiary, SK Communications, and sales commissions through our mobile application marketplaces.

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

## SELECTED FINANCIAL INFORMATION (CONSOLIDATED BASIS)

KRW billion

	2017	2016	Change
<b>Statement of Income Data</b>			
Operating revenue	17,520	17,092	2.5%
EBITDA <sup>(1)</sup>	4,784	4,603	3.9%
Operating expense	15,983	15,556	2.7%
Operating profit	1,537	1,536	0.1%
Profit for the year	2,658	1,660	60.1%
<b>Statement of Financial Position Data</b>			
Total assets	33,428	31,298	6.8%
Cash & marketable securities <sup>(2)</sup>	2,172	2,034	6.8%
Total liabilities	15,399	15,181	1.4%
Interest-bearing financial debt <sup>(3)</sup>	7,469	7,370	1.3%
Total equity	18,029	16,116	11.9%
<b>Financial Ratios(%)</b>			
EBITDA margin	27.3	26.9	0.4%p
Operating margin	8.8	9.0	-0.2%p
Net margin	15.2	9.7	5.5%p
Debt-to-equity ratio <sup>(4)</sup>	41.4	45.7	-4.3%p

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

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

(3) Interest-bearing financial debt = Short-term borrowings + Current portion of long-term debt + Debentures + Long-term borrowings

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

Our operating revenue increased by 2.5% to KRW 17.52 trillion in 2017 from KRW 17.09 trillion in 2016 due to increases in broadband Internet service revenue and wireless device sales, among other reasons. Our operating expense in 2017 increased by 2.7% to KRW 15.98 trillion from 15.56 trillion in 2016, primarily due to increases in depreciation and amortization, commissions and labor costs. As the increase in our operating revenue was almost entirely offset by the increase in our operating expense in 2017, our operating profit increased very slightly by 0.1% to KRW 1.54 trillion in 2017 and our EBITDA margin increased by 0.4%p to 27.3% in 2017 but our operating margin decreased by 0.2%p to 8.8% in 2017. Our profit for the year increased by 60.1% to KRW 2.66 trillion in 2017 from KRW 1.66 trillion.

Our total assets increased by 6.8% to KRW 33.43 trillion as of December 31, 2017 from KRW 31.30 trillion as of December 31, 2016, primarily due to an increase in investments in associates and joint ventures resulting from an increase in the fair value of our holdings in SK Hynix, in which we have a 20.1% equity interest.

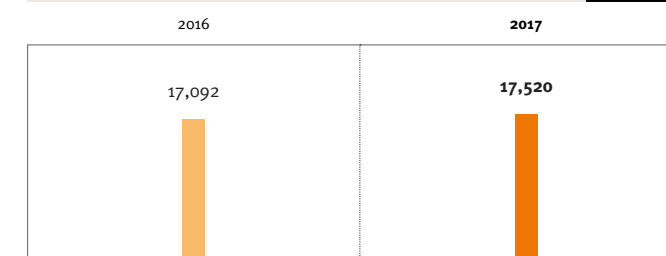
Total liabilities increased by 1.4% to KRW 15.40 trillion as of December 31, 2017 from KRW 15.18 trillion as of December 31, 2016, primarily due to an increase in deferred tax liabilities. Total equity was KRW 18.03 trillion as of December 31, 2017, which increased 11.9% from December 31, 2016. Our debt-to-equity ratio as of December 31, 2017 was 41.4%, compared to 45.7% as of December 31, 2016.

## 3. REVENUE

Our operating revenue in 2017 increased by 2.5% to KRW 17.52 trillion from KRW 17.09 trillion in 2016. This increase was primarily attributable to an increase in broadband Internet service revenue as a result of an increase in the number of IPTV subscribers and an increase in the number of premium IPTV subscriptions with higher monthly rates and purchase of premium video-on-demand content. Another primary reason for the increase was the increase in wireless device sales as a result of an increase in sales of handsets with relatively higher unit prices that were released in 2017.

## CONSOLIDATED OPERATING REVENUE

KRW billion

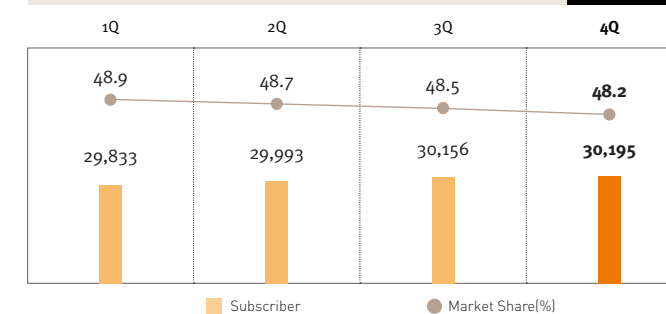


## Subscribers &amp; Market Share

The total number of wireless subscribers in Korea was approximately 62.7 million as of December 31, 2017 with a wireless telecommunications service penetration rate of 121%. Despite the saturated wireless market in Korea, SK Telecom continued to add new subscribers throughout the year, and ended the year 2017 with approximately 30.2 million subscribers (including subscribers of MVNOs that lease SK Telecom's networks). SK Telecom's wireless market share based on the number of subscribers (including subscribers of MVNOs) decreased by 0.9%p to 48.2% as of December 31, 2017 from 49.1% as of December 31, 2016. The number of SK Telecom's LTE subscribers increased to 22.9 million as of December 31, 2017 from 21.1 million as of December 31, 2016.

## SUBSCRIBERS &amp; MARKET SHARE IN 2017

in thousands, %

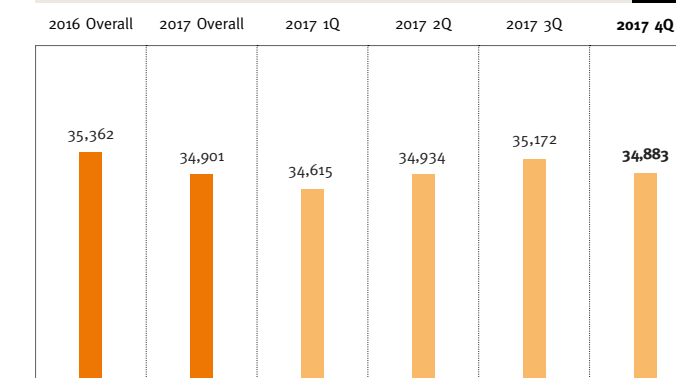


## ARPU

SK Telecom's billing average monthly revenue per subscriber (billing ARPU) decreased by 1.3% to KRW 34,901 in 2017 from KRW 35,362 in 2016. These decreases were primarily due to a decrease in revenue attributable to an increase in the number of subscribers who elected to receive discounted rates in lieu of receiving handset subsidies as well as the increase in the applicable discount rate offered to subscribers not receiving handset subsidies from 20% to 25% in September 2017, offset in part by an increase in subscribers that subscribe to our unlimited data usage plans.

## ARPU IN 2017(\*)

KRW



(\*) The ARPU is different from the figures in the previous annual report due to the change of ARPU calculation standard

## Subsidiaries

The consolidated revenue of SK Broadband, which is mostly generated from its fixed-line telecommunications services, increased by 3.6% to KRW 3.05 trillion in 2017 from KRW 2.94 trillion in 2016, primarily as a result of an increase in revenue from IPTV services attributable to an increase in the number of IPTV subscribers and an increase in the number of premium IPTV subscriptions with higher monthly rates and purchase of premium video-on-demand content.

PS&Marketing's revenue, which is mostly derived from sales of handsets, increased by 5.1% to KRW 1.77 trillion in 2017 from KRW 1.68 trillion in 2016, primarily due to an increase in sales of handsets with relatively higher unit prices that were released in 2017.

SK Planet's revenue, which is mostly derived from 11st, decreased by 8.0% to KRW 1.08 trillion in 2017 from KRW 1.17 trillion in 2016, primarily due to the spin-off of SK Planet's former platform and T Store businesses in March 2016.

## 4. PROFITABILITY

## STATEMENT OF INCOME DATA (CONSOLIDATED)

KRW billion

	2017	% of Revenue	2016	% of Revenue
Operating revenue	17,520	100.0%	17,092	100.0%
Operating expense	15,983	91.2%	15,556	91.0%
Labor cost <sup>(1)</sup>	1,966	11.2%	1,870	10.9%
Commissions paid <sup>(2)</sup>	5,486	31.3%	5,377	31.5%
Depreciation and amortization <sup>(3)</sup>	3,097	17.7%	2,942	17.2%
Network interconnection	875	5.0%	954	5.6%
Leased line	342	2.0%	394	2.3%
Advertising	523	3.0%	438	2.6%
Rent	520	3.0%	517	3.0%
Cost of products that have been resold	1,887	10.8%	1,838	10.8%
Other operating expenses	1,287	7.3%	1,225	7.2%
Operating profit	1,537	8.8%	1,536	9.0%
Finance income	367	2.1%	575	3.4%
Finance costs	434	2.5%	327	1.9%
Gain (losses) related to investments in subsidiaries and associates, net	2,246	12.8%	545	3.2%
Other non-operating income	32	0.2%	66	0.4%
Other non-operating expenses	344	2.0%	299	1.7%
Profit before income tax	3,403	19.4%	2,096	12.3%
Income tax expense	746	4.3%	436	2.6%
Profit for the year	2,658	15.2%	1,660	9.7%
EBITDA <sup>(4)</sup>	4,784	27.3%	4,603	26.9%

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

(2) Includes marketing commissions and other commissions

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

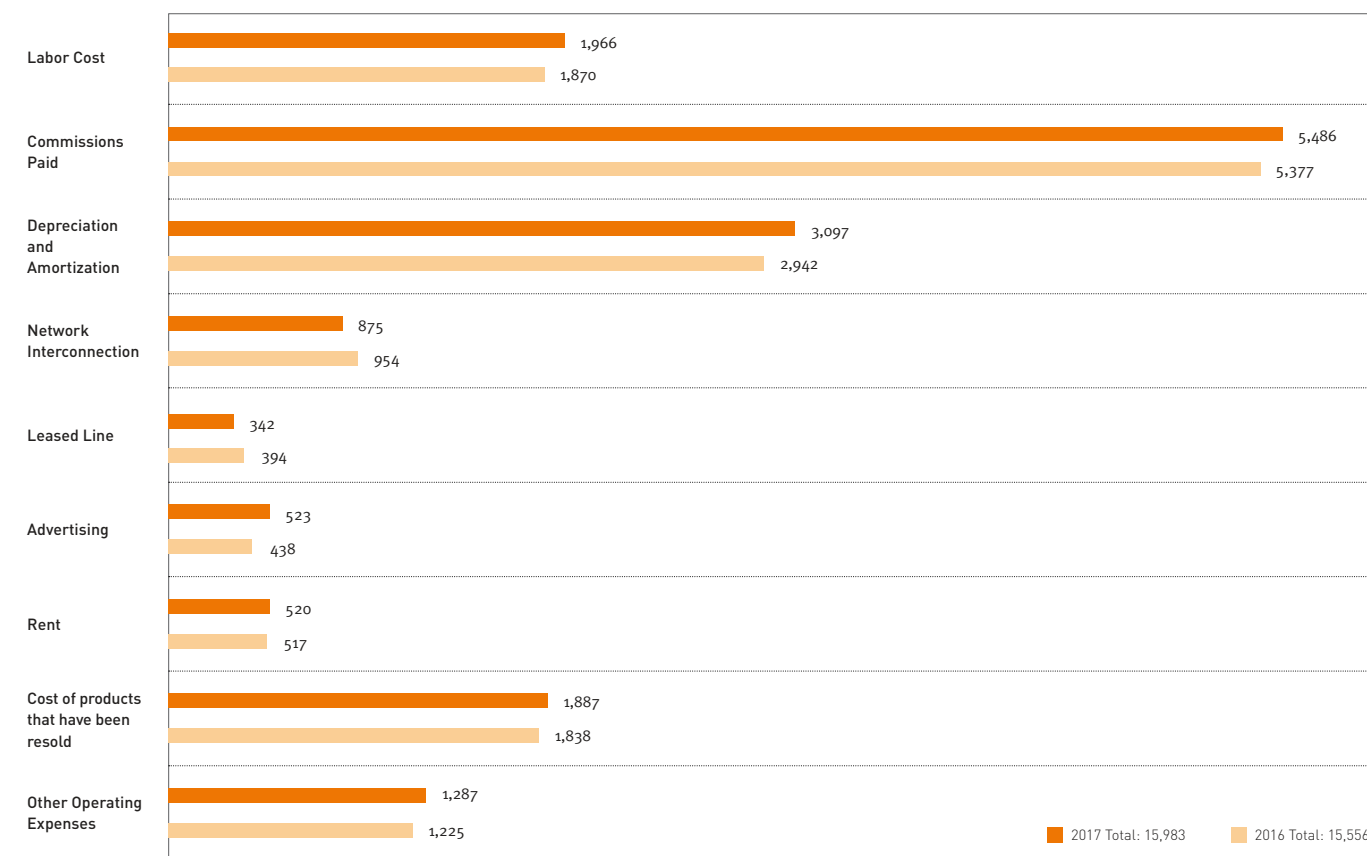
(4) EBITDA = Operating profit + Depreciation and amortization + R&amp;D-related depreciation within R&amp;D expense

## Operating Expense

Our operating expense for 2017 amounted to KRW 15.98 trillion, representing a 2.7 % increase from KRW 15.56 trillion in 2016. The increase in operating expense was primarily due to a 5.2% increase in depreciation and amortization, a 2.0% increase in commissions and a 5.1% increase in labor costs.

## OPERATING EXPENSE

KRW billion



The increase in depreciation and amortization was primarily due to the full year of amortization in 2017 of certain frequency bandwidth usage rights we acquired or re-licensed in 2016 compared to only partial year amortization in 2016 as well as the amortization of our sales management IT system software beginning in 2017. The increase in commissions was attributable mainly to an increase in marketing costs relating to our wireless service, which was partially offset by a decrease in marketing costs relating to our e-commerce services, the impact of certain value-added tax refunds relating to discount coupons received in 2017 and the decrease in commissions following the establishment of Home & Service. The increase in labor costs was primarily due to

the additional personnel on payroll in connection with the establishment in June 2017 of our subsidiary, Home & Service, which provides in-home customer service primarily to our fixed-line telecommunication service subscribers. Prior to the establishment of Home & Service, we outsourced these services to a third party vendor and the related costs were classified as commissions.



### Operating Profit and EBITDA

Our operating profit increased very slightly by 0.1% to KRW 1.54 trillion in 2017 as the increase in our operating revenue was almost entirely offset by the increase in our operating expense in 2017. Our EBITDA margin increased by 0.4%p to 27.3% in 2017 but our operating margin decreased by 0.2%p to 8.8% in 2017.

### Non-Operating Income and Expenses

Our finance income decreased by 36.3% to KRW 367 billion in 2017 from KRW 575 billion in 2016, primarily due to a significant decrease in gain on disposal of long-term investment securities to KRW 5 billion in 2017 from KRW 459 billion in 2016, which primarily related to the sale of our 15.0% interest in Loen Entertainment in February 2016 and the sale of our 1.4% interest in POSCO in November 2016, which was partially offset by a significant increase in gain on valuation of derivatives to KRW 224 billion in 2017, primarily relating to the valuation of redeemable convertible preferred shares issued by Bluehole Inc. that we hold, from KRW 4 billion in 2016. Our finance costs increased by 32.7% to KRW 434 billion in 2017 from KRW 327 billion in 2016, primarily due to an increase in other finance costs relating to management fees paid in connection with our investment in Bluehole's securities and the loss we recognized on the disposal of our shares of Kakao Corporation, which we had obtained for our 15.0% interest in Loen Entertainment mentioned above. Gains related to investments in subsidiaries and associates increased 312.4% to KRW 2,246 billion in 2017 from KRW 544 billion in 2016, primarily due to an increase in share of profits of SK Hynix, in which we have a 20.1% interest.

Our other non-operating income decreased by 52.0% to KRW 32 billion in 2017 from KRW 66 billion in 2016, primarily due to the refunds received in 2016 in connection with the overturn of certain fines previously imposed on us by the FTC that we had paid compared to no such refunds in 2017. Our non-operating expenses increased by 15.2% to KRW 344 billion in 2017 from KRW 299 billion in 2016, primarily due to an impairment loss recognized on goodwill related to SK Communications.

### Income Tax

Income tax expense increased by 71.0% to KRW 746 billion in 2017 from KRW 436 billion in 2016 primarily due to a 62.4% increase in profit before income tax. Our effective tax rate in 2017 increased by 1.1%p to 21.9% from 20.8% in 2016

### Profit for the Year

Principally as a result of the factors discussed above, our profit for the year increased by 60.1% to KRW 2.66 trillion from KRW 1.66 trillion in 2016. Net margin was 15.2% in 2017 compared to 9.7% in 2016.

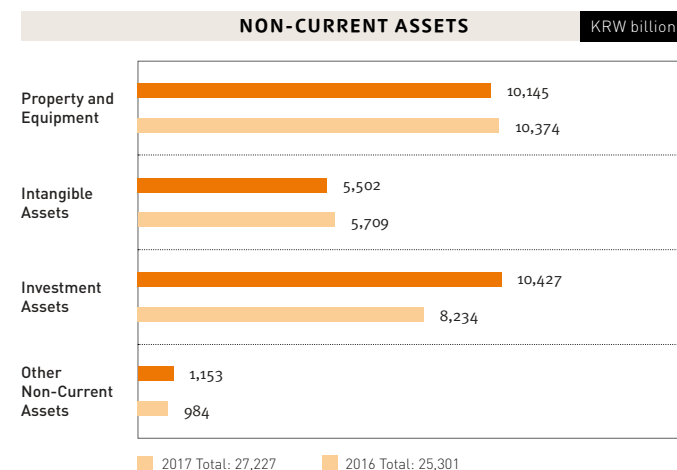
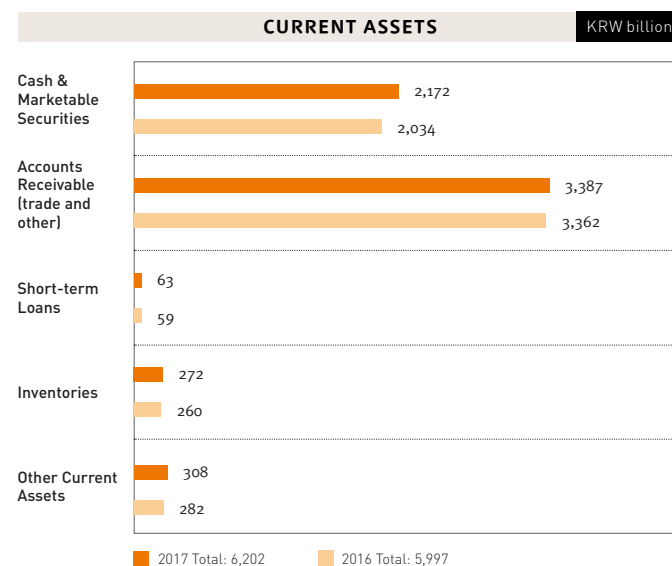
## 5. FINANCIAL STRUCTURE

### Current Assets

We had current assets of KRW 6.20 trillion as of December 31, 2017, a 3.4% increase from KRW 6 trillion as of December 31, 2016. Our cash and marketable securities (including short-term financial instruments) increased by 6.8% to KRW 2.17 trillion as of December 31, 2017 from KRW 2.03 trillion as of December 31, 2016, primarily due to an increase in short-term financial instruments. Our accounts receivable (trade and other) increased slightly by 0.7% from KRW 3.39 trillion as of December 31, 2017 from KRW 3.36 trillion as of December 31, 2016.

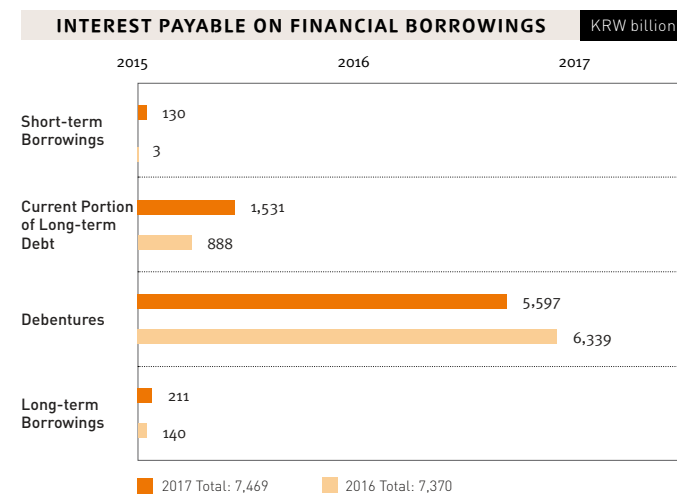
### Non-current Assets

We had non-current assets of KRW 27.23 trillion as of December 31, 2017, a 7.6% increase from KRW 25.30 trillion as of December 31, 2016, primarily due to an increase in investment assets. Our investment assets increased by 26.6% to KRW 10.43 trillion as of December 31, 2017 from KRW 8.23 trillion as of December 31, 2016 primarily due to an increase in the fair value of our holdings in SK Hynix, in which we have a 20.1% equity interest.



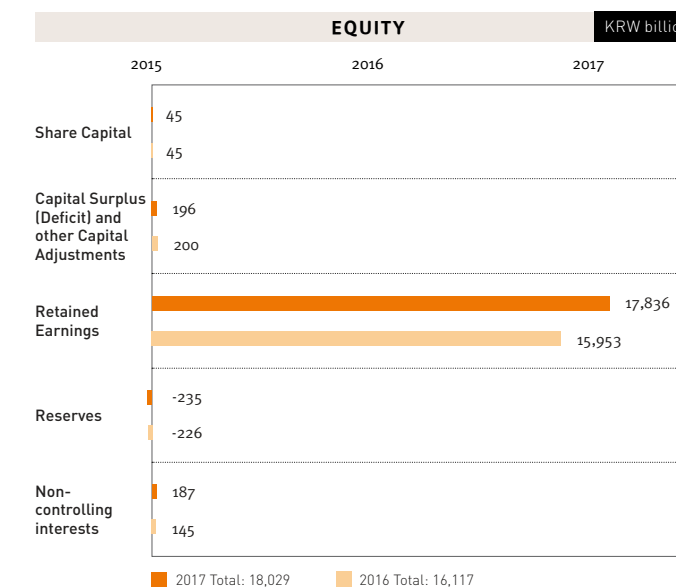
### Liabilities

We had KRW 15.40 trillion of total liabilities as of December 31, 2017, a 1.4% increase from KRW 15.18 trillion of total liabilities as of December 31, 2016, primarily due to an increase in deferred tax liabilities. Our total interest-bearing financial debt increased by 1.3% to KRW 7.47 trillion as of December 31, 2017 from KRW 7.37 trillion as of December 31, 2016. Our debt-to-equity ratio as of December 31, 2017 was 41.4%, compared to 45.7% as of December 31, 2016.



### Equity

Our total equity as of December 31, 2017 amounted to KRW 18.03 trillion, which increased by 11.9% from December 31, 2016, primarily due to an increase in retained earnings.



## 6. CAPITAL EXPENDITURES (SEPARATE BASIS)

SK Telecom spent approximately KRW 1.98 trillion for capital expenditures in 2017 compared to KRW 1.96 trillion for capital expenditures in 2016, each on a separate basis. Of the amount spent in 2017, we spent approximately KRW 1.13 trillion, or 57.0%, on capital expenditures related to expanding and enhancing the quality of our LTE network and KRW 387 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 1. HUMAN CAPITAL

MD&A		2015	2016	2017
1.1 Total Employment	Total Number of Employees	4,046	4,399	4,516
	Special Employment and Minorities	79	73	49
	Total Number of Overseas Employees	186	190	182
1.2 Recruitment and Turnover	Total Number of New Employees	563	734	466
	Total Number of Turnover Employees	681	359	284
1.3 Maternity and Parental Leave	Number of Employees on Maternity Leave	170	185	142
	Number of Employees on Parental Leave	48	42	35
1.4 Human Capital Improvement	Training Expense per Employee (*) (KRW million)	2.84	2.03	1.91
	Number of Training Courses Participants Annually (**)	17,125	17,303	16,201
	Rate of Employees' Performance Evaluations (%)	96	98	99
1.5 Employee Engagement	Employee Engagement (%)	89	90	88
1.6 Labor Practices	Labor Union Membership Rate (%)	85.0	87.3	88.7
1.7 Health, Safety and Well-Being	Number of Occupational Accidents (person)	0	1	1

[\*] Training expenses per employee = training performance including corporate training expense and training expense of each department.

[\*\*] According to SK Telecom's in-house training courses excluding external training courses

## SECTION 2. SOCIAL CAPITAL

MD&A		2015	2016	2017
2.1 Access to Service	LTE Subscribers Rate (%)	66.3	71.2	75.7
	Total Rate of Reduction for Disadvantaged Groups (KRW million)	188,453	190,413	197,890
	Participation in Education to Resolve the ICT Informational Divide	1,404	758	588
	Support for Areas with Weak Telecommunications Services (Sites)	5,649	3,649	6,737
2.2 Network Quality and Risk Management	Wireless Network Capacity (wireless lines in thousands)	36,160	39,620	45,210
	Annual Data Traffic Processed (*) (TB)	838,775	1,208,543	1,611,711
	Number of Large-scale Network Failure Cases (**)	1	0	0
2.3 R&D Investment	Total R&D Expenditure (***) (KRW billion)	585.7	640.9	638.0
	R&D Personnel (person)	998	1,248	1,376
2.4 Customer Satisfaction and Customer Safety Indicators	NCSI (Korea Productivity Center)	76	76	77
	Rate of Micropayment Fraud VOC (%)	0.026	0.014	0.009
2.5 Privacy Protection	Customer Information Leakages (cases)	0	0	0
	Rate of Assessments Conducted Among Total Stores (****) (%)	100	100	100
2.6 Electromagnetic Fields	Number of intensity measurements taken at wireless stations	37,504	23,535	38,782
	Rate of wireless stations at level of the electromagnetic field rating system	99.9	99.9	99.9

[\*] Including wireless phones (2G/3G/4G), Wibro and Wifi

[\*\*] According to the number of large-scale network failure cases submitted to the Ministry of Science, ICT and Future Planning: More than 1 failure of a switchboard; more than 10 failures at sites in the same city/district/area; and failures of a similar scale must be reported

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

[\*\*\*\*] Refer to p.124 for yearly assessment status

## SECTION 2. SOCIAL CAPITAL

MD&A		2015	2016	2017
2.7 Mutual Growth with Partners	No. of Company Participants in Mutual Growth Cooperation	325	376	278
2.8 Assessment of the Supply Chain's Sustainability	Total Number of Newly Registered Partners	706	725	615
	Human Rights - Environment - Ethics - Social Screening	100	100	100
	Total Number of Registered Partners	2,346	1,881	1,444
2.9 Community Investment (*)	ESG Assessment Implementation Rate of Partners	67	92	93
	Support for Start-ups (number of teams)	31	55	38
	Donations collected on Give U (KRW million)	142	202	300
2.10 Participation in Public Policy	Number of Volunteer opportunities registered on With U	26,765	77,024	24,332
	Direct Political Donations (**) (KRW million)	0	0	0

[\*] Since 2017, apply annual standard, not cumulative

[\*\*] Direct political donations: donations and support for lobbying organizations or lobbyists, political campaigns and election funds, organizations or politicians related to specific parties or politics, trade associations or taxexempt groups

## SECTION 3. NATURAL CAPITAL

MD&A		2015	2016	2017
3.1 GHG Emissions	Total Emissions (tCO <sub>2</sub> e)	686,118	828,073	875,401
	Intensity (tCO <sub>2</sub> e/KRW billion)	54.64	67.05	70.21
3.2 Energy Consumption	Total Energy Consumption (TJ)	14,081	17,012	17,983
	Energy Intensity (TJ/KRW billion)	1.1	1.4	1.4
3.3 Water Consumption	Volume of Water Consumption (m <sup>3</sup> )	757,658	712,910	713,744
	Intensity (m <sup>3</sup> /KRW billion)	60.34	57.72	57.25
3.4 Waste and Recycling	Total Waste (ton)	1,928	1,691	1,562
	Waste Discharge Intensity (ton/KRW billion)	0.154	0.137	0.125
	Recycling Rate (%)	35	35	40
3.5 Resources	Rate of New Subscriptions (%)	83.9	87.0	87.6
	Rate of T membership Mobile Card Issuance to New Customers (%)	97	98	99
	Device Retrieval Rate (%)	3.6	3.1	1.8
	Total Environmental Costs (*) (KRW million)	709	754	702
3.6 Environmental Costs and Investments	Annual Cost of Purchasing GHG Emissions Credits (KRW million)	-	1,316	1,833
	Annual Cost of Purchasing Green Products (KRW million)	89,125	45,150	36,706

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

## BASIS OF PREPARATION

### Reporting Standards and Principles

The purpose of Non-financial Management Discussion & Analysis (MD&A) to present management's analysis opinion on the key management performances from non-financial aspects such as human capital, social capital, and environmental capital for the reporting period from January 1 2017 to December 31, 2017. The following international reporting standards and principles apply to the non-financial MD&A:

### 1 International Integrated Reporting Council <IR> Framework

The International Integrated Reporting Council <IR> framework requires concise reporting on the organization's strategy, governance, and how the performance and future prospects are connected to the short-, mid-, and long-term value creation of an organization under the economic, social and environmental contexts. Please refer to pp.35-36 for the Capital Model required to implement the Integrated Reporting Principles of the International Integrated Reporting Council and pp.45-48 for materiality assessment to determine important topics depending on the impact on value creation.

### 2 Global Reporting Initiatives (GRI) Sustainability Reporting Standards.

The GRI provides information on the topics and disclosures of reporting from economic, social and environmental perspectives so that stakeholders can discern the organization's performance. It defines the subject according to the correlation of each topics from the impact on stakeholders and from economic, social and environmental perspectives. Please refer to pp.45-48 for the results of the Materiality Assessment conducted in accordance with the GRI requirements.

### 3 Accountability AA1000

The AA1000 series identifies and prioritizes sustainability issues in relation to the organization and defines its framework and principles. The information in this report is verified by third parties according to the Assurance Standard (AA1000AS). Please refer to pp.132-134 for the result of the third-party assurance performed by an independent institute.

### References

#### 1 UNGC COP (UN Global Compact Communication on Progress)

A guideline for reporting the compliance status to the Ten Principles of the UNGC by its members

#### 2 ISO 26000

An international social responsibility standard of the responsible management system presented in November 2010 by the ISO (International Standard Institution).

#### 3 CDSB Reporting Framework

Standard for carbon disclosure put forth by the Climate Disclosure Standard Board (CDSB) in September 2010

**4 SASB (Sustainability Accounting Standard Board)** ..... Telecommunication Standards Core issues and key performance indicators in the tele-communications industry released in April 2014 by the U.S. SASB

### Scope of Data

The non-financial information presented in this non-financial MD&A is limited to the data of SK Telecom, which does not include subsidiaries and supply chains unless otherwise specified. This coincides with the scope of separate revenues of SK Telecom, which is the controlling company under K-IFRS. Environment data such as energy, greenhouse gases, waste, and drinking water is calculated based on 28 domestic business sites\* of SK Telecom (including network and data centers). Over 99% of SK Telecom's revenues are generated in Korea, and thus the data coverage included meets 99% or more of the revenue.

\* 28 business sites(T Tower, Namsan, Guro, Jangan, Seoul National University, FMI, Yongin, Boramae, Holy water, Feeding, Incheon, Bundang, Wonju, Taepyeong, Bongri, Sincheon, Buam, Data center, Cornfort, Umbrella, Songjeong, Jeonju, Jeju, Middle East, Myeongryun), Network O&S and Call Centers (Service Top & Service Ace)

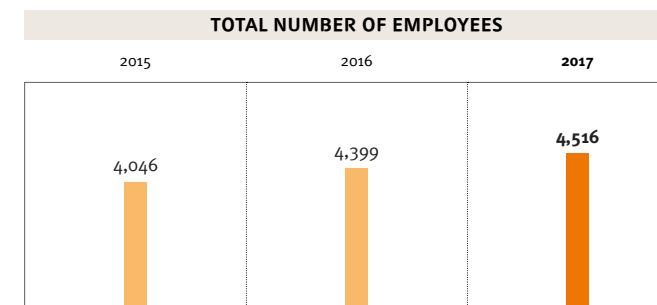
## SECTION 1. HUMAN CAPITAL

### 1.1 Total Employment

Total employment is one of the key indicators that show a company's job creation. The total number of employees includes permanent and temporary (contract-based) employees who have a direct employment contract with SK Telecom, except the employees and executives of the affiliated companies and subsidiaries of SK Telecom. We have made efforts to secure early growth engines and internalize human resources with expertise; and as a result, as of the end of 2017, the total number of employees has increased by 2.59% to 4,516 persons.

The ratio of female employees, which is a major diversity indicator, increased by 0.4% p from the previous year to 14.3% in 2017, and the ratio of female managers is steadily increasing to 11.1%. By age, the ratio of persons over 30 years and under 50 is the highest, and the ratio of permanent employees is 97.5%, which is similar to the previous year.

SK Telecom applies additional points to the vulnerable class to expand the employment of minorities, and implements its Special Screening System for the Disabled. In 2017, the number of veterans employed by the company slightly decreased in 2017 due to the decrease in new recruitment. However, the number of the disabled employed remained at 58, similar to the previous year. The total number of overseas personnel including expatriate employees and local employees is 49 and compared to the total number of employees, the percentage of those overseas is low. The percentage of local managers at overseas business locations is 36.4% and after this percentage rose above 30% in 2014, it has held steady at a constant rate.

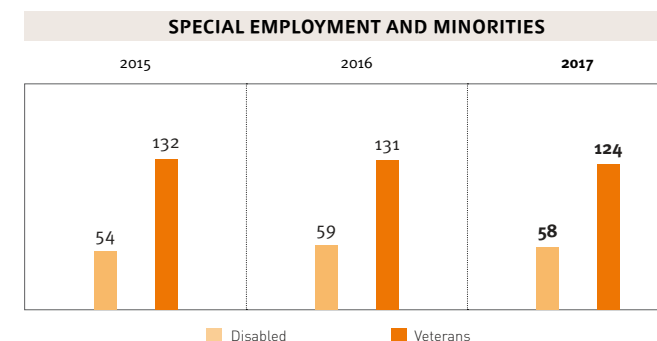


		2015	2016	2017
Total Number of Employees	persons	4,046	4,399	4,516
Employment Type	Permanent	3,925	4,242	4,403 (*)
	Temporary	121	157	113 (**)
Gender	Male	3,504	3,789	3,872
	Female	542	610	644
Age	Under 30	326	405	378
	Over 30 - Under 50	3,533	3,707	3,709
	Over 50	187	287	429

(\*) As of December 31, 2017, the number of permanent male employees was 3,817, the number of permanent female employees was 586.

(\*\*) As of December 31, 2017, the number of temporary male employees was 55, the number of temporary female employees was 58.

		2015	2016	2017
Expatriate Employees	persons	20	20	15
Local Employees	persons	59	53	34
Total Number of Overseas Employees	persons	79	73	49
Total Number of Overseas Managers	persons	15	15	11
Total number of Local Managers	persons	5	5	4
Percentage of Local Managers (%)	persons	33.3%	33.3%	36.4%



	2015	2016	2017
Female share of total workers (*)	13.4	13.9	14.3
Females in management positions (**)	9.5	9.9	11.1

(\*) Percentage of female employees compared to total number of employees

(\*\*) Percentage of females in management position compared to total workforce in management position (including management above junior level and executives)

### 1.2 Recruitment and Turnover

The number of new employees by age and gender as well as the number of turnover employees is calculated based on the number of permanent and temporary workers (contract based) who have a direct employment contract with SK Telecom. The number does not include employees and officers of the affiliated company and subsidiaries of SK Telecom.

SK Telecom's total newly recruited employees in 2017 decreased YoY, but this was due to the temporary change in human capital caused by efforts to expand human resources in the growth business after the establishment of the new ICT company strategy in 2016. The figures in 2017 show the recruitment has stabilized to the previous year's level. SK Telecom plans to continue the recruitment of AI, IoT, big data, 5G, and self-driving growth-related personnel focused on platform capacity and to internalize their capabilities.

Total turnover in 2017 was 6.3%, down 2.4% p from the previous year. This decrease in turnover rate, which was temporarily increased in line with the transfer of works to subsidiaries/investment companies, happened as the direction of the business became clear and stabilized. SK Telecom contributes to improving work productivity by implementing various welfare systems such as flexible time, childbirth and childcare support, refresh vacation for long-term-service employees, and support for single -residence housing.

		2015	2016	2017
Total Number of New Employees	persons	563	734	466
Gender	Male	421	593	349
	Female	142	141	117
Age	Under 30	296	283	181
	Over 30 - Under 50	259	414	268
	Over 50	8	37	17

		2015	2016	2017
Total Number of Turnover Employees	persons	681	359	284
Gender	Male	467	289	202
	Female	213	70	82
Age	Under 30	180	133	120
	Over 30 - Under 50	351	178	148
	Over 50	149	48	16

### 1.3 Maternity and Parental Leave

SK Telecom actively implements policies to support and ease the burden of childbirth and childcare of employees. SK Telecom has established systems to reduce the workload of employees and to prevent disadvantages in evaluation such as maternity and parental leave as well as a shortened working-hour system during the pregnancy and child-raising period, and the company also provides various support programs such as nursing rooms, congratulatory allowance, scholarships for children, the operation of in-house daycare, flexible work system, and children's centers. In 2017, the company allowed female employees to work for shortened working hours for the entire pregnancy period, and adopted a telecommuting system and a childcare system to strengthen the institutional basis for providing maternity and childcare support. Parental leave is available for both male and female employees up to one year per child. If female employee uses parental leave in succession to maternity leave, she can be provided the parental leave up to two years(including maternity leave).

Despite this support, the rate of maternity leave and parental leave has decreased slightly due to the decrease in the overall domestic fertility rate. However, the ratio of male employees taking child-care leaves grew by 6.2%p to 22.9% yoy, showing steady growth. In addition, the rate of return after parental leave, which is a key indicator of job security for employees taking childcare leave, increased by 4.7% p yoy to 97.6% in 2017.

#### MATERNITY/PATERNITY LEAVE AND PARENTAL LEAVE

		2015	2016	2017
Number of Employees on Maternity Leave	persons	170	185	142
Maternity Leave Users - Female	persons	133	20	22
Paternity Leave Users - Male	persons	37	165	120
Rate of Return after Childbirth	%	100	100	100
Number of Employees on Parental Leave	persons	48	42	35
Parental Leave Users - Female	persons	43	35	27
Parental Leave Users - Male	persons	5	7	8
Rate of Return after Taking Leave	%	79.2	92.9	97.6
Rate of Retirement within 12 months after Return	%	30.8	5.3	7.1

### 1.4 Human Capital Improvement

SK Telecom, in the transition to the era of the "4th Industrial Revolution," which reorganizes the necessity of changing and expanding the human resource development methods, and thus transferred the Human Resource Development Center to the Cultural Competence Group to overcome the limitations in the traditional human resource development and recruitment processes used in 2017. Based on this, in order to secure the human capital capacity under the ICT environments and the severe competition for securing human resources, SK Telecom has adopted the following three tasks: 1) New ICT competency development, 2) Tech. Leadership & Culture and 3) Strengthening and Internalization of Competency based on shared/collaborative platform.

First, for the NEW ICT competency development, the company formed a curriculum development committee composed of experts including professor and researchers, etc. to develop new ICT competency that can be the future growth engine such as artificial intelligence, big data, and Internet of Things, and established the New ICT Academy to train technical experts. In addition, SK Telecom introduced SK MOOC (Massive Open Online Courses), which enable users to learn the latest technology contents conveniently, to create an

environment where the employees can develop its competency under self-direction.

In the field of Tech. Leadership & Culture, SK Telecom launched Tech Leadership Training Program and a new ICT Insight seminar to raise business insights and perspectives based on data. In addition, the company plans and operates the business unit modeling incubation (BM Incubation) and Intensive BM Consulting Program to enhance business competency, while launching the Start @ Program, where employees can freely suggest idea and reflect it in the business. As such, the company created a place where employees can find more bold and creative ideas. In addition, SK Telecom has collaborated with universities, start-ups and specialized research institutes to create ecosystems based on sharing and cooperation. In particular, the company has developed and adopted AI curriculum and AI Fellowship through industry-university cooperation to lay the ground for nurturing and growing AI technology experts that have become a national issue. The company also contributed to expanding the base of New ICT talent by planning and implementing the AI Symposium and the T-TOC Program, which enable venture companies, start-ups and competitors to share and exchange mutual technologies.

Through the implementation of these three tasks, SK Telecom's total training time per person in 2017 recorded 108 hours, which was 38% more than the previous year. In addition, the number of annual training courses reached 281, which is 2.1 times higher than the previous year, due to the opening of new technology competency programs. Based on this human capital enhancement momentum, SK Telecom will further strengthen the three existing tasks in 2018, and will continue to search for business innovation and growth directions through human resource development.

#### STATUS OF EMPLOYEE TRAINING

		2015	2016	2017
Training Expense per Employee (*)	KRW million	2.84	2.03	1.91
Average Annual Training Hours (**)	Hour	82	68	108
Number of Training Courses Given Annually (***)	Courses	98	133	281
Number of Training Courses Participants Annually (***)	persons	17,125	17,303	16,201

(\*) Training expenses per employee = training performance including corporate training expense and training expense of each department.

(\*\*) According to the total of training hours including internal and external courses

(\*\*\*) According to SK Telecom's in-house training courses excluding external training courses

The rate of performance evaluation means the number of employees out of the total number of employees that received evaluations according to the pre-defined performance evaluation system. SK Telecom conducts performance evaluations on all its employees, and recorded 99% of implementation rate of evaluation in 2017, recording a steady increase trend since 2015. In 2017, SK Telecom reorganized its performance evaluation management system of the employees to ensure substantial improvements in performance and competency enhancement of employee based on mutual collaboration. Firstly, the company completely abolished the relative evaluation of allocation methods and introduced a non-rating performance evaluation based on absolute evaluation to avoid internal competition.

In addition, the company moved away from regular/collective performance management concentrated on year-end evaluation, and promoted substantial performance improvement activities through individualized annual performance management of each task. Moreover, SK Telecom has set

the principles and criteria in advance for compensation/promotion/core talent selection, which have been strongly linked to the relative evaluation score, and has made each organization make autonomous management and decisions through an enhanced human resource review session.

#### RATE OF PERFORMANCE EVALUATIONS CONDUCTED

	2015	2016	2017
Rate of Employees' Performance Evaluations	96	98	99

### 1.5 Employee Engagement

SK Telecom conducts an annual survey of its employees to audit their performance. To audit employees' engagement level, we examine our employees' engagement level every year. Employee engagement is measured by the performance of VWBE (Voluntarily & Willingly Brain Engagement), the sense of belonging and pride as a member, and the 'work reward and fulfillment' of employees at the end of August. The level of engagement results from the positive response rate for each survey. Many changes have occurred within and outside of the organization, including the appointment of a new CEO and could have hindered employee engagement in 2017. However, due to the executives, including the CEO, driving change for growth based on consistent messages on business, members and culture, employee engagement levels were similar to those of previous years. A total of 2,727 employees responded to the Employee Engagement Survey in 2017. The results of the survey showed 88% of employee engagement.

#### EMPLOYEE ENGAGEMENT

	2015	2016	2017
Employee engagement analysis results	89	90	88

### 1.6 Labor Practices

SK Telecom actively protects the freedom of association of workers under ILO Conventions 87, 98 and domestic labor laws. Employees and officers of SK Telecom voluntarily form labor unions by freedom of association, and joined the labor unions according to their free choice. As of the end of 2017, the rate of participation in labor unions, which is calculated based on the ratio of current labor unions, is 88.7%, showing continuous increase for the past three years. SK Telecom strives to set up a win-win labor-management culture and improve working conditions for its employees under the framework of maintaining and improving desirable labor-management relationship. SK Telecom and the labor union agreed to leave the matters of adjusting wages to SK Telecom's discretion in 2017 based on the spirit of mutual respect and cooperation. In order to improve working conditions for employees, SK Telecom has established a TF between labor and management, and increased the allowances for worker who works in the places other than hometown and improved the standard of transportation expenses for weekend work.

#### LABOR UNION MEMBERSHIP

	2015	2016	2017	
Number of Employees Eligible for Labor Union Membership	persons	2,316	2,479	2,523
Labor Union Members	persons	1,968	2,164	2,238
Labor Union Membership Rate	%	85.0	87.3	88.7

### 1.7 Health, Safety and Well-Being

SK Telecom currently operates a diverse range of programs to improve employees' health and well-being including creating a pleasant working environment by maintaining a suitable temperature, humidity, lighting intensity and noise level in the office. The company also supports employees so that they can manage their mental health including physical fitness and stress levels by operating an in-house physical fitness space called 'Actium' and Ki Training. Furthermore, to help employees to enjoy a flexible work environment, SK Telecom has introduced a flexible time system and a system for pregnant women to telecommute. The company is making great efforts to ensure employees' work life balance by providing maternity and parental leaves beyond what is legally required and aiding employees in raising their children. Starting in April 2018, we have introduced a two-week work shift system and Super Friday (end of work shift on the third Friday of every month at 3:00 pm), to improve employees' work life balance. Based on the Health-On Index, the health index of 2017, the average health age decreased one year from 42 to 41 years of age, and the average health score increased 2.1 points from 71.9 points to 74 points. On the other hand, we found obesity, diet imbalance and lack of activity to be health risks, and we plan to improve them through online and offline health coaching.

#### EMPLOYEE HEALTH AND WELL-BEING PROGRAMS

Type	Key Program and Support Details
<b>Creating a Healthy Work Environment</b>	<ul style="list-style-type: none"> <li>Building of an automated temperature and humidity control system and twice-daily measurements. Operation of an air-conditioning and exhaust fan and management of internal dust/CO2 thorough batch ventilation before the start of work hours. Management of light intensity and sound levels [Yearly fixed measurements to check for illumination levels of greater than 500 Lux / sound levels below 60dB, *office standard]</li> <li>Creation of an ergonomic work environment by introducing heightadjustable desks, ergonomic chairs and open standing conference rooms.</li> </ul>
<b>Fitness</b>	<ul style="list-style-type: none"> <li>Operation of an in-house physical training center, Actium, and support for scientific exercise management including the management of online exercise prescriptions and exercise records through the companywide fitness system and custom exercise instruction.</li> </ul>
<b>Nutrition</b>	<ul style="list-style-type: none"> <li>Supporting balanced eating habits by operating an in-house cafeteria(T-Patio)</li> <li>As part of the Health-On program, medical professionals are invited to lead health concerns on diseases and nutrition.</li> <li>Identify and manage health issues of members through Health-On Index check-ups</li> </ul>
<b>Stress Management</b>	<ul style="list-style-type: none"> <li>Operation of an employee counsler service program "My Counsler" (Provide counsel about stress and difficulties in workplace, health, etc.)</li> <li>Operation of the Actium Health-On mental health program (for emotional health letter, health lectures, laughter exercise, healing yoga, etc.)</li> </ul>
<b>Flexible Work Hours</b>	<ul style="list-style-type: none"> <li>Operation of a Flexible Time system to allow employees to manage work hours flexibly.</li> <li>Implementation of a work schedule selection program (flexible 80 hour two-week work shift system)</li> </ul>
<b>Telecommuting</b>	<ul style="list-style-type: none"> <li>In 2016, SK Telecom shifted to a cloud PC that allows all employees to access their work with a remote PC from a variety of devices anytime, anywhere, enabling them to work outside the office.</li> <li>System for telecommuting during pregnancy (after the 29th week of pregnancy, requires consultation and registration)</li> </ul>
<b>Childcare and Children's Education</b>	<ul style="list-style-type: none"> <li>Execution of a wide range of childcare support programs including the operation of an in-house daycare, support for children's educational expenses (preschool, elementary/middle/high school, university) and support for children's camps.</li> </ul>
<b>Maternity/Parental Leave</b>	<ul style="list-style-type: none"> <li>Reduced work hours during pregnancy: 6-hour workday throughout the length of pregnancy.</li> <li>Maternity leave: The company offers 90 days of leave after birth, 120 days after the birth of twins and 5 days of paid leave when a spouse gives birth.</li> <li>Parental Leave: The company offers 1 year of paid leave for a child under 8 years of age. If a female employee uses maternity and parental leave consecutively, she can register to use one additional year of parental leave (a maximum of 2 years)</li> <li>Parental leave automatic transfer: When maternity leave is about to expire, an employee can automatically begin to use parental leave consecutively without registering separately.</li> <li>Care leave for children entering school: The company offers a 90 day leave once a year for employees with children entering elementary school.</li> </ul>

## SECTION 2. SOCIAL CAPITAL

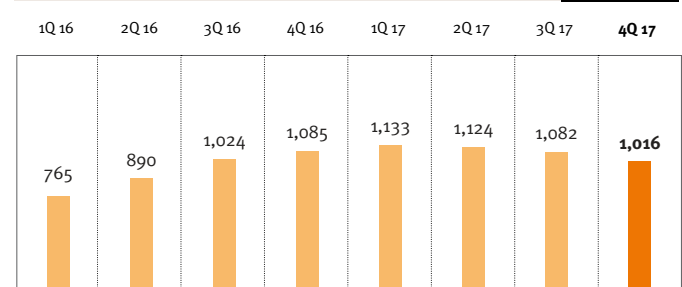
## 2.1 Access to Service

SK Telecom's expansion of service accessibility lays the groundwork for providing even more convenient mobile telecommunications services by securing and maintaining the absolute number of subscribers and expanding mobile devices. It consists of promoting digital inclusion for disadvantaged groups including low-income individuals and senior citizens. Efforts to improve service accessibility can potentially lead to the potential growth of the subscriber base and average revenue per user. This may not only have a positive impact on SK Telecom's future revenue, but from a social standpoint, it improves the quality of people's lives.

The rate of LTE subscribers and the number of 2nd device subscribers are the indicators of mobile Internet access. In 2017, the rate of SK Telecom's LTE subscribers increased 4.5%p year-on-year and was recorded as 75.7%. In the 2nd device space, through the launch of differentiated products that identified customers' needs including T kid's phone, T outdoor and T pocket-fi, SK Telecom is leading the market. In 2017, the total number of 2nd device subscribers increased to about 1.02 million while the number of subscribers is continuously maintained at over 1 million after the 2nd half of 2016.

## LTE SERVICES AND SMARTPHONE PENETRATION

		2015	2016	2017
LTE Subscribers Rate	%	66.3	71.2	75.7
Total Number of Subscribers	1,000 people	28,626	29,595	30,195
Number of LTE Subscribers	1,000 people	18,980	21,078	22,865

NUMBER OF 2<sup>ND</sup> DEVICE SUBSCRIBERS

In addition, SK Telecom continues to expand service accessibility through the reduction of fee rates for disadvantaged groups. SK Telecom's total amount of rate reduction for disabled people and low-income groups aimed at improving information accessibility amounted to KRW 197.9 billion in 2017, an increase of 3.9% p year-on-year, as a result of the expansion of rate reduction for low-income group which was implemented in December 2017.

	RATE REDUCTION(*)		
	2015	2016	2017
Total Rate Reduction for Disadvantaged Groups	188,453	190,413	197,890
Rate Reduction - Disabled	122,462	123,187	125,224
Rate Reduction - Low-income	56,058	57,068	60,074
Rate Reduction - Veterans	9,800	10,032	10,507
Rate Reduction - Miscellaneous	133	125	85

(\*) Changes in classification standards in 2017: From 2017, hearing/ language-impaired persons among the veterans are classified as veterans and welfare center for the disabled and those who terminated the contract ahead of the agreed date are classified into other categories.

In order to ease and resolve the digital divide for disadvantaged groups in terms of access to information, SK Telecom is consistently offering education on smartphone use and ICT education that utilizes its ICT capabilities. Since 2007, together with the SK college student volunteer group Sunny, SK Telecom has operated the mobile phone education program 'Generation sympathy! Happy Mobile World' for senior citizens. Besides this, SK Telecom addresses the smart divide facing different groups by continuously running programs such as the mobile education for North Korean defectors and an ICT Make-a-thon to ease the informational divide experienced by handicapped youth. We will continue our efforts to increase the ability of the silver generation to use smartphones, by hosting a 'joint festival' for senior citizens and by conducting our 1:1 smart phone education program, 'Generation sympathy! Happy Mobile World'. SK Telecom has set its mid- and long-term goal of achieving 17,332 cumulative smart phone education participants by 2020, and will provide convenience and value to more customers to eliminate the ICT information gap. In 2017, the total number of participants in the ICT education for the elimination of the digital divide dropped to 588 from the previous year due to the termination of some programs, including the support for smart robot-based software education for elementary school students.

## PARTICIPATION IN EDUCATION TO RESOLVE THE ICT INFORMATION DIVIDE

	Smartphone Education for Senior Citizens	ICT Make-a-thon	Mobile Education for North Korean defectors
Number of Participants	432	112	44

As a further addition, SK Telecom is constantly expanding its telecommunications service coverage areas for residents in areas with weak service accessibility, such as remote mountainous areas and islands.

In 2017, the company has invested in improving the quality of communication in the disadvantaged areas to improve the quality of communication services. As a result, SK Telecom, among the domestic mobile communication companies, was placed No. 1 in the service quality sector in the farming and fishing villages in the Communications Service Quality Evaluation organized by the Ministry of Science and ICT.

## SUPPORT FOR UNDERSERVED AREAS

		2015	2016	2017
Installing Services - Remote Mountainous Areas	Sites	5,182	3,195	6,737
Installing Services - Hiking Trails	Sites	75	217	520
Installing Services - Island Areas	Sites	392	237	358

## 2.2 Network Quality Management

Going beyond the leadership in the MNO area, SK Telecom is moving to become a pioneering operator in the new ICT ecosystem on the basis of its network infrastructure. Offering a high-quality network is the asset that SK Telecom fundamentally values for securing core service competitiveness and to this end, the company is making the appropriate investments in network and is simultaneously pursuing consistent quality enhancement as well as technology development to provide excellent quality network services.

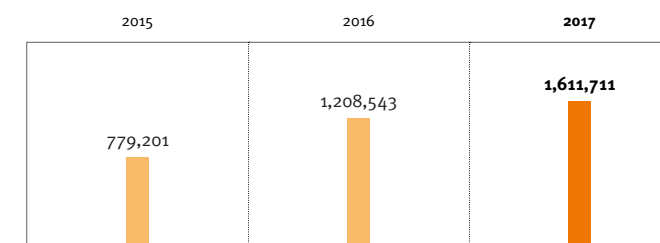
In 2017, the company's annual wireless telecommunications network capacity was 45.21 million lines and the total number of subscribers was 30.20 million, so it has 150% of retention capacity. In 2017, the company has continued its upward climb with an increase of 33.4 % compared to the previous year. SK Telecom responds flexibly to increasing data traffic through accurate forecasting and monitoring of demands and is making every effort to provide the best network service.

## WIRELESS NETWORK CAPACITY AND DATA TRAFFIC PROCESSED ANNUALLY

		2015	2016	2017
Wireless Network Capacity	wireless lines in thousands	36,160	39,620	45,210
Annual Data Traffic Processed (*)	TB	779,201	1,208,543	1,611,711

(\*) The 2016 and 2017 figures include wireless phones (2G/3G/4G), Wibro and Wifi, while 2015 figure only includes wireless phones (2G/3G/4G).

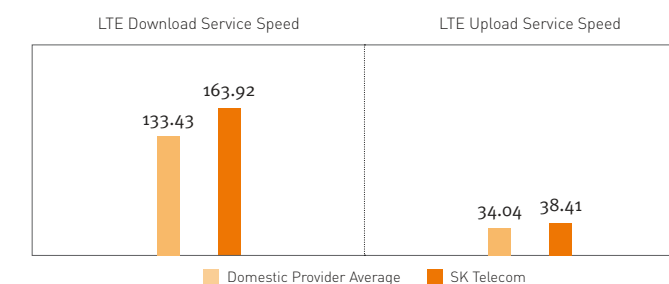
## ANNUAL DATA TRAFFIC PROCESSED



In terms of LTE transmission speed, SK Telecom was recognized as a service provider offering the fastest LTE service by the Ministry of Science and ICT's Communications Service Quality Evaluation. Upon being selected, in 2016, the company was recorded as having transmission speeds that exceeded domestic telecommunications operators' average speeds and maintains its superiority in call quality compared to other companies. SK Telecom maintains a superior quality of data and voice calls compared to other providers, as demonstrated by the Ministry of Science, ICT and Future Planning's recognition of the company as having the fastest LTE service in the Telecommunications Service Quality Assessment and received a higher rating than in 2015. In addition, we provide differentiated communication services by providing superior network quality and coverage compared to competitors through technologies such as 5 Band CA (Carrier Aggregation) and 4T4R (4 antenna technology) by utilizing the 2.6GHz frequency band secured in 2016.

After firstly commercializing the LTE-A pro service with a speed of 500 Mbps in the country in 2016, SK Telecom provided service with a speed of 900 Mbps in 2017 and now the company is targeting to secure 1Gbps in 2018. SK Telecom plans to continue providing the industry's highest level of LTE service quality.

## LTE SERVICE TRANSMISSION SPEED (\*)



(\*) Results of the 2017 'Telecommunications Service Quality Assessment' by the Ministry of Science and ICT

To telecommunications service operators, a network infrastructure failure has the potential to become a business continuity risk, and if failures continue to occur, they may even cause a temporary collapse of economic and social systems. Appropriately absorbing the increasing amount of high-level data traffic and maintaining quality while also minimizing the rate of network failures is one of the major challenges for SK Telecom and all telecommunications companies. In 2017, SK Telecom is providing stable telecommunications services by strengthening activities to prevent service failures such as expanding automated service detour solutions and establishing thorough measures as well as automated optimization of network quality and monitoring the abnormal symptoms to prevent the recurrence of breakdowns. In 2017, SK Telecom recorded zero large-scale telecommunications network failure in the report of the Ministry of Science and ICT.

## NETWORK FAILURES

	2015	2016	2017
Number of Large-Scale Network Failure Cases (*)	1	0	0

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

## 2.3 R&amp;D Investment

In order to advance as a new ICT company based on 5G Infrastructures, SK Telecom, on the basis of expanded investment into R&D, is actively making mid- to long-term R&D investments that will propel growth in the ICT convergence age including 5G, AI and IoT/Data and marketing infrastructure investments.

The 2017 R&D investment expenditures amounted to KRW 638 billion which was similar to the previous year. The continued efforts to recruit human capital in the form of talented researchers increased the R&D personnel by 10.3% yoy to 1,376 in 2017. Such increases was mainly coming from recruitment of R&D personnel for AI, 5G and autonomous driving as well as recruitment in the core business sectors leading growth such as IoT/Data, etc.

## R&amp;D INVESTMENT

		2015	2016	2017
R&D Expenditure (*)	KRW billion	585.7	640.9	638.0
R&D Personnel	persons	998	1,248	1,376

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

CAPEX		KRW trillion	
	2015	2016	2017
Total CAPEX	1.9	2.0	2.0
Network CAPEX	1.4	1.5	1.6
Non-network CAPEX	0.5	0.5	0.4

## 2.4 Customer Satisfaction and Customer Safety Indicators

SK Telecom is achieving improvements in long-term customer loyalty through the Customer Experience Management (CEM), which strives for the highest customer value. In 2017, the company was ranked No. 1 in Korea's three major customer satisfaction surveys (NCSI, KCSI and KSSQI) and became the first in the country to rank No. 1 on NCSI for 21 consecutive years. According to the internal Customer Satisfaction Index (CSI) Survey conducted twice a year by SK Telecom, the company recorded 78 points in 2017, proving steady growth over the past three years.

### CSI, CUSTOMER SATISFACTION INDEX (\*)

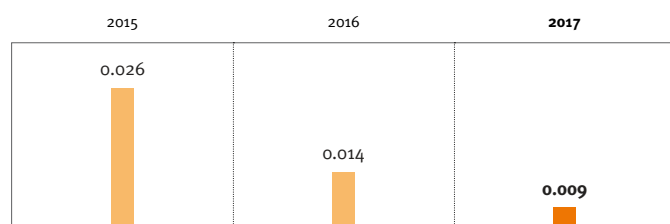
	2015	2016	2017	2018	
SK Telecom Internal CSI Index Result (**)	76	77	78	-	
NCSI (Korea Productivity Center)	76	76	76	77	No.1 for 21 consecutive years
KCSI (Korea Management Association)	75.7	78.4	80.2	-	No.1 for 20 consecutive years
KS-SQI (Korea Standard Association)	74.5	72.5	74.2	-	No.1 for 18 consecutive years
User protection task analysis (Korea Communications Commission)			Excellent rate	-	

(\*) Based on 100 points

(\*\*) The average of internal CSI analysis survey results conducted twice a year annually (in the first & second half of the year)

In 2017, we conducted various customer diagnostics related to infrastructure, AI, and media as well as our mobile communication services, and in the management meetings, we promoted substantial improvement of the business division through the customer-oriented insight and improvement plans. As a result, we achieved the highest average score of 76.8 points for the three major external customer satisfaction surveys in 2017. Furthermore, in order to provide a communications environment in which customers may use the company's services with confidence, SK Telecom is continuously strengthening customer safety services centered on preventing bill shocks, personal information protection, and children's safety, as well as eradicating illegal fraudulent messages like spamming and phishing. The rate of micropayment fraud VOC, which is a key indicator of customer safety, refers to the ratio of the number of micropayment fraud complaint VOC to the number of received consultations. The rate of micropayment fraud VOC is noticeably decreasing each year and it reached 0.009% in 2017.

### RATE OF MICROPAYMENT FRAUD VOC



## 2.5 Privacy Protection

SK Telecom recognizes customer data privacy as a key management issue and is taking the utmost care and efforts to identify and remove potential risks in advance, strengthen and give training regarding information protection systems, and enhance inspections of distributors and subsidiaries. Since 2016, SK Telecom adopted the Security & Quality Management System (SQMS), which is a companywide dedicated product/ service security management system. The company also designed an infrastructure dedicated to precluding information leakages by completely blocking external access to customer information and only allowing informational access and handling through a virtual secure access site. As a result of SK Telecom's ongoing privacy protection efforts, no single case of customer information leakage from events such as hacking has happened at SK Telecom since 2011. Customer information leakage is defined as an instance of penetration/breach of SK Telecom's customer personal information security system through hacking, thus leading to the stored customer personal information being leaked externally. In 2017, we revised and improved SKT's Customer Information Protection Policy & Guidelines, which can be used as a decision criterion for protecting customer information, reflecting changes in the internal and external environment regarding customer information handling. In addition, the 'checklist for self-inspection when dealing with customer information' was specified and reflected in the work of related parties.

### CUSTOMER INFORMATION LEAKAGES

	2015	2016	2017
Customer Information Leakages	0	0	0

Since 2015, SK Telecom has implemented personal data privacy audits of approximately 3,800 stores in the marketing and solutions areas and is remotely implementing regular assessments of 20,000 distribution network PCs related to information leakage on an annual basis. Continuing from 2016, complete 100% inspections for stores have been implemented in 2017 as well, and data privacy audit in terms of products/services standards have also been implemented for 131 cases (100%). Furthermore, SK Telecom has diagnosed privacy protection status of 14 investment companies of the company in 2017 and taken corrective measures. The company has also provided guidelines for security activities to protect core assets and selective investment in security system customized for each investment company. SK Telecom also conducted focused consulting for each of its investment companies to bolster their privacy protection management capabilities using resources that the company retains.

In accordance with the Telecommunications Business Act (Article 83, Clause 6) and Protection of Communications Secrets Act (Articles 13), if a governmental agency requests submission of data, SK Telecom cooperates in providing the relevant data according to the legal criteria and methods. Every year on a quarterly basis, the company gives a report to the competent ministry and office (the Ministry of Science and ICT), regarding the statistical data about the details provided. Cooperation regarding "communications data," "communications verification data," and "communications restrictions" are carried out according to the strict procedures and limitations specified in current laws. SK Telecom tries to minimize human rights risks with continuous diagnostic activities and in-

ternal audits to check for elements of potential violations of users' rights. Moreover, SK Telecom established human rights principles regarding freedom of expression and misuse of technology through a formalized corporate human rights policy, and is making utmost efforts to protect users' rights and interests as well as human rights including privacy protection. SK Telecom notifies all subscribers about the items, purpose and retention period of the personal information collected by the company according to the relevant laws and the company receives prior consent from subscribers through an opt-in method. The collected information is used strictly within the scope of the purpose for which consent has been given and the company is making its best effort to protect personal information by providing information to third parties only with customers' optional consent.

### DISTRIBUTION NETWORK CUSTOMER INFORMATION PROTECTION

	2015	2016	2017
Rate of Assessments Conducted Among Total Stores	100(*)	100(**)	100(***)
Number of Audits on Products/Services Information Protection Management (****)	224	163	131
Rate of Audits Conducted Among Total Products/Services	100	100	100
Areas for Security Improvement Discovered	491	326	153
Corrective Measures - Rate of Completed Measures	100	100	100
Short-term measures taken	322	218	90
Long-term measures taken	169	108	63

(\*) Systemized and enhanced the structure of the methods managing store data privacy.

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

(\*\*\*) For the entire distribution network, the company conducted 1) data analysis based target diagnosis, 2) online store diagnosis, 3) customer information leakage status through SNS to identify the suspected stores which leaks customer information.

1) Data-based diagnosis through Safe PC/ Eagle Eye

2) Analysis of T-Gate incoming URL (about 130,000)

3) Diagnosis of customer information exposed on Naver Band/ Cafe/ Kakao Group, etc.

(\*\*\*\*) The total number of subjects of diagnosis are continuously decreasing due to simplified products and services.

### RESPONSES TO GOVERNMENTAL INSTITUTION'S DATA REQUESTS

	No. of 'Communications Data' Requests	No. of 'Communications Verification Data' Requests
No. of Requests Processed (*)	309,054	63,837

(\*) Number of cases in which data were provided in response to requests made by governmental institutions, 2017 annual standard.

- **Communications Data:** The user's name, resident registration number, address, phone number, ID, subscription start and end dates. The courts, prosecutors and investigative agencies may request such data when investigating a crime, executing sentences or conducting trials according to the Telecommunications Business Act.

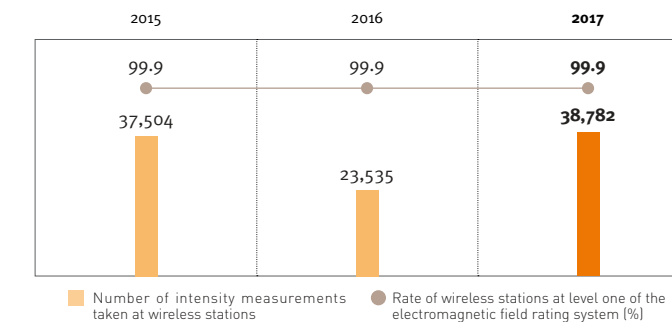
- **Communications Verification Data:** The other party's subscription number, log records, (date, time) and IP address is classified as communications verification data according to the Protection of Communications Secrets Act. Investigative agencies make the request by receiving permission from the courts with their reasons for the request, connection with the subscriber in question as well as the scope of the data needed.

## 2.6 Electromagnetic Fields

Following the implementation of mandatory electromagnetic fields measurements since June 2007 until the present, SK Telecom has been faithfully fulfilling this regulation, and in 2017, a total of 38,782 measurements of electromagnetic fields at wireless stations have been conducted. The measurement results show that the actual intensity of electromagnetic wave at the SK Telecom's wireless stations is less than merely 1/10 of the standard level for human safety. According to the electromagnetic wave rating system (introduced in August 2014), almost all of the wireless stations have been recorded at the safest level, level 1, and indeed more than 99.9% of the measured wireless stations were ranked at the level 1.

Moreover, since August 2014, SK Telecom has supported the five-year research project on electromagnetic fields' human impact conducted by the Korean Institute of Electromagnetic Engineering and Science. Since May 2018, we have conducted a project which is currently in its fourth year and the company is bearing 50% of the KRW 1.5 billion total costs.

### MEASUREMENT OF ELECTROMAGNETIC FIELD INTENSITY AT BASE STATIONS



## 2.7 Mutual Growth with Partners

SK Telecom, to contribute to the growth of a healthy invigorated ICT industry by putting mutual growth into practice. To this end, SK Telecom is implementing 4C (Cooperation, Creation, Compliance, Co-work), key growth action plans. The company has faithfully implemented the main recommendations of the Fair Trade Commission (conclusion of contracts, selection of management of partner companies, internal deliberation committee, preservation and issuance of written documents) and supported small and medium-sized companies (SMEs) in terms of financing, technology, training, manpower and welfare supports. In recognition of such results, in 2017, SK Telecom obtained the Top Excellence grade in the Win-Win Index Assessment (mutual growth agreement by the Korean Commission for Corporate Partnership) for five consecutive years, and was selected as a top honors company.

### MAIN RESULTS OF MUTUAL GROWTH IN 2017

Classification	Main Programs and Supports	Achievement Rate (%)
Support for partner companies to generate increased revenue	- Supported revenue increases of KRW 45.9 billion for 214 companies by commercializing new technology produced by SMEs, fostering ventures and expanding the ICT ecosystem through sharing and openness	100
Improvement of payment methods and dates	- 100% cash payments and early payments - Early payment for SMEs (SMEs Care Program)	100
Technical support and protection	- Free support for technology development (T developers, T open lab, etc.) - Strengthening technology protection for partner companies by operating a technical database	100
Education/ training and HR/ recruitment support	- Customized education by job position such as the Win-Win Growth Academy (CEO seminars, mutual growth MBA) - 100 online courses available and the continuous development of new courses - Supporting the recruitment and fostering of human resources by operating the SK Stepping Stones program	100
Funding (financing)	- Loan support through the Mutual Growth Fund (KRW 167.5 billion) - Support for SMEs through equity investments (funds, direct investment, etc. for a total of KRW 41.7 billion) - Direct funding for start-ups, technology development, management support, etc.	100
Other supports	- Programs to support the welfare of partner companies: Welfare points, scholarships for high school/university students	100

## 2.8 Assessment of the Supply Chain's Sustainability

SK Telecom defines the main risks that occur in the supply chain and reflects this in the supply chain responsibility assurance process. The risk factors identified are officially included in the 'Supplier ESG Code of Conduct' and 'Fair Trade/Transparent Transactions & CSR Practice Agreement' and are applied to 100% of the company's partner companies. While SK Telecom requires compliance with these principles in the process of concluding contacts, the company takes a variety of measures such as requiring corrective measures and terminating business relationships through a long-term monitoring process. Please refer to pp.93-97 of SK Telecom's Supply Chain Report for more detailed information.

### SUPPLY CHAIN ESG ASSESSMENT (ADVANCE SCREENING)

	2015	2016	2017	2020 Target	Note
Total Number of Newly Registered Partner Companies	706	725	615	750	
Human Rights-Environment-Ethics-Social Screening	706	725	615	750	Service / Construction/ Equipment / Goods Suppliers
Rate of Advance Assessments	100	100	100	100	

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

	2015	2016	2017	2020 Target	Note
Total Number of Registered Suppliers	2,346	1,881	1,444	2,100	
Number of Suppliers Assessed	1,582	1,726	1,340	2,000	
Number of Suppliers Surveyed in Writing (Audit)	1,270	1,351	1,056	1,400	
Tier 1 Number of Suppliers Surveyed On-site (Audit)	212	225	224	242	
Number of Suppliers Surveyed by 3rd Parties	100	150	60	150	1-on-1 meeting with Construction/Equipment Suppliers, In-depth meeting included
Assessment Rate of Suppliers	67	92	93	95	Survey conducted by the Korean Commission for Corporate Partnership
Total Number of Critical Suppliers (**)	20	35	47	40	
Non-Tier 1 Number of Critical Suppliers Assessed (***)	10	21	35	38	
Rate of Critical Suppliers Assessed (%) (****)	50	60	74	95	

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

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

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

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

### RISK MONITORING AND ASSESSMENT (BY TYPE, 2017)

Category	No. of companies	No. of Companies Assessed	Rate (%)	Note
Critical Suppliers	325	313	96	Critical Tier 1 & Critical Non-tier 1 Suppliers
Suppliers at High Risk Level	25	25	100	Tier 1 Suppliers

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

## 2.9 Community Investment

SK Telecom approaches the investment in local communities from the perspective of Creating Shared Value (CSV) that creates innovations in social value by utilizing the company's ICT and infrastructure capabilities. Based on this strategic direction, SK Telecom prioritizes creating ICT-based sharing value, providing technology-based platforms for local communities, and minimizing the digital divide.

Creating ICT-based sharing value means activities that support the foundation of society through the fostering of ICT-based social enterprises and start-ups. SK Telecom operates diverse programs such as SK Telecom's flagship ICT Convergence venture start-up support project, BRAVO! Restart as well as Youth Fly Program, which is a program supporting university students in terms of entrepreneurship/nurturing/overseas expansion, AVS (Agriculture Venture Star) which is a program nurturing venture company expertized in ICT-based agriculture, and 101 Start-up Korea, a program nurturing start-ups which is under operation together with SK Planet. SK Telecom is contributing to the development of new growth engines of the company, while at the same time helping to solve social problems by gathering ICT capabilities.

In order to serve communities by creating technology-based platforms, SK Telecom has developed and operated a donation platform called GiveU, and a volunteer matching platform, WithU. According to the expansion of the platform-based social contribution culture, the total amount of donations through GiveU increased 48.5% compared to the previous year to KRW 300 million. The cumulative volunteer opportunities registered on WithU, which surged in 2016 has come back to the level of previous years with 24,332 cases. Digital inclusion efforts encompass investment activities to increase the level of access to service for groups that are vulnerable to the digital divide including the disabled and senior citizens. Please refer to the 2.1 Access to Service category for detailed information on results.

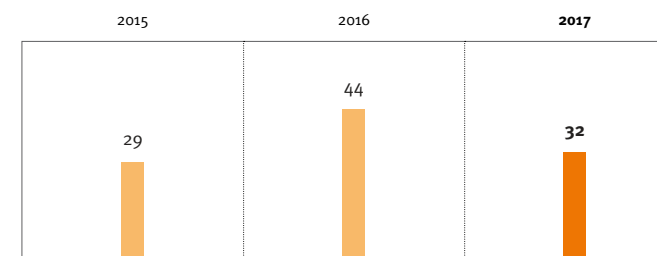
### MAIN PROGRAM RESULTS (\*)

			2015	2016	2017
ICT-based Creating Shared Value	Support for Start-ups	number of teams	31	55	38
Technology-based Platform for Local Communities	Donations collected on GiveU	KRW million	142	202	300
	Volunteer opportunities registered on WithU	cases	26,765	77,024	24,332

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

Through SK Telecom employees' volunteer activities, the company has been able to contribute to the expansion of the sharing culture. SK Telecom has especially strengthened specialized volunteer activities such as ICT-related volunteer opportunities based on SK Telecom's capabilities and talent donations. This was in order to improve employees' satisfaction with their volunteer experiences and also to enhance the efficiency of the volunteer programs. The rate of specialized volunteer activities has been calculated by dividing the volunteer hours performed by the ICT volunteer and pro-bono volunteer groups by the total number of volunteer hours performed. In 2017, the rate of specialized volunteer work decreased as the physical volunteer activities at the disaster-affected sites including earthquake zone Gyeongju and fire area Gangneung, etc. In addition, SK Telecom is continuing investment to maintain philanthropy programs such as Make-a-thon for the disabled youth, support for Happy GPS and Happy Library, etc.

### RATE OF SPECIALIZED VOLUNTEERING BY EMPLOYEES AND OFFICERS %



### EXPENDITURES ON PHILANTHROPY BY DONATION TYPE

Type of Social Contribution	Expenditure (KRW million)
Donation in cash	94,950
Amount calculated based on the time spent for volunteering activities during working hours	40
Donation in kinds converted into amount (*)	945
Indirect cost (**)	1,220

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

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

### CHARITABLE CONTRIBUTION AND SPONSORSHIP

Program	Organization
ICT education program for youth	Korea National Association of Child Welfare
Scholarships for college students from vulnerable groups	KJChoi Foundation
Make-a-thon competition for disabled youth	Korea Federation of Organization of the disabled
Audio book application for blind people "Happy Library"	Korea Blind Union
Support for vulnerable groups	Community Welfare Centers
Youth Shinmungo (Consultation Room)	Seoul YMCA
Challenge! English up!	Busrugy: Leftover Love Sharing Community
Guide senior citizens on how to use a mobile phone	Korea Association of Senior Welfare Centers
SKT Happiness sharing bazaar	Food for the Hungry
Cook stove project in Myanmar	Climate Change Center

## 2.10 Public Policy Participation

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

### PUBLIC POLICY EXPENSES

KRW million

	2015	2016	2017
Political Donations (*)	0	0	0

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

### CONTRIBUTIONS TO ASSOCIATIONS

KRW million

	2015	2016	2017
Association Donations (*)	9,562	7,416	3,274

(\*) Association donations: association fees for telecommunication policy-related institutions with guaranteed political neutrality

## SECTION 3. NATURAL CAPITAL

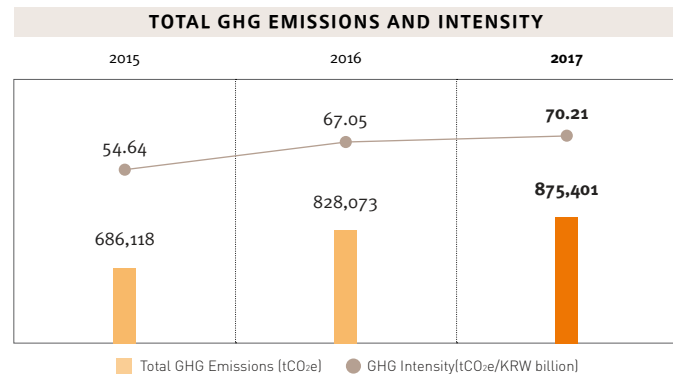
### 3.1 Greenhouse Gas (GHG) Emissions

SK Telecom's GHG emissions are calculated based on the company's main 28 buildings including data centers and the guidelines on preparing and managing the statements for the Emissions Trading Scheme (ETS). The scope of this calculation includes emissions from all the network facilities (base stations and equipment), but it does not include emissions from subsidiaries and supply chains. Greenhouse gas intensity, on the other hand, is calculated by dividing the total emissions of greenhouse gas by SK Telecom's parent-only revenues (data coverage). In 2017, SK Telecom's total GHG emissions amounted to 875,401 tCO<sub>2</sub>e, a 5.7% increase from the previous year. This was primarily a result of an increase in power consumption due to the new establishment of more network equipment. Regarding direct GHG emissions, SK Telecom successfully reduced this amount by 4.6%. To reduce GHG emissions, the company put forth a variety of efforts including the integration of network equipment at the base stations, replacement of worn-out air conditioners and the adjustment of air-conditioning and heating. However, the amount of emissions reduced was small compared to the total amount that increased, resulting in an overall increase in emissions.

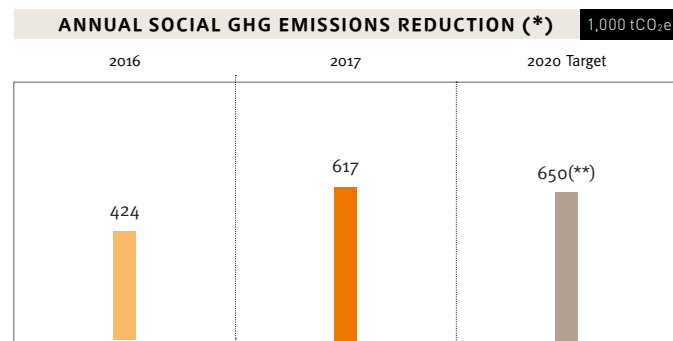
SK Telecom have set a mid- and long-term target to reduce greenhouse gas emissions by 82.4tCO<sub>2</sub>e per KRW billion by 2020. To achieve this target, SK Telecom has plans to discover and implement reduction activities such as the use of high-efficiency repeaters and integrated management of base stations. At the same time, by securing carbon offsets based on the SK's proprietary technologies and solutions, SK Telecom will actively participate in the Emissions Trading Scheme.

### GREENHOUSE GAS EMISSIONS

		2015	2016	2017	2020 Target
Total Emissions	tCO <sub>2</sub> e	686,118	828,073	875,401	
Intensity	tCO <sub>2</sub> e/KRW billion	54.64	67.05	70.21	
Direct Emission	tCO <sub>2</sub> e	8,431	7,152	6,820	7,000
Stationary Combustion	tCO <sub>2</sub> e	5,650	4,945	5,191	
Mobile Combustion	tCO <sub>2</sub> e	2,781	2,207	1,629	
Indirect Emission	tCO <sub>2</sub> e	677,687	820,921	868,581	870,000
Electricity	tCO <sub>2</sub> e	677,585	820,836	868,495	
Steam	tCO <sub>2</sub> e	102	85	86	



SK Telecom is expanding the management scope of indirect GHG emissions (Scope 3) through research on social GHG emissions reduction and provision of environmental solutions utilizing ITC. Reducing social GHGs refers to reducing the GHG emissions that result from the activities of daily life using SK Telecom's ICT services. As part of SK Telecom's flagship activity to reduce social GHG emissions, the T map navigation service contributes to reducing fuel use and GHG emissions by informing drivers of optimal routes that account for the distance and real-time road conditions between the user's current location and destination. The volume of social GHGs that T map helped to reduce in 2017 is estimated to be about 0.617 million tons annually. Since opening T map and making it free to use, the number of users has been steadily climbing and given the increase rate of registered cars and the spread of the navigation service usage, SK Telecom has set a goal to reduce 0.65 million tons of social GHG emissions annually by 2020.



(\*) The effect of reduced social GHG from use of the T map service  
 (\*\*) The 2020 target was increased due to the 2017 annual greenhouse gas reduction of 617,000 tCO<sub>2</sub>e exceeding the reduction target of 2020 reported in 2016.

### 3.2 Energy Consumption

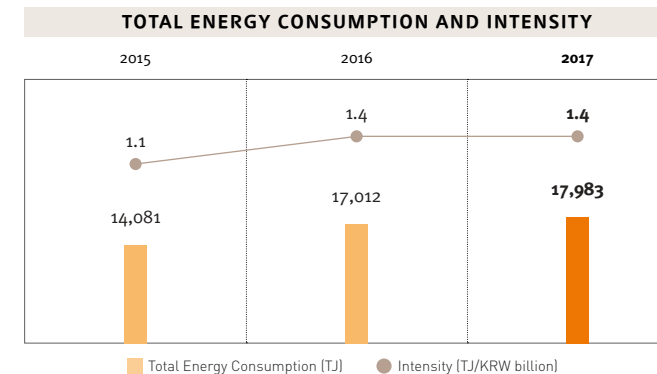
SK Telecom's energy consumption is managed in compliance with guidelines on preparing and managing the statements for the Emissions Trading Scheme (ETS), and the numerical figures are aggregated by entering billing invoices received from energy suppliers into the system. The total energy consumption is calculated by including the consumption from all 28 of SK Telecom's company buildings, data centers and network facilities (base stations and equipment), but the energy consumption by the company's subsidiaries and supply chain is not included. The intensity of energy consumption is calculated by dividing the total energy consumption by SK Telecom's parent-only revenues (data coverage). Regarding energy reduction results due to the use of natural air-conditioning and renewable energy development, the estimated value of measured data of the previous year (2012~2013) has been equally applied to 2017.

SK Telecom continuously reduced energy consumption through reduction activities such as decreasing the use of energy sources for the heating and cooling systems of company buildings, integrating network equipment such as repeaters and base stations as well as replacing worn-out air conditioners. Despite such efforts, the energy consumption in 2017 was 17,983 TJ, an increase by 5.7% YoY due to the installation of additional network equipment. For SK Telecom, indirect energy consumption resulting from the use of electricity accounts for 99.3% of the total consumption. Accordingly, SK Telecom seeks to improve energy efficiency by managing company buildings with a focus on innovating network structures and making networks slimmer as well as generating electricity through renewable energy facilities. Taking the increased energy consumption due to investing in 5G facilities into consideration, SK Telecom plans to achieve 28,340 TJ by 2020 in terms of total energy consumption.

### ENERGY CONSUMPTION

	2015	2016	2017	2017 Target
Total Energy Consumption	TJ 14,081	17,012	17,983	18,000
Energy Intensity	TJ/KRW billion 1.1	1.4	1.4	
Direct Consumption	TJ 146.0	119.0	118.7	
Natural Gas	TJ 83.4	68.0	71.1	
Diesel	TJ 10.5	10.2	7.7	
Kerosene	TJ 18.2	18.2	18.3	
Jet fuel	TJ 3.9	2.2	1.6	
Gasoline	TJ 29.0	23.7	19.7	
LPG	TJ 0.4	0.2	0.3	
Indirect Consumption	TJ 13,954.0	16,893.0	17,864.3	
Electricity	TJ 13,932.8	16,887.2	17,862.0	
Steam	TJ 2.7	2.3	2.3	
Total Power Consumption Reduction	MWh 44,731	46,838	45,139	
Reduction from Building Management	MWh 2,145	4,252	2,553	
Reduction from Natural Air-Conditioning System	MWh 39,857	39,857	39,857	
New Renewable Energy Generation Facilities	MWh 2,729	2,729	2,729	
Total Consumption of Renewable Energy	MWh 2,729	2,729	2,729	2,729

(\*) The energy consumption standard is based on the emission rights exchange standard methodology, please refer to p.135.



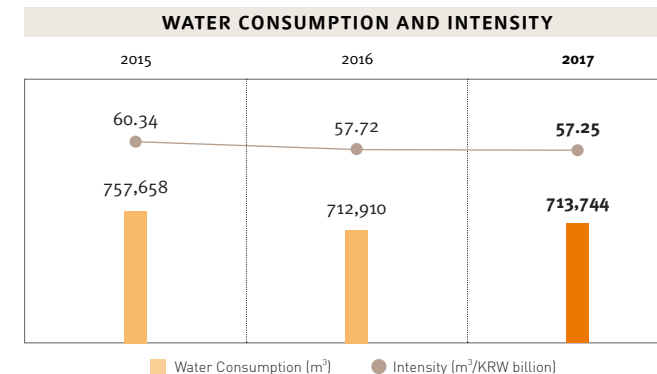
### 3.3. Water Consumption

Water consumption is estimated based on SK Telecom's 28 company buildings including data centers, according to invoices for water usage, and the calculated total does not include consumption by subsidiaries or the supply chain. The intensity of water consumption is calculated by dividing the total water consumption by SK Telecom's parent-only revenues (data coverage).

As part of efforts to reduce water consumption, SK Telecom adjusted the Seongsu cooling tower drain amount and changed the cooling tower supply water at the Wonju building. Thanks to these efforts, despite an increase in the cooling tower supplementary water required for the additional telecommunications equipment installed, SK Telecom successfully reduced annual water consumption to 713,744m<sup>3</sup> in 2017, a similar level to the previous year.

### WATER CONSUMPTION

	2015	2016	2017	2017 Target
Volume of Water Consumption	m <sup>3</sup> 757,658	712,910	713,744	720,000
Waterworks Usage	m <sup>3</sup> 687,087	648,643	656,668	
Groundwater Usage	m <sup>3</sup> 70,571	64,567	57,076	
Intensity	m <sup>3</sup> /KRW billion 60.34	57.72	57.25	



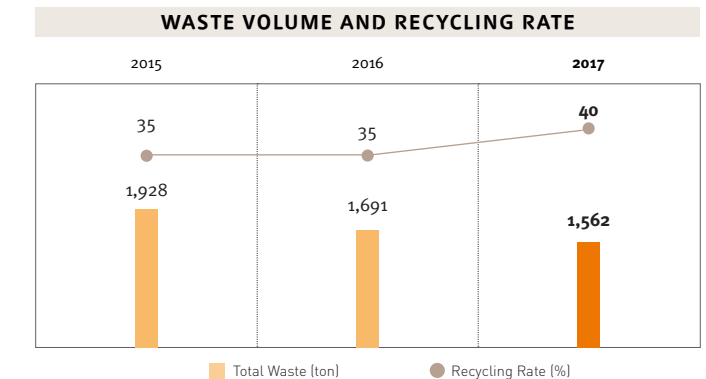
### 3.4 Waste and Recycling

Waste discharge volume is estimated based on SK Telecom's 28 company buildings including data centers, and the calculated total does not include the waste discharged by subsidiaries or the supply chain. The intensity of waste discharge is calculated by dividing the total waste discharge volume by SK Telecom's parent-only revenues (data coverage).

The total volume of waste discharge in 2017 decreased to 1,562 tons, a 9.2% decrease yoy showing continued decrease. In order to reduce the volume of waste discharge, SK Telecom uses compressor before discharging the waste, and raises the ratio of renewable waste by strengthening the process of separating the renewable wastes.

### WASTE AND RECYCLING STATUS

	2015	2016	2017	2017 Target
Total Waste	ton 1,928	1,691	1,562	1,600
Domestic Waste	ton 648	590	486	
Large-sized Waste	ton 91	68	104	
Food Waste	ton 505	406	339	
Designated Waste	ton 18	41	11	
Recyclable Waste	ton 666	587	622	
Waste Discharge Intensity	ton/KRW billion 0.154	0.137	0.125	
Recycling Rate	% 35	35	40	





### 3.5 Resources

Through efforts such as electronic billing, the issuance of T membership mobile cards and retrieval of terminal, SK Telecom is creating a solid base for reducing resource consumption during the course of customers' use of the company's services. As the company continues to strengthen these efforts, it is putting resource reduction into practice.

The total number of electronic bill subscribers includes customers who receive their bills via smart phone, email or MMS. The rate of new subscription indicates customers who subscribed to the electronic billing service among all new annual subscribers. The electronic billing service has the benefits of improved security of personal information and prevented unnecessary usage of resources such as paper, and thus, the number of subscribers to the electronic billing service has increased at a steady pace. As the end of 2017, the total number of electronic bill subscribers reached approximately 22.86 million and since the introduction of the smart billing service in 2010, the number of customers taking advantage of the electronic billing service has grown steadily. The new electronic bill subscription rate recorded at 87.6% in 2017, indicating a slight increase compared to the previous year.

#### ELECTRONIC BILLING SERVICES SUBSCRIPTIONS

		2015	2016	2017
Total Electronic Bill Subscribers	1,000 people	21,328	22,402	22,855
Rate of New Subscriptions	%	83.9	87.0	87.6

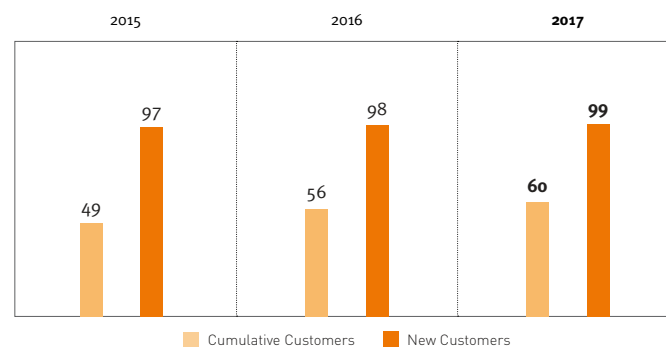
Since August 2013, SK Telecom has completely replaced the plastic card that was previously issued to customers that subscribed to T membership with a mobile eco-card. It is expected that the use of the T membership mobile eco-card will result in saving 4.88 grams of plastic per customer and reducing 12 grams of carbon emissions from being emitted. This is equal to reducing the use of four A4 size sheets of paper or contributing the volume of oxygen from 40 pine trees.

In the past, SK Telecom issued over five million plastic membership cards annually to run the T membership service. Once this entire amount is switched over to mobile cards, the company expects that an estimated 24 tons of plastic resources will be conserved and 55 tons of carbon emissions will be reduced annually. In 2017, T membership mobile card issuance rate was a cumulative 60%. This is a 4%p increase year-on-year and the rate is steadily increasing each year. The T membership mobile card issuance rate for new customers in 2017 was 99% and owing to this, the carbon emissions reduced have been improved.

#### T MEMBERSHIP MOBILE CARD USAGE

		2015	2016	2017
Rate of T membership Mobile Card Issuance to New Customers	%	97	98	99
Number of T membership Mobile Cards Issued [new/annual]	cases	2,894,971	2,031,727	2,014,292
Number of T membership Plastic Cards Issued [new/annual]	cases	79,554	45,981	15,990
Cumulative Rate of T membership Mobile Cards Issued	%	49	56	60
Number of T membership Mobile Cards Issued [cumulative/annual]	cases	5,661,830	6,711,262	7,555,355
Number of T membership Plastic Cards Issued [cumulative/annual]	cases	5,810,530	5,347,620	4,964,415

#### T MEMBERSHIP MOBILE CARD ISSUANCE RATE %



The retrieval rate of the terminal is calculated by dividing the number of terminals retrieved for one year by the total number of terminals sold. This rate in 2017 is 1.78%, showing a slight decrease compared to the previous year.

#### DEVICE RETRIEVAL RATE

		2015	2016	2017
T Devices Sold	in thousands	9,063	8,726	8,485
Devices Retrieved [*]	in thousands	326	222	131
Devices Retrieval Rate [*]	%	3.6	3.1	1.78

[\*] The volume retrieved and the retrieval rate of the terminals in 2017 include the 'Galaxy Note 7' figures.

### 3.6 Environmental Costs and Investment

The environmental investment and cost is estimated on SK Telecom's parent-only basis. The environmental costs are the expenditures required to reduce SK Telecom's environmental impact and improve environmental performance. The company classifies and calculates such expenditures into categories including costs and taxes paid to save energy and respond to climate change, dispose of waste and recycling waste, provide education and training, and contribute to nature conservation. In addition, SK Telecom also implements and tracks green procurement. Green procurement costs encompass the purchase of products with an energy efficiency grade and high-efficiency energy certification, high quality recycled product certification, environmental mark certification, environmental product declaration, carbon performance declaration, and low-carbon product certification, but this is not included in the environmental costs.

In 2017, the total environmental costs decreased 6.9% year-on-year to KRW 702 million. The main reasons for the lower environmental costs include decreases in expenses to save energy and respond to climate change. Furthermore, with the installation of new infrastructure equipment, the company recorded a higher level of GHG emissions than the emissions credits allotted by the government in 2017 resulting in purchase of the credits that it lacked as well as an emissions purchase cost of KRW 1.8 billion due to the increase in purchasing costs. Compared to 2015, a year in which green procurement costs greatly increased due to the expansion of the green certification centered on high-price equipment purchases, such costs were reduced to nearly half in 2017, but are on a rising trend overall.

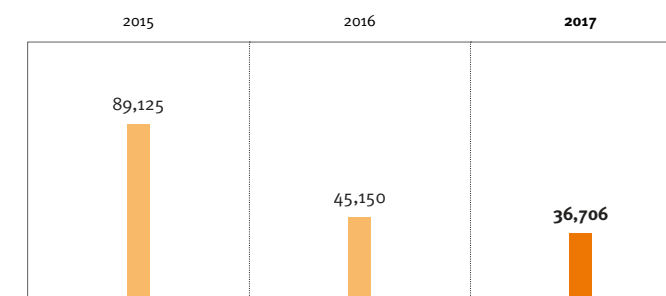
#### TOTAL ENVIRONMENTAL COSTS KRW million

	2015	2016	2017
Total Environmental Costs (excl. green procurement, GHG emission credits)	709	754	702
Energy Saving and Climate Change Response Cost	242	271	195
Waste Disposal Service	95	107	92
Waste Renewable service	20	25	30
Education/Training Cost	24	33	34
Nature Conservation Cost	0	0	0
Charges & Taxes	328	318	351
Miscellaneous	0	0	0

#### PURCHASE OF GHG EMISSIONS CREDITS KRW million

	2015	2016	2017
Annual Cost of Purchasing GHG Emissions Credits	-	1,316	1,833

#### GREEN PROCUREMENT COSTS KRW million



### 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 and ICT, and undertakes management activities, while actively reflecting demands made by stakeholders and the government, which expect fair market competition. Despite these efforts, however, SK Telecom was subject to the following sanctions imposed by the KCC in 2017, and corrective actions were taken accordingly.

#### STATUS OF SANCTIONS AND CORRECTIVE MEASURES

Date of Sanction	March 21, 2017
Sanctions and Corrective Measures	Fine of KRW 794 million and corrective action order in relation to the Case of Corrective Measures for the Violation of Mobile Terminal Distribution Act related to the sales to SK Telecom's foreign customers. The fine was paid and the corrective measures were reported to the KCC.
Date of Sanction	December 06, 2017
Sanctions and Corrective Measures	Corrective action order in relation to the "Case of Corrective Measures for the infringement on the interests of users related to termination of service agreement for high-speed Internet and package products of SK Telecom." We have reported the implementation results to the Korea Communications Commission.

## INDEPENDENT AUDITORS' REPORT

### To The Board of Directors and Shareholders

#### SK Telecom Co., Ltd.:

We have audited the accompanying consolidated financial statements of SK Telecom Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

#### Auditors' Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

#### Other Matter

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

*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.

Seoul, Republic of Korea

February 23, 2018

This report is effective as of February 23, 2018, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## THIRD-PARTY ASSURANCE STATEMENT

### Introduction

SK Telecom Inc. ("SK Telecom") commissioned DNV GL Business Assurance Korea Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of the Integrated Annual Report 2017 (the "Report"). The directors of SK Telecom have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of SK Telecom in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

### Scope of assurance

The scope of assurance includes a review of sustainability activities and performance data over the reporting period from 1st January to 31st December 2017. This also includes:

- Evaluation of the adherence to the AccountAbility principles set forth in AA1000 AccountAbility Principles Standard (APS) 2008.
- Review of the Report if it is prepared 'in accordance' with the GRI Sustainability Reporting Standards ("GRI Standards") Comprehensive option.
- Verification of high-level data and activities related to sustainability from the period between January and December 2017
- Review of the process for determining material topics for reporting, the management approach to material topics and the process for generating, gathering and managing the data and the information in the Report.

### Basis of our opinion

We performed our work using AA1000AS(2008) and DNV GL's assurance methodology VeriSustain™ (Version 5) which is based on our professional experience, international assurance best practices. We provide Type 1 and the moderate level of assurance, and we applied the Type 2 for the selected data. The assurance was carried out from May and till June 2018. The site visits were made to SK Telecom's Headquarters in Seoul, Korea. We undertook the following activities as part of the assurance process:

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

### Limitations

The engagement excludes the sustainability management, performance and reporting practices of SK Telecom's subsidiaries, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as SK Telecom's website (<http://www.sktelecom.com>). These documents, financial statements and the announcements are not included in this Assurance Engagement. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are

<sup>1</sup> The VeriSustain protocol is available upon request at DNV GL Website ([www.dnvgl.com/assurance/reporting/verification.html](http://www.dnvgl.com/assurance/reporting/verification.html))

used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement. The Board of SK Telecom has sole responsibility for the integrity of the Report. In performing the assurance work, our responsibility is solely towards the management of SK Telecom in accordance with the terms of reference agreed on.

#### Conclusion

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

#### The Foundation Principle of Inclusivity

SK Group announced in 2016 the amended SKMS (SK Management System) which is the group's management system policy. The commitment is clearly addressed to improve the social value of the subsidiaries by upholding one of top management philosophies, "Happiness of Stakeholders" policy. SK Telecom has integrated the policy in the articles of incorporation in 2017 and in the corporate governance charter endorsed in February 2018. SK Telecom has identified 6 internal and external stakeholder groups such as Customers, Suppliers, Employees, Local Communities / NGOs, Shareholders and Regulators. Stakeholder engagement and communication channels are described in the Report. The assurance team has reviewed the process that significant concerns raised by stakeholder is reported to the Corporate Citizenship Committee and reflected in the development of sustainability management policies. SK Telecom tries to create both economic and social values in every management activities which is called the Double Bottom Line policy. SK Telecom provides the value creation story substantiated by the social-environmental profit-and-loss analysis in the Report.

#### Materiality

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

#### Responsiveness

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

In addition, the opinion on the report quality is as follows;

#### Accuracy and Reliability

DNV GL has evaluated the adherence to the AA1000 AccountAbility Principles as described above by applying Type 1 methodology. The reliability of the selected data including water consumption, waste volume, and accident frequency rate are tested with Type 2 methodology. DNV GL has interviewed the data owners in order to figure out the data control process and verified the selected data against the relevant documents and records. DNV GL also conducted in-depth review the business ethics management process. Data owners in SK Telecom can explain the source of data and data handling process and demonstrate to trace the consolidated data back to the raw data set in a reliable manner. The assurance team has not noted any intentional error or misstatement regarding the selected data.

#### Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct<sup>2</sup> during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL has provided greenhouse gas emission verification in 2018. In our opinion, this does not affect the independence or impartiality of our work.

June 2018 Seoul, Korea



Country Representative **In Kyoon Ahn**  
DNV GL Business Assurance Korea Ltd.



## GREENHOUSE GAS EMISSIONS ASSURANCE STATEMENT

### Introduction

DNV GL Business Assurance Korea Ltd. (“DNV GL”) was commissioned by SK Telecom Co., Ltd. (“SK Telecom”) to verify the SK Telecom’s Greenhouse Gas Inventory Report for the calendar year 2017 (“the report”) based upon a reasonable level of assurance. SK Telecom is responsible for the preparation of the GHG emissions and Energy consumption data on the basis set out within the guidelines on the operation of GHG emission trading scheme (“ETS”) (Notification No. 2017-63 of Ministry of Environment). Our responsibility in performing this work is to the management of SK Telecom only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

### Scope of Assurance

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

- GHG emissions under verification: GHG emissions from 2017
- Organizational boundary for reporting: SK Telecom Co., Ltd. (in Korea)

### Verification Approach

The verification has been conducted by DNV GL on March 2018 and performed in accordance with the verification principles and tasks outlined in the guidelines on the operation of GHG ETS (Notification No.2017-63, Korean Ministry of Environment) and the verification guideline for GHG ETS (Notification No. 2017-12, Ministry of Strategy and Finance). We planned and performed our work to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process;

- We have reviewed the GHG emissions and energy consumption report for the calendar year 2017
- We have reviewed and verified the process to generate, aggregate and report the emissions and energy data

### Conclusions

As a result of the work described above, in our opinion nothing has come to our attention that would cause us to believe that the GHG emissions and energy consumption set out in SK Telecom’s report are not fairly stated. The GHG emissions and energy consumption of SK Telecom for the year 2017 were confirmed as below;

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the real number with ±2 tCO<sub>2</sub>  
 ※ Total emissions = Scope 1 + Scope 2

GREENHOUSE GAS EMISSIONS OF SK TELECOM CO., LTD. FOR YR 2017			
	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Total emissions
Year 2017	6,835	868,581	875,401

ton/CO<sub>2</sub>e

3rd April 2018



Sang-Yeon Park  
Lead Verifier



In-Kyoon Ahn  
Country Manager  
DNV GL Business Assurance Korea Ltd

This Assurance Statement is valid as of the date of the issuance [3rd April 2018]. Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of SK TELECOM is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

# 5 OTHER INFORMATION

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## CEO HUMAN RIGHTS STATEMENT

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

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

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

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

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

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

### 2) 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

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

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

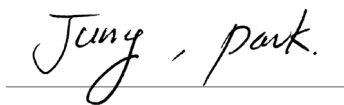
### 4) Prevention of Misuse of Technologies, Services, and Data (Human Rights in Technology)

- 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. ([www.sktelecom.com/humanrights](http://www.sktelecom.com/humanrights))

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

May 2018



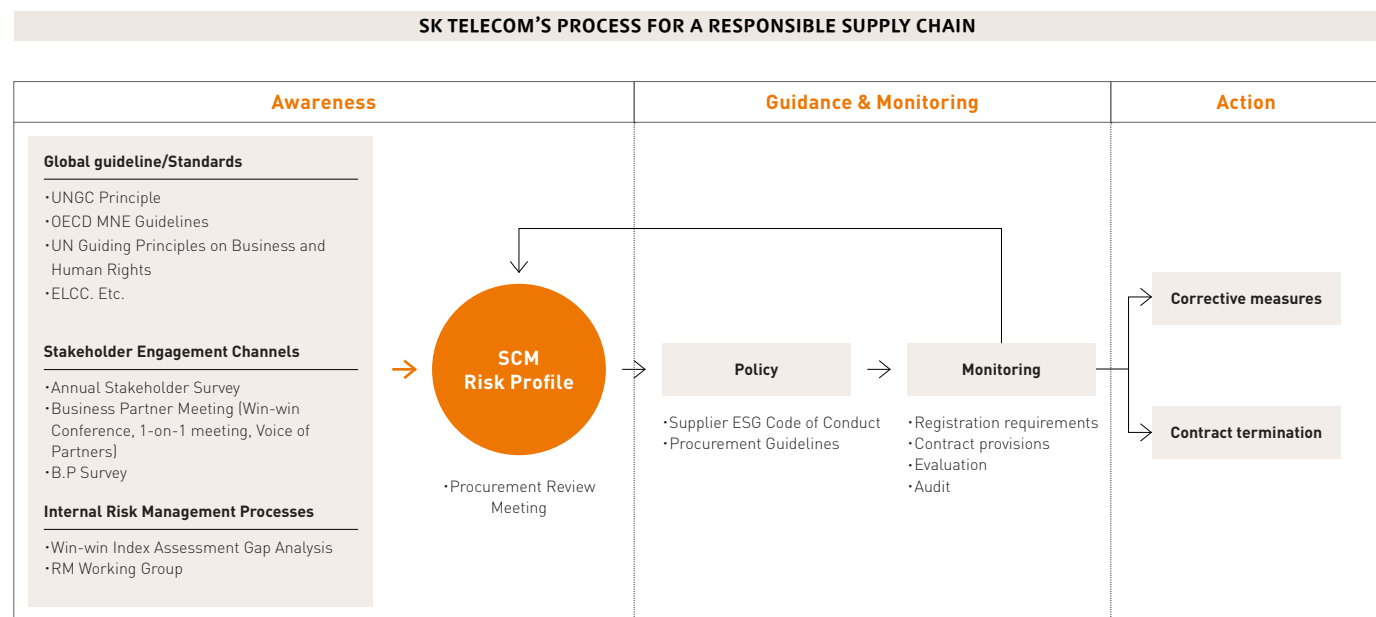
President and CEO, SK Telecom  
Jung Ho Park

# SUPPLIER ESG CODE OF CONDUCT

## I. SCOPE

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

## II. PROCESSES FOR RESPONSIBLE SUPPLY CHAIN MANAGEMENT



## III. POLICY

The phrase "Supplier" in this Supplier Policy shall, where relevant, also include all employees, contractors, subcontractors and agents of the Supplier.

As one of the world's leading ICT companies, SK Telecom has adopted the Business Principles to ensure stakeholders' trust and that its behavior meets the highest standards of integrity.

Thus, SK Telecom requires all of its suppliers to adopt SK Telecom's Business Principles and Practices as their code of conduct. Under the Business Principles, suppliers shall faithfully abide by the code of conduct to prevent risks that may arise in finance, reputation and business concerning SK Telecom and the suppliers themselves, and shall realize a win-win partnership for mutual benefits. SK Telecom ensures that its suppliers will achieve sustainability by managing their economic, envi-

ronmental and social performances based on the Supplier ESG Code of Conduct, and to apply such a policy to their subcontractors under the overarching goal of realizing the sustainable supply chain management as defined by SK Telecom.

### 1. Anti-Bribery

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

### 2. Fair-Competition & Compliance

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

### 3. Privacy Protection

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

### 4. Financial integrity

SK Telecom will provide the best possible return for its shareholders over the longer term. Suppliers recognize that SK Telecom will maximize corporate value through transparent and efficient business management as it continues to pursue management innovation, and shall share its profits with its shareholders but will also take into account social and environmental considerations.

### 5. Public Policy

Suppliers recognize that SK Telecom will voice its opinions on government proposals and other matters that may have an impact on SK Telecom and its stakeholders. Suppliers recognize that SK Telecom will not make gifts or donations to political parties or intervene in party political matters.

### 6. Customer Value

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

### 7. Environment

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

### 8. Health & Safety

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

### 9. Contribution to Community

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

### 10. Human Rights

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

## SUSTAINABLE DEVELOPMENT GOALS (SDGs)

In September 2015, the United Nations established Sustainable Development Goals (SDGs) to be jointly promoted by all member States until 2030 for the sustainable development of humankind. The SDGs consist of 17 goals and 169 initiatives to address the economic, environmental and social problems of the global community. All stakeholders including nations, businesses and civil society are building collaborative partnerships to fulfill global goals.

SK Telecom supports the UN Sustainable Development Goals (SDGs) to create a better society. In order to implement SDGs, the company is pursuing linkage of the creation of social value through the Double Bottom Line (DBL) with SDGs. To establish and implement SDGs as part of its plans to create integrated social value along with financial growth, the company strives to minimize the negative impacts on economic, environmental and social sectors and maximize positive impacts.

SK Telecom has selected five goals out of the 17 SDGs as key areas, and is striving to enhance openness and cooperation with various stakeholders to achieve these goals. Looking toward the future, SK Telecom will continue to make diverse efforts to strengthen the link between the SDGs, the common goals of humankind, and social values, which compose the company's future value creation strategy. In this way, SK Telecom will continue contributing to society's sustainable and inclusive growth.

### SK TELECOM'S MID-TO LONG-TERM SDGS TARGETS



SDG CONTEXT	SK TELECOM'S CONTRIBUTION	IMPACT
<p><b>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b></p> <p><b>4.4</b> Promote the ICT skills of seniors and youth <b>4.5</b> Provide equal education to vulnerable groups including the disabled and indigenous peoples</p>	<ul style="list-style-type: none"> <li>Education for senior citizens on smartphone use</li> <li>Software education business</li> <li>Host ICT Make-a-thon Competition for Disabled Youth</li> <li>Build the portable ICT experience center T.um Mobile</li> </ul>	<p><b>Social Impact</b></p> <ul style="list-style-type: none"> <li>Develop ICT knowledge and competency by providing ICT technology education to senior citizens and vulnerable groups with relatively low access to the latest ICT education</li> </ul> <p><b>Business impact</b></p> <ul style="list-style-type: none"> <li>Expand the market by driving the transition to an ICT-friendly lifestyle</li> </ul>
<p><b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b></p> <p><b>8.3</b> Encourage creative and innovative policies for job-creation and promote the growth of SMEs</p>	<ul style="list-style-type: none"> <li>Foster ICT-based social enterprises and start-ups</li> <li>Support for undergraduate students' entrepreneurship</li> <li>Develop and nurture of ICT-utilized agriculture specialized ventures</li> </ul>	<p><b>Social Impact</b></p> <ul style="list-style-type: none"> <li>Create shared value by supporting ventures and start-ups through sharing core infrastructure and ICT technology</li> </ul> <p><b>Business Impact</b></p> <ul style="list-style-type: none"> <li>Innovate business models through shared infrastructure and expand an open-collaboration ecosystem</li> </ul>
<p><b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b></p> <p><b>9.1</b> Provide reasonable and equal access for all people by supporting the well-being and economic development of humankind by creating sustainable and quality infrastructure</p>	<ul style="list-style-type: none"> <li>Build a New ICT ecosystem by strengthening core infrastructures of the 4th Industrial Revolution such as 5G and AI</li> <li>Provide the highest level of LTE service through continuous network quality improvement and reliable network operation</li> </ul>	<p><b>Social Impact</b></p> <ul style="list-style-type: none"> <li>Provide core infrastructure of the 4th Industrial Revolution through 5G commercialization</li> <li>Develop the economy through the 4th Industrial Revolution and innovate people's lifestyle</li> </ul> <p><b>Business impact</b></p> <ul style="list-style-type: none"> <li>Create new business opportunities such as autonomous driving and smart factory based on core infrastructures including 5G and AI</li> </ul>
<p><b>Make cities and human settlements inclusive, safe, resilient and sustainable</b></p> <p><b>11.7</b> Create safe and comfortable cities for women, children, senior citizens and the disabled <b>11.A</b> Strengthening economic, social and environmental connectivity between cities and rural areas through regional development plans</p>	<ul style="list-style-type: none"> <li>Strengthen care services for senior citizens and the vulnerable and crime prevention through ICT convergence security services such as AI and big data</li> <li>Improve efficiency of disaster relief through ICT public safety solutions</li> <li>Invest to improve communication quality in areas with poor communication services such as remote mountain areas and island areas</li> </ul>	<p><b>Social Impact</b></p> <ul style="list-style-type: none"> <li>Reduce socio-economic losses by enhancing safety in daily life, crime prevention, and improving rescue responses in times of disaster</li> <li>Strengthen connectivity among different regions through universalization of communication services</li> </ul> <p><b>Business impact</b></p> <ul style="list-style-type: none"> <li>Expand B2B business models related to security and safety solutions</li> </ul>
<p><b>Take urgent action to combat climate change and its impacts</b></p> <p><b>13.2</b> Integrate climate change measures into national policies and strategies and implement them accordingly</p>	<ul style="list-style-type: none"> <li>Actively respond to the national Emissions Trading Scheme</li> <li>Provide ICT-based smart/ green solutions such as energy-management solutions</li> <li>Reduce greenhouse gas emissions based on optimal mileage provided on T map</li> </ul>	<p><b>Social Impact</b></p> <ul style="list-style-type: none"> <li>Reduce greenhouse gas emissions by reducing energy usage</li> </ul> <p><b>Business impact</b></p> <ul style="list-style-type: none"> <li>Expand ICT-based environmental solution market opportunities</li> </ul>

## UN GLOBAL COMPACT (UNGC)

The UN supports the 10 principles of the UN Global Compact (UNGC) and advocates the 10 universal principles including those related to human rights, the environment, labor and anti-corruption, and requests support for a wide range of the UN's development plans including the Sustainable Development Goals (SDGs).

SK Telecom joined the UN Global Compact (UNGC), a UN organization that collaborates with businesses, in 2007. As a founding member of UNGC Korea, a local association of UNGC, SK Telecom not only adheres to the 10 principles but also broadly supports the UN's development plans such as the SDGs. SK Telecom became the first in the country to be designated as a UNGC LEAD company in January 2011. SK Telecom has offered the Board Program (a CSR education program for board members) to the Corporate Citizenship Committee and took the initiative to apply the global CSR best practices to Korea.

In April 2013, SK Telecom publicly declared its support for the Universal Declaration of Human Rights and the human rights principles in the UN Guiding Principles on Business and Human Rights: Ruggie Framework, and SK Telecom's CEO affirmed that the company would fulfill its responsibility related to respect for human rights.

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

### UNGC ACTIVITIES

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

### UN GLOBAL COMPACT ADVANCED CRITERIA INDEX

UNGC Advanced Criteria	Cross eference / Direct Answer	UNGC Advanced Criteria	Cross eference / Direct Answer
<b>Fulfillment of the UNGC 10 Principles in Strategy and Operation</b>			
Criterion 1	Commitment to integrate the UNGC 10 principles into business function and units p.3	Criterion 12	Environment commitment, strategy, and policy pp.85-88
Criterion 2	Practicing the UNGC 10 principles across the value chain pp.85-87	Criterion 13	Effective management system to incorporate the environmental principles Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures pp.85-88
<b>Definite Human Rights Policy and Procedure</b>			
Criterion 3	Human rights commitment, strategy, and policy pp.89-92, 137-138	Criterion 14	Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures pp.85-88
Criterion 4	Effective management system to incorporate the human rights principles into business and management procedures pp.89-92	<b>Activities to Support the More Broad and Comprehensive UN Objectives and Goals</b>	
Criterion 5	Monitoring and evaluation mechanism to ensure compliance with the human right principles in the business and management procedures pp.89-92	Criterion 15	Contribution through key businesses to help achieve the UN objectives and goals pp.59-62, 141-142
<b>Definite Labor Policy and Procedure</b>			
Criterion 6	Labor commitment, strategy, and policy pp.89-92, 120	Criterion 16	Strategic community investment and charity work to help achieve the UN objectives and goals pp.141-142
Criterion 7	Effective management system to incorporate the labor principles into business and management procedures pp.120 (*)	Criterion 17	Public engagement and communication to help achieve the UN objectives and goals pp.141-142
Criterion 8	Monitoring and evaluation mechanism to ensure compliance with the labor principles in the business and management procedures pp.77-78 (**)	Criterion 18	Partnerships and outside initiatives to help achieve the UN objectives and goals p.3
<b>Definite Environmental Policy and Procedure</b>			
Criterion 9	Environment commitment, strategy, and policy pp.63-68	<b>Governance and Leadership for Sustainability</b>	
Criterion 10	Effective management system to incorporate the environmental principles Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures pp.63-68, 126-130	Criterion 19	CEO's sustainability commitment and leadership pp.29-32, 137-138
Criterion 11	Monitoring and evaluation mechanism to ensure compliance with the environmental principles in the business and management procedures pp.63-68, 126-130	Criterion 20	The Board of Directors' selection and oversight of sustainability agenda items pp.45-48, 71-78
		Criterion 21	Stakeholder engagement pp.45-48, 71-78

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

## GRI CONTENT INDEX

### GRI STANDARDS - UNIVERSAL STANDARDS(GRI 100)

Topic	Indicator	Description	Cross Reference / Direct Answer / Omission	3 <sup>rd</sup> Party Assurance
<b>GRI 102: Organizational Profile</b>	102-1	Name of the organization	SK Telecom Co., Ltd.	√
	102-2	Primary brands, products, and services	pp.35-36, 37-41	√
	102-3	Location of the headquarters	SK-T Tower, 65, Eulji-ro, Jung-gu, Seoul	√
	102-4	Number and name of countries where the main offices are located or sustainable business activities are conducted	p.117	√
	102-5	Nature of ownership and legal form	pp.25, 71	√
	102-6	Markets served (geographic breakdown, sectors served, and types of customers and beneficiaries)	pp.35-36, 117	√
	102-7	Scale of the organization (total number of employees, net sales, total capital, products and services, etc.)	pp.25, 37-41, 100-105	√
	102-8	Information on executives and employees	pp.33-34, 117-118	√
	102-9	Organization's supply chain	pp.93-96	√
	102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	pp.25-41, No significant changes	√
	102-11	Whether and how the precautionary approach is addressed and explanation on the adoption method	p.79	√
	102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes	About This Report, pp.141-143	√
	102-13	Memberships of associations and membership of national/international policy apparatus	About This Report, pp.141-143	√
<b>GRI 102: Strategy</b>	102-14	Organization of the highest governance body and statement of its sustainability commitment	pp.29-32	√
	102-15	Key impacts, risks and opportunities	pp.81-84	√
<b>GRI 102: Ethics and integrity</b>	102-16	Values, principles, standards and norms of behavior such as codes of conduct of an organization	pp.85-87	√
	102-17	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior and grievance handling mechanism	p.87	√
<b>GRI 102: Governance</b>	102-18	Report on the governance structure of the organization, including committees of the highest governance body.	pp.71-77	√
	102-19	Identify any committees responsible for decision-making on economic, environmental and social impacts.	p.77	√
	102-20	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	p.74	√
	102-21	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics. And system within which the person delegated with such responsibility can directly report to the highest governance body	pp.77-78	√
	102-22	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	pp.73-74	√
	102-23	Composition of the highest governance body and its committee	pp.33-34	√
	102-24	Report whether the Chairman of the highest governance body is also an executive officer	pp.72-74	√
	102-25	Nomination and selection processes for the highest governance body and its committees, appointment and selection criteria of the highest governance body members. Processes for the highest governance body to ensure conflicts of interest are avoided and managed	pp.33-34, 71-73	√
	102-26	Highest governance body's and senior executives' roles, from the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies and goals, to economic, environmental and social impacts	pp.73-74	√
	102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	p.77	√
	102-28	Report on processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Whether the independent evaluations and self-assessments are implemented and measures taken based on the performance evaluation results	p.75	√
	102-29	Highest governance body's role in the identification and management of economic, environmental and social impacts and whether a stakeholders' meeting is held	pp.77-78	√



GRI STANDARDS - UNIVERSAL STANDARDS(GRI 100)

Topic	Indicator	Description	Cross Reference / Direct Answer /		3 <sup>rd</sup> Party	
			Omission	Assurance		
GRI 102: Governance	102-30	· Highest governance body's role in reviewing the effectiveness of the organization's risk management process on economic, environmental and social topics	p.74		✓	
	102-31	· Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	pp.46, 73-74, 77		✓	
	102-32	· Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered	p.77		✓	
	102-33	· Process for communicating critical concerns to the highest governance body	pp.46, 77		✓	
	102-34	· Nature and total number of critical concerns that were communicated to the highest governance body, and policy to resolve the concerns	pp.45-50, 74, 77		✓	
	102-35	· Remuneration policies for the highest governance body and senior executives and remuneration policy performance criteria and highest governance body and senior executives' relevance to economic, environmental and social goals	pp.75-76		✓	
	102-36	· The process for determining remuneration and criteria. Whether a consultant related to remuneration is engaged and whether the consultant is independent of the management activities. Report on all the relationships between the consultant and the company	pp.74-75		✓	
	102-37	· How stakeholders' views are sought and taken into account regarding remuneration. If possible, include vote result and suggestion for remuneration policy	p.75		✓	
	102-38	· Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest- paid individual) in the same area	p.75		✓	
	102-39	· Ratio of the percentage in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest- paid individual) (between the same areas)	p.76		✓	
	GRI 102: Stakeholder Engagement	102-40	· List of stakeholder groups that have relationships with the organization	p.78		✓
		102-41	· Total percentage of employees and executives covered by collective bargaining agreements	p.120		✓
	GRI 102: Reporting Practice	102-42	· Basis for identification and selection of stakeholders	p.77		✓
102-43		· Status of stakeholders' engagement in the organization such as frequency of engagement of the stakeholders by type and group	p.47		✓	
102-44		· Key topics and concerns raised by stakeholders such as publication of the report, and how the organization has responded to those topics	pp.45-50		✓	
GRI 102: Reporting Practice	102-45	· Entities and joint venture included in the organization's consolidated financial statements	The entities list is included on p.3 of the 2017 Business Report		✓	
	102-46	· Process for defining the report content and the Aspect Boundaries and the application of reporting principles on the process	pp.45-47		✓	
	102-47	· List of all material aspects identified in the process of determining the content of the report	p.48		✓	
	102-48	· Impact of amendments to the information provided in the previous report and the reasons for such amendment report	About This Report		✓	
	102-49	· Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Specific attention indicated as notes if necessary		✓	
	102-50	· Reporting period of the information provided (fiscal year or year)	About This Report		✓	
	102-51	· The date of the most recent report	About This Report		✓	
	102-52	· Reporting cycle (annual, biennial, etc.)	About This Report		✓	
	102-53	· Inquiries about reports and related contents	p.157		✓	
	102-54	· Method conforming to the report the organization selected according to the GRI Standards (Core/Comprehensive)	About This Report		✓	
GRI 103: Management Approach	102-55	· GRI Index	pp. 144-147		✓	
	102-56	· The report on the 3rd party assurance of the report and the external assurance report, the independence of the relationship between the organization and the assurance agency, and whether the highest governance body or executive participates in the report assurance process	pp.132-134		✓	
	103-1	· Explanation of material issues and their boundaries	p.45-50		✓	
	103-2	· Reporting on how the organization manages its material issues, the objectives of its management policies, and whether management policies include policies, declarations, purposes and objectives, accountability, resources, grievance handling systems, processes and projects, programs and initiatives	p.45-50, 63-68, 81-84, 123-124, 127-128		✓	
103-3	· Explanation of how the organization evaluates the management policy on the material issues	p.45-50, 63-68, 81-84, 123-124, 127-128		✓		

GRI STANDARDS - ECONOMIC (GRI 200)

Topic	Indicator	Description	Cross Reference / Direct Answer / Omission		3 <sup>rd</sup> Party
			Omission	Assurance	
GRI 201: Economic Performance	201-1	· Direct economic value generated and distributed	pp.99-114		✓
	201-2	· Financial implications and other risks and opportunities resulting from climate change	pp.83-84		✓
GRI 202: Market Presence	201-3	· Coverage of the organization's defined benefit plan obligations	Applied to all full-time employees as Defined Contributions or Defined Benefits		✓
	201-4	· Financial assistance received from government	p.71, 106		✓
GRI 202: Market Presence	202-1	· Ratios of standard entry level wage by gender compared to local minimum wage of key operation	SK Telecom provides entry level wages higher than the local minimum wage in all regional operations and does not discriminate according to gender. However, details were not disclosed due to internal information policies.		✓
	202-2	· Proportion of senior management hired from the local community	p.118		✓
GRI 203: Indirect Economic Impacts	203-1	· Development and impact of infrastructure investments and services supported	pp.63-68, 121		✓
	203-2	· Significant indirect economic effects including scale of impacts	pp.63-68		✓
GRI 204: Procurement Practices	204-1	· Proportion of spending on local suppliers at significant locations of operation	p.95		✓
GRI 205: Anti-corruption	205-1	· Assessment of corruption risk of an operation	p.87		✓
	205-2	· Communication and training on anti-corruption policies and procedures	pp.85-87		✓
	205-3	· Confirmed incidents of corruption and actions taken	pp.87, 103		✓
GRI 206: Anti-competitive Behavior	206-1	· Legal actions for anti-competitive behavior, antitrust, and unfair practices	p.87		✓

GRI STANDARDS - ENVIRONMENTAL (GRI 300)

Topic	Indicator	Description	Cross Reference / Direct Answer / Omission		3 <sup>rd</sup> Party
			Omission	Assurance	
GRI 302: Energy	302-1	· Energy consumption within the organization	pp.127-128		✓
	302-2	· Energy consumption outside of the organization	p.117		✓
	302-3	· Energy intensity	p.127		✓
	302-4	· Reduction of energy consumption	p.127		✓
	302-5	· Reductions in energy requirements of products and services	SK Telecom has no separate product energy requirement, and related service savings are all included in p.127.		✓
GRI 303: Water	303-1	· Total water withdrawal by source	p.128		✓
GRI 305: Emissions	305-1	· Direct greenhouse gas (GHG) emissions (Scope 1)	p.126		✓
	305-2	· Indirect greenhouse gas (GHG) emissions (Scope 2)	p.126		✓
	305-3	· Other indirect greenhouse gas (GHG) emissions (Scope 3)	p.127		✓
	305-4	· Greenhouse gas (GHG) emissions intensity	pp.126-127		✓
	305-5	· Reduction of greenhouse gas (GHG) emissions	pp.126-127		✓
	305-6	· Emissions of ozone depleting substances (ODS)	ODS emissions are very insignificant due to the nature of the industry		✓
	305-7	· NOx, SOx, and other significant air emissions	Other emissions such as NOx and SOx are very insignificant due to the nature of the industry		✓
GRI 306: Effluents and Waste	306-2	· Waste by type and disposal method	p.128		✓
GRI 307: Environmental Compliance	307-1	· Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Zero cases of environmental law violations, no fines or penalties paid		✓
GRI 308: Supplier Environmental assessment	308-1	· Percentage of new suppliers that were screened using environmental criteria	p.94		✓
	308-2	· Significant actual and potential negative environmental impacts in the supply chain and actions taken	p.94		✓

GRI STANDARDS - SOCIAL (GRI 400)

Topic	Indicator	Description	Cross Reference / Direct Answer / Omission	3rd Party Assurance
<b>GRI 401: Employment</b>	401-1	. Total number and rates of new employees hired and employee turnover	p.117-118	✓
	401-2	. Benefits provided to full-time employees that are not provided to temporary or part-time employees	p.117-118	✓
	401-3	. Return to work and retention rates after parental leave by gender	p.119	✓
<b>GRI 403: Occupational Health and Safety</b>	403-3	. Employees who have a high incidence or risk of disease at work	pp.90, 120	✓
<b>GRI 404: Training and Education</b>	404-1	. Average hours of training per year per employee (by gender, and by employee category)	p.119	✓
<b>GRI 404: Training and Education</b>	404-2	. Programs for skills and lifelong learning that support the employees to continue the employment and manage life after retirement	p.119	✓
	404-3	. Percentage of employees receiving regular review of performance and career development (by gender and by employee category)	p.119-120	✓
<b>GRI 405: Diversity and Equal Opportunity</b>	405-1	. Composition of governance bodies and employees by category (by gender, age group, minority group, and other indicators of diversity)	p.72, 117-118	✓
<b>GRI 406: Non-Discrimination</b>	406-1	. Discrimination incidents and actions taken	Zero cases of discrimination	✓
<b>GRI 407: Freedom of Association and Collective Bargaining</b>	407-1	. Operations and partner companies that are judged to seriously infringe on workers' freedom of association and collective bargaining	No operations found	✓
<b>GRI 408: Child Labor</b>	408-1	. Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	pp.89-92	✓
<b>GRI 409 : Forced or Compulsory Labor</b>	409-1	. Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	pp.89-92	✓
<b>GRI 410: Security Practices</b>	410-1	. Percentage of security personnel who have received the training on the human rights policies and procedures related to the business	pp.89-92	✓
<b>GRI 412 : Human Rights Assessment</b>	412-1	. Workplaces subject to human rights impact assessment or human rights review	pp.89-92	✓
	412-2	. Employee training on human rights policies and procedures related to business	pp.89-92	✓
<b>GRI 413: Local Communities</b>	413-1	. Percentage of operations with implemented local community engagement, impact assessment, and development programs	Community engagement was focused on Korea, where over 99% of the revenues are generated, and SKT did impact assessments and development programs	✓
<b>GRI 414: Supplier Social Assessment</b>	414-1	. New suppliers that were screened using environmental criteria	pp.93-96	✓
	414-2	. Significant actual and negative social impacts in the supply chain and actions taken	pp.93-96	✓
<b>GRI 415: Public Policy</b>	415-1	. Total value of political contributions (by country and recipient/ beneficiary)	pp.88	✓
<b>GRI 416: Customer Health and Safety</b>	416-2	. Violation of regulations on safety and health effects of products and services	Zero cases of violation related to safety and health of product and service	✓
<b>GRI 417: Marketing and Labeling</b>	417-2	. Cases violating laws and self-autonomous regulations related to product and service information and labeling	Zero cases of violation related to product and service information and labeling	✓
	417-3	. Number of cases violating laws and self-autonomous regulations related to marketing communication including advertisement, promotion and sponsor (according to deposition result)	0 cases of violations related to marketing communications	✓
<b>GRI 418: Customer Privacy</b>	418-1	. The number of complaints proven to violate customer privacy and lost customer information	0 cases, Refer to p.91 for preventive efforts on customer privacy	✓
<b>GRI 419: Socioeconomic Compliance</b>	419-1	. Violation of laws and regulations in social and economic sectors	p.130	✓

SASB INDEX

ACTIVITY METRIC

Accounting Metric	Category	Unit	Code	Cross Reference/Direct Answer
Wireless Subscribers	Quantitative	Number	TC0301-A	pp.37, 107
Wireline Subscribers	Quantitative	Number	TC0301-B	pp.107-108
Broadband Subscribers	Quantitative	Number	TC0301-C	pp.107-108
Network traffic, percentage on cellular network, and percentage on fixed network	Quantitative	Petabytes, %	TC0301-D	p.122
Network bandwidth capacity, percentage leased	Quantitative	Mbps, %	TC0301-E	pp.55-58, 122, SK Telecom directly owns the networks in the domestic mobile telecom business; it rents lines to MVNO businesses as required by the Telecommunications Business Act

DISCLOSURE METRIC

Topic	Accounting Metric	Category	Unit	Code	Cross Reference/Direct Answer
Environmental Foot-print of Operations	Total energy consumed, percentage grid electricity, percentage renewable energy; amount of energy consumed by (a) cellular and (b) fixed networks	Quantitative	Gj / %	TC0301-01	p.127
Data Privacy	Discussion of policies and practices relating to collection, usage, and retention of customer information and personally identifiable information	Discussion and Analysis	N/A	TC0301-02	pp.123-124
	Percentage of users whose customer information is collected for secondary purpose, percentage who have opted-in	Quantitative	%	TC0301-03	-
	Amount of legal and regulatory fines and settlements associated with customer privacy	Quantitative	KRW	TC0301-04	p.130
Data Security	Number of government or law enforcement requests for customer information, percentage resulting in disclosure	Quantitative	Number, %	TC0301-05	p.130
	Number of data security breaches and percentage involving customers' personally identifiable information	Quantitative	Number, %	TC0301-06	No information security violations
Product End-of-Life Management	Discussion of management approach to identifying and addressing data security risks	Discussion and Analysis	N/A	TC0301-07	pp.123-124
	Materials recovered through take back programs, percentage of recovered materials that are (a) reused, (b) recycled, and (c) landfilled	Quantitative	Weight (tons), percentage by weight	TC0301-08	pp.128-129
Managing Systemic Risks from Technology Disruptions	Average interruption frequency and average interruption duration	Quantitative	Disruptions/customer, Hours/customer	TC0301-09	p.122
Fair Competition	Description of systems to provide unimpeded service during service interruptions	Discussion and Analysis	N/A	TC0301-10	pp.79-80, 122
	Amount of legal and regulatory fines and settlements associated with anti-competitive practices	Quantitative	KRW	TC0301-11	No fines or penalties paid related to unfair competition

## NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
	KRW million		
	2017	2016	2015
<b>Assets</b>			
Current Assets	3,768,098	3,661,115	2,713,529
Cash and cash equivalents	880,583	874,350	431,666
Short-term financial instruments	94,000	95,000	121,500
Short-term investment securities	47,383	97,340	92,262
Accounts receivable - trade, net	1,520,209	1,594,504	1,528,751
Short-term loans, net	54,403	54,143	47,741
Short-term accounts receivable - other, net	1,003,509	772,570	264,741
Short-term accrued revenue	659	460	7,505
Short-term advance payment	13,783	30,988	80,926
Prepaid expenses	121,121	107,989	92,220
Inventories, net	29,837	32,479	45,991
Advanced payments and other	2,611	1,292	226
Non-current Assets	21,789,424	21,787,459	20,433,411
Long-term financial instruments	382	102	10,062
Long-term investment securities	724,603	560,966	726,505
Investments in subsidiaries and associates	9,152,321	8,726,538	8,810,548
Property and equipment, net	6,923,133	7,298,539	7,442,280
Goodwill	1,306,236	1,306,236	1,306,236
Intangible assets, net	3,089,545	3,275,663	1,766,069
Long-term loans, net	7,512	11,160	35,080
Long-term accounts receivable	285,118	147,139	0
Long-term prepaid expenses	25,169	27,918	29,802
Long-term guarantee deposits	173,513	173,287	166,656
Long-term derivative financial assets	30,608	176,465	139,923
Deferred tax assets	30,953	58,410	0
Defined benefit assets	40,082	24,787	0
Other non-current assets	249	249	250
<b>Total Assets</b>	<b>25,557,522</b>	<b>25,448,574</b>	<b>23,146,940</b>

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
	KRW million		
	2017	2016	2015
<b>Liabilities and Equity</b>			
Current Liabilities	4,767,401	4,464,160	3,491,306
Short-term accrued payables - other	1,664,054	1,546,252	927,170
Short-term unearned revenue	76,126	71,431	50,100
Short-term withholdings	517,991	642,582	607,690
Short-term accrued expenses	790,368	663,918	540,770
Unpaid corporate tax	206,060	461,999	375,189
Short-term unearned income	3,705	1,360	10,014
Derivative financial liabilities	27,791	86,950	0
Current liabilities	48,508	59,027	37,551
Short-term borrowings	0	0	230,000
Current portion of bonds payable and longterm borrowings	1,131,047	628,868	592,637
Long-term non-trade payable	301,751	301,773	120,185
Non-current liabilities	5,782,730	6,727,460	5,876,174
Debentures	4,334,848	4,991,067	5,033,495
Long-term borrowings	42,486	61,416	72,554
Long-term payables—other	1,328,630	1,602,943	550,964
Long-term unearned revenue	7,033	2,389	2,768
Defined benefit obligations	0	0	4,006
Derivative financial liabilities	10,719	0	89,296
Other non-current liabilities	16,178	21,493	20,055
Deferred tax liabilities	0	0	56,274
Other non-current liabilities	42,836	48,152	46,762
<b>Total Liabilities</b>	<b>10,550,131</b>	<b>11,191,620</b>	<b>9,367,480</b>
<b>Equity</b>			
Share capital	44,639	44,639	44,639
Other paid up capital	371,895	371,481	369,446
Retained earnings	14,512,556	13,902,627	13,418,603
Reserves	78,301	(61,793)	(53,228)
<b>Total Equity</b>	<b>15,007,391</b>	<b>14,256,954</b>	<b>13,779,460</b>
<b>Total Liabilities and Equity</b>	<b>25,557,522</b>	<b>25,448,574</b>	<b>23,146,940</b>

## NON-CONSOLIDATED STATEMENT OF INCOME

KRW million

	2017	2016	2015
Operating revenue	12,468,035	12,350,479	12,556,979
Revenue	12,468,035	12,350,479	12,556,979
Operating expense	10,770,326	10,568,307	10,898,203
Labor cost	624,900	634,754	694,666
Commissions paid	4,864,463	4,716,555	5,102,723
Depreciation and amortization	2,370,192	2,242,546	2,155,531
Network interconnection	628,610	687,048	720,879
Leased line	290,324	347,741	358,031
Advertising	150,361	174,186	175,776
Rent	435,170	424,929	403,317
Cost of products that have been resold	515,013	502,770	462,256
Other operating expense	891,293	837,778	825,024
Operating income(loss)	1,697,709	1,782,172	1,658,776
Finance income	188,025	323,563	246,394
Finance cost	274,098	261,393	314,191
Other non-operating income	18,471	54,288	15,277
Other non-operating expense	165,783	200,771	132,993
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net"	139,484	(135,077)	(3,819)
Profit before income tax	1,603,808	1,562,782	1,469,444
Corporate tax	272,694	345,508	362,683
Net profit(loss) for the term	1,331,114	1,217,274	1,106,761
Earnings per share			
Basic earnings per share (in won)	18,613	17,001	15,233
Diluted earnings per share (in won)	18,613	17,001	15,233

## NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KRW million

	2017	2016	2015
Net profit(loss) for the term	1,331,114	1,217,274	1,106,761
Other Inclusive gains and losses	141,840	(18,884)	(119,740)
Items not reclassified as a profit or loss	1,746	(10,319)	386
Remeasurement factors of defined benefit systems	1,746	(10,319)	386
Items reclassified as a profit or loss	140,094	(8,565)	(120,126)
Gain or loss from appreciation of tradable financial assets	119,910	5,385	(121,528)
Gain or loss from appreciation of derivative products	20,184	(13,950)	1,402
Total inclusive gains and losses for the term	1,472,954	1,198,390	987,021

## NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

KRW million

	Equity										Total Equity
	Share Capital	Other Paid Up Capital					Retained Earnings	Reserves	Total		
		Capital Excess of Par Value	Treasury Stock	Loss on Disposal of Treasury Stock	Hybrid Bond	Stock Options					
2015.01.01(Basic Capital)	44,639	2,915,887	(2,139,683)	(18,087)	398,518	0	(722,741)	433,894	12,996,790	66,898	13,542,221
Total income											
Profit for the year	0	0	0	0	0	0	0	0	1,106,761	0	1,106,761
Other comprehensive income	0	0	0	0	0	0	0	0	386	(120,126)	(119,740)
Annual dividend paid(Dividends paid)	0	0	0	0	0	0	0	0	(668,494)	0	(668,494)
Interim dividend paid(Dividends paid)	0	0	0	0	0	0	0	0	0	0	0
Interest on hybrid bond	0	0	0	0	0	0	0	0	(16,840)		(16,840)
Acquisition of treasury stock	0	0	(490,192)	0	0	0	0	(490,192)	0	0	(490,192)
Proceeds from treasury stock	0	0	369,249	18,087	0	0	38,408	425,744	0	0	425,744
Business combination under common control	0	0	0	0	0	0	0	0	0	0	0
Stock compensation expense	0	0	0	0	0	0	0	0	0	0	0
2015.12.31(End of term capital)	44,639	2,915,887	(2,260,626)	0	398,518	0	(684,333)	369,446	13,418,603	(53,228)	13,779,460
2016.01.01(Basic Capital)	44,639	2,915,887	(2,260,626)	0	398,518	0	(684,333)	369,446	13,418,603	(53,228)	13,779,460
Total income											
Profit for the year	0	0	0	0	0	0	0	0	1,217,274	0	1,217,274
Other comprehensive income	0	0	0	0	0	0	0	0	(10,319)	(8,565)	(18,884)
Annual dividend paid(Dividends paid)	0	0	0	0	0	0	0	0	(635,482)	0	(635,482)
Interim dividend paid(Dividends paid)	0	0	0	0	0	0	0	0	(70,609)	0	(70,609)
Interest on hybrid bond	0	0	0	0	0	0	0	0	(16,840)	0	(16,840)
Acquisition of treasury stock	0	0	0	0	0	0	0	0	0	0	0
Proceeds from treasury stock	0	0	0	0	0	0	0	0	0	0	0
Business combination under common control	0	0	0	0	0	0	2,035	2,035	0	0	2,035
Stock compensation expense	0	0	0	0	0	0	0	0	0	0	0
2016.12.31(End of term capital)	44,639	2,915,887	(2,260,626)	0	398,518	0	(682,298)	371,481	13,902,627	(61,793)	14,256,954
2017.01.01(Basic Capital)	44,639	2,915,887	(2,260,626)	0	398,518	0	(682,298)	371,481	13,902,627	(61,793)	14,256,954
Total income											
Profit for the year	0	0	0	0	0	0	0	0	1,331,114	0	1,331,114
Other comprehensive income	0	0	0	0	0	0	0	0	1,746	140,094	141,840
Annual dividend paid(Dividends paid)	0	0	0	0	0	0	0	0	(635,482)	0	(635,482)
Interim dividend paid(Dividends paid)	0	0	0	0	0	0	0	0	(70,609)	0	(70,609)
Interest on hybrid bond	0	0	0	0	0	0	0	0	(16,840)	0	(16,840)
Acquisition of treasury stock	0	0	0	0	0	0	0	0	0	0	0
Proceeds from treasury stock	0	0	0	0	0	0	0	0	0	0	0
Business combination under common control	0	0	0	0	0	0	0	0	0	0	0
Stock compensation expense	0	0	0	0	0	414	0	414	0	0	414
2017.12.31(End of term capital)	44,639	2,915,887	(2,260,626)	0	398,518	414	(682,298)	371,895	14,512,556	78,301	15,007,391

## NON-CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2017	2016	2015
Cash flows from operating activities	3,257,470	3,575,572	2,947,129
Cash generated from operating activities	3,841,517	4,005,289	3,219,373
Net Profit for the term	1,331,114	1,217,274	1,106,761
Adjustment for income and expenses	2,804,239	2,931,278	2,811,718
Changes in assets and liabilities related to operating activities	(293,836)	(143,263)	(699,106)
Interest received	46,774	23,014	18,786
Dividends received	101,256	113,955	59,462
Interest paid	(183,939)	(199,332)	(221,309)
Income tax paid	(548,138)	(367,354)	(129,183)
Cash flows from investing activities	(2,151,918)	(1,974,842)	(2,062,182)
Cash inflows from investing activities	296,686	629,565	745,965
Decrease in short-term investment securities, net	50,000	0	105,158
Decrease in short-term financial instruments, net	1,000	36,500	21,500
Collection of short-term loans	206,932	232,745	387,922
Decrease in long-term financial instruments	0	0	7
Proceeds from disposal of long-term investment securities	15,276	336,669	22,106
Proceeds from disposal of investments in associates and joint ventures	0	1,063	185,557
Increase in cash flow from combining businesses	0	360	0
Proceeds from disposal of property and equipment	19,667	14,539	23,372
Proceeds from disposal of intangible assets	3,811	7,689	343
Cash outflows for investing activities	(2,448,604)	(2,604,407)	(2,808,147)
Increase in short-term investment securities, net	0	6,335	0
Increase in short-term loans	203,511	237,197	364,687
Increase in long-term financial instruments	0	40	10,000
Acquisition of long-term investment securities	12,863	19,501	296,254
Acquisition of investments in associates and joint ventures	286,298	87,088	306,382
Acquisition of property and equipment	1,870,634	1,674,027	1,752,804
Acquisition of intangible assets	75,298	580,219	77,830
Increase in other non-current assets	0	0	190

## NON-CONSOLIDATED STATEMENT OF CASH FLOWS

KRW million

	2017	2016	2015
Cash flows from financing activities	(1,099,286)	(1,158,738)	(701,420)
Cash inflows from financing activities	647,516	607,725	927,204
Net increase in short-term borrowings	0	0	30,000
Issuance of debentures	647,328	607,474	897,029
Cash inflows from derivative transactions	188	251	175
Cash outflows for financing activities	(1,746,802)	(1,766,463)	(1,628,624)
Net decrease in short-term borrowings	0	230,000	0
Repayment of long-term borrowings	13,002	12,814	12,814
Repayment of long-term non-trade payables	302,867	120,718	190,134
Repayment of debentures	602,733	680,000	250,000
Payment of dividends	706,091	706,091	668,494
Interest on hybrid bond	16,840	16,840	16,840
Acquisition of treasury stock	0	0	490,192
Outflow of cash due to transaction of derivative products	105,269	0	150
Net increase (decrease) in cash and cash equivalents	6,266	441,992	183,527
Cash and cash equivalent at beginning of the year	874,350	431,666	248,311
Effects of exchange rate changes on cash and cash equivalents	(33)	692	(172)
Cash and cash equivalents at end of the year	880,583	874,350	431,666

## GLOBAL NETWORK

## U.S.

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## INVESTOR INFORMATION

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65, Eulji-ro, Jung-gu, Seoul 04539, Korea  
 82-2-6100-2114  
<http://www.sktelecom.com>

## DATE OF ESTABLISHMENT

March 29, 1984

## PAID IN CAPITAL

KRW 44,639 million As of December 31, 2017

## NUMBER OF COMMON SHARES

89,278,946 Shares As of December 31, 2015

## SECURITIES LISTINGS

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

## TRANSFER AGENT AND REGISTRAR

Kookmin Bank

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

## AVAILABLE FILINGS

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

## ANNUAL GENERAL SHAREHOLDERS' MEETING

Wednesday, March 21, 2018  
 SK T-Tower, 65, Eulji-ro, Jung-gu, Seoul, Korea

## COMPANY WEBSITE

[www.sktelecom.com/index\\_en.html](http://www.sktelecom.com/index_en.html)

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# SK TELECOM

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## ANNUAL REPORT 2017

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