

# Regulations on the Audit Committee

Enacted April 19, 2001  
Amended April 19, 2002  
Amended May 14, 2002  
Amended January 6, 2003  
Amended January 19, 2004  
Amended April 27, 2004  
October 21, 2009  
Amended July 18, 2012  
Amended February 18, 2016  
Amended December 18, 2018  
Amended January 19, 2022  
Amended May 12, 2022

## CHAPTER I GENERAL PROVISIONS

### Article 1 (Purpose)

The purpose of these Regulations is to set forth any matters necessary for an efficient and effective operation of the Audit Committee (the “**Committee**”) of KT&G Corporation (the “**Company**”).

### Article 2 (Applicability)

Any matters regarding the Committee shall be determined in accordance with these Regulations unless otherwise provided by applicable laws, the articles of incorporation of the Company (the “**Articles of Incorporation**”), and Regulations on the Board of Directors.

## CHAPTER II COMPOSITION AND ROLES

### Article 3 (Composition)

- (1) The Committee shall be composed of three or more directors (“**Members**”), two-thirds or more of whom shall be independent non-executive directors, and one or more of whom shall be an accounting or financial expert.
- (2) The Committee shall, by its resolution, appoint one of its Members who is a

competent independent non-executive director with significant knowledge in finance or accounting and capable of readily communicating with various interested parties, including the Board of Directors, shareholders, and creditor regulatory authorities as the chairman (the “**Chairman**”)

- (3) The Committee shall have its own internal audit department in order to perform its duties in an efficient and effective manner. Any matters regarding the tasks and operation of the internal audit department, not contained herein, shall be determined in accordance with the Internal Audit Regulations.

#### **Article 4 (Independence of the Committee)**

- (1) The Committee shall perform its audit duties independently from the Board of Directors, executive bodies, or other departments. The Committee shall maintain its objectivity in performing its audit duties.
- (2) Members shall be independent from the Company and shall not have any familial or special relationship with the directors or key shareholders of the Company.

#### **Article 5 (Duties of the Chairman)**

- (1) The Chairman shall represent the Committee, convene Committee meetings, and supervise the overall affairs of the Committee.
- (2) If the Chairman cannot attend a Committee meeting, the most senior Member or, if not available, the eldest Member shall act as the Chairman.

#### **Article 6 (Powers of the Committee)**

- (1) The Committee shall audit the execution of duties by the directors.
- (2) The Committee may demand the directors to report matters relating to business operations or examine the operation and property conditions of the Company. The Company shall provide the Committee with sufficient information necessary for decision-making prior to the holding of the meeting. The Committee may, if necessary, demand management, financial executives, the head of the internal audit department, or the independent auditor of the Company to attend the Committee meeting.
- (3) If a director has breached applicable laws or the Articles of Incorporation

which may cause irreparable damage to the Company, the Committee may demand such director to maintain such act for the Company.

- (4) The Committee may, if necessary, request to convene an extraordinary meeting of the Board of Directors by submitting a written notice to the Board of Directors stating the agenda and the reasons for the meeting.
- (5) If the Chairman of the Board of Directors fails to convene such extraordinary meeting of the Board of Directors within a reasonable time of the request made under Paragraph (4) of this Article, the Committee may convene such extraordinary meeting of the Board of Directors.
- (6) The Committee may request to convene an extraordinary general meeting of shareholders by submitting a document to the Board of Directors stating the agenda and reasons for the meeting.
- (7) The Committee may, if necessary for performing its duties, demand any subsidiary of the Company to report its business operations.
- (8) If a demand is made pursuant to Paragraph (7) of this Article and the subsidiary fails to report within a reasonable period of time or if the report needs to be verified, the Committee may examine the operation and property conditions of the subsidiary.

#### **Article 6-2 (Delegation of Powers)**

- (1) For the efficient and effective performance of audit duties, the Committee may delegate the following tasks to the head of the internal audit department. The head of the internal audit department shall report material matters of the delegated tasks to the Committee:
  1. planning, performance, report, and other overall matters regarding the performance of internal audit;
  2. verification of actions taken with respect to any matters requiring sanction or correction discovered as a result of an audit;
  3. any matters delegated by the Committee by resolution [Moved from Subparagraph 4, with Subparagraph 3 being moved to Subparagraph 4
  4. any other matters regarding the performance of audit duties [Moved from Subparagraph 3, with Subparagraph 4 being moved to Subparagraph 3
- (2) The head of the internal audit department shall perform such delegated audit

duties in accordance with Paragraph (1) of this Article in conformity with the Internal Audit Regulations.

**Article 7 (Obligations of the Committee)**

- (1) If a director has breached or may potentially breach applicable laws or the Articles of Incorporation, the Committee shall report such fact to the Board of Directors.
- (2) The Committee shall inspect the agenda and documents submitted to the general meeting of shareholders. The Committee shall express its opinion to the meeting as to whether there is a violation of law, breach of the Articles of Incorporation or any such substantially unreasonable matter.

**CHAPTER III OPERATION OF THE COMMITTEE**

**Article 8 (Convening of the Meeting)**

- (1) A Committee meeting shall be either regular or extraordinary.
- (2) Regular Committee meetings shall be held every quarter. Extraordinary Committee meetings shall be held from time to time as needed.
- (3) The Chairman shall convene the Committee meeting. However, the Chairman must convene the meeting upon the request of the President or Member.

**Article 9 (Assistant Administrator)**

The Committee shall have an assistant administrator to handle the affairs of the Committee, and the assistant administrator shall be the head of the department in charge of the affairs of the Board of Directors.

**Article 10 (Quorum and Resolution)**

- (1) All resolutions at a Committee meeting shall be adopted upon the attendance of a majority of the Members and the consent of a majority of the Members present at the meeting.
- (2) <Deleted January 19, 2004>
- (3) A Member who has a special interest in the resolution of the Committee shall not participate in the vote.

### **Article 11 (Proposal)**

- (1) An agenda may be submitted to the Committee by the Chairman, President or Member.
- (2) If a Member, other than the Chairman, intends to submit an agenda, such Member shall inform the Chairman in advance.

### **Article 12 (Matters to be Submitted)**

- (1) The Committee shall deliberate and resolve the following matters:
  1. proposed settlement of accounts;
  2. review of the soundness and feasibility of corporate financial activities;
  3. review of the validity of any proposed change in principal accounting standards or accounting estimation;
  4. evaluation of the internal control system;
  5. the Committee's request for the convocation of an extraordinary meeting of the Board of Directors;
  6. the Committee's request for the convocation of an extraordinary general meeting of shareholders;
  7. matters to be consulted by the Committee by external experts;
  8. appointment or dismissal of the independent auditors;
  9. assessment of the audit activities conducted by independent auditors;
  10. consent to the appointment or dismissal of the head of the internal audit department;
  11. preliminary review of the amendments to these Regulations;
  12. matters to be delegated to the head of the internal audit department;
  13. matters concerning the audit of the lawfulness of the directors and management's performance of its duties;
  14. matters concerning the review of adequacy and accuracy of financial reporting;
  15. supervision and assessment of the activities of the internal audit department;
  16. matters concerning the enactment or amendment of the internal accounting control regulations; and
  17. other matters deemed necessary by Members.

(2) The following matters shall be reported to the Committee:

1. matters set forth in Paragraph (1) of Article 6-2 hereof;
2. quarterly or semi-annual settlement of accounts;
3. operation status of the internal accounting control system for each fiscal year; and
4. other matters deemed necessary by Members.
5. <Deleted February 18, 2016>

### **Article 13 (Submission Procedures)**

Any matters to be resolved in accordance with Article 12(1) hereof shall be submitted in the form in Schedule 1. Any matters to be reported in accordance with Article 12(2) hereof shall be submitted in the form as set out in Schedule 2 hereto. A completed form shall be submitted to the assistant administrator at least nine days prior to the meeting in the absence of urgency or other extraordinary circumstances.

### **Article 14 (Convening Procedure)**

The assistant administrator shall inform all Members of the convening of a meeting in writing or verbally in the form as set out in Schedule 3 hereto at least three days prior to the date of meeting unless all Members agree to omit such procedure.

### **Article 15 (Explanation of Agenda)**

Any explanation or answer to an inquiry on any agenda to be submitted to a Committee meeting shall be given by an executive-level employee of the department responsible for the agenda. However, such explanation or answer may be given by a working level staff instead if necessary.

### **Article 16 (Minutes)**

- (1) The assistant administrator shall record the progress and results of the proceedings in the minutes of the Committee meeting, which shall bear the names and seals or signatures of Members present.
- (2) The minutes of the Committee meeting shall be kept by the department in

- charge of the affairs of the Board of Directors. <Amended January 19, 2004>
- (3) The assistant administrator shall prepare the Committee's resolution in the form as set out in Schedule 4 hereto, which shall bear the names and seals or signatures of Members present at the meeting and be immediately delivered to the directors. The Committee's resolution shall be delivered to the relevant departments in the form as set out in Schedule 5 hereto.

**Article 17 (Audit Record)**

The Committee shall prepare a record regarding an audit conducted, which shall contain a summary of the audit process and the outcome thereof and bear the name and seal or signature of the Member that conducted the audit.

**CHAPTER IV INDEPENDENT AUDITOR**

**Article 18 (Appointment and Dismissal)**

- (1) Prior to the appointment, the Committee shall be provided with an independent audit plan from candidates for independent auditors and appoint an independent auditor after reviewing such plans. Upon appointment of an independent auditor, such appointment shall be made known to the shareholders through methods such as posting an announcement on the Company's website.
- (2) Where an independent auditor is appointed, such independent auditor shall be appointed for three consecutive fiscal years. The independent auditor shall be appointed prior to the first day of a fiscal year.
- (3) The Committee may dismiss the independent auditor if such independent auditor breaches its occupational obligations under applicable laws. If the Committee dismisses an independent auditor, the Committee shall appoint a new auditor within two months of such dismissal.

**Article 19 (Audit Agreement)**

- (1) In entering into an agreement with an independent auditor, the Committee shall review the adequacy of the terms and conditions of such agreement (including audit hours, fee, independence and expertise (including audit

experience in the same type of industry, experience of audit personnel, focus areas of the audit)) and verify whether such terms are in line with the requirements for appointment in the initial selection stage.

- (2) Upon execution of the agreement, the Committee shall discuss with the independent auditor the details of the audit plan.

#### **Article 20 (Inspection and Assessment)**

- (1) The Committee shall assess whether the independent auditor has conducted the audit in accordance with the terms and conditions of the audit agreement.
- (2) The Committee shall inspect whether the independent audit is conducted in accordance with the audit agreement.
- (3) Upon completion of the independent audit, the Committee shall assess the auditor's performance and reflect the assessment results when planning the audit for the following fiscal year and appointing an independent auditor.
- (4) If there is a change in the audit opinion, the independent auditor shall report to the Committee any material matters that influenced the auditor's opinion, and the Committee shall assess the adequacy of the auditor's actions.
- (5) If the independent auditor issued a warning in the course of an independent audit, the Committee shall review such warning. If necessary, the Committee shall conduct an internal audit and inform the independent auditor of the result so that the independent auditor can refer to the results when planning future audit procedures and forming an audit opinion.

#### **Article 21 (Communication)**

The Committee shall, from time to time and without any executive officer's participation, discuss with the independent auditor any important matters related to the independent audit so that such relevant matters can be reflected in the audit.

### **CHAPTER V EVALUATION AND REPORTING**

#### **Article 22 (Evaluation and Reporting of Internal Accounting Control System)**

- (1) The Committee shall evaluate the operation of the internal accounting control



system, reported in accordance with Article 12(2)-3 hereof.

- (2) The Committee shall report the results of the evaluation under Paragraph (1) of this Article to the Board of Directors each fiscal year.
- (3) Any corrective opinion with respect to the management and operation of the internal accounting control system determined by the Committee shall be reflected in the report written in accordance with Paragraph (2) of this Article. Such report shall be kept available at the Company's head office for five years.

### **Article 23 (Reporting of Misconduct)**

- (1) The Committee shall inform the independent auditor, of any misconduct or material facts concerning the performance of the duties by the directors that are in violation of the applicable laws or the Articles of Incorporation upon discovery of such misconduct or material facts.
- (2) If the independent auditor informs the Committee of any violation by the Company of accounting standards, the Committee shall appoint an external expert to investigate such violation and depending on the results of examination, demand the President to correct such violation or take other appropriate actions.
- (3) The Committee shall immediately submit to the Securities and Futures Commission and the independent auditor the results of the investigation conducted under Paragraph (2) of this Article and the results of corrective or other actions taken by the Company pursuant to Article 19 of the Act on the Establishment of Financial Services Commission.
- (4) In carrying out the duties under Paragraph (2) or (3) of this Article, the Committee may request the President to provide necessary information and costs. The President shall comply with such requests in the absence of extraordinary circumstances.
- (5) In the case of any misconduct or gross negligence by an officer or employee, the Committee may demand the head of his/her department to report to the Committee and commence an audit without delay. In such case, the Committee may request the following matters, and such request shall be complied with in the absence of extraordinary circumstances:
  1. matters concerning relevant information within the Company;

2. attendance and response by the head of the relevant department;
3. matters concerning warehouses, safes, books and records, documents, evidence or products; and
4. other matters necessary for the performance of an audit.

## **CHAPTER VI SUPPLEMENTARY PROVISIONS**

### **Article 24 (Consultation)**

- (1) The Committee may, if necessary, consult an external expert at the Company's costs.
- (2) If the Committee consults an external expert in accordance with Paragraph (1) of this Article, the Chairman shall report the background information and description of the consultation, and any actions and the effects of such actions taken after the consultation to the Board of Directors.

### ADDENDUM

These Regulations shall be effective from April 19, 2001.

### ADDENDUM (May 14, 2002)

These Regulations shall be effective from the date of issue.

### ADDENDUM (January 6, 2003)

These Regulations shall be effective from January 2, 2003.

### ADDENDUM (January 19, 2003)

These Regulations shall be effective from January 19, 2004.

### ADDENDUM (April 27, 2004)

These Regulations shall be effective from April 27, 2004.

ADDENDUM (October 21, 2009)

These Regulations shall be effective from October 21, 2009.

ADDENDUM (July 18, 2012)

These Regulations shall be effective from July 18, 2012.

ADDENDUM (February 18, 2016)

These Regulations shall be effective from February 18, 2016.

ADDENDUM (December 18, 2018)

These Regulations shall be effective from December 18, 2018.

ADDENDUM (May 12, 2022)

These Regulations shall be effective from May 12, 2022.

**[Schedule 1 - Form]**

**(front cover)**

Title of meeting	The [ ]th Meeting of Audit Committee
Agenda No.	No.
Date of resolution	
Disclosure	

Resolution

(content)

1. Request for resolution
2. Reason for proposal (or amendment)
3. Main issue
4. Reference
  - a. applicable laws
  - b. budget
  - c. agreement
  - d. miscellaneous
5. Agenda (See attachment)
6. Comparison between old and new provisions (See attachment)

(Title of agenda)

Proposed by	KT&G Audit Committee
Reported by	[ ]
Date of submission	[ ]

**[Schedule 2 - Form]**

**(front cover)**

Title of meeting	The [ ]th Meeting of Audit Committee	Report
Report No.	No.	
Date of report		
Disclosure		

(Title of agenda)

Proposed by	KT&G Audit Committee
Reported by	[ ]
Date of submission	[ ]

[Schedule 3 - Form]

**Notice of Audit Committee Meeting**

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To:

We are pleased to inform that the [ ]th Audit Committee meeting will be held as follows. You are kindly requested to attend the meeting:

- a. Date & Time:
- b. Place:
- c. Agenda:

Attachment: Agenda of the [ ]th Audit Committee meeting.                      End.

[date]

Chairman of KT&G Audit Committee

[Schedule 4 - Form]

**Resolution at the [ ]th Audit Committee Meeting**

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<b>Resolved by</b>	<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Chairman</b>
<b>Date of resolution</b>	[date] ([time] to [time])		<b>Place</b>	
<b>Written by</b>				
<b>Agenda No.</b>	<b>Proposed by</b>	<b>Title</b>		<b>Vote result</b>
<b>Resolution:</b>				

[Schedule 5 - Form]

**Notice of Audit Committee Resolution**

To:

Please note that the agenda submitted to the [ ]th meeting of the Audit Committee (dated [dated]) for deliberation was (resolved, amended, rejected or withheld) as follows:

Following

Agenda No.	Title of agenda	Vote Result
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Chairman of KT&G Audit Committee