

Code of Ethics

Enacted as of December 23, 2016
Amended as of December 18, 2018

Chapter 1. General Provisions

Article 1. Purpose

The purpose of this Regulation is to set forth any behavioral standards that the officers and employees of KT&G (hereinafter referred to as the “**Company**”) shall abide by in order to develop transparent and ethical management, ensure maximum customer value, enhance shareholder rights and interests, and to cultivate a sound corporate culture as set forth in the Ethics Charter.

Article 2. Definitions

The following terms used herein shall have the following meanings ascribed to them:

1. “Officers and Employees” shall refer to any officers including the President and Officers who provide labor to the Company and receive wage in return (including temporary employees as defined in the “Guidelines for the Management of Temporary Employees”).
2. “Department Head” shall refer to the head of the organizational unit to which the Officers and Employees belong, including unit heads, plant managers, group directors, heads of corporations and branches, and the head of each organizational unit (including branch managers, etc.).
3. “Interested Party” shall refer to any internal or external person who has business relationship with the Officers and Employees. <Amended as of December 18, 2018>

Items a through h deleted <as of December 18, 2018>

4. “Money and Valuables” shall refer to any of the followings:

< Amended as of December 18, 2018>

- a. any financial benefits including money, securities, real property, goods, lodging tickets, memberships, tickets, discount coupons, invitation tickets, admission tickets and rights to use real property, etc.
- b. provision of convenience including food, alcohol, golf and any other entertainment, banquet, transportation or lodging
- c. tangible or intangible financial benefits including waiver of obligation, providing the opportunity to get a job or granting interest

Article 3. Scope of Application

This Regulation shall apply to all Officers and Employees of the Company.

Chapter 2. Fairly Fulfilling Duties

Article 4. Fairly Fulfilling Duties

The Officers and Employees shall comply with applicable laws, regulations, bylaws and the Company's business policy in performing their duties. In addition, they shall perform their duties fairly in order to prevent the fair benefits of the Company's Interested Parties (including the Company and its shareholders) from being infringed.

Article 5. Handling Instructions Hindering Fair Performance of Duties

① The Officers and Employees shall not instruct their subordinates to do any activities which are against any applicable laws, ordinances, bylaws or the Company's business policy or hinder the fair performance of their duties, for the benefits of the Officers and Employees or any other persons.

② If the Officers and Employees are instructed by their superiors to do any activities which are against any applicable laws, ordinances, bylaws or the Company's business policy or hinder the fair performance of their duties, they may not follow such instructions by giving the superiors the evidentiary reason therefor. If necessary, they may ask for a counseling with the Department Head responsible for ethical management at the Company (hereinafter the "Department Head for Ethical Management")

③ If the same instruction is repeated even after refusing to comply in accordance with Paragraph 2, the relevant Officer or Employee shall immediately request counseling with the Department Head for Ethical Management.

④ Upon receiving a request for counseling in accordance with the above Paragraph 2 or 3, the Department Head for Ethical Management shall verify the content of the instruction at issue, and if the withdrawal or revision of said instruction is deemed necessary, shall notify the relevant Department Head or the President.

⑤ Upon receiving notice in accordance with the above Paragraph 4, the relevant Department Head or the President shall take any proper measures including cancellation or modification of such instructions if such measures are deemed necessary. In this case, if any superior repeatedly instructs the Officers and Employees to do such activities even though they do not follow such instructions as specified in the above Paragraph 2, the Department Head may take any

necessary measures including disciplinary actions against the superior.

⑥ If any of the Officers and Employees intends to ask for counseling with the Department Head in accordance with the above Paragraph 2 and Paragraph 3, he shall submit the Attached Form No.1, "Request for a Counseling" or apply for a counseling in any other equivalent methods.

Article 6. Prevention of Illegal Solicitation

① Any of the Officers and Employees shall not ask the human resources manager or anyone who can affect the Company's personnel management for special consideration for job positions that may unfairly affect, or cause a third party to unfairly affect, his own promotion or transference.

② Any of the Officers and Employees shall not unjustly intervene in employment of third parties or personnel management including promotion or transference of any other Officers and Employees by using his own position or power.

③ Any of the Officers and Employees shall not ask for unfair consideration contrary to the Improper Solicitation and Graft Act and other applicable laws and ordinances in connection with his duties.

Article 7. Evasion of Duties Concerned

① If the duties of any of the Officers and Employees fall under any of the following categories, he shall counsel with the Department Head or the Department Head for Ethical Management as to whether he should avoid the duties and follow the direction of the Department Head, with an exception of when the Department Head judges that such duties do not negatively affect fairly fulfilling duties.

1. if the duties are directly related to the financial interests of any of the Officers and Employees, his lineal ascendants/descendants and spouse and the spouse's lineal ascendants/descendants

2. if his relatives within the fourth degree of relationship by blood are Interested Parties

3. if the association which he left less than two (2) years ago or its representative is the Interested Party

4. if any retired Officers and Employees that worked in the same department for five (5) years before retirement are the Interested Parties

5. if it is deemed that he cannot perform fairly fulfilling duties since he has a blood/regional/alumni relationship with any other Officers and Employees

② Upon the request for a counseling in accordance with the above Paragraph 1, the Department

Head for Ethical Management shall notify the relevant Department Head.

③ Upon receiving notice in accordance with the above Paragraph 2, the Department Head shall take any necessary measures including reassignment of a replacement for fairly fulling duties if he judges that any of the Officers and Employees is not suitable for the continuous fulfillment of his duties.

Chapter 3. Upright Performance of Duties

Article 8. Fair Trade

① Any of the Officers and Employees shall equally provide all the qualified companies with the opportunity to do business with the Company, and award contracts with successful bidders; provided, however, that if deemed necessary, the Company may sign private contracts in the method specified by the Company after considering the objective, nature, scale and any other factors of contracts.

② If necessary, the Officers and Employees in charge of the Company's contracts shall ensure that the Interested Parties are fully aware of the provisions of this Regulation when entering into a contract with the Company, and shall attach, the Attached Form No. 2 "Standardized Contract for Ethical Practice" to the contract in order to indicate that the Interested Parties will participate in compliance with this Regulation.

Article 9. Restriction on Joining and Investment in the Affiliated Companies

① Any of the Officers and Employees shall not request the Interested Parties to guarantee his employment, find his job, sign a trade contract, or provide any Money and Valuables to him, after his retirement and accept the Interested Parties' proposal to the effect thereof.

② Any of the Officers and Employees shall not acquire any interest in the Interested Parties and pursue common profits together (including making joint investment). In addition, he shall not work for the Interested Party as its officer or employee without the approval of the Company.

③ If any of Officers and Employees receives the proposal under the above Paragraph 1 or Paragraph 2 from the Interested Parties, he shall forthwith report it to the Department Head for Ethical Management. <Amended as of December 18, 2018>

④ If any of the Officers and Employees commits any wrongful act related to the above Paragraph 1 or Paragraph 2 without the approval of the Company, the Company may limit the transaction between the Officers and Employees and the Interested Parties after considering

how much the Interested Parties are liable and/or how serious the non-compliance is.

Article 10. Restriction on Receiving Money and Valuables

① Any of the Officers and Employees shall not receive or demand the Money and Valuables from the Interested Parties or promise to give the Money and Valuables to them except for the followings:

1. the Money and Valuables for which any legal rights are acquired by discharge of obligations (excluding donation)
2. the Money and Valuables within the range permitted under the Improper Solicitation and Graft Act, including food, cash gifts and presents provided for amicable performance of duties, social gathering, ritual or aid
3. the transportation, lodging or food indiscriminately provided by the host to participants in the official events related to duties
4. the souvenirs or promotional items distributed to unspecified individuals
5. the Money and Valuables openly provided for the purpose of helping the Officers and Employees who are in trouble, including illness and disaster
6. the cash gifts provided for the purpose of rituals or aid between the Officers and Employees (KRW 100,000 or below is recommended) <Established as of December 18, 2018>
7. the Money and Valuables openly provided by the mutual aid society of the Officers and Employees, etc.<Established as of December 18, 2018>
8. the Money and Valuables provided by superiors to subordinates for consolation, encouragement and reward <Established as of December 18, 2018>
9. the Money and Valuables permitted in accordance with social rules and provided within the scope permitted by the Department Head for the amicable performance of duties <Moved from Paragraph 6 as of December 18, 2018>

② <Deleted as of December 18, 2018>

③ Any of the Officers and Employees shall not receive the Money and Valuables from anyone who used to be the Interested Parties in connection with his duties except for the case where the Money and Valuables fall under any of the categories under the above Paragraph 1. <Amended as of December 18, 2018>

Article 11. Restriction on Providing Money and Valuables

① Any of the Officers and Employees shall not provide the Money and Valuables to any other Officers and Employees or Interested Parties, except for the case where the Money and

Valuables fall under any of the categories under the Paragraph 1 of Article 10. <Amended as of December 18, 2018>

② <Deleted as of December 18, 2018>

Article 12. Restriction on Spouse, Etc. from Receiving Money and Valuables

Any of the Officers and Employees shall not cause his spouse or lineal ascendants/descendants to do any activities prohibited under Article 9 through 11 of this Regulation.

Article 13. Restriction on Giving Notice about Family Occasions

Any of the Officers and Employees shall not give the Interested Parties other than Officers and Employees notice of his family occasions except for the following cases <Amended as of December 18, 2018>:

1. the notice to the Interested Parties who are his relatives
2. the notices to any employees who work for the association where he worked in the past

Article 14. Restriction on Intercession or Solicitation

① Any of the Officers and Employees shall not do any act of intercession or solicitation which hinders any other employees from fairly fulfilling their duties fairly in order to gain his or any other persons' unfair benefits.

② Any of the Officers and Employees shall not introduce the Interested Parties to a third party in connection with fulfillment of his duties, in order to gain his or any other persons' unfair benefits.

Article 15. Restriction on Personal Use of Company's Assets and Generating Profits from Company's Assets

① All the information assets of the Company shall be created, stored, protected and used in accordance with the procedures specified in applicable bylaws including the "Information Management Guidelines", "Guidelines on the Security of Classified Company Information", etc.

② Any of the Officers and Employees shall use the Company's tangible and intangible assets and confidential information only for the purpose of business activities and approved purposes, and shall manage them in such a way that the assets are not lost, misused and stolen.

③ Any of the Officers and Employees shall not use the Company's tangible and intangible

assets for his or a third party's profits by taking them out without permission and shall not use the Company's funds for personal purpose.

④ If any of the Officers and Employees inevitably uses the Company's tangible and intangible assets for personal purpose, he shall report the details of the use thereof to the Department Head and return or settle relevant costs in accordance with the Company's "Accounting Work Handling Regulations".

Article 16. Restriction on Insider Trading

① Any of the Officers and Employees shall not conduct any property transactions or make any property investment related to securities and real property by using the undisclosed information which he acquires in connection with the performance of his duties and help a third party to do so.

② The "undisclosed information acquired in connection with the performance of duty" under the above Paragraph 1 is the information defined in the Financial Investment Services and Capital Markets Act, Article 174 (Prohibition on Use of Material Nonpublic Information), which is information yet to be disclosed to investors and interested parties, etc. through public disclosure, etc.

Chapter 4. Creation of Sound Organizational Culture

Article 17. Report of External Lecture

① If any of the Officers and Employees intends to give lectures regarding his duties targeting the external audience (hereinafter referred to as the "external lectures"), he shall complete the Attached Form No. 3, "External Lecture Report" in advance and report it to the Department Head or the Department Head for Ethical Management unless the entity that requests the external lecture is the Company's affiliate.

② If he does not become aware of the lecture fee or the time required for the external lecture in advance when making a report under the above Paragraph 1, he shall forthwith report again post the external lecture.

③ The Company's materials presented by any of the Officers and Employees in the external lecture in accordance with the above Paragraph 1 shall be reviewed and approved by the Department Head or the Department Head for Ethical Management. <Amended as of December 18, 2018>

④ If the Department Head or the Department Head for Ethical Management determines that the external lecture under the above Paragraph 1 may interfere with the duties of any of the Officers and Employees or divulge any trade secrets or confidential information, the

Department Head may prevent the Officer and/or Employee from giving the external lectures.

Article 18. Restriction on Borrowings, Etc.

Any of the Officers and Employees shall not borrow from, or lend to the Interested Parties or any other Officers and Employees or make a guarantee that may create a financial burden. In addition, he shall not rent any real property for free of charge (including the case where the rent fee is much lower than the market price of the real property or that under transaction practices).

Article 19. Restriction on Speculative Entertainment

Any of the Officers and Employees shall engage in no speculative entertainment beyond simple entertainment e.g., card games, *hwatu*, and *mahjong*.

Article 20. Restriction on Sexual Harassment in Workplace

① Any of the Officers and Employees shall not use or do sexual expressions or activities which may cause sexual humiliation or aversion to any other Officers and Employees by using his status in the workplace or in connection with his duties.

② Any of the Officers and Employees shall not apply disadvantages in personnel management to those who do not respond to his sexual expressions or activities or any other demands on the ground of such non-response.

③ Any other details shall be subject to applicable laws and bylaws, including the Equal Employment Opportunity and Work-Family Balance Assistance Act and the Rules of Employment

Chapter 5. Measures against Breach, Etc.

Article 21. Counseling about Breach

If any of the Officers and Employees is not confident about whether the performance of his duties is in breach of this Regulation, he shall counsel with the Department Head for Ethical Management before handling his duties.

Article 22. Report of Breaching Activities

① If any of the Officers and Employees becomes aware of his breach of these Regulations, he

may report to the Company. <Amended as of December 18, 2018>

② Matters including the method of reporting, protection of the reporting person, compensation, indemnification, etc. shall be in accordance with the “Guideline on the Protection of Persons Reporting Unethical Conduct”. <Amended as of December 18, 2018>

③ <Deleted as of December 18, 2018>

④ <Deleted as of December 18, 2018>

Article 23. Guarantee of Status of Officers and Employees that Report Breach

<Deleted as of December 18, 2018>

Article 24. Handling with Money and Valuables

① If any of the Officers and Employees receives the Money and Valuables in violation of this Regulation, he shall return to the person who provided the Money and Valuables any portion thereof exceeding the amount permitted by an applicable standard or any prevented Money and Valuables without delay.

② If the Money and Valuables to be returned in accordance with the above Paragraph 1 are likely to be lost, decayed or deteriorated, the identity of the person who provided them or his address is not known or it is hard to return the Money and Valuables to the person who provided them, the Officers and Employees shall report the receipt thereof to the Department Head or the Department Head for Ethical Management without delay.

③ Upon the acceptance of the report under the provisions of the above Paragraph 2, the Department Head or the Department Head for Ethical Management may handle the Money and Valuables in accordance with any of the following standards:

1. If the Money and Valuables are decayed and deteriorated and thus have no economic value, the Department Head shall discard them.

2. If the economic value of the Money and Valuables is likely to be damaged due to decay and deterioration, the Department Head shall donate them to social welfare organizations or public organizations.

④ If the Department Head for Ethical Management handles the Money and Valuables in accordance with the provisions of the above Paragraph 3, he shall record the identity of the person who provided them or received them, provided goods, date and time and any details of handling in the Attached Form No.5, “Money and Valuables Receipt and Handling Register”, and manage the register and notify the person who provided them of the related facts; provided, however, if the Department Head cannot know the address of the person who provided them, he may not give the notice.

Article 25. Disciplinary Actions against Breach

① The Company may take any measures including disciplinary actions against the Officers and Employees who breach this Regulation or tolerate, aid and abet the breach of any other Officers and Employees.

② Any matters related to disciplinary actions, etc. shall be subject to applicable bylaws, including the “Rules for the Management of Human Resources”.

Chapter 6. Supplementary Rules

Article 26. Letter of Undertaking of Ethical Practice

All the Officers and Employees shall prepare and submit the Attached Form No.6, “Letter of Undertaking of Ethical Practice” in order to indicate that they agree to comply with this Regulation every year.

Article 27. Training, Management and Supervision

① The Department Head for Ethical Management shall establish and implement the training plan intended to train the Officers and Employees to comply with the laws and regulations related to this Regulation and establish the ethical management and provide them with the training at least once per year.

② The Department Head shall make the Officers and Employees fully aware of this Regulation and manage and supervise if they comply with this Regulation.

Article 28. Operation of Regulations

The Department Head for Ethical Management shall continue to improve and upgrade the provisions of this Regulation, keeping up with the development situations of organizations and change of environment. In addition, the Department Head may separately establish and operate any details about the procedures to operate and handle this Regulation if necessary.

Supplementary Rules <December 23, 2016>

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

② (Follow-Up Measure on Joint Guarantees by the Mutual Aid Association) The provisions of Article 18 of this Regulation shall not apply to the joint guarantees made by the Mutual Aid Association prior to the Effective Date of this Regulation until the date of their expiry.

③ (Abolition of Other Provisions) Simultaneously with the implementation of this Regulation, the “Rules of Ethics” and the “Guidelines on Ethical Practice” shall be abolished.

Supplementary Rule <December 18, 2018>

Article 1. Effective Date

This Regulation shall be effective as of December 18, 2018.

[Attachment 1]

Request for a Counseling				
Personal Information of the Applicant	Name		Date of Birth	
	Department		Position (Title)	
Instructions				
Details of a Counseling				
Remarks				
_____, 20__ Applicant (Signature)				

[Attachment Form No.2]

Special Clauses on Ethical Practice

Article 1. Purpose

The purpose of these Clauses is to state matters relating to ethical practice on every transaction or contract entered into between KT&G (hereinafter the “Company”) and Interested Parties (hereinafter the “Supplier”) in order to ensure compliance with sound and fair transactional practices and the solidification of an ethical corporate culture.

Article 2. Scope of Application

Unless explicitly agreed otherwise between the Company and the Supplier, these Clauses shall apply to all transactions and contracts between the Company and the Supplier.

Article 3. Obligation to Comply

① The Officers and Employees of the Company shall comply with the Code of Ethics in order to ensure fairness in all transactions and contracts with the Supplier that are subject to the application of these Clauses, and shall ensure that the Supplier is provided with and understands information relating to the Code of Ethics at the time of execution of the contract or initiation of the transaction.

② The Supplier shall understand the Company’s will to ensure ethical management and shall cooperate in compliance with the Code of Ethics.

Article 4 (Forms of Violations)

① The Supplier shall not provide any of the following to the Officers and Employees of the Company in connection with transactions or contracts with the Company.

1. Any financial benefits including money, securities, real property, goods, lodging tickets, memberships, tickets, discount coupons, invitation tickets, admission tickets and rights to use real property, etc.

2. Convenience including food, alcohol, golf and any other entertainment, banquet, transportation or lodging

3. Tangible or intangible financial benefits including exemption of obligation, providing the opportunity to get a job or granting interest

4. Any other act equivalent to the provision of the benefits under the Items 1 through 3 above

that impede the fair performance of duties by the Officers and Employees of the Company.

② Despite the provisions of Paragraph 1, Items 1 through 3, circumstances that fall under any of the Items in Code of Ethics, Article 10, Paragraph 1¹, shall not be subject to the application of this provision.

Article 5 Sanctions Against Breach

① The Company may take the following measures if the Supplier engages in any of the prohibited acts listed in Article 4, Paragraph 1.

Level of Breach	Sanction Measures
1. The money and valuables or financial benefits obtained by the Officers and Employees by engaging in any of the acts prohibited in Article 4, Paragraph 1 is less than KRW 500,000.	With respect to the transaction involving any of the acts prohibited in Article 4, Paragraph 1, <ul style="list-style-type: none"> ◦ The volume or scale of transaction may be limited; or, ◦ the transaction or the contract shall be terminated or canceled
2. The money and valuables or financial benefits obtained by the Officers and Employees by engaging in any of the acts prohibited under Article 4, Paragraph 1 is KRW 500,000 or more.	<ul style="list-style-type: none"> - Termination or cancellation of all transactions or contracts with the Company - Sanctions against companies engaged in unfair practices (restriction on the awarding of contracts)

¹ Article 10. Restriction on Receiving Money and Valuables

① Any of the Officers and Employees shall not receive or demand the Money and Valuables from the Interested Parties or promise to give the Money and Valuables to them except for the followings:

1. the Money and Valuables for which any legal rights are acquired by discharge of obligations (excluding donation)
2. the Money and Valuables within the range permitted under the Improper Solicitation and Graft Act, including food, cash gifts and presents provided for amicable performance of duties, social gathering, ritual or aid
3. the transportation, lodging or food indiscriminately provided by the host to participants in the official events related to duties
4. the souvenirs or promotional items distributed to unspecified individuals
5. the Money and Valuables openly provided for the purpose of helping the Officers and Employees who are in trouble, including illness and disaster
6. the Money and Valuables permitted in accordance with social rules and provided within the scope permitted by the Department Head for the amicable performance of duties

- ② In applying Paragraph 1, the “value of financial benefits” shall be based on the total amount provided regardless of the number of instances, dates and the number of providers and beneficiaries.
- ③ In applying Paragraph 1, the Company shall provide the Supplier with an advance opportunity to explain or state its position except under inevitable circumstances.

Month Day 2020

“Company”

71 Beotkkot-gil, Daedeok-gu, Daejeon

KT&G

Contract Manager

(Seal)

“Supplier”

Representative Director

(Seal)

Remarks

1. In the Reasons for Request, include the name of the training program, name of the conference, name of the event, etc.
2. Indicate the actual amount of the compensation received; if can be classified as transportation expense, manuscript fee, materials fee, etc. indicate in the relevant ()
3. If giving lectures multiple times at the same training program, you may file a One-Time Report
If so, please provide the necessary information in the One-Time Report section, and indicate the average amount of compensation for each session

[Attachment Form No. 4]

Report of Breach				
Reporter	Name		Occupation	
	Contact			
	Address			
Subject of Report	Affiliation			
	Position (Rank)		Name	
Details				
Evidentiary Document				
Remarks				

Letter of Undertaking of Ethical Practice

I have fully read and understood the Code of Ethics of KT&G (“Company”) as the Company’s officer or employee and hereby undertake to faithfully comply with any of the following terms and conditions by actively participating in the ethical management of the Company:

1. I will try to create a clean corporate culture by complying with any applicable laws, regulations and rules related to my duties and by fulfilling my duties fairly and transparently.
2. I will keep the Company’s honor and my dignity as the Company’s officer or employee while performing my duties. In addition, I will not perform any activities that are against the Company’s management philosophy and interests.
3. In no event will I receive or demand from the Interested Parties in connection with my duties money and valuables, entertainment or convenience or do any unfair activities which interfere with fair transaction relations.
4. I will not divulge to external entities or use for any purpose other than the Company’s business the Company’s important information or trade secrets that I acquired in connection with my duties, without the Company’s prior approval.
5. I will not use the Company’s tangible and intangible assets for any purpose other than the business purpose and use the Company’s funds for personal purpose.

Dated as of _____, 20__

Department:

Employee No.:

Name:

(Sign)