



# KT&G TAX POLICY



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## Overview

### Purpose

KT&G Corporation (herein after “KT&G”) sets compliance with laws, regulations, system related to tax at home and abroad, proactive management of related tax risks and maintenance of tax risk verification process by a third party as key values in the Company’s tax policy. On this foundation, the Company aims to perform its duty in tax filing and payment aligned with related tax laws and engage in transparent communication with tax authorities, thereby fulfill its corporate social responsibilities.

### Scope of Application

Executives and employees involved in tax affairs at KT&G and KT&G affiliates including domestic and overseas subsidiaries conduct their duties in alignment with the tax policy.

## Basic Principles

### Compliance with Tax Act and Sound Tax Payment

Upholding ‘honest company’ as management philosophy, KT&G strictly complies with tax laws and regulations at home and abroad and files tax accordingly. Domestic and overseas subsidiaries also comply with law and regulations in each country where they run business and file tax in good faith subject to tax policy set forth by the parent company.

### Observation of Transfer Price Guideline

KT&G does not transfer income to countries with lower tax rate for tax evasion. Any transaction with specially related parties complies arm’s length principle that is consistent with OECD’s transfer price guideline and laws and regulations of a relevant country. Also, transaction is based on assessment of fitness of transfer price with tax specialists.

### Transparent Operation of Tax Affairs

KT&G’s entire internal and external transactions are handled on the basis of K-IFRS and related details are all documented in the accounting & tax system so as to ensure that the Company faithfully turns in legitimate evidence to tax authorities upon request. Furthermore, we do not take advantage of loopholes in Tax Act or treaties for the sake of tax evasion and do not operate an entity with no business activities in tax havens where it is impossible to share tax information.

### Relations with Tax Office

KT&G executives and employees handling tax affairs comply with the Tax Act in accordance with the tax policy and maintain collaborative relations with tax authorities through transparent communication.

## Tax Risk Management

Tax risks are managed at the Company and operational level. Based on compliance, KT&G strictly interprets Tax Act, calculates and pays related tax at the Company level and informs such principle to all subsidiaries under KT&G Group. At the operational level, any new transaction or transactions of size are subject to prior discussions with financial organization to check compliance with accounting standards and Tax Act.

## Tax Risk Assessment Process

KT&G’s compliance with Tax Act is subject to verification by external tax experts (accounting firm) and all subsidiaries under the Group file and pay related tax with expert advice. External tax experts are selected from an expert pool of certain level in each region and country and expert status is shared and managed.

## Information Disclosure

KT&G reports details related to corporate income tax, deferred corporate income tax and effective tax rate in the annual audit report for transparent disclosure of tax-related information. Details are also disclosed via electronic disclosure system.

## Tax Policy Management

KT&G manages all tax-related materials with transparency and reviews compliance with the policy, Tax Act and regulations in regular meetings. The contents of this policy are reviewed by the ESG Committee, a committee within KT&G’s Board of Directors, and related issues are being discussed.

The policy will be continuously revised in line with changes in the internal and external environment related to tax, and any revision will be uploaded at KT&G’s official website for access by all. KT&G will exert its full efforts in fulfilling social responsibilities and in driving sustainable growth and ESG management.

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