

KAKAO CORP.

● Internet and Mobile

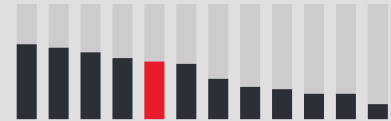
Key Findings:

- Kakao had strong disclosure of policies affecting freedom of expression and led its peers in disclosing how it handles user information.
- Kakao can improve its governance and due diligence policies to ensure that its business operations at all levels maximize respect for freedom of expression and privacy.
- South Korean regulations such as those related to data protection, terms of service, and remedy bolstered Kakao's performance on specific indicators.

OVERALL SCORE

50%

INTERNET AND MOBILE RANK



5

SERVICES EVALUATED

- **Daum Search Engine** [Search engine]
- **Daum Mail** [Email]
- **Kakao Talk** [Messaging & VoIP]

ANALYSIS

Kakao ranked fifth out of the 12 internet and mobile companies evaluated and received the fifth-highest score in the Index overall.¹ While South Korea is rated “partly free” by Freedom House’s 2016 *Freedom on the Net* report, Kakao performed better in the Index than some companies headquartered in the U.S.² It ranked solidly ahead of Twitter and Apple, with nearly double the overall score of Samsung, the other South Korean company evaluated for the 2017 Index.

Notably, South Korean regulatory requirements helped to boost the company’s performance in a number of areas. For example, South Korean law requires grievance mechanisms. Kakao’s clear terms of service and privacy policies, and commitment to notify users about changes, can also be credited to legal and regulatory factors. However, South Korean law prevents disclosure in other areas. Legal requirements around the removal of copyrighted and defamatory content make it difficult to disclose information

about certain types of lawful requests to remove or restrict content. The law also inhibits user notification about certain types of government requests for user information. Kakao would benefit from clearer explanation to users about how the law affects what it does not disclose.

About Kakao Corp.

Kakao Corp. delivers mobile platforms to consumers in South Korea. The company’s services cover web-based mail and messaging, search services, maps and location services, as well as media, content, and gaming platforms. Further segments include web services, advertising solutions, software, and development and publishing services.

Market Cap: USD 4,945 million³

KOSDAQ: A035720

Domicile: South Korea

Website: www.kakao.com

¹ For Kakao’s performance in the 2015 Index, see: <https://rankingdigitalrights.org/index2015/companies/kakao>.

² “Freedom on the Net” [Freedom House, November 2016], <https://freedomhouse.org/report/freedom-net/2016/south-korea>.

³ S&P Capital IQ, Accessed February 13, 2017.



GOVERNANCE 35%

Kakao ranked ninth in the Governance category, topping Samsung and Twitter, due mainly to above-average performance on two indicators. It disclosed some engagement with stakeholders (G5), and its disclosure on grievance and remedy (G6) was greater than that of any other internet and mobile company evaluated. While this disclosure was largely due to requirements under South Korean law,

Kakao went beyond the law by providing users with an appeals mechanism when content is removed in response to defamation claims. On other governance indicators, there are no regulatory obstacles to further strengthening and clearly disclosing accountability and due diligence processes across the board (G1-G4).



FREEDOM OF EXPRESSION 55%

Kakao was the second-best performer in the Freedom of Expression category, behind Google.

Terms of service: Kakao clearly disclosed and documented changes to its terms of service (F2), and disclosed more about how it enforces its terms than any other company in the Index (F3). However, it published no data about content removed or accounts deactivated when enforcing its terms (F4).

Content and account restriction requests: Next to its peers, Kakao had strong disclosure about government and private requests to remove content or restrict accounts (F5-F7).

Disclosure about its process for responding to government and private requests (F5) was above average, although disclosure about government requests was weaker than about private requests. Published data about government requests to restrict content or accounts (F6) contained no information about requests from outside of Korea. Notably, however, Kakao's transparency reporting about private requests (F7) disclosed more types of data with more granularity than any other company in the Index. Kakao also earned the highest score (albeit fewer than half the possible points) for notifying users when content is removed or an account is deactivated (F8).



PRIVACY 53%

Kakao received the fourth-highest score of the 12 internet and mobile companies evaluated, tying with Twitter, in the Privacy category.

Handling of user information: Kakao received the highest score in the Index for disclosure about collection and sharing of user information, although the clarity of its policies was stronger for Kakao Talk (chat service) than for its search or mail services (P3, P4). Disclosure about the purpose for collecting and sharing user information was less detailed (P5). Kakao earned the second-highest score after Twitter for disclosure about how long data is retained (P6). Disclosures about the extent to which users can control the collection, use, and retention of their information (P7), and options users have to obtain all of the information the company holds about them was around average (P8). It disclosed nothing about whether it collects user information from third parties (P9), although it is required by law to make disclosures if it engages in such a practice.

Requests for user information: Kakao disclosed less about how it handles government and private requests for user information than most U.S. internet and mobile companies evaluated, but more than the rest of its peers (P10, P11). However, the law did inhibit some of the company's disclosure about user notification for certain types of government requests: Under the Protection of Communications Secrets Act, the authority requesting the user's information is responsible for any notification, and all other parties involved must keep all information about the process confidential.⁷

Security and encryption: Kakao ranked in the top half of internet and mobile companies on this set of indicators, though it offered less disclosure than Google, Yandex, Microsoft, and Apple (P13-P18). Kakao received a perfect score along with Google for institutional oversight and due diligence on data security (P13). It provided no information about measures taken to address vulnerabilities (P14) or disclosures about data breaches (P15).

⁴ "Act on Promotion of Information and Communications Network Utilization and Information Protection (ICNA)," (1986).

⁵ "Act on the Regulation of Terms and Conditions," (1986).

⁶ "Copyright Act," (1957), and "Act on Promotion of Information and Communications Network Utilization and Information Protection," (1986).

⁷ "Protection of Communications Secrets Act" (1993).