

KT&G Ethics Charter

Enacted as of June 25, 2003
Amended as of May 09, 2014
Amended as of December 23, 2016

Preamble

Under the belief that transparent and ethical management is the cornerstone of sustainable growth, we commit ourselves to conduct and practice based on the principles of fairness and righteousness in order to uphold and promote core management philosophies of KT&G, which are to establish an “upright corporation”, a “corporation with awareness” and a “corporation of unity”.

One, we shall comply with applicable domestic and foreign laws, and pursue transparent and ethical corporate management.

One, we shall at all times think from the perspective of our customers, and endeavor to provide the maximum customer value.

One, we shall maximize the corporate value through rational management and thereby strive to enhance shareholder rights and interests.

One, we shall endeavor to the utmost extent to cultivate a positive and sound corporate culture through fair competition and establishment of fair transactional practices.

One, we shall always act with faithfulness and honesty, and maintain righteous work ethics at all times, to fulfill our responsibilities and duties as members of KT&G.

Chapter 1. General Principles

The purpose of this Ethics Charter is to provide standard of conduct and value assessment criteria for the Officers and Employees of the Company. All Officers and Employees of KT&G shall understand and comply with this Charter.

Chapter 2. Ethics to Country and Society

1. As members of our country and local community, we shall duly abide by social norms, domestic laws and any applicable international rules.
2. We shall abide by all applicable domestic and foreign laws and regulations, including the “Convention on Combating Bribery of Foreign Public Officials in International Transactions” of the Organization for Economic Cooperation and Development (OECD), the “Act on the Prevention of Corruption and the Establishment and Management of the Anti-Corruption and Civil Rights Commission”, the “Monopoly Regulation and Fair Trade Act” and the “Improper Solicitation and Graft Act”.
3. We shall fulfill our corporate social responsibility by creating jobs, providing equal employment opportunities, faithful report and payment of taxes, and continuous return of a portion of our profits to society.
4. We shall abide by applicable environmental laws and regulations to conserve nature and protect the environment, and do our best efforts to eliminate pollution and wasteful uses of resources.

Chapter 3. Ethics to Customers

1. We shall at all times pay our utmost attention to the voices of our customers and ascribe the highest priority thereto for all of our actions and decisions.
2. We shall strive to maximize customer satisfaction by satisfying their needs and sentiments through provision of trustworthy products and services.

3. Under the awareness that the advancement of our customers is our own advancement, we shall always endeavor to discover value for our customers.
4. We shall consistently create true values that are substantially helpful and satisfactory to our customers.

Chapter 4. Ethics to Shareholders and Investors

1. We shall enhance our corporate value through continuous innovation and growth strategies.
2. We shall promote maximum shareholder value by realizing just and honest gains through transparent decision making and efficient management activities.
3. We shall respect reasonable demands of shareholders and investors and establish relations based on mutual trust.
4. We shall prepare our business materials in a manner consistent with the applicable regulations and standards, and provide relevant information in accordance with applicable laws to protect the interests of investors.

Chapter 5. Ethics to Partners and Competitors

1. We shall provide our partners with fair business opportunities and shall not engage in unfair practices through abuse of a superior position.
2. We shall promote fair competition with our competitors and abide by the rules of fair business order.
3. We shall engage in joint efforts with our partners through trust and cooperation to cultivate fair and transparent business landscape.

Chapter 6. Ethics to Officers and Employees

1. The Company shall recognize the dignity and value of each Officer and Employee, and respect the dignity of individual.
2. The Company shall provide fair opportunities for development of Officers and Employees, and provide fair opportunities based on ability and talent.

3. The Company shall not unfairly discriminate Officers and Employees on the grounds of gender, level of education, hometown, age or equivalent others.
4. The Company shall exert its best efforts to prevent safety-related incidents to ensure that Officers and Employees can work in a safe and clean environment.

Chapter 7. Ethics of Officers and Employees

1. Officers and Employees shall, with pride and self-confidence, maintain honor and dignity and adhere to upright work ethic.
2. Officers and Employees shall promote fervor and belief towards growth, challenges through creative thinking, and change and innovation.
3. Officers and Employees shall uphold the management philosophies of the Company and perform duties based on social norms, applicable laws, and internal policies of the Company.
4. Officers and Employees shall clearly understand granted authority and responsibility, make decisions and act in a manner consistent with the goals and core values of the Company within their scope of authority.

Supplementary Rule <December 23, 2016>

- ① (Effective Date) This Ethics Charter shall be effective as of December 23, 2016.