

## **Board of Directors Regulations**

Established on April 1, 1989  
Amended on December 12, 1990  
Amended on November 22, 1991  
Amended on May 26, 1993  
August 10, 1994 (301 Addendum)  
Amended on February 17, 1998  
Amended on May 4, 2001  
Amended on December 27, 2001  
Amended on January 9, 2003  
Amended on June 25, 2003  
Amended on March 26, 2004  
Amended on March 16, 2005  
Amended on April 19, 2006  
Amended on February 11, 2009  
Amended on March 31, 2010  
Amended on July 18, 2012  
Amended on March 13, 2013  
Amended on March 20, 2014  
Amended on March 19, 2015  
Amended on February 18, 2016  
Amended on June 13, 2019  
Amended on September 22, 2020

### **Article 1 (Purpose)**

The purpose of these Regulations is to regulate matters relating to the composition and operation of the Board of Directors (the “**Board**”) of KT&G (the “**Company**”).

## **Article 2 (Scope)**

Except as otherwise provided in applicable laws and regulations or the Articles of Incorporation of the Company (the “**AOI**”), all matters concerning the Board shall be governed by these Regulations.

## **Article 3 (Function)**

The Board shall deliberate and resolve important matters concerning the business of the Company including the purchase, transfer, or disposal of important assets, borrowing of substantial amounts, and appointment and dismissal of directors and other matters as prescribed by applicable laws and regulations and the AOI.

## **Article 4 (Obligations of Directors)**

- (1) Each director shall strive to make the best decisions and to manage the business to the best of his/her ability by complying with the Code of Ethics for Directors adopted by the Board and performing the duty of care as a bona fide manager obligations to the Company and its shareholders.
- (2) During his/her term of office and even after his/her resignation or retirement, a director shall not disclose any confidential information that he/she acquired in the course of carrying out his/her duties.
- (3) Each director shall compensate the Company for its losses arising from his/her breach of obligations.

## **Article 5 (Composition)**

- (1) The Board shall consist of inside directors, including the President of the Company, and outside directors.

- (2) If the President or another inside director cannot participate in a resolution pursuant to applicable laws, regulations, or the AOI, etc., the Board may convene a meeting without the President or such other inside director present.
- (3) In the case of a Board meeting where the President or another inside director is restricted from participating in a resolution under Paragraph 2 above, the President or such other inside director shall not be included in the number of incumbent directors, for the purposes of counting the requisite majority for a resolution.
- (4) If outside directors cannot participate in a resolution under applicable laws and regulations, the AOI, etc., outside directors shall not be included in the number of directors present in calculating the quorum for resolution, but shall be included in the number of directors present in calculating the quorum for deliberation.
- (5) The Board shall have one Secretary who handles the affairs of the Board, and the Secretary shall be head of the division in charge of the affairs of the Board as provided in the Regulations on Organization.

#### **Article 6 (Chairperson)**

- (1) The Chairperson of the Board shall be appointed among outside directors by resolution of the Board.
- (2) <Deleted>
- (3) The term of the Chairperson of the Board shall be one year, and the

Chairperson shall not serve consecutive terms.

- (4) The Chairperson of the Board shall preside over Board meetings and coordinate discussions, and if the Chairperson cannot participate in a meeting, another outside director shall act as Chairperson, to be determined based on a prioritization of earlier dates of appointment to the Board and older age.

**Article 7 (Matters Submitted for Consideration)**

- (1) Matters to be deliberated and resolved by the Board shall be as set forth in each subparagraph of Article 7, Paragraph 2 and in Article 15, Paragraph 1.
- (2) It shall be deemed that, except for matters set forth in the following subparagraphs, the Board delegates its powers to the relevant Committees within the Board.
  1. Convocation of general meetings of shareholders and agendas to be submitted for the general meetings of shareholders
    - (1) Convocation of a general meeting of shareholders
    - (2) Approval of business report and financial statements
    - (3) Amendment to the AOI
    - (4) Dissolution, merger, and continuation of the Company
    - (5) Transfer of a material part or the entirety of the Company's business, or acquisition of another company's business in whole or in part which materially affects the Company's business
    - (6) Other agenda to be submitted to a general meeting of shareholders

2. Matters concerning finance
  - (1) Matters concerning issuance of shares
  - (2) Matters concerning issuance of corporate bonds, including convertible bonds and bonds with warrants
  - (3) Approval of budget and final accounts
  - (4) Approval of capitalization of reserve funds
  - (5) Matters concerning acquisition, disposal, and cancellation of treasury shares
  - (6) Investment of funds equivalent to at least 5% of the Company's paid-in capital in another company, or disposing of such investment
  - (7) Overseas direct investment or payment guarantee for local borrowing of the Company's overseas subsidiary, equivalent to at least 5% of the Company's paid-capital
  - (8) Investment in a new facility, a facility extension, or a creation of a new plant equivalent to at least 10% of the Company's paid-in capital
  - (9) Acquisition or disposal of fixed assets equivalent to at least 10% of the Company's paid-in capital
  - (10) Providing security, debt guarantee, debt assumption, loan, or debt cancellation for a third party for an amount equal to at least 5% of the Company's paid-in capital
  - (11) Borrowing of funds equivalent to at least 25% of the shareholders' equity of the Company
  - (12) Resolution concerning pro bono activity in excess of KRW 1 billion

3. Important matters concerning management
  - (1) Approval of mid- and long- term comprehensive management plan
  - (2) Matters concerning corporate identity, including corporate ideology, vision, and philosophy
  - (3) Establishment of, and important changes to, corporate identity
  - (4) Matters concerning formulation of the Code of Ethics for Directors and the Business Ethics Policy
  - (5) Appointment of the Chairperson of the Board
  - (6) Appointment of Committee members
  - (7) Matters concerning compensation and related issues for outside directors
  - (8) Matters concerning related party transactions under the Monopoly Regulation and Fair Trade Act (of amounts of at least KRW 5 billion)
  - (9) Matters concerning amendments to the Board of Directors Regulations
  - (10) Matters concerning amendments to the Audit Committee Operation Regulations
  - (11) Establishment of and amendment to compliance control standards, and appointment and dismissal of compliance officer
  - (12) Matters concerning establishment and implementation of ESG strategies <Newly established on September 22, 2020>

4. Matters concerning directors
    - (1) Approval of inside director's engagement in a competitive business
    - (2) Approval of director's usurpation of the Company's business opportunities as prescribed in the Commercial Code
    - (3) Approval of a transaction between a director (and/or related persons) and the Company as prescribed in the Commercial Code
  
  5. Other matters deemed necessary by the Board, and other matters requiring the resolution of the Board under applicable laws and regulations and the AOI
- (3) The President and other inside directors are restricted from participating in the matters set forth in the following subparagraphs, and these matters shall be deliberated and resolved by the other Board members; provided, however, that the President may participate in deliberations and resolutions on the matter set forth in Subparagraph 3 below.
1. Composition of the President Candidate Recommendation Committee
  2. Matters concerning the evaluation of performance under a management contract entered into with the President and a proposal for dismissal of the President
  3. Consent to a recommendation for an inside director candidate by the President or any president candidate and to the President's proposal for dismissal of an inside director
  4. Matters concerning remuneration and severance pay for the

President and inside directors

5. Other matters prescribed in applicable laws and regulations, the AOI, the management contract entered into with the President, etc.
- (4) The Board may delegate through a resolution of the Board any matter listed under Paragraph 2 above to the President to decide and enforce
- (5) The President shall report to the Board on matters set forth in the following subparagraphs.
  1. Result of interim closing of accounts
  2. Important matters relating to delegated matters
  3. Recent business updates and matters deemed necessary by the President or required by the Board
- (6) Among matters listed under Paragraph 2, a matter included in a budget approval or determined by the Board with regard to a mid- and long-term management plan or a similar plan shall be excluded therefrom.

#### **Article 8 (Procedure for Submission for Consideration)**

- (1) Agendas to be submitted to the Board for consideration shall be classified into matters to be resolved, matters to be reported, and matters to be discussed.
- (2) Agendas under the provision of Paragraph 1 above shall be submitted to the Secretary at least nine days before the date of the meeting defined in Article 9, Paragraph 2; provided, however, that the preceding sentence shall not apply to special circumstances that require urgency.

#### **Article 9 (Convocation Procedure)**

- (1) Meetings of the Board shall be classified into regular meetings and temporary meetings and convened by the Chairperson. Regular meetings



shall be convened at least once per quarter, and temporary meetings shall be convened for an emergency matter, if any, at the request of a director or the Audit Committee.

- (2) The Secretary shall notify, either in written form (including email or fax) or orally, each director of the convocation of a meeting and go through a confirmation procedure at least three days before the date of the meeting. Provided, however, that such convocation procedure may be omitted with the unanimous consent of all directors.

#### **Article 10 (Deliberation and Resolution)**

- (1) A resolution of the Board shall require the attendance of a majority of all incumbent directors and the consent of a majority of those present. Provided, however, that a resolution of the Board concerning a proposal for dismissal of the President or another inside director shall require the consent of two-thirds of all incumbent outside directors, and a resolution of the Board concerning the usurpation of the Company's business opportunities as prescribed in the Commercial Code or concerning a transaction between director, etc. and the Company as prescribed in the Commercial Code shall require the consent of two-thirds of all directors.
- (2) The Board may permit all or some directors not to attend a meeting in person and instead participate in a resolution by a communication means that allows all directors to verbally communicate in real time. In such cases, the directors shall be deemed present in person at the meeting of the Board.
- (3) The head of the division in charge of the particular agenda submitted to the Board for consideration shall explain the proposal and answer questions.

- (4) If the Board deems it necessary, it may require relevant employees to attend a meeting and offer opinions.

### **Article 11 (Minutes)**

The Secretary shall prepare the minutes of a meeting of the Board, which state the agenda, progress and results of the meeting, dissents, and reasons for dissent, and shall maintain and manage the minutes to which all directors present at the meeting shall affix their names and seals or signatures.

### **Article 12 (Preparation and Notification of Resolution)**

- (1) If an agenda submitted to the Board for consideration is resolved, the Secretary shall prepare a written resolution (Form 1) and obtain the names and seals or signatures of the directors present at the meeting for the written resolution.
- (2) The Secretary shall notify relevant divisions of a resolution passed by the Board.

### **Article 13 (Right to Request Materials (Amended on May 4, 2001))**

- (1) In order to best perform their duties, outside directors may request from the Company necessary materials related to the duties of inside directors and executive officers, to the extent that the request does not impede the business operations of the Company. In this case, the Company shall provide the materials within a reasonable period.
- (2) Outside directors may conduct an audit and request materials needed to evaluate the management performance of the President, to the extent that the request does not impede the business operations of the Company. In

such cases, the Company shall provide the requested materials within a reasonable time period.

#### **Article 14 (Consultants)**

- (1) Outside directors may retain third-party consultants using the Company's expenses through a resolution of the relevant Committee.
  
- (2) If outside directors retain third-party consultants pursuant to Paragraph 1 above, they shall report to the Board relevant background information, details of recommendation provided by the consultant, actions taken after the recommendation, and effects of such actions.

#### **Article 15 (Committees)**

- (1) The organizations and functions of the Committees within the Board that may be established by a resolution of the Board under Article 34-2 of the AOI shall be as follows.
  1. Governance Committee (It shall be composed of at least three directors, and at least a majority of the Committee members shall be outside directors.)
    - (1) Operating standards for the Board and the Committees within the Board and matters related to improving such standards
    - (2) Prior deliberation of newly established or amended AOI, Board of Directors Regulations, Corporate Governance Charter, and other regulations on governance
    - (3) Matters concerning establishment and operation of succession plans for the President
    - (4) Matters concerning establishment and operation of any president candidate nurturing program

- (5) Supporting the President Candidate Recommendation Committee by assembling a group of potential president candidates
  - (6) Supporting the President Candidate Recommendation Committee by making recommendations on president candidates to be evaluated
  - (7) Recommendations to the Board (consisting of outside directors only) regarding standards for evaluating president candidates
  - (8) Recommendations to the Outside Director Candidate Recommendation Committee regarding standards for evaluating outside director candidates
  - (9) Determine standards for evaluating inside director candidates and their qualifications
  - (10) Other matters deemed necessary by the Committee to improve governance
2. Evaluation Committee (It shall consist of at least three outside directors.)
- (1) Regulations on remuneration and severance pay for executive officers and regulations on severance pay for employees
  - (2) Regulations on remuneration for employees that involves an increase in the budget
  - (3) Decisions regarding the terms of a contract to be entered into with a president candidate, including management goals
  - (4) Prior deliberation of matters concerning remuneration and severance pay for the President and inside directors
  - (5) Decisions regarding changes to management evaluation indexes and weighted values in a management contract at the request of the President

- (6) Decisions regarding management performance evaluations remuneration for the President
  - (7) Inspection and adjustment of qualitative and non-qualitative indexes relating to the President's performance
3. Management Committee (It shall consist of at least two inside directors.)
- (1) Resolution on important matters concerning the major interested parties of the Company, including employees and consumers
  - (2) Inspection of major legal/institutional management risks and establishment of countermeasures
  - (3) Resolution on establishment, relocation, and closing of branches
  - (4) Acquisition and disposal of fixed assets equivalent to at least KRW 50 billion (provided, however, that acquisition and disposal of fixed assets equivalent to at least 10% of the paid-in capital of the Company shall require a resolution of the Board.)
  - (5) Investment in a new facility, facility extensions, or creation of a new plant equivalent to at least KRW 50 billion (provided, however, that an investment in a new facility, facility extensions, or creation of a new plant equivalent to at least 10% of the paid-in capital of the Company shall require a resolution of the Board.)
  - (6) Investing at least KRW 20 billion in another company or disposing of such investment (provided, however, that if such investment is at least 5% of the paid-in capital of the Company, a resolution of the Board shall be required.)

- (7) Overseas direct investment or payment guarantee for local borrowing of the Company's overseas subsidiary, equivalent to at least KRW 20 billion (provided, however, that if such amount is at least 5% of the Company's capital, a resolution of the Board shall be required.)
  - (8) Providing security, debt guarantee, debt assumption, loan, or debt cancellation for a third party which exceeds KRW 10 billion (provided, however, that if such amount is at least 5% of the Company's capital, a resolution of the Board shall be required.)
  - (9) Borrowing of funds equivalent to at least 10% of the shareholders' equity of the Company (provided, however, that such amount is at least 25% of the shareholders' equity of the Company, a resolution of the Board shall be required.)
  - (10) Matters concerning an appointment of a transfer agent for shares and closure of the shareholder register
  - (11) Discovery of major growth businesses
  - (12) Post-investment inspection and risk management for an investment project
  - (13) Discovery of corporate philanthropic activities and resolution on corporate philanthropic activity that requires at least KRW 0.5 billion but not at least KRW 1 billion and that was not included in a budget approval (provided, however, that if the activity requires at least KRW 1 billion, a resolution of the Board shall be required.).
4. Outside Director Candidate Recommendation Committee (It shall consist of at least three directors, and at least a majority of the Committee members shall be outside directors.)

- (1) Evaluation of outside director candidate's qualifications and recommendations on such candidate
  - (2) Other matters delegated by the Board
- (2) Notwithstanding Paragraph (1) above, the Board may operate an ad hoc Committee for a limited period if special expertise or prompt decision-making is required.
- (3) Notwithstanding Paragraph (1) above, in the case of a small or urgent matter, the President may bypass the Committees' prior deliberation normally required and directly present the issue to the Board; provided, however, that the Board may require that the issue undergo the Committees' prior deliberation if the reason provided for bypassing procedure is unreasonable.
- (4) <Deleted>
- (5) The relevant Committee within the Board as determined in this Article 15 shall determine the standards for evaluating qualifications for inside director candidates and shall evaluate the qualifications of inside director candidates recommended by the President or any president candidate and notify the President or any president candidate of those who meet the qualifications.
- (6) Among matters to be resolved as set forth in each subparagraph of Paragraph 1 above, matters included in a budget approval or determined by the Board with regard to a mid- and long-term management plan shall be excluded therefrom.

**Article 16 (Operation of Committees <Newly established on May 4, 2001>)**

- (1) The term of the head of each Committee shall be one year, and each head shall be elected among members of each Committee.
- (2) Heads of the President Candidate Recommendation Committee and the Outside Director Candidate Recommendation Committee established under the AOI (the “**Committees under the AOI**”) and other Committees shall convene a meeting of their respective Committee at the request of representative director or a Committee member and shall manage the affairs of the Board; provided, however, that if the head of the relevant Committee cannot participate in the meeting, one of the outside directors of the relevant Committee shall act as committee head, to be determined based on a prioritization of earlier dates of appointment to the Board and older age.
- (3) The Committees under the AOI and other Committees shall notify each director of any resolved matters within three days of the date of resolution. A director who has such been notified of the resolution may request a meeting of the Board, and the Board may determine again the matters resolved by the relevant Committee.
- (4) The request for a meeting of the Board under Paragraph 3 above shall be made within three days of the director receiving the notice.
- (5) If a Committee by resolution or the Committee head determines that a matter delegated to the Committee to resolve shall be resolved by the Board, the Committee may refer the matter to the Board. In such cases, the results of its prior deliberation shall be reported to the Board.



- (6) As to the procedures for submission for consideration, convocation, deliberation and resolution, and minutes for the Committees under the AOI and other Committees, Article 8, Article 9 Paragraph 2, Article 10, and Article 11 shall apply mutatis mutandis.
- (7) The Board may establish and operate the Management Control Committee to support the Management Committee.

#### **Article 17 (Evaluation of Outside Directors and the Board)**

The Board may evaluate outside directors and its own activities through resolutions of the Board.

#### **Article 18 (Convening of Regular Meetings of Outside Directors)**

- (1) Meetings in which only outside directors may participate shall be held once per six months for the purpose of discussing the overall management of the Company, and if there is an issue that needs to be urgently addressed, additional meetings may be held at the request of an outside director.
- (2) <Deleted>
- (3) The Chairperson of the Board shall convene and preside over a meeting, and if necessary, may request that the Company submits materials. The Company shall actively cooperate upon such a request and pay for the costs of holding the meeting.

#### **Article 19 (Payment of Costs and Expenses)**

- (1) Costs and expenses required for performing duties may be paid to outside directors.

- (2) Method and amount of the payment under Paragraph 1 above shall be subject to separate regulations.

**Addendum <April 1, 1989>**

These Regulations shall enter into force from April 1, 1989.

**Addendum <December 12, 1990>**

These Regulations shall enter into force from December 12, 1990.

**Addendum <November 22, 1991>**

These Regulations shall enter into force from November 22, 1991.

**Addendum <May 26, 1993>**

These Regulations shall enter into force from June 1, 1993.

**Addendum <February 17, 1998>**

These Regulations shall enter into force from February 17, 1998.

**Addendum <May 4, 2001>**

These Regulations shall enter into force from May 4, 2001.

**Addendum <December 27, 2001>**

These Regulations shall enter into force from December 21, 2001.

**Addendum <January 9, 2003>**

These Regulations shall enter into force from January 10, 2003.

**Addendum <June 25, 2003>**

These Regulations shall enter into force from June 25, 2003.

**Addendum <March 26, 2004>**

These Regulations shall enter into force from March 26, 2004.

**Addendum <March 16, 2005>**

These Regulations shall enter into force from March 16, 2005.

**Addendum <April 19, 2006>**

- (1) (Enforcement date) These Regulations shall enter into force from the date of resolution of the Board.
- (2) (Abolishment of other detailed regulations) The Detailed Regulations on the Board Regulations shall be abolished from the enforcement date of these Regulations.

**Addendum <February 11, 2009>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <March 31, 2010>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <July 18, 2012>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <March 13, 2013>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <March 20, 2014>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <March 19, 2015>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <February 18, 2016>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <June 13, 2019>**

These Regulations shall enter into force from the date of resolution of the Board.

**Addendum <September 22, 2020>**

These Regulations shall enter into force from the date of resolution of the Board.

(Form 1)

Resolution of the [ ] Meeting of the Board

<b>Decided by</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Chairperson</b>
	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	<b>Director</b>	
<b>Date of Resolution</b>	[ , , 20 ] ( : ~ : )			<b>Place</b>				
<b>Prepared by</b>								
<b>Agenda No.</b>	<b>Proposer</b>	<b>Subject</b>					<b>Result of Resolution</b>	
<b>Matters Resolved</b>								

210mm×298mm (printing paper 70g/m<sup>2</sup>)