

# KT&G Charter of Corporate Governance

Enacted June 25, 2003  
Amended September 14, 2005  
Amended April 19, 2006  
Amended March 13, 2009  
Amended March 31, 2010  
Amended July 18, 2012  
Amended March 19, 2015  
Amended June 13, 2019  
Amended February 24, 2022

## Recitals:

KT&G Corporation (the “**Company**”) conducts its business in accordance with the decisions made by the Board of Directors and its managers and members who are under supervision of the Chief Executive Officer. The Company aims to maximize its corporate and members’ values and become a global firm of excellence. <Amended February 24, 2022>

The Company’s corporate governance aims to respect the interests of all shareholders and interested parties in a balanced way by establishing a professional management system centered on the Board of Directors controlled by independent non-executive directors. <Amended February 24, 2022>

## I. Shareholder Rights and Protection thereof

### 1.1 Shareholder Rights

(1) A shareholder shall have, as the owner of the Company, basic rights, including those listed below, set forth in the Korean Commercial Code and applicable

laws: <Amended February 24, 2022>

- right to participate in the distribution of profits;
- right to attend and vote at the annual general meeting of shareholders; and
- right to receive information on a regular and timely basis.

(2) Any of the following matters that may result in a material change in the existence of the Company or shareholder rights shall be determined at the annual general meeting of shareholders in such a way to respect the shareholder rights to the fullest extent:

- amendment of the Articles of Incorporation;
- merger, business transfer, or spin-off/split-off;
- dissolution;
- capital reduction; or
- comprehensive exchange or transfer of stock.

(3) The Company shall endeavor to ensure that resolutions of the annual general meeting of shareholders are adopted in a transparent manner and in accordance with a fair procedure. The Company shall provide the shareholders with sufficient information, including the date and time, place and agenda of the meeting, prior to the meeting. The date, time and place of the annual general meeting of shareholders shall be determined to ensure that the maximum number of shareholders can attend at the meeting.

(4) The Company may allow any shareholder with the right to submit an agenda under the Korean Commercial Code and other applicable laws to submit an agenda to the annual general meeting of shareholders. The shareholders may ask questions or request explanations on an agenda at the annual general meeting of shareholders. In addition, the Company shall endeavor to ensure that shareholders' opinions are fully appreciated at the annual general meeting of shareholders. <Amended February 24, 2022>

- (5) The Company shall ensure that the shareholders can exercise their voting rights directly or indirectly and in the most feasible manner. <Amended February 24, 2022>

## **1.2 Fair Treatment of Shareholders**

- (1) A shareholder shall have one voting right for each share, and the Company shall ensure that minority shareholder rights can be exercised in the most feasible manner by implementing measures such as collective voting. <Amended February 24, 2022>
- (2) The Company shall provide the shareholders with the necessary information in a timely, sufficient and easy-to-understand manner. Even at a time that the Company is providing information that it is not required to disclose, the Company shall provide such information to all shareholders equally.
- (3) The Company shall protect the shareholders from unfair insider trading or self-dealing by another shareholder.

## **1.3 Shareholders' Responsibilities**

- (1) A shareholder shall exercise its voting right actively to promote the development of the Company.
- (2) A majority shareholder shall act in the interest of the Company and all shareholders, and shall not cause damage to the Company and other shareholders by acting in a contrary manner.

## **II. Board of Directors**

### **2.1 Functions of the Board of Directors**

- (1) The Board of Directors shall have comprehensive powers related to the

management of the Company to the extent allowed by applicable laws. The Board of Directors shall determine the Company's general management direction that is in the interest of the Company and all shareholders. The Board of Directors shall carry out the following decision-making and supervisory functions: <Amended February 24, 2022>

- management targets and strategies;
- CEO selection and succession plan;
- assessment of and reward for management performance;
- appointment, dismissal and reward of senior management;
- business plan, budget and accounts;
- large-scale capital expenditures;
- large-scale borrowing and lending;
- accounting and financial reporting system;
- risk management and financial controls;
- principal matters related to mergers & acquisitions;
- installation, relocation and closing of branch offices;
- compliance with applicable laws and ethical codes; and
- other matters as set forth in applicable laws, the Articles of Incorporation and other relevant laws, or as deemed necessary by the Board of Directors.

## **2.2 Qualification and Independence of Directors**

- (1) A director shall have the highest personal and occupational ethics and integrity and shall represent the long-term, balanced interests of all shareholders and interested parties. Moreover, a director shall have an inquisitive attitude, objective and balanced perspective, practical wisdom and mature judgment.
- (2) A director shall be able to devote sufficient time to the performance of his/her duties and have a dedicated attitude of service. A director shall submit a letter of resignation if he/she finds it difficult to conduct his/her duties due to a material change in his/her personal affairs, including occupational responsibility. <Amended February 24, 2022>

- (3) An independent non-executive director shall satisfy the qualifications and legal capacities of an independent non-executive director as stipulated by applicable laws and have no material relations with the Company. A “person with material relations with the Company” includes any person that has executed a direct contract or transaction with the Company, a key shareholder of the Company or an affiliated person. <Amended February 24, 2022>

### **2.3 Composition and Operation of the Board of Directors**

- (1) The Company shall have one President who also serves as the representative director and up to nine directors, the majority of whom shall be independent non-executive directors who are independent from the management and controlling shareholder. <Amended April 19, 2006, 2009.3.13, July 18, 2012, February 24, 2022>
- (2) The Chairman shall be appointed from the independent non-executive directors by a resolution of the Board of Directors. <Added March 31, 2010> <Amended February 24, 2022>
- (3) The Board of Directors may delegate any matters to a committee established under the Board of Directors for an effective and efficient operation, *provided*, that such matter shall not be subject to any legal restrictions. <Amended April 19, 2006>
- (4) The Board of Directors shall hold a meeting on a regular basis and have the Regulations on the Board of Directors in place to set forth the powers, responsibilities and operational procedures of the Board of Directors for a successful operation.
- (5) If the Board of Directors convenes a meeting, the course of the proceedings and important issues discussed in such meeting shall be recorded in the minutes, which shall be kept available. <Amended April 19, 2006, February

24, 2022>

## **2.4 Appointment of Directors**

- (1) The directors shall be appointed by the shareholders at the annual general meeting of shareholders from candidates recommended by committees, including the Candidate Recommendation Committee.

### **(Appointment of the President)**

- The President Candidate Recommendation Committee shall evaluate president candidates who are deemed qualified to serve as President as found and recommended by the Governance Committee in accordance with candidate examination standards as determined by the Board of Directors comprised of independent non-executive directors. The President Candidate Recommendation Committee shall select president candidates and recommend them to the annual general meeting of shareholders. <Amended February 24, 2022>
- The President Candidate Recommendation Committee shall discuss the terms of the contract with the person who will be recommended as a president candidate, including the management targets set by the Assessment Committee within the Board of Directors. Upon appointment of the president candidate as the President at the annual general meeting of shareholders, the Chairman of the President Candidate Recommendation Committee shall enter into a management contract with the President for and on behalf of the Company. <Amended February 24, 2022>

### **(Appointment of Inside Directors)**

- The President or president candidate shall recommend inside director candidates to the Governance Committee within the Board of Directors. The Governance Committee shall recommend, with the consent of the Board of Directors, those candidates deemed to be qualified after the

qualification examination to the annual general meeting of shareholders.  
<Amended June 13, 2019, February 24, 2022>

**(Appointment of Independent Non-executive Directors)**

- The Independent Non-executive Director Candidate Recommendation Committee shall recommend candidates to the annual general meeting of shareholders after examining the qualification of such candidates found on its own and as recommended by the shareholders.
  - Independent non-executive directors shall be appointed so as to form a balanced combination of professional, capable and responsible professional managers, attorneys, certified public accountants and management and economic experts so that they can contribute to the management of the Company. The directors so appointed shall have a prescribed term of office. <Amended February 24, 2022>
- (2) The Company shall announce director candidates at least two weeks prior to the annual general meeting of shareholders to allow the shareholders to exercise their voting rights based on full information on the candidates.  
<Amended February 24, 2022>

**2.5 Roles, Powers and Obligations of Independent Non-executive Directors**

- (1) Independent non-executive directors shall independently participate in important corporate management policy decisions and shall supervise and assist the management of the Company as members of the Board of Directors.
- (2) In accepting the appointment, each independent non-executive director shall submit to the Company a confirmation letter that he/she has no material relations with the Company, and the Company shall disclose that such independent non-executive director has no material relations with the Company.

- (3) In order for the independent non-executive directors to have an accurate understanding of the management conditions of the Company, the Company shall promptly provide information necessary for the performance of such directors' duties. The Company shall notify the independent non-executive directors of the convening of a meeting of the Board of Directors at least three days prior to the meeting so that they can fully review relevant materials before the meeting. <Amended April 19, 2006, February 24, 2022>
- (4) An independent non-executive director may request the Company to promptly provide information necessary for the performance of his/her duties. If an independent non-executive director requests the Company to provide information necessary for the performance of his/her duties to the extent that provision such information does not interfere with the Company's conduct of business, the Company shall provide such information within a reasonable period of time. <Amended April 19, 2006, February 24, 2022>
- (5) Independent non-executive directors may meet managers of a place of business of the Company without the presence of senior executives. To facilitate such meetings, independent non-executive directors may visit the Company's places of business twice a year without the presence of senior executives. <Amended February 24, 2022>
- (6) Independent non-executive directors may, if necessary, receive assistance from independent financial, legal or other experts by taking appropriate procedures, and the Company shall provide the costs incurred. <Amended February 24, 2022>
- (7) (Deleted) <Amended 2009.3.10>
- (8) Independent non-executive directors shall have a meeting of their own on two or more occasions a year without the management's participation.

## **2.6 Committees**

- (1) In order to enhance the expertise and efficiency in the performance of their duties, the Board of Directors may have committees within the Board of Directors (each a “**Committee**” and collectively, the “**Committees**”) and have a temporary Committee in place for a limited period of time, if specific expertise or prompt decision-making is required. <Amended September 14, 2005, February 24, 2022>
- (2) The composition and operation of a Committee shall be set forth in and determined in accordance with the Articles of Incorporation or the Regulations on the Board of Directors. <Newly added September 14, 2005, February 24, 2022>
- (3) The chairman of each Committee shall be appointed from members of the Committee. Such chairman shall convene a Committee meeting and be in charge of the affairs of the Committee. <Amended April 19, 2006, March 31, 2010, February 24, 2022>
- (4) The Board of Directors shall maximize the efficiency of the operation of the Board of Directors by assigning directors to the Committees in consideration of each director’s expertise. <Amended February 24, 2022>
- (5) The chairman of each Committee shall consult its members to decide whether to hold a meeting. In addition, such chairman shall develop the agenda for the Committee pursuant to discussions with the management and supporting departments for the Board of Directors.
- (6) Any resolution by the Committees on matters delegated by the Board of Directors shall be as effective as a resolution by the Board of Directors. The Committees shall report any resolution to the Board of Directors.

## **2.7 Directors’ Responsibilities**

- (1) Directors shall not use their position for their own interests and shall carry out activities as members of the Board of Directors by fulfilling their fiduciary duties and duty of care as good managers. <Amended February 24, 2022>
- (2) The business judgment rule shall apply to the directors' deliberations and resolutions at a meeting of the Board of Directors. Any director shall be liable for damages caused to the Company if he/she is, by willful misconduct or negligence, in breach of or is negligent in his/her duties under applicable laws or the Articles of Incorporation. Such director shall be liable for damages incurred by a third party due to the director's willful misconduct or gross negligence. <Amended July 18, 2012, February 24, 2022>
- (3) The Company shall maintain valid directors and officers liability insurance at its own cost to enhance the directors' accountability and attract competent individuals as directors. <Amended February 24, 2022>
- (4) No director may appropriate the Company's business opportunities or transact with the Company without approval by an affirmative vote of two thirds or more of all directors in office in accordance with Articles 397-2 and 398 of the Commercial Act. <Added July 18, 2012, February 24, 2022>

## **2.8 Ethics and Conflicts of Interest**

- (1) The Board of Directors shall recommend that not only the members of the Company but also the directors always act ethically. The Board of Directors shall supervise compliance with the rules of conduct set forth in the KT&G Ethics Charter, Codes of Ethics, and Director Code of Ethics.
- (2) The Board of Directors shall not allow any exceptions to a director or executive officer's violation of the KT&G rules of ethics and conduct. If an actual or potential conflict of interest occurs to a director or an executive officer, such conflict shall be immediately reported to the President or the Chairman of the Board of Directors. If such conflict persists, such director or

officer shall resign. <Amended June 13, 2019, February 24, 2022>

- (3) No director may attend any discussion or decision-making of his/her own accord that may affect his/her personal, commercial, or occupational interests. <Amended February 24, 2022>

## **2.9 Evaluation and Reward**

- (1) Management activities by the management shall be evaluated in a fair manner, and the results of evaluation shall be properly reflected in remunerations. Remunerations for inside directors shall be decided at a meeting of the Board of Directors in which the inside directors do not attend, to the extent approved by the annual general meeting of shareholders. In addition, the evaluation results on the basis of the management targets set by the Board of Directors and the mid- and long-term management strategies approved by the Board of Directors shall be used first as one of the important elements of evaluation in the appointment of the President. <Amended September 14, 2005, February 24, 2022>
- (2) The Board of Directors and each Committee shall conduct their own evaluation on a yearly basis. Every December, each director shall submit to a Committee as designated by the Board of Directors, evaluation reports regarding the achievements of the Board of Directors and the Committees in which he/she participated. Such Committee as designated by the Board of Directors shall organize and summarize the annual evaluation reports submitted, and with the assistance from an independent expert if necessary, use such comprehensive annual evaluation report at the discussion of the Board of Directors and the Committees held every January. <Amended September 14, 2005>
- (3) The Board of Directors shall utilize self-evaluations by the Committees and the comprehensive annual evaluation report produced by the Committee designated by the Board of Directors in identifying potential improvements

to and rewards of the operation of the Board of Directors for the following year. <Amended September 14, 2005>

## **2.10 Training of Directors**

- (1) The Company shall provide independent non-executive directors with training opportunities necessary for the performance of their duties and hold seminars to provide materials or explanations on the management status of the Company. In addition, the Company shall hold two or more focus meetings per year to review its long-term visions and key strategies.
- (2) The Company shall support the directors in gaining knowledge and learning technologies necessary for the performance of their duties at the Board of Directors and the Committees. The Company shall provide financial support for the directors to train and develop their capabilities for an efficient and effective operation of the Board of Directors. <Amended February 24, 2022>

## **III. Audit Committee**

### **3.1 Audit Committee**

- (1) The Audit Committee shall be composed of three or more directors, two thirds or more of which shall be independent non-executive directors. The Chairman of the Audit Committee shall be an independent non-executive director, and at least one of the members shall have professional knowledge in finance or accounting. <Amended February 24, 2022>
- (2) The Audit Committee's principal roles and responsibilities are as follows:
  - audit of the lawfulness of the directors and the management's performance of duties;
  - review of the soundness of corporate financial activities and the accuracy of financial reporting;

- review of the validity of any proposed changes in principal accounting standards or accounting estimations;
  - consent to the appointment or dismissal of the head of the internal audit department;
  - appointment or dismissal of an independent auditor and reporting such appointment or dismissal to the annual general meeting of shareholders;
  - assessment of the audit performed by an independent auditor;
  - verification of the corrective actions taken in response to internal or independent audit results; and
  - matters related to the amendment to the Regulations on the Operation of the Audit Committee.
- (3) The Audit Committee shall meet at least once per quarter, and the minutes of every such meeting shall be prepared and kept available.
- (4) The Audit Committee shall report to the annual general meeting of shareholders the evaluation of its independence and its principal activities, and the Company shall disclose such evaluation in its business report. <Amended February 24, 2022>
- (5) The Chairman of the Audit Committee shall attend the annual general meeting of shareholders to answer questions related to audit work; *provided, however*, that if the Chairman cannot attend a meeting of the Audit Committee, the most senior member or, if not available, the member who is oldest of age shall attend the meeting to act as the Chairman.

### **3.2 Independent Auditor**

- (1) The independent auditor shall conduct audits in a fair and independent manner to the Company, management and majority shareholders.
- (2) The independent auditor shall report to the Audit Committee any principal matters learned during the independent audit. <Amended September 14,

2005>

- (3) The independent auditor shall attend the annual general meeting of shareholders to answer the shareholders' questions on the audit report.  
<Amended February 24, 2022>

#### **IV. Interested Parties**

- (1) The Company shall endeavor to fulfill its community responsibilities, including the protection of creditors, consumers and the environment. The Company shall maintain and improve working conditions by complying with the Labor Standards Act and other relevant labor laws in good faith.  
<Amended February 24, 2022>
- (2) The Company shall provide information necessary for the protection of rights of interested parties and support interested parties' access thereto to the fullest extent and as permitted by applicable laws.

#### **V. Disclosure**

- (1) The Company shall regularly prepare and disclose reports, including business reports, quarterly reports and semi-annual reports, and disclose corporate matters and relevant information to the shareholders and interested parties in a faithful, prompt and honest manner.
- (2) Any legal obligations and principal outstanding tasks other than regular disclosures shall be timely disclosed in detail and with accuracy.
- (3) The person in charge of disclosure shall carry out a comprehensive study on how to make the disclosure to interested parties easier to understand so that the disclosure can be written in an easy-to-understand manner.