



# KT&G BIODIVERSITY & NO DEFORESTATION POLICY



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## Overview

### Purpose

KT&G Corporation strives to leap into the leading global company through the pursuit of 'perfecting a better life' with society at large, change and innovation. To this end, we are creating social values and broadening sustainability management activities as an 'honest company', 'responsible company' and an 'open-minded company', which we uphold as our management philosophy. Environmental management policy, biodiversity and no deforestation policy are part of KT&G's sustainability management activities that we are committed to implementing in good faith with the goal to keep environmental impact to minimum.

### Scope of Application

KT&G and KT&G's affiliates including its domestic and overseas subsidiaries are subject to biodiversity & no deforestation policy. Primary, secondary suppliers, partners and all stakeholders in the supply value chain are also advised to observe the policy.

The Company will exert efforts to establish a sustainable supply value chain through such initiatives as prevention of harm•loss of biodiversity, promotion•propagation of the need to protect biodiversity to the local communities and reforestation and afforestation activities through collaboration with related organizations in our worksites and the surroundings.

### Governance

#### ① Responsibility

KT&G has a working-level council where related teams are involved in protecting biodiversity and preventing deforestation risks. Major roles of the council include discussions on establishment/revision of biodiversity protection and no deforestation policy and other matters deemed necessary to preserve-restore-expand biodiversity, review of biodiversity harm•loss risks and deliberation of risk response measures, etc. KT&G ESG Committee, which is the sub-committee of the Company's Board of Directors, brings response to laws and regulations on biodiversity/forestation, evaluation and planning on biodiversity/forestation protection and related investment decision-making, which have considerable impact on KT&G's business operation, to the table for review and deliberation.

#### ② Implementation

KT&G established a working-level council responsible for putting biodiversity protection and no deforestation policy into action, and performing related tasks. The council's key roles include evaluation of biodiversity/deforestation, operation of risk check procedures, implementation of biodiversity and forest preservation-restoration-expansion activities, grievance handling related to biodiversity/deforestation, training on protection of biodiversity/forestation and its promotion and collaboration with external stakeholders and partner organizations, etc.

### Communication and Disclosure

#### ① Operation of Grievance Handling Policy

KT&G runs unethical act filing channel where grievances related to biodiversity and deforestation and violation of the policy in the course of conducting business activities can be filed upon recognition. Any personnel who filed such is protected as per the 'guidelines to protect personnel who filed unethical act'.

#### ② Training and Disclosure

##### A. Training

KT&G provides training on environmental management to all executives and employees to enhance awareness on the need for biodiversity and forest preservation-restoration-expansion. The Company also encourages them to take biodiversity and forest preservation into consideration when performing their job and report any issues related to biodiversity and deforestation upon discovery.

##### B. Information Disclosure

KT&G discloses information related to biodiversity/forest preservation-restoration-expansion activities and achievements to all stakeholders including executives and employees via KT&G website and KT&G Report, etc.

##### C. External Collaboration

KT&G builds a network of collaboration with industries, local communities, specialized institutions and other external parties to drive biodiversity/forest preservation-restoration-expansion activities. Based on third parties' expertise on biodiversity and forestation and understanding of natural habitats in regions where they are located, we ensure biodiversity and forest preservation-restoration-expansion activities to be more effective.

## Protection of Biodiversity

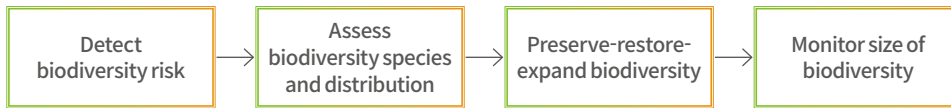
### Objective of Policy Establishment

KT&G takes the value of biodiversity and its sustainable use for sustainable development of mankind very seriously. We are particularly aware of the fact that KT&G's business operation, which involves the use of forest, soil, water and other resources, is dependent on the ecosystem and can even have an impact on the changes in biodiversity. Subsequently, KT&G established biodiversity protection policy to deliver sustainable relationship between our business operations and the ecosystem.

Objective of biodiversity protection policy is to prevent and mitigate biodiversity risks that may arise from across our business from raw material sourcing to worksite operation, distribution and waste disposal. The policy serves as the basis for KT&G to embark on activities to protect biodiversity preservation areas near our worksites. Convention on Biological Diversity, Guidelines for Applying Protected Area Management Categories, which International Union for Conservation of Nature uses for applying protected area categories, Convention on International Trade in Endangered Species of Wild Fauna and Flora and other international conventions and guidelines have been used as references in establishing the Company's biodiversity protection policy.

### Implementation Structure

In accordance with the biodiversity protection policy, KT&G sets risk management plan with the structure that protects biodiversity of natural ecosystem of KT&G worksite, its surroundings or the vicinity. The plan is set with reference on processes that include evaluation on the seriousness of biodiversity, identification of at-risk areas and at-risk biological species, avoidance-restoration-counterbalance. The structure also involves a system to evaluate and monitor areas subject to management.



KT&G defines biodiversity management areas near domestic and overseas worksites in accordance with laws and regulations on protection of biodiversity and wild fauna and flora and Guidelines for Applying Protected Area Management Categories(IUCN Category I ~IV Protected Areas) by International Union for Conservation of Nature. Any negative impact in the protected areas or the surroundings caused by KT&G's operating facilities or supply chain discovered from monitoring is countered by setting and implementing a management plan.

**① International community preservation area (IUCN Category Ia etc.)**

Area where natural ecosystem acknowledged by the international community exists and various biological species thrive. There is no manmade impact but area can be subject to destruction by even the slightest manmade impact.

**② Wilderness area (IUCN Category Ib etc.)**

Area where natural ecosystem in the wilderness remains and natives live in a community of wilderness lifestyle. Only a minimum impact for the purpose of education/science is allowed.

**③ National-level protected area (IUCN Category II etc.)**

Area designated at the national level to permanently preserve formation of natural ecosystem. It carries high importance in protection of indigenous fauna and flora, religion/science/education/ leisure and travel etc.

**④ Natural cultural heritage area (IUCN Category III etc.)**

Area naturally formed or formed by religion or culture and carrying high value in terms of historical record-keeping from archaeological/anthropological/historical/geographical aspects.

**⑤ Habitat management area (IUCN Category IV etc.)**

Area for managing habitat of fauna and flora, which are important at the global, national and local level. It requires management for protecting target species and preserving ecosystem.

**Principles of Biodiversity Protection**

- ① KT&G strives to prevent No Net Loss and promote Net Positive Impact in relation to biodiversity in worksites located close to critical biodiversity preservation areas.
- ② KT&G proactively participates in initiatives related to protecting biodiversity.
- ③ KT&G does not build•operate business facilities and equipment in biodiversity preservation areas.
- ④ KT&G applies phased mitigation plan to worksites near biodiversity preservation areas and actively explores investment and activities for preserving, restoring and expanding biodiversity.
- ⑤ KT&G strives to secure transparency and traceability in sourcing raw materials and to integrate standards related to biodiversity to 'sustainable agricultural policy', and observe them.
- ⑥ KT&G shares biodiversity information with suppliers to help them understand impact of the Company's supply chain to ecosystem and manage it.
- ⑦ KT&G establishes a collaborative structure with industries, local communities and specialized organizations for biodiversity protection.
- ⑧ KT&G implements biodiversity protection policy in good faith and regularly reports its progress.

**No Deforestation**

KT&G establishes policy to prevent forest degradation and expand forestation in order to build a sustainable environment and strives to achieve No Gross Deforestation on a Company-wide level. To this end, we engage in the following activities.

**No Deforestation Policy**

- ① Monitor deforestation risk in worksites and supply chain, establish and implement mitigation and counterbalance plans on identified risks.
- ② Build a global supply chain that keeps deforestation risk to minimum by complying with rules and regulations related to forestation, which is applicable to all worksites at home and abroad.
- ③ Strive to launch various forest protection activities aimed at mitigating forest loss risks by forging collaboration with supply chain and partner companies.
- ④ KT&G will commit to environmental management on a sustainable basis and strive to implement Net Deforestation Zero, which is the Pledge to Compensation through Reforestation until 2050.