



KT&G SUSTAINABLE PRODUCT POLICY



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Overview

Purpose

KT&G Corporation(hereinafter “KT&G”) establishes sustainable product policy with the objective to deliver its pledge for eco-friendly business management by fulfilling social responsibilities on environment protection and spreading green impact across its business activities.

We will engage in product lifecycle assessment to verify a product’s environmental impact based on science and commit to sustainability management through the use of eco-friendly raw materials, recyclable or renewable materials, introduction of new/renewable energy, eco-friendly packaging design and collaboration in the supply chain(partner companies) to reduce environmental impact.

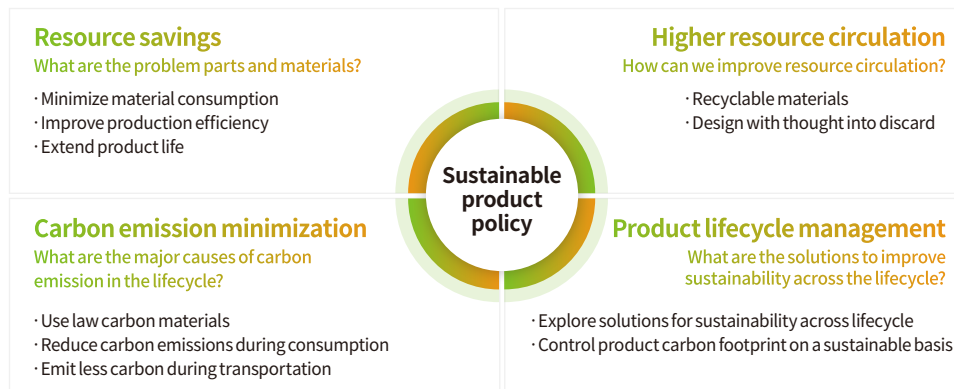
Scope of Application

KT&G’s sustainable product policy(hereinafter “the policy”) is applied to all related organizations involved in marketing, manufacture, R&D, raw materials, procurement, etc., from raw material collection to disposal. Also, members of KT&G affiliates and partner companies including domestic and overseas subsidiaries are advised to implement the policy as efforts to enhance understanding of sustainable products by providing training to stakeholders will continue at KT&G. This policy is reviewed by the ESG Committee, a committee within KT&G’s BOD, and related issues are being discussed.

Basic Principles

Policy approach is based on the product lifecycle thinking from raw material collection to disposal. KT&G’s sustainable products represent our efforts towards resource saving, better resource circulation and minimum carbon emissions. To this end, consumption of materials is minimized, waste arising from higher production efficiency is reduced, resource circulation from using recyclable materials is improved and resource consumption is saved by extending product life. Furthermore, we cut down products’ carbon emissions by using eco-friendly materials*, improving energy efficiency in the consumption stage and introducing solutions for eco-friendly transportation.

*Eco-friendly materials refer to eco-friendly certified or recycled materials, recyclable materials, renewable materials and compostable materials.



Resource Savings

- ① KT&G takes the lead in preserving depleting natural resources by keeping the use of resources in its business activities to minimum.
- ② KT&G engages in resource saving activities that include reducing weight of products and packaging materials, improving production efficiency through technology development, lowering waste discharge, using less plastics, extending product life and eliminating unnecessary accessories, etc.

Higher Resource Circulation

- ① KT&G steers efficient use of resources by practicing circular economy in pursuit of sustainability through resource savings and recycling.
- ② KT&G seeks various activities aimed at improving resource circulation. They include use of recycled, recyclable, renewable and decomposable materials, design conducive to recycling, waste device collection program and eco-friendly disposal through recycling, etc. KT&G plans to expand waste device collection program by achieving over 80%(based on weight) in recycling rate per waste device until 2025 and engage more consumers to the program.

KT&G is committed to improving reusability, recyclability and renewability of packaging materials, in particular. Our goal is to switch entirely to recyclable packaging materials for all products until 2025. We will further stretch out goals with research and development into sustainable packaging materials. Electronic cigarette device packaging materials that KT&G is outsourcing for manufacturing to an external partner company will also be subject to discussions with the partner company for higher resource circulation. KT&G monitors gradual reduction target for disposable plastic packaging and applies the following measures to packaging to ensure effortless recycling of packaging materials.

[Reduction of disposable plastic packaging]

- Replace NGP device accessory(cable) plastic band into paper materials

[Improvement to ensure easy recycling of recycled packaging material]

- Replace vinyl tape in product’s cardboard box to paper tape to enable recycling without detachment
- Remove inner magnet to enable immediate recycling of NGP device gift box

Carbon Emission Minimization

- ① KT&G explores innovative improvement activities in order to minimize carbon emissions arising from business activities and reduce carbon footprint across product lifecycle linked to business value chain.
- ② KT&G pursues the use of eco-friendly materials, bio plastics, applies low carbon design, expands the use of renewable energy in worksites and introduces low carbon transportation in order to keep carbon emissions from products to minimum.

Product Lifecycle Management

- ① KT&G manages environmental impact across product lifecycle by building collaborative structure in the supply chain.
- ② KT&G calculates carbon footprint of major products on a sustainable basis for product lifecycle management.
- ③ In calculating carbon footprint of products, KT&G makes efforts towards third-party verification by strengthening internal competency and securing reliability of verification results.

Any revision in the policy will be uploaded on KT&G's official website for access to all. As always, KT&G will keep working towards mitigating environmental impact of KT&G products by fulfilling corporate social responsibilities and driving sustainable growth and ESG management.