

KT&G Corporate Governance Charter

Established on June 25, 2003
Amended on September 14, 2005
Amended on April 19, 2006
Amended on March 13, 2009
Amended on March 31, 2010
Amended on July 18, 2012
Amended on March 19, 2015
Amended on June 13, 2019

PREAMBLE

KT&G will conduct business by the managers and members under the decisions of the Board of Directors and the responsibility of the Chief Executive Officer, and aims to become a global blue-chip company by maximizing the corporate value and member value.

KT&G's corporate governance aims to value the interests of all shareholders and interested parties in a balanced way by establishing a responsible and professional management system centered on the Board of Directors controlled by independent outside directors.

I. RIGHTS OF SHAREHOLDERS AND PROTECTION OF SHAREHOLDER RIGHTS

1.1 Rights of Shareholders

- (1) The shareholders who are the owners of KT&G (the "Company") will have the basic rights guaranteed in the Commercial Act and other applicable laws and regulations including the following:
 - Right to share in profitability.
 - Right to attend and right to vote at general meetings of shareholders.
 - Right to receive information on a regular basis and in a timely manner.

- (2) The following matters which bring critical change to the existence of the Company and shareholder rights will be determined at the general meeting of shareholders under the principle of ensuring the shareholders' rights to the maximum extent possible:
 - Amendment to the Articles of Incorporation.
 - Merger, business transfer or split-off/spin-off.
 - Dissolution.

- Reduction of capital.
 - All-inclusive exchange or transfer of shares, etc.
- (3) The Company will endeavor to adopt shareholder resolutions according to transparent and fair procedures, and prior to the convening of a general meeting of shareholders, the Company shall provide the shareholders in advance with adequate information on the date, time, place and agenda of the meeting. In addition, the time and place of the general meeting of shareholders will be determined to ensure that as many shareholders as possible attend the meeting.
 - (4) The Company will allow the shareholders who have the right of shareholder's proposal under the Commercial Act or other applicable laws and regulations to propose agenda to the general meeting of shareholders, and shareholders may ask questions or ask for explanation on the agenda. In addition, the Company will endeavor to reflect the shareholders' opinions at the general meetings of shareholders adequately.
 - (5) The Company will allow the shareholders to exercise their voting rights, directly or indirectly, as easily as possible.

1.2 Fair Treatment of Shareholders

- (1) Each shareholder will have one (1) vote per share, and the Company will allow shareholders to exercise minority shareholder rights as easily as possible through cumulative voting, etc.
- (2) The Company will provide the shareholders with necessary information sufficiently, timely and in an easy-to-understand manner. When the Company discloses information for which the Company has no obligation to disclose, such information will be provided to all shareholders fairly.
- (3) The Company will protect the shareholders from insider trading and self-dealings of other shareholders.

1.3 Responsibilities of Shareholders

- (1) The shareholders will exercise their voting rights proactively for the development of the Company.
- (2) Large shareholders will act in the interests of the Company and all shareholders, and will not cause any damage to the Company or other shareholders by engaging in any act to the contrary.

II. BOARD OF DIRECTORS

2.1 Functions of the Board of Directors

- (1) The Board of Directors will have comprehensive authority with respect to the management of the Company within the extent of the applicable laws and regulations and determine basic managerial policies in the interests of the Company and shareholders. The Board of Directors will make managerial decisions and supervise the management of the Company as follows.
 - Management goal and strategy.
 - Election of the CEO and succession plan.
 - Evaluation of management performance and level of compensation.
 - Election/dismissal of senior management officers and compensation.
 - Business plan and budget/settlement.
 - Large-scale capital expenditure.
 - Large-scale borrowing or lending.
 - Accounting and financial reporting system.
 - Risk management and financial control.
 - Principal matters relating to mergers and acquisitions.
 - Establishment, relocation or closure of branches.
 - Compliance with the laws and regulations and the ethics rules.
 - Any other matters provided for in the applicable laws and regulations or the Articles of Incorporation and matters the Board of Directors deem necessary.

2.2 Qualifications and Independence of Directors

- (1) The directors will have the best personal and professional ethics and integrity, and will represent long-term and balanced interests of all shareholders and interested parties. In addition, the directors will have an enquiring attitude, an objective and balanced perspective, and practical wisdom and mature judgment.
- (2) The directors will be able to devote adequate time for the performance of their duties, and will have an attitude of dedicated service. In addition, if critical change occurs to a director including any change in the principal professional responsibilities, which the director deems to cause issues to the performance of his or her duties, the director must tender a letter of resignation.
- (3) The outside directors will comply with the outside director qualifications and the applicable laws and regulations that provide for the legal status of outsider directors, and will have no significant relationship with the Company. Here the person who has significant relationship with the Company includes a person who has a direct contractual or transactional relationship with the Company, major shareholders of the Company and specially related persons.

2.3 Composition and Operation of the Board of Directors

- (1) The Company shall have 1 representative director and 9 directors or less; provided that the outside directors who function independently from the management and controlling shareholder(s) of the Company will consist of a majority of the total

number of directors. <Amended on April 19, 2006, March 13, 2009 and July 18, 2012>

- (2) The chairman of the Board of Directors will be elected among from the outside directors by a resolution of the Board of Directors. <Newly inserted on March 31, 2010>
- (3) Except to the extent prohibited by law, the Board of Directors may delegate its authority to committees under the Board of Directors for operational efficiency. <Amended on April 19, 2006>
- (4) The Board of Directors will hold the board meeting on a regular basis, and will establish and implement the Rules of the Board of Directors which specify the authority, responsibilities and operating procedures, etc. of the Board of Directors.
- (5) The substance of the course of the proceedings of the board meeting and material discussions will be recorded in the minutes, and such minutes will be retained. <Amended on April 19, 2006>

2.4 Election of Directors

- (1) The directors will be recommended by the candidate recommendation committee and elected at the general meetings of shareholders.

(Election of the President)

- The President Candidate Recommendation Committee will look for president candidates, assess the candidates in accordance with the criteria determined by the Board of Directors comprised of outside directors and recommend candidates to the general meeting of shareholders.
- The President Candidate Recommendation Committee will discuss with the selected candidate concerning the terms of contract such as the management goal set by the Board of Directors comprised of outside directors, and if the selected candidate is elected as President at the general meeting of shareholders, the chairman of the President Candidate Recommendation Committee will enter into a service agreement with the President on behalf of the Company.

(Election of Inside Directors)

- The President or president candidate will propose candidates to the relevant committee under the Board of Directors, and the relevant committee will assess the candidates and recommend a candidate out of the qualified candidates with the consent of the Board of Directors. <Amended on June 13, 2019>

(Election of Outside Directors)

- The Outside Director Candidate Recommendation Committee will assess the qualifications of the candidates proposed by itself and the candidates proposed by the Shareholder Council and recommend a candidate to the general meeting of shareholders.
 - The outside directors will be elected in a balanced way to consist of capable and responsible professional managers, attorneys, certified public accountants, experts on management and economy, etc. so that they can effectively contribute to the management of the Company, and the term of office of the elected directors will be respected.
- (2) The Company will disclose the director candidates at least 2 weeks prior to the date set for the general meeting of shareholders to ensure that the shareholders exercise their voting rights with sufficient information on the director candidates.

2.5 Roles, Authority and Responsibilities of Outside Directors

- (1) The outside directors will independently participate in making decisions of material corporate management policies and will as members of the Board of Directors supervise and support the management.
- (2) The outside directors will submit to the Company a confirmation of no significant relationship with the Company at the time of accepting their appointment, and the Company will disclose the fact that the outside directors to be elected have no significant relationship with the Company.
- (3) The Company will provide the outside directors with information necessary for the performance of their duties to ensure that they understand the actual condition of the management of the Company. The Company will notify the outside directors of the details of the convening of the board meeting by no later than 3 days prior to the date set for such meeting to ensure that they review related materials before attending the board meeting. <Amended on April 19, 2006>
- (4) The outside directors may request that the Company promptly provide information necessary for the performance of their duties. The Company will provide the requested information within an appropriate period to the extent of not hindering the business of the Company. <Amended on April 19, 2006>
- (5) The outside directors may meet the manager of a business place without the senior management in attendance. To promote such meeting, the outside directors may visit the business places without the senior management in attendance twice a year.
- (6) The outside directors may receive support of independent outside experts on finance, law or any other fields if necessary according to proper procedure, and the Company will support the required costs.
- (7) (Deleted) <Amended on March 10, 2009>

- (8) The regular meeting of the outside directors without the management in attendance will be held at least twice a year.

2.6 Committees under the Board of Directors

- (1) The Board of Directors will establish committees to enhance the expertise of the performance of duties and operational efficiency (“Committee”), and if special expertise is required or a prompt decision-making is necessary, the Board of Directors may establish and operate an ad hoc committee on a temporary basis. <Amended on September 14, 2005>
- (2) The composition and operation of the committees will be stipulated in the Articles of Incorporation or the Rules of the Board of Directors, based on which the committees will be established and operated. <Newly inserted on September 14, 2005>
- (3) The chairman of each committee will be elected from among the committee members, and the chairman will hold committee meetings and have oversight of the work on the committee meetings. <Amended on April 19, 2006 and March 31, 2010>
- (4) The Board of Directors will maximize the efficiency of the operation of the Board of Directors by assigning the directors to the committees in light of the expertise of each director.
- (5) The chairman of each committee will determine the convening of a meeting in consultation with the committee members. In addition, the chairman of the committee will devise a meeting agenda in consultation with the committee, the management and the board support department.
- (6) The committee resolutions on matters delegated by the Board of Directors will have the same effect as the resolutions of the Board of Directors. The committee will report the resolutions adopted by it to the Board of Directors.

2.7 Responsibilities of Directors

- (1) The directors may not seek personal interest by using their status, and they will fulfill the duty of care and the duty of loyalty as a prudent manager in rendering their services for the Board of Directors.
- (2) The business judgment rule will apply to the responsibility of the directors for their deliberation or resolutions at the board meetings, and if the directors violate any applicable laws or regulations or the Articles of Incorporation by willful misconduct or negligence or neglect their duties, they will be liable for damages. In addition, the directors will also be liable for damages vis-à-vis third parties if there is a willful misconduct or gross negligence on the part of the directors.

- (3) The Company will purchase a directors and officers liability insurance at its expense in order to induce capable persons, while ensuring the effectiveness of the directors being held to account.
- (4) The directors may not appropriate business opportunities of the Company or engage in a transaction with the Company without the approval of two thirds or more of the total number of directors pursuant to Articles 397-2 and 398 of the Commercial Act. <Newly inserted on July 18, 2012>

2.8 Ethics and Conflict of Interest

- (1) The Board of Directors will advise the directors as well as the members to behave ethically at all times. In addition, the Board of Directors will supervise the compliance with the codes of conduct stipulated in the “KT&G Ethics Charter,” “Ethics Rules” and “Code of Ethics for Directors.”
- (2) The Board of Directors will not recognize any exception for any director or executive officer with respect to the compliance of the Company’s codes of ethics and conduct. If an actual or potential conflict of interest occurs on the part of a director or an executive officer, the director or executive officer will immediately notify the President or the chairman of the Board of Directors, and if the relevant issue has not been solved, the relevant director or executive officer must resign. <Amended on June 13, 2019>
- (3) All directors will not, of their own accord, participate in any discussion or decision-making process that may affect personal, business or professional interests of their own.

2.9 Evaluation and Compensation

- (1) The managerial activities of the management will be fairly evaluated, and the evaluation results will be reasonably reflected in the remuneration. The remuneration of the inside directors will be determined at the board meeting the inside directors do not attend within the extent approved at the general meeting of shareholders. In addition, the evaluation results based on the management goal determined by the Board of Directors and the mid-to long-term management strategy approved by the Board of Directors will be utilized preferentially as important criteria for appointing the President. <Amended on September 14, 2005>
- (2) Each year the Board of Directors and each committee will conduct a self-evaluation. In December of each year, the directors will submit to a committee designated by the Board of Directors an evaluation report on the performance of the meetings of the Board of Directors and the committees they have attended. The committee designated by the Board of Directors will organize and summarize the annual evaluation reports, and if necessary, use them with experts’ assistance

for discussions at the meetings of the Board of Directors and committees in January of each year. <Amended on September 14, 2005>

- (3) The Board of Directors will utilize the self-evaluation prepared by each committee and the annual evaluation report prepared by the committee designated by the Board of Directors in relation to improvement of the operation of the Board of Directors and compensation for the upcoming year. <Amended on September 14, 2005>

2.10 Education of Directors

- (1) The Company will grant to the outside directors education opportunities necessary for the performance of their duties, and will hold seminars, etc. to provide materials or explain on the present condition of management of the Company. In addition, the Company will have an intensive review meeting on the Company's long-term vision and principal strategies, etc. at least twice a year.
- (2) The Company will provide support to ensure that the directors continue to acquire the knowledge and techniques necessary for the performance of their duties at the Board of Directors and committees, and bear the costs of educating and developing the ability of the directors for the efficient operation of the Board of Directors.

III. AUDIT BODY

3.1 Audit Committee

- (1) The Audit Committee will be comprised 3 or more directors, provided that two thirds or more of the total number of committee members will be outside directors and that at least 1 committee member will be an accounting expert.
- (2) The principle roles and responsibilities of the Audit Committee are as follows:
 - To conduct an audit on the legality of the execution of duties of the directors and management.
 - To review the soundness of financial activities and the accuracy of financial reports.
 - To review the validity of important accounting principles and change in accounting estimate.
 - To consent to the appointment/dismissal of the person in charge of the internal audit department.
 - To appoint or dismiss the external auditor and make a report thereon to the general meeting of shareholders.
 - To review the audit activities of the external auditor.
 - To confirm the measures taken in response to corrective measures as a result of the results of the internal and external audits.
 - Matters concerning amendment to the Audit Committee Operating Rules.

- (3) The Audit Committee will hold a meeting at least once per quarter, and will prepare and keep the minutes every time a meeting is held.
- (4) The Audit Committee will report the results of evaluation of its independency and principal activities to the general meeting of shareholders, and the Company will disclose them in the business report.
- (5) The chairman of the Audit Committee will attend the general meetings of shareholders to respond to inquiries relating to auditing. However, if the chairman of the Audit Committee is not able to attend the general meeting of shareholders, the director in order of precedence of appointment, followed by in order of seniority, will attend the general meeting of shareholders to perform the duties of the chairman of the Audit Committee on his or her behalf.

3.2 External Auditor

- (1) The external auditor will conduct an external audit fairly in a capacity independent from the Company, the management and large shareholders.
- (2) The external auditor will report to the Audit Committee material matters confirmed during the course of its external auditing. <Amended on September 14, 2005>
- (3) The external auditor will attend the general meeting of shareholders to respond to shareholders' inquiries on the audit report.

IV. INTERESTED PARTIES

- (1) The Company will faithfully fulfill the social responsibilities of creditor protection, consumer protection, environmental protection, etc., and will endeavor to maintain and improve the working conditions by sincerely complying with the Labor Standards Act and other labor-related laws and regulations.
- (2) To the extent permitted by law, the Company will provide information necessary for protection of the rights of interested parties, and will support the interested parties' access to the relevant information as much as possible.

V. DISCLOSURE

- (1) The Company will prepare and disclose the business report, quarterly report, biannual report, etc. on a regular basis, and will disclose information relating to corporate matters to the shareholders and interested parties sincerely, promptly and honestly.
- (2) In addition to the regular disclosures, the Company will without delay disclose

any matters required by law to be disclosed and material pending issues in detail and accurately.

- (3) The person in charge of disclosure will prepare disclosures in an easy-to-understand manner by researching a variety of ways to enhance the degree of the interested parties' understanding of disclosure by the interested parties, and prepare disclosures.