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## Preface



Since its privatization in 2002, KT&G, as one of Korea's frontrunners engaging in businesses closely related to the culture and preferences of Korean people, has undertaken various corporate social responsibility (CSR) activities to build a company that "imagines a better and happier tomorrow" together with its stakeholders. Our CSR activities aim to achieve sustainable growth both for the company and society based on the values of "hope," "mutual growth," and "creativity." While extending a helping hand where it is needed, KT&G seeks to apply solutions that effectively solve social issues from a long-term perspective.

First of all, through its foundations, KT&G provides resources and opportunities to those in need. Major supports include offering scholarships to students who are less exposed to educational opportunities due to financial hardships, helping children and the elderly who are socially vulnerable groups financially and emotionally, and sponsoring welfare institutions.

## "Imagining a Better and Happier Tomorrow for All"

Second, KT&G seeks to exert a positive influence on the local community and its stakeholders as a responsible corporate citizen. KT&G's unique voluntary donation program "SangSang Fund" is used for supporting the marginalized in the local community, improving the smoking environment for the benefit of both smokers and non-smokers, and helping leaf tobacco farmers. It also serves as supports for startups aimed at solving social issues through innovative businesses.

Finally, KT&G supports various cultural and art activities of the young generation who will lead our society's growth in the future. The cultural entertainment facility "SangSang Madang" and the university student community "SangSang Univ." help up-and-coming young artists showcase various genres of art, including performances, movies, and photography, contributing to expanding communication with customers and building a virtuous circle to share them with local communities.

KT&G's first "S-Report" was prepared to help stakeholders better understand its efforts for social contribution and share the results with them. This report describes KT&G's achievements in social contribution centered on its three major CSR values of "hope," "mutual growth," and "creativity." It also includes stakeholder interviews to highlight the effects of each project on beneficiaries.

I hope this report will serve as a channel between KT&G and stakeholders to better communicate our efforts and commitment to CSR that aim to "imagine a better tomorrow."

CEO of KT&G **Bok-in Baek**

A handwritten signature in black ink, appearing to read 'Baek', written in a cursive style.

## 2017 At a glance

### Welfare Foundation



Support for Children of Low-income Families

**28,209** persons  
KRW **3.17** billion

Car Donation to Welfare Facilities

**100** cars / KRW **1.03** billion

Child Center Support

**55** centers / KRW **380** million

### Scholarship Foundation



SangSang Scholarship

**1,213** persons / KRW **3.18** billion

### SangSang Fund



KRW **4.06** billion

Donation  
Petition

**7** cases

Donation  
Market

**143** cases



### Youth Start-ups



SangSang Start-up  
Camp

KRW **950** million

Military Start-up  
Challenge

KRW **480** million

### Social Responsibility



Improving Smoking Environment

**57** places / KRW **790** million

Scholarship for Cultivation Farms

Scholarship

**53** persons / KRW **70** million

Medical Examination

**1,100** persons / KRW **330** million

Overseas Volunteer Group

**159** persons / KRW **1.77** billion

### SangSang Madang



Programs

**16,427** programs / **1,938** persons

Participants (Artists)

Visitors & Participants

**1,163,747** programs / KRW **15.8** billion

Program Operation Expense

\*Excluding expenses relating to the construction of SangSang Madang Busan

### SangSang Univ.



SangSang Marketing School

**1,130** persons / KRW **200** million

Career Camp

**613** persons / KRW **60** million

# History of KT&G's Social Contribution

KT&G undertakes sustainable and creative social contribution activities for stakeholders who have supported corporate growth. Since the establishment of the KT&G Welfare Foundation in 2003, we have opened the SangSang Madang Hongdae in 2007 and the KT&G Scholarship Foundation and the SangSang Fund in 2008 and 2011, respectively. In 2016, we reorganized social contribution system to conduct more specialized activities. KT&G will continue to fulfill its social responsibilities as a corporate citizen by actively taking part in solving social issues such as cultural infrastructure and youth unemployment.



## 2003 Establishment of the KT&G Welfare Foundation

The KT&G Welfare Foundation was established in 2003 for the purpose of "realizing advanced welfare to share happiness for all." The Foundation undertakes various social welfare programs that support welfare facilities and help children of low-income families and the elderly.



## 2005 Development of the SangSang Madang Online Community

KT&G's cultural contribution project SangSang Madang began in 2005 as an online community. The SangSang Madang, a complex cultural entertainment facility, has become a cultural trendsetter in performances, movies, design, visual arts, and education.



## 2007 Launch of the KT&G Employee Volunteer Group

The KT&G Employee Volunteer Group was launched to help solve various issues in the local community. Over 4,200 employees participate in 171 volunteer groups, helping to clean up the environment, delivering lunchboxes to elderly citizens living alone, bathing the visually impaired, and engaging in various other volunteer activities. The SangSang Madang Hongdae was also opened.

## 2008 Establishment of the KT&G Scholarship Foundation

The KT&G Scholarship Foundation was established in 2008 to provide stable educational opportunities for children from socially vulnerable groups. The foundation pursues professional and distinguishing scholarship programs by offering the 'Total-care' system to grant scholarships covering the periods of middle school, high school, and university and students in art, music, and sports courses.

## 2011 Launch of the SangSang Fund

KT&G's voluntary donation fund SangSang Fund, launched in March 2011, has become the company's representative social contribution program which includes a 1:1 matching grant between employees and the company. We also opened the SangSang Madang Nonsan, a cultural entertainment facility.

## 2013 Adoption of the Donation Petition Program

The SangSang Fund donation petition program first adopted in 2013 has developed into a participatory social contribution model in which employees autonomously select the beneficiaries and decide on the donation amount. As of 2017, KRW 370 million has been donated to 44 beneficiaries. Notably, the number of beneficiaries doubled between 2015 and 2016.

## 2014 Opening of the SangSang Madang Chuncheon

KT&G opened the SangSang Madang Chuncheon, a cultural entertainment facility for families, by remodeling the former Chuncheon Children's Center. The establishment has contributed to building a win-win relationship between KT&G and the local community by expanding the SangSang Madang's cultural influence nationwide and invigorating local tourism. In recognition of such achievements, KT&G was awarded the Mecenat Award in 2015.



## 2016 Expansion of the Social Contribution Organization

For more professional social contribution activities, KT&G upgraded the level of responsible organization from department to office. Thus, the Social Contribution Department and the Cultural Contribution Department under the Social Contribution Office carry out CSR activities more systematically and the foundations' projects are undertaken more substantially.

## 2017 Establishment of the Youth Start-up Program

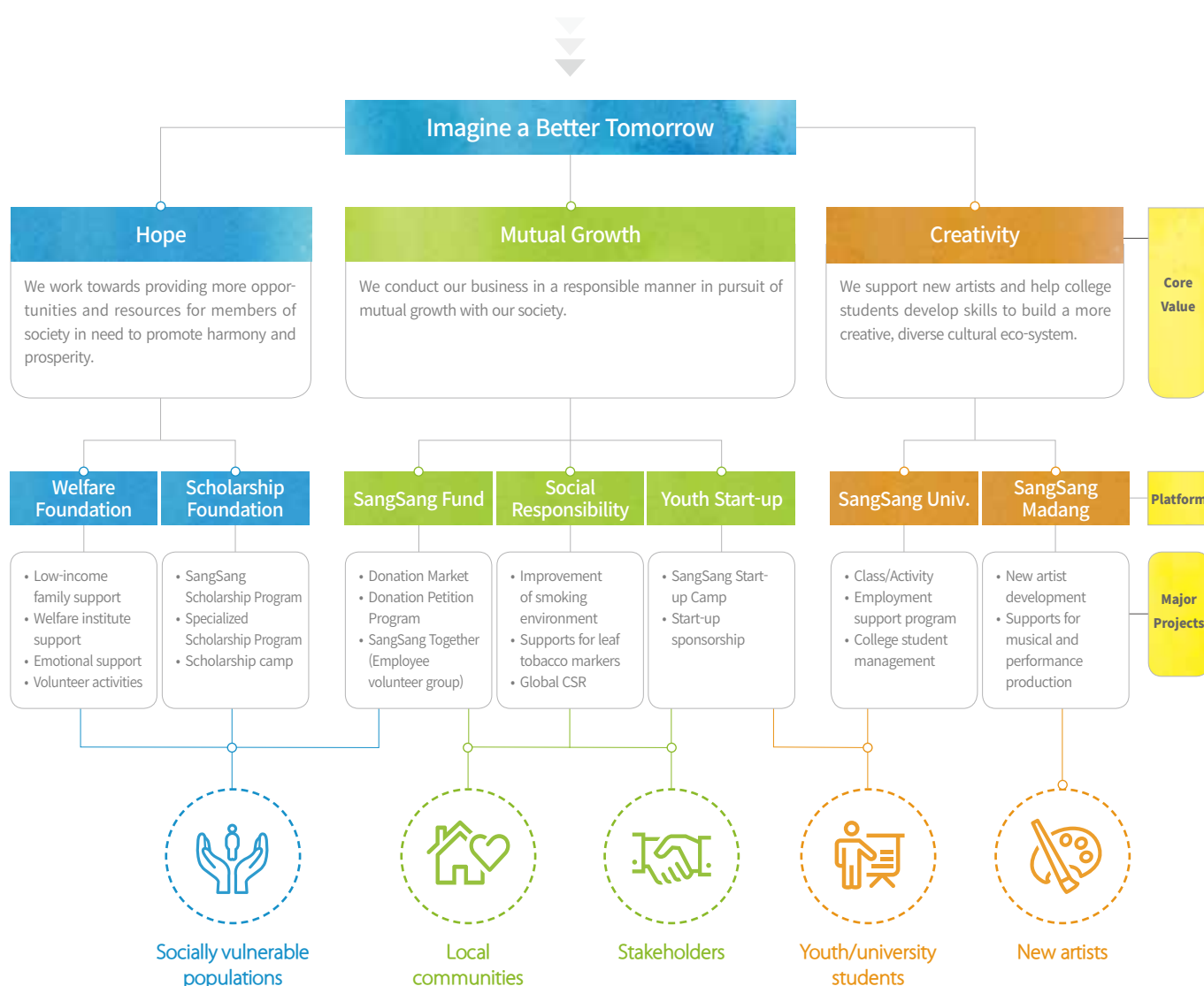
In an effort to help relieve youth unemployment, a major social problem in a time of low growth, and to build a new CSR paradigm of "achieving social innovation by solving social problems," KT&G newly launched the "KT&G SangSang Start-up Camp," a program to support social innovation youth start-ups.



# Overview of KT&G's Social Contribution

KT&G makes a concerted effort to develop and execute creative and distinguishing social contribution programs with the aim of pursuing sustainable growth of both the company and society. Under the slogan "Imagining a Better Tomorrow," KT&G systematically undertakes a variety of social contribution activities based on the core values of "hope," "mutual growth," and "creativity." In this regard, we are focusing on helping our neighbors in need to pursue their hopes and dreams, cultivating future leaders, addressing urgent social issues, and continuously expanding investment in culture and arts. KT&G will continue to ensure that opportunities and resources are effectively distributed among those in need of support and encouragement, while taking a leading role in solving social problems by closely cooperating and communicating with its stakeholders.

## Sustainable Development of the Company and society





# Sowing the Seeds of “Hope”

## Hope

As Korea’s representative company, KT&G faithfully fulfills its social role as a responsible corporate citizen and imagines a tomorrow where all members of our society live in harmony. To this end, we seek to provide more opportunities and resources to children of low-income families, senior citizens, and students who are in need of social protection and inclusion.

### Social Issues KT&G Intends to Solve

Although Korea has become the 10th economic power in the world, we see a lot of people who are still short of not only cultural and emotional environment but also goods and services indispensable to life in many local communities where KT&G operates businesses due to economic inequality. Economic and cultural inequality is a manifestation of an ineffective distribution of resources within local communities. It is an urgent social issue requiring immediate attention as it keeps many members of society from reaching their potential, which may result in hindering the growth of our society as a whole.

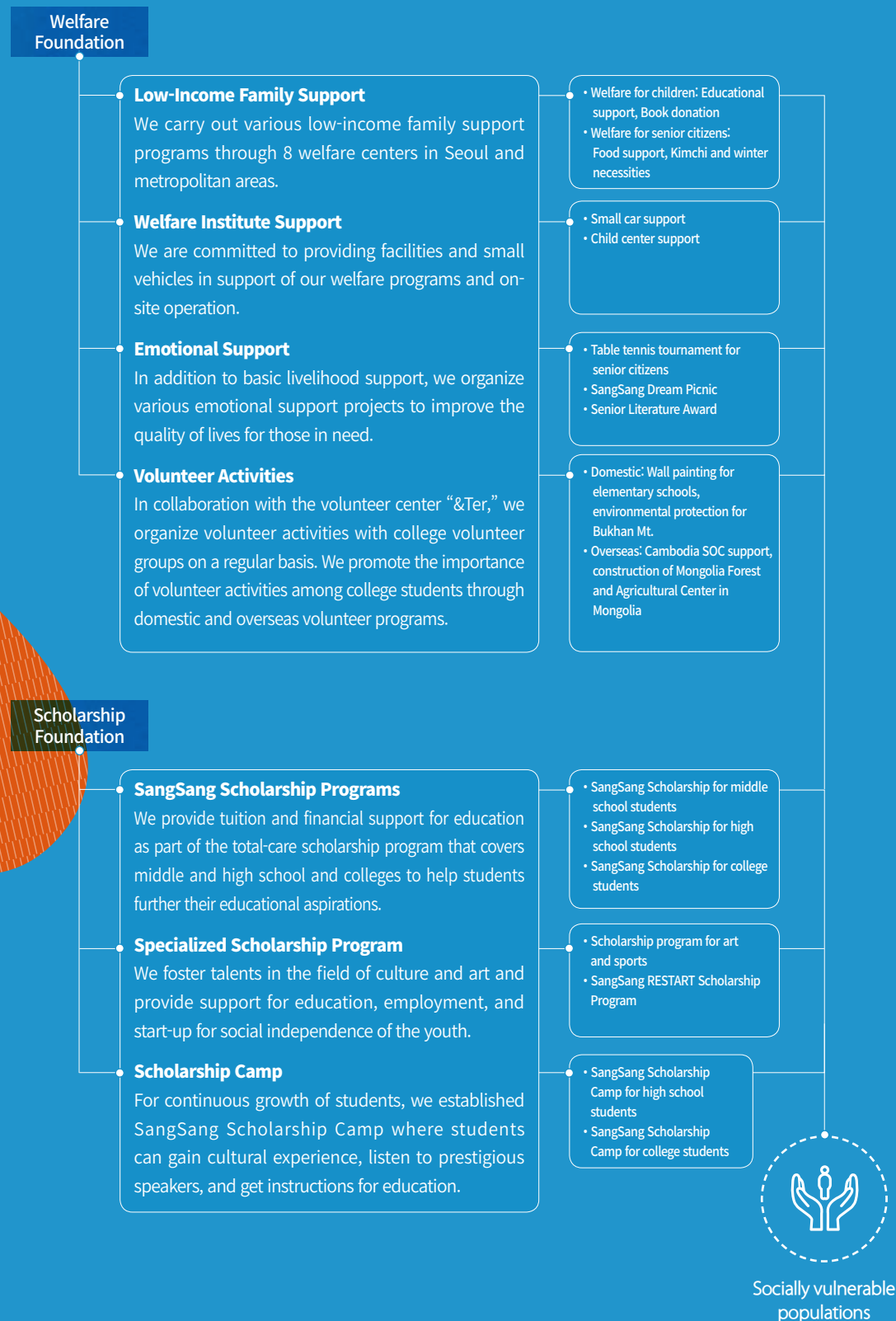
### KT&G’s Solutions

KT&G supports the socially vulnerable in need of social protection to ensure that they are given the opportunity to improve their lives and access to the infrastructure which have stayed from them due to financial hardships. To this end, the company supports the socially vulnerable for their financial and emotional stability through the KT&G Welfare Foundation. Furthermore, we provide children of socially vulnerable families with lifetime educational opportunities by operating the KT&G Scholarship Foundation that pursues a total-care system covering the periods from middle and high school throughout university.



# Generating the Value of “Hope” through KT&G’s CSR Activities

We work towards offering more opportunities and resources to members of society in need to promote harmony and co-prosperity.



# Support for Children of Low-income Families

To build a tomorrow where all can live in harmony, KT&G endeavors to give more opportunities and resources to those in need. Major programs with respect to this include supports for low-income groups and welfare institutions, emotional support for socially vulnerable groups, and volunteer activities.

## Educational Support

KT&G provides various educational programs in association with regional children's centers for children of low-income families to ensure that they do not lose hope and keep dreaming even in the face of financial hardships and adverse environment. Educational support includes free lessons, book donations, and English camps.

## Emotional Support

Cultural and artistic experience opportunities are offered to children in regional children's centers in the metropolitan area and Chungcheongnam-do. Through the SangSang Dream Picnic and other social development programs, KT&G helps children be creative, stay active, and build emotional stability, so that they can grow into healthy members of society.



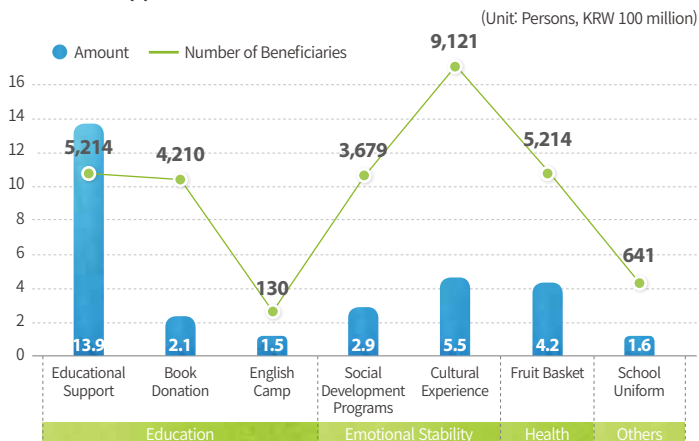
## Health Support

Since 2015, we have delivered the "SangSang Fruit Basket" consisting of a variety of domestically-grown fresh fruits to over 530 local children's centers nationwide to be enjoyed as after-school snacks by children of low-income families. This program helps children's healthy growth, while securing a stable market for farmers.

## School Uniform Support

KT&G provides financial support for middle and high school students with financial hardships to buy school uniforms, helping them grow into healthy members of society.

## Status of Support for Children of Low-income Families (2017)



Total Amount (2017)  
KRW **3.17** billion

Total Number of Beneficiaries (2017)  
**28,209** persons





## Interview



●  
Head of Bethel Public  
Children's Center **Mi-jeong Jang**



Our children are  
growing up physically  
and emotionally healthy  
thanks to KT&G's wide-  
ranging supports



### Q. Please introduce Bethel Public Children's Center.

**A.** Bethel Public Children's Center is a small children's welfare facility for all children and youth within the local community who need care and protection. Its objective is to protect the rights of these children, while its location ensures easy access from the local community.

The Center provides comprehensive social welfare services relating to the social protection and character education of local children and youth, helping them grow into well-rounded and healthy adults, both physically and emotionally.

### Q. What support do you receive from the KT&G Welfare Foundation?

**A.** We benefit from KT&G's educational support, pest control services, social development program, school uniform support, book donation, summer cultural experience and fruit basket programs.

### Q. How effective are those programs for children and how satisfied are they with the programs?

**A.** In our Center, there are many children, some of whom have low immunity. For this reason, we take extra care to keep the Center clean and hygienic at all times, especially the kitchen, bathrooms, and program rooms where children spend a large part of the day. The KT&G Welfare Foundation provides pest control services every two months, keeping the Center free of pests and maintaining the kitchen's cleanliness and hygiene for children's health.

In addition, KT&G's English program has been particularly helpful as children in our Center have no access to private education due to financial difficulties. Children who used to be unconfident with writing the alphabet are now able to read and understand English rather fluently. More importantly, confidence in English has led them to show an interest in other subjects and learning in general. Parents who were unable to provide their children with private English lessons for financial reasons are particularly satisfied with their progress and academic achievements.





# Support for Welfare Institutions

## Car Donation

Sharing love and giving support to those in need have always been an important part of KT&G's work. In particular, the KT&G Welfare Foundation has donated cars to social welfare facilities since 2004, which is now the Foundation's representative program providing 100 high-mobility, economical small cars each year to welfare facilities that often work in places with relatively poor road conditions. As of 2017, a total of 1,400 cars have been donated to social welfare facilities nationwide.

With the donated cars, the beneficiary institutions were able to reach out to low-income individuals and families deprived of social welfare services, thereby spreading hopes and dreams to the most vulnerable population in their local communities.



Number of Cars Donated  
(Cumulative)

**1,400** units



Amount of Car Donation  
(Cumulative)

KRW **12.8** billion

## Improving Local Children's Centers

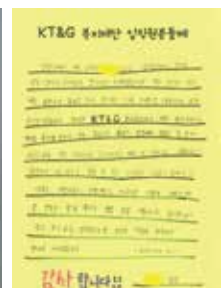
KT&G aims to ensure that children grow up in a safe and healthy environment. To this end, the KT&G Welfare Foundation helps local children's centers receiving relatively less government support strengthen their facilities and infrastructures so that local children can grow up in a better and healthier environment. In 2017, KT&G provided KRW 380 million to 55 local children's centers.



Improving Local  
Children's Centers (2017)

**55** centers

KRW **380** million





## Interview



●  
Social Worker at Oksu Home  
Care Welfare Center for  
the Elderly  
Seoul Lee



I feel proud to be able to  
share so much love with  
our neighbors



### Q. Please introduce Oksu Home Care Welfare Center for the Elderly.

A. Oksu Home Care Welfare Center for the Elderly is a welfare facility for senior citizens with physical or financial limitations who are not eligible for nursing care benefits and low-income senior citizens with senile diseases, providing various services to help them carry out their daily activities.

### Q. How did your institution come to apply for the KT&G Welfare Foundation's car donation program?

A. Our center manages senior citizens who are not eligible for nursing care benefits, and low-income senior citizens living in all of the 17 districts in Seongdong-gu. We also provide home care services by having our social workers visit the homes of senior citizens. We applied for the car donation program as cars are indispensable for us, given the vast size of Seongdong-gu and the nature of our services which require social workers to visit individual homes often located in neighborhoods not easily accessible by public transportation.

### Q. For what purposes do you use the donated cars?

A. We use the donated cars for many purposes, including visiting the homes of the elderly to provide home care or counseling, delivering food or donated goods to senior citizens, and moving goods to other institutions with whom we are affiliated.

### Q. Why is it important for social welfare institutions to maintain their facilities and receive car donations?

A. Cars are indispensable, particularly for small welfare institutions whose location is not easily accessible by public transportation or those institutions that cover a large region, as is the case with our Center. I hope that more institutions can benefit from KT&G's car donation program.

### Q. What would you like to say to KT&G and the KT&G Welfare Foundation?

A. I would like to thank KT&G and the KT&G Welfare Foundation once again for selecting our Center as a recipient of their car donation program in 2016. Through their support, we were able to, and will continue to, provide safe and reliable services to senior citizens.

## Significance of the Car Donation Program and Future Plans

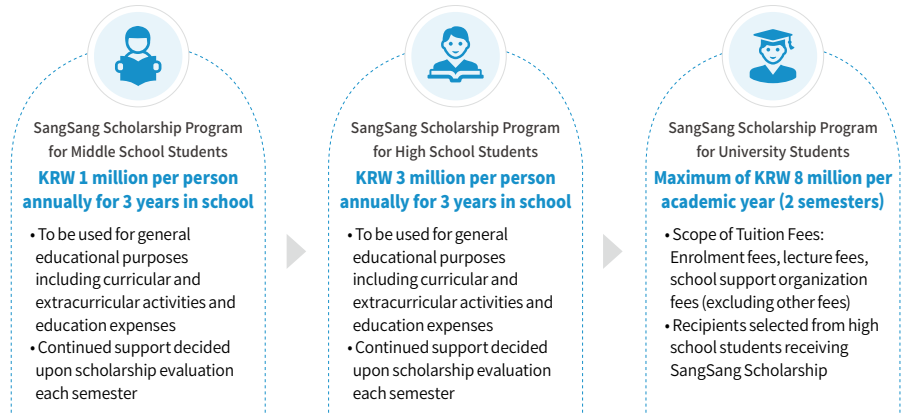
The KT&G Welfare Foundation was established in 2003 for the purpose of "realizing advanced welfare to share happiness for all." The Foundation undertakes various social welfare programs and volunteering activities that support low-income groups and welfare institutions. As much as charity and philanthropy is necessary, we believe welfare services should be designed with a sincere heart and given to those who need it the most, in a sustainable manner. KT&G will continue to play a leading role in providing effective and practical social welfare services for our neighbors in need and local communities, with a view toward building a better and happier society for all.

# SangSang Scholarship Program

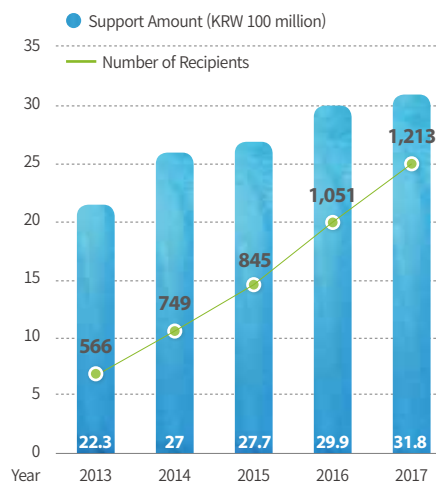
The KT&G Scholarship Foundation provides stable educational opportunities for children and youth from socially vulnerable families so that they do not give up learning due to financial hardships. Beyond just providing academic-oriented support, the Foundation seeks to professionalize and specialize scholarship programs in various fields, including art, music, and sports.

## "Total-care" Support

The SangSang scholarship program provides financial supports to children with outstanding talent from low-income families and other socially vulnerable groups in addition to children of military and police personnel and firefighters. It aims to help them grow into future leaders by being provided with stable educational opportunities.



## Status of SangSang Scholarship Program (Cumulative)



## Scholarship Camp

The SangSang Scholarship Camp is a place where the recipients of the SangSang Scholarship nationwide come together and share their hopes and dreams. The camp is composed of various programs, including a scholarship certificate award ceremony, cultural experience session, special lectures, and study guidance. It provides a meaningful opportunity for participating students who did not lose hope in the face of adversity to build a bond with each other by sharing their experiences and personal stories.



## SangSang Restart Program

Since 2016, the KT&G Scholarship Foundation has been running the SangSang Restart Program which supports youth under institutional protection to stand on their own feet. It helps youth at risk grow into healthy members of society and overcome economic, educational, and family deprivation.



School Qualification  
Exam Applicants  
Institutions

14 persons

KRW 5.6 million



Acquisition of  
Certificates/Support for  
Private Educational

23 persons

KRW 29 million





## Interview



I am grateful for the valuable opportunities extended to me through the Scholarship Foundation.



● [Recipient of the SangSang Scholarship during High School and University](#)  
**Dong-bo Lee**

I was fortunate to learn about the KT&G Scholarship Foundation through my class teacher in middle school. The scholarship opened up various educational opportunities and enabled me to raise my potential through self-initiated learning. I also made many friends with different dreams at the SangSang Scholarship Camp and participated in numerous educational, cultural, and volunteering activities. Through these experiences, I hope to find the right career path and keep working toward achieving my career goals. I hope to maintain a good relationship with the Foundation throughout that journey.



KT&G's supports create touching stories.



● [Head of the Juvenile Protection Projects Team, Korea Juvenile Protection Association](#)  
**Ki-jin Lee**

The Korea Juvenile Protection Association helps youth at risk and those formerly incarcerated in juvenile detention centers reintegrate into society and find a stable means to get back on their feet. The KT&G Scholarship Foundation has been proactive in supporting them in the way that continuing studies or learning skills after being discharged from detention centers can be extremely helpful in preventing re-offending. With the support of the SangSang Restart Scholarship, we will continue to help youth at risk grow into healthy and reliable members of society and enjoy happy lives in harmony with others.

## Significance of the Program and Future Plans

KT&G's scholarship programs are closely related to its corporate philosophy which values people. With a concept that scholarship program should be operated in harmony with lifecycle beyond just a temporary or one-time event, we introduced the "Total-care" system aimed at providing not only financial or material support to the recipients but helping them focus on their studies without worrying about financial constraints, especially at a time when emotional stability is very important. KT&G's scholarship programs are designed upon a long-term understanding of life, helping students find emotional stability and build a solid foundation for becoming valuable members of society. KT&G will continue to offer its heartfelt support to more aspiring students and help them lead meaningful lives.



# Bearing the Fruit of “Mutual Growth”

## Mutual Growth

KT&G aims to build a tomorrow where it can grow together with society. Through the SangSang Fund, CSR projects, and youth start-up support programs, it fulfills its corporate social responsibilities for happy and healthy lives of all stakeholders at home and abroad.

### Social Issues KT&G Intends to Solve

Drastic changes in social awareness on smoking require a very strong sense of responsibility to both smokers and tobacco companies. In this regard, KT&G is considering how its employees can contribute to local communities.

The company also promotes various measures to create a cultural environment in which smokers and non-smokers can respect each other and to support leaf tobacco farms which are extremely short-handed due to a super-aging farm population and agricultural automation. In addition, KT&G keeps close track of social trends on important issues in order to help solve them. One such issue is youth unemployment which has never been higher since 1999 when statistical surveys were first conducted. The real unemployment rate stands at 22.7%, which is more than double the official unemployment rate of 9.9%.

### KT&G's Solutions

In an effort to supporting the socially marginalized and fulfilling social responsibility, all employees at KT&G participate in raising the SangSang Fund, in the form of matching grant, to carry out diverse donation programs. Volunteer groups made up of KT&G employees nationwide are proactive in contributing to the development of local communities through volunteer activities.

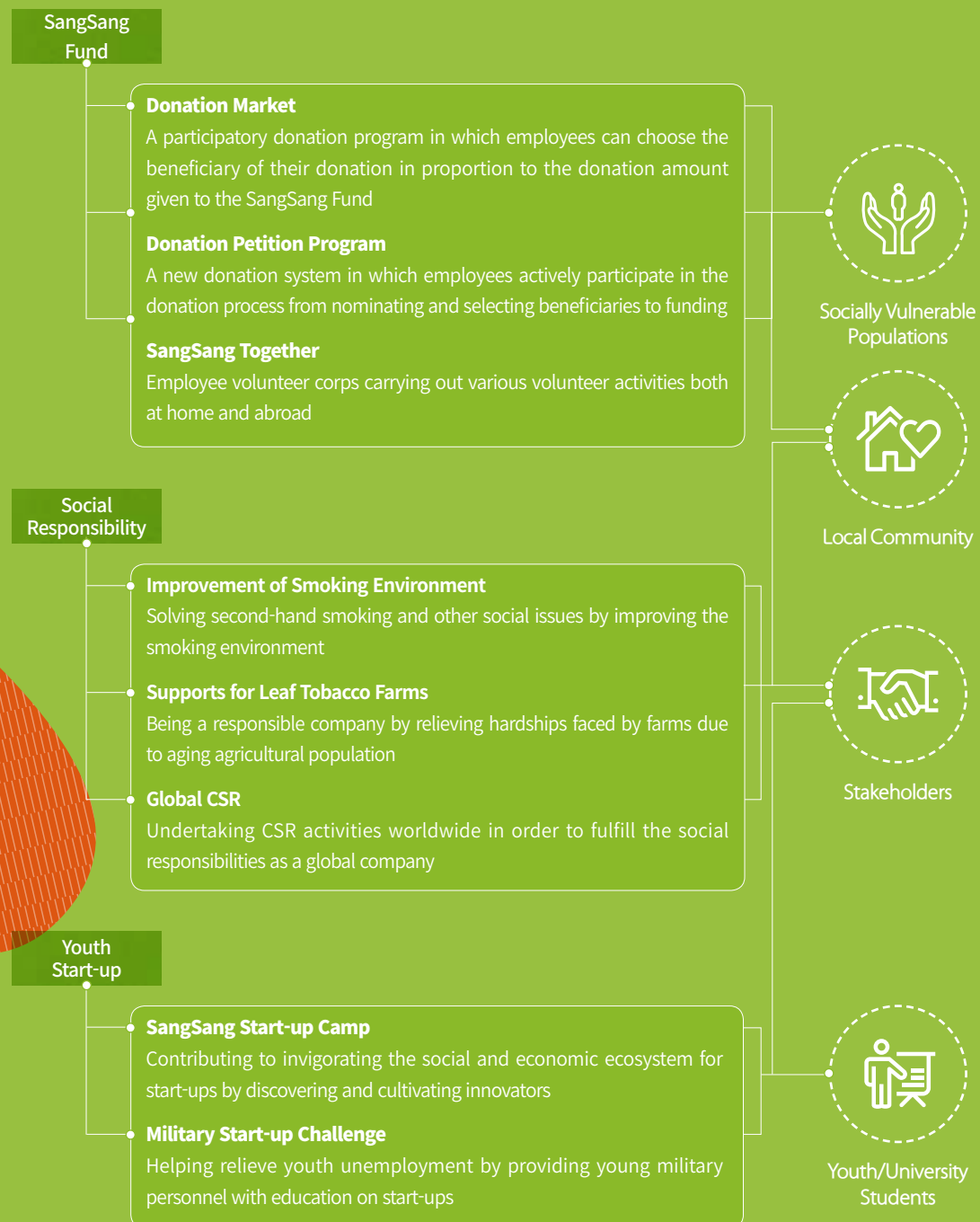
In the aspect of business-related responsibilities, KT&G undertakes smoking etiquette campaigns and projects to improve the smoking environment, while supporting the lives and businesses of domestic leaf tobacco farms and partners by purchasing all domestically-grown leaf tobacco.

We also run the SangSang Start-up Camp, a practical and differentiated start-up support program, to help solve the youth unemployment issue, realizing our management philosophy of “A Company That Shares with Customers.”



# Generating the Value of “Mutual Growth” through KT&G’s CSR Activities

We conduct our businesses in a responsible manner in pursuit of mutual growth with society.



# Support for the Socially Vulnerable

KT&G supports those in need both at home and abroad and participates in solving pressing social problems through the SangSang Fund, launched in March 2011. The SangSang Fund Management Committee consisting of employees ensures voluntary and transparent operation of the fund.

## Donation Petition Program

We started the donation petition program in 2013 where our employees choose recipients for donation and financial supports for living and medical expenses are given to those with at least 200 likes. Over 5 years, approximately KRW 370 million was delivered to 44 cases.

## Donation Market

The Donation Market, introduced in 2015, is a participation-based donation system in which our employees choose recipients recommended by Happy Bean Foundation and KT&G Welfare Foundation. So far, we have donated KRW 1.7 billion to 321 cases with social vulnerability and overseas relief programs.

### Status of the Donation Petition Program (Cumulative)



Stories

**44** cases



Donation Amount

KRW **370** million



Stories

**143** cases



Donation Amount

KRW **850** million

### Case

#### Hopeful Food Truck Protecting the Basic Rights of Underfed Neighbors

Through the SangSang Fund, KT&G helps feed underfed neighbors in our community. The Hopeful Food Truck opens once a week in Seoul and Daejeon where KT&G's headquarters are located, providing free lunch to 500 people each time. This program is also conducted in connection with monthly employees' volunteer services.

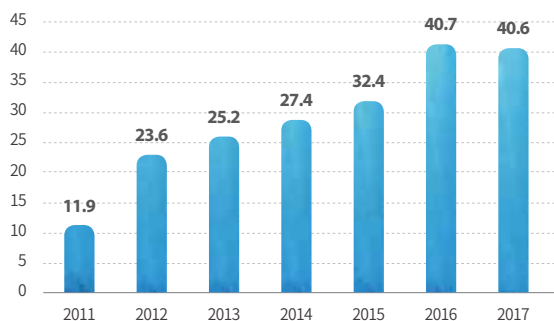


## Raising and Using the SangSang Fund

(Unit: KRW 100 million)



KRW **20.18** billion





## Interview

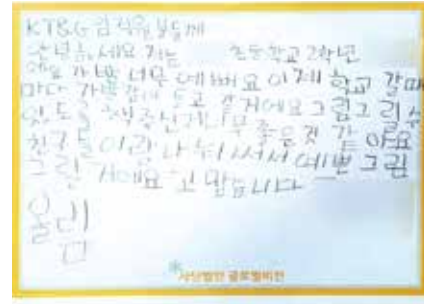


The world is filled  
with people with  
warm hearts



● Director of Hanbit Love  
Supporters' Association  
**Min-jeong Song**

Hanbit Love Supporters' Association accommodates children with cancer and their mothers who come up to Seoul for treatment. Nonetheless, we do not receive any government subsidy, which is why we desperately need support from various donors. Thanks to KT&G's continued support through the SangSang Fund, we have been able to stay cool in summer and warm in winter, which has been tremendously helpful in focusing on treatment. We sincerely thank all employees of KT&G for their warm support.



● Letter from the Child Beneficiary of Global Vision  
**Remarks from the Person in Charge of  
Global Vision**

Dabin and Dahee are sisters raised by their grandmother alone. They had to lay on their stomach to study because they had no desk due to financial difficulties, which affected delayed growth compared to their peers. However, thanks to the KT&G SangSang Fund, they can study at the desk and dream of a better tomorrow.

I strongly believe that these small changes will make a big difference, changing their lives more positively. On behalf of Dabin and Dahee, I thank KT&G for bringing these meaningful changes to their lives.

## Significance of the Program and Future Plans

The KT&G SangSang Fund is a voluntary fund raised by employees with the company's matching to support socially vulnerable groups. Since the launch in 2011, approximately KRW 20.2 billion was raised.

Particularly notable is the transparent manner in which the fund is managed. Donations are made upon deliberation and resolution of the SangSang Fund Management Committee consisting of KT&G's employees. Through the Fund, KT&G supports socially vulnerable groups deprived of welfare services and addresses social issues which require public-private cooperation. In doing so, it carries out a thorough evaluation to ensure that donations go to those who need them the most.

KT&G will make sure that funds voluntarily raised by employees go to the right place and are used for the right purposes.

# Improving the Smoking Environment

As part of its effort to fulfill business-related social responsibility, KT&G undertakes projects to improve the smoking environment for the benefit of smokers and non-smokers alike. For instance, we have installed approximately 200 smoking rooms in public facilities, in cooperation with local governments and public institutions, to relieve social conflicts caused by a lack of smoking areas as more places are becoming smoke-free. KT&G will continue its endeavors to create a harmonious environment in which both smokers and non-smokers can respect each other's rights.

## Status of Smoking Room Installations (2011~2017)



Highway Rest Areas

**107**

Bus/Passenger Terminals

**4**

Leisure Facilities

**10**

Train/Subway Stations

**10**

Publicly Used Facilities

**11**

Sports Facilities

**17**

Public Institutions

**10**

International Airports

**25**

## Guidelines for Installation of Smoking Rooms (Priority)

Criteria	Order of Priority
Areas designated by public health centers (local governments)	1
Areas within non-smoking areas or facilities	2
Public transportation facilities	3
Sports stadium used over a certain period of time	4
Roadside in areas densely populated by office buildings, etc.	5
Other public facilities	6



Jeju International Airport



Cheonan Asan Station

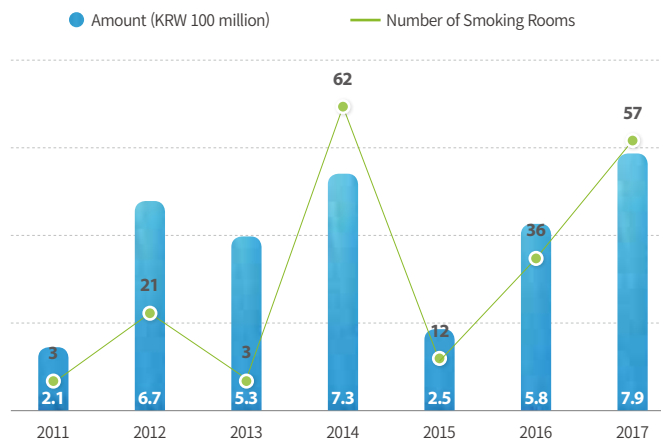


Independence Hall



Seoul Station

## Installation of Smoking Rooms



Number of Smoking Rooms Nationwide (Cumulative)

**194**

Amount of Support for Installation of Smoking Rooms Nationwide (Cumulative)

KRW **3.76** billion

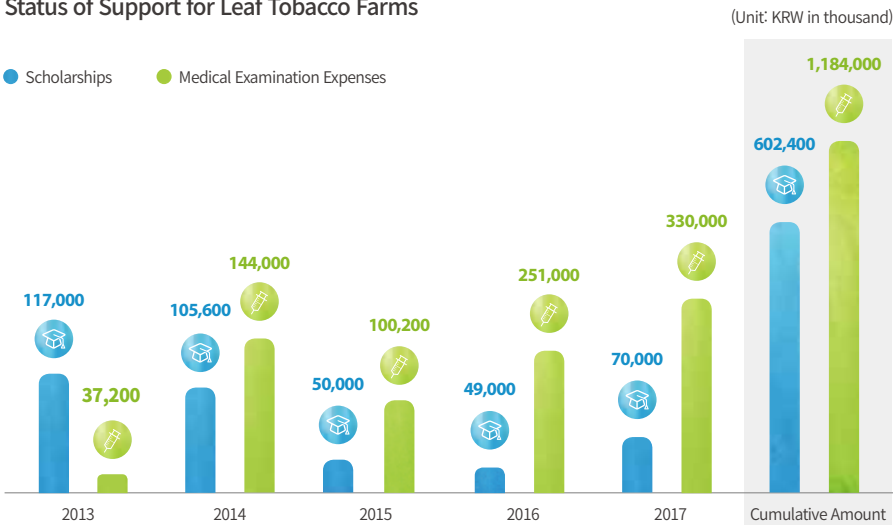


KT&G hopes to build a healthier and better tomorrow for all stakeholders. As part of that, the company is proactive not only in helping leaf tobacco farms deal with financial hardships but also in volunteering assistance on a regular basis during the transplanting season.

### Providing Scholarships and Medical Examination Expenses

A lot of leaf tobacco farms are today experiencing short-handedness and financial hardships due to gradually decreasing number of the rural population and aging trend. In response, KT&G has granted scholarships to families with middle and high school students, contributing to mitigating their financial difficulties. Moreover, we offer medical examinations to farmers, a considerable number of whom are senior citizens, and cover related expenses, so that they can maintain their health and carry on making a living in a more stable manner.

### Status of Support for Leaf Tobacco Farms



### Volunteering During Busy Farming Seasons

Leaf tobacco is harvested between July and August in extremely hot weather. Nevertheless, automation of the harvesting process is difficult, which is why most of the harvesting is done manually. Accordingly, KT&G's Volunteer Corps made up of its employees help farmers during the transplanting season in March and harvesting season between July and August. Through KT&G's support, leaf tobacco farms are able to produce high-quality raw materials by receiving the help they need for farming as well as daily necessities and food items.

### Volunteer Activities during Transplanting and Harvesting Seasons in 2017



# Supporting Leaf Tobacco Farms



# Solving Global Issues

As a global company, KT&G seeks to faithfully fulfill its corporate social responsibility by actively participating in solving global social issues in line with the United Nations Sustainable Development Goals (SDGs). KT&G realizes its business philosophy of "A Company That Shares with Customers" around the world by implementing CSR activities tailored to local features such as building educational facilities, creating self-reliance conditions, and protecting local environment.

## Participating in the UN SDGs' Initiative



As a global corporate citizen, KT&G participates in solving global issues in line with the 17 goals of the UN SDGs. Particularly, we work closely with local government, NGOs, and communities to promote activities tailored to the nature of each country. In Indonesia, we built houses and public health centers for local people in poor regions to help them live in a better residential environment and ensure health and hygiene. Other activities included school maintenance services in Cambodia and the establishment of the Forestry and Agricultural Education Center aimed at preventing desertification and protecting environmental refugees in Mongolia. Moreover, our volunteer groups consisting of university students and employees are dispatched to join the solution of local social issues and maintain close relationship with local people in each country.

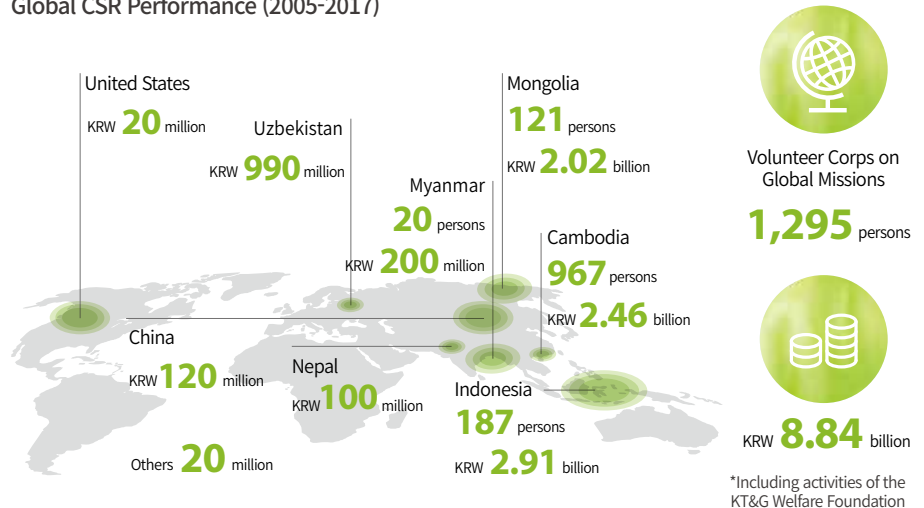
### Case

## Cultural Exchange and Education for Future Generations

In Indonesia, KT&G plays an active role in promoting cultural exchange with Korea and education for future generations. In Jakarta, we opened the KT&G Korean Language School in 2014 and ran the SangSang Univ. program in cooperation with local universities in 2017, contributing to the personal development of local university students and cultivating the leadership of sharing.



## Global CSR Performance (2005-2017)





## Interview



I look forward to a continuing cooperative relationship with KT&G..



Leaf Tobacco Farmer  
**Jeong-hoon Hwang**

My parents and I have been in the business of farming for the past six years.

Even though we are in the midst of a busy harvesting season, I will take my mother out today to get her a medical examination. She experiences back pain particularly during the harvesting season due to high labor costs and short-handedness. I am very thankful for KT&G's support for her medical examination fees.

I look forward to a continuing cooperative relationship with KT&G as my family continues the business of cultivating high-quality tobacco leaf.



I hope there will be more opportunities in the future to participate in volunteering activities.



Member of the KT&G Volunteer Group  
**Hyuk-joon Kwon**

Prior to visiting Cambodia on a volunteer mission, I knew very little about the country. Despite poor conditions and facilities, we were able to complete our mission with pleasure thanks to local people who greeted us with a smile.

I felt fortunate to have the valuable experience of knowing that my small deed could be a great source of strength for someone else. I learned that volunteering is not a difficult task but a fulfilling and moving experience. As a member of KT&G, I hope to be able to have more such opportunities in the future.



## Significance of the Program and Future Plans

KT&G's social responsibility is extended to the implementation of customized CSR activities in each country as well as solution of the domestic social issues.

We have sought to minimize the impact of second-hand smoking caused by outdoor smoking by installing smoking rooms in public facilities, while supporting the sustainable economic activities of its stakeholders, including independent tobacco farmers many of whom are senior citizens. Furthermore, KT&G faithfully fulfills its social responsibilities and roles as a global corporate citizen by addressing social issues in line with the Sustainable Development Goals (SDGs) of the United Nations.

KT&G will continue to share its achievements with society and do its utmost to achieve the business philosophy of "A Company That Shares with Customers" with a view to creating an environment in which both businesses and society can enjoy mutual growth.



# Jobs for Youth

KT&G's youth start-up support programs seek to discover and cultivate outstanding founders in order to support the dreams of future leaders in our society.

## SangSang Start-up Camp

KT&G offers programs for youth who dream of becoming founders of socially innovative businesses.

The KT&G SangSang Start-up Camp, launched in October 2017, is a 14-week program with a professional curriculum for future founders of socially innovative start-ups. This program has awarded the final winning team supporting funds and office entrance fees, as well as an opportunity to visit overseas countries. KT&G plans to secure exclusive spaces for youth start-ups to further expand this program.



## Military Start-up Challenge

Since 2016, KT&G has sponsored the Military Start-up Challenge at the Challenge K-Startup, a start-up contest hosted by the Ministry of SMEs and Start-ups, the Ministry of Education, the Ministry of National Defense, and the Ministry of Science and ICT. This program was prepared to encourage military personnel to faithfully serve their duties by consulting their progress after discharge and to contribute to solving youth unemployment.

A total of 618 teams participated in the Military Start-up Challenge 2017, 32 teams of which were selected in the first round and given the opportunity to attend workshops and mentoring sessions organized by KT&G. The two final winning teams were awarded the Special Prize at the Challenge K-Startup 2017.



## The 1<sup>st</sup> SangSang Start-up Challenge Camp





## Interview



**We have to be happy first before doing good actions..**



● Participant of the 1<sup>st</sup> SangSang Start-up Camp  
**Ki-hyo Kwon**

I applied to participate in the camp to refine my ideals and goals. I wanted to develop a program that people want to buy because the program itself is good, not because it serves a good purpose.

As I have looked at social problems from the perspective of an NGO for a long time, it wasn't easy for me to develop profit-making products. Through the camp, however, I learned that profit is a necessary part of making a change in the world since we have to be happy first before doing good actions that serve a good purpose.



**We want to help eliminate dog factories.**



● Participants of the 1<sup>st</sup> SangSang Start-up Camp  
**Ji-hyun Park & Ji-ho Roh**

Our team applied to participate in the camp with the mission of "eliminating dog factories" based on detailed ideas and clear directions. We are very happy to put the project we initially planned into practice. Of course, we experienced that consumer reactions were different from what we had expected or our hypotheses didn't pan out. However, we felt that those moments were "interesting and fun" rather than frustrating. We want to make real and innovative changes in society by leading our project to success.

## Significance of the Project and Future Plans

KT&G began its youth employment support programs in an effort to actively participate in solving social problems through CSR activities.

The SangSang Start-up Camp, a 14-week full-time program for future founders of socially innovative start-ups, contributed to relieving the youth unemployment problem. KT&G also hosted the SangSang Summit Forum to provide a platform to various stakeholders, such as business founders, relevant agencies, and government authorities, to discuss youth start-ups, which helped develop and invigorate the ecosystem for start-ups.

Going forward, KT&G will continue to expand investments in youth start-up programs – for instance, securing exclusive spaces for them. This effort will motivate future start-ups to create new ideas and dream of a better future.

# Cultivating Trees with “Creativity”

## Creativity

In order to create a cultural ecosystem filled with creativity and diversity, KT&G provides up-and-coming artists and university students with a platform where their imaginations become reality. Started in Hongdae in 2007, the SangSang Madang has offered new artists valuable opportunities to communicate with local communities in Nonsan and Chuncheon through their performances, movies, and exhibitions. The SangSang Univ. helps the personal development of university students in their 20s supports the dreams of the young generation.

## Social Issues KT&G Intends to Solve

Culture and arts play an important role in enhancing the quality of life for local residents. They also contribute to creating new engines of growth by proposing diverse and creative ideas.

While most supports offered by large companies have focused on areas of fine art such as painting and classical music, KT&G has concentrated on non-mainstream culture including indie bands, artistic photography, and independent movies. By creating infrastructures for artists to stay creative, KT&G supports them to reach their full potential.

## KT&G’s Solution

Korea's representative complex cultural space KT&G SangSang Madang contributes to narrowing the culture gap between regions. The KT&G SangSang Madang is today operating in major cities including Nonsan, Chuncheon, Busan, beyond Hongdae in Seoul. It offers various programs such as the Great Short Film Festival to support indie filmmakers and SKOPF, a valuable stepping stone for Korean photographers to begin their career. We will take the initiative in building a healthy cultural and artistic ecosystem where creators and consumers are able to sympathize and communicate each other.



# Generating the Value of “Creativity” through KT&G’s CSR Activities

In order to build a cultural ecosystem that values creativity and diversity, KT&G supports up-and-coming artists and university students to develop and reach their fullest potential.

## SangSang Madang - Cultural Entertainment Facility

### Performances

SangSang Madang discovers musicians and introduces a diverse genre of music to the domestic music market in order to build a music distribution platform which satisfies both producers and consumers of music.

### Films

By supporting the production of full-length and short films, SangSang Madang discovers promising filmmakers and hidden gems. It contributes to the development of the Korean movie industry as a whole by supporting the post-production and exhibition of films.

### Exhibitions

Serving as a contents market in the culture and art community to reflect the era of our young generations, we introduce works of new artists and designers.

### Education

SangSang Madang is a space for communication for imaginative creators, providing a variety of educational programs in culture and arts categorized into talent cultivation project, cultural and art program, and community arts program.

### Design

SangSang Madang runs a multi-brand store offering independent designer brand products and communicating their new ideas with consumers.

### Musicals & Plays

SangSang Madang contributes to the development of performance arts by providing a stage for actors and financial support for producers, thereby offering opportunities for outstanding performances to reach out to a wider audience.



New Artists

## SangSang Univ - University Student Community

### Flagship SangSang Univ. Programs

• SangSang Compass Camp, SangSang Career Camp, SangSang Marketing School

### Classes

• SangSang Art Department, SangSang Culture Department, SangSang Life Department, SangSang Career Department

### Activities

• SangSang Festa, SangSang Sharing, SangSang Tour, SangSang Lab, SangSang Casting

### University Student Council

• SangSang Friends, SangSang Volunteer, SangSang Editor



Youth/University Students

# Supporting Movie Screening and Distribution

KT&G builds cultural spaces where artists are able to exercise their imaginations and communicate with the world through their works.

## The Great Short Film Festival

SangSang Madang operates a theater with the aim of displaying the domestic and overseas low-budget independent and art films and introducing films of various genres that are relatively less exposed to a general audience. The Great Short Film Festival, a flagship SangSang Madang program, is an annual event held since 2007, which presents the past, present, and future of short films. It helps discover outstanding films critically acclaimed at both domestic and international film festivals and cultivate actors and actresses who will lead the future of the Korean film industry.



Number of  
Entries in 2017

**677** films

\* Cumulative Number of Entries  
(2007-2017): 4,333 films



Number of  
Visitors in 2017

**1,352** persons

\* Cumulative Number of Visitors  
(2007-2017): 11,372 persons

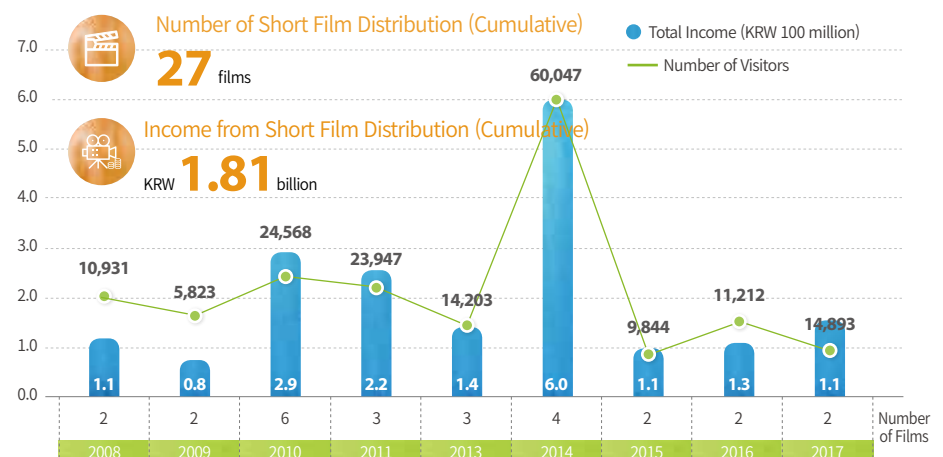
## Movie Distribution

There are three major stages involving the commercial movie industry: production, distribution and exhibition. In general, a production company receives funding from investors in order to produce a movie, which is then shown in cinemas through a distribution company. Unlike commercial movies, low-budget indie films face the obstacle of budget shortage for distribution and exhibition.

Against this backdrop, the SangSang Madang supports the Korean indie film industry by selecting two or three indie films which had no chance to show despite outstanding artistic value and popular appeal and then supporting their distribution, marketing, and guest visits.



## Short Film Distribution Performance (2008-2017)







## Interview

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The presence of the audience was overwhelming.

〰〰



● Winner of KT&G Golden Crown at 11<sup>th</sup> Great Short Film Festival  
**Ji-sun Lim**, Director

I thank the judges of the Great Short Film Festival hosted by the KT&G SangSang Madang for seeing the potential in my work beyond the completeness of the film. Given that I have no major experience in filmmaking, I can only image what a difficult decision it must have been for the judges to award this prize to me.

I also take away many lessons from participating in the festival. Most of all, it was an overwhelming experience to feel the presence of the audience as a director. It was also incredibly inspiring to meet other directors and encounter their work.

I think the greatest strength of the Great Short Film Festival is how it empowers and inspires creators. I hope my experience at the Festival will be a source of inspiration for my future works.

〰〰

Everything seems to me like a dream.

〰〰



● Director of "Dance Sports Girls"  
Distributed by SangSang Madang  
**Seung-moon Lee**

As a university student, I used to go to the KT&G SangSang Madang for its great selection of movies. Today, I can distribute and show my films at the KT&G SangSang Madang. Everything seems to me like a dream.

Since the day when KT&G officers suggested film distribution to the KT&G SangSang Madang to me after watching my work Dance Sports Girls through broadcast media, I made a resolution to become a member of the SangSang Madang Distribution Team dedicated to sharing movies with customers beyond just working as a filmmaker. Since then, I have made friends who cherished my work as much as I did. In addition, the film was shared with many people and became a precious memory for someone.

I look forward to seeing more great works from the KT&G SangSang Madang. I have no doubt in my mind that their efforts and insight will make a meaningful change in the Korean film industry.



# Cultivating Photo- graphers

## SKOPF Program

The KT&G Korean Photographer's Fellowship (SKOPF), started in 2008, is one of KT&G's most representative programs supporting young photographers in Korea.

Each year, the SKOPF receives portfolios from applicants in the form of a contest, from which it selects and supports winners after a screening process. As an event to help professional photographers meet people through fair evaluation, networking, and reviews, the SKOPF has become Korea's top new photographer development program that provides financial supports, mentoring services, exhibition chances, and publication.

### SKOPF Benefits

#### 3 Photographers of the Year

- Mentoring
- Financial support of KRW 5 million, production cost of KRW 1 million, leaflet publication cost of KRW 2 million
- Sponsorship of group exhibition at Goeun Museum of Photography
- Promotional activities



#### Final Winner (1 person)

- Mentoring
- Financial support of KRW 5 million, donation production cost of KRW 1 million
- KRW 10 million for private exhibition at the KT&G SangSang Madang Gallery, KRW 10 million for publishing photography book
- KRW 4 million for promotional activities



## Status of Beneficiaries (2008 - 2016)



\* 3 persons in 2017, applications expected in 2018



SKOPF Exhibition Posters  
(6<sup>th</sup> SKOPF, Ji-Hyun Jeong)



Private Exhibition by **Ki-Hoon Roh**



Private Exhibition by **Ji-Hyun Jeong**

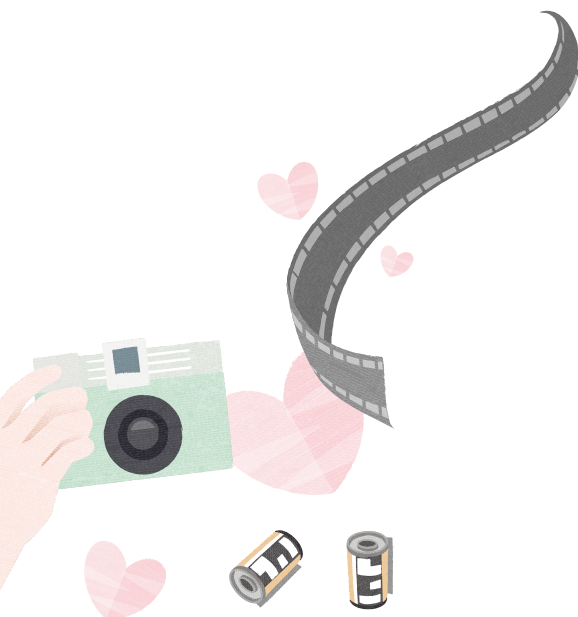
## Activities of Beneficiaries



Prize-winning  
photographers  
**33** persons



Awards and Prizes at  
Home and Abroad  
**34** times





## Interview



It was a time that allowed me to think about photography in depth.



**Hee-ja Park**  
Photographer  
(Final Winner of the 9<sup>th</sup> SKOPF)

I think being chosen as the Photographer of the Year by the KT&G SKOPF is considered as a debut into the Korean photographic industry. The support and mentoring offered by the SKOPF and the confidence shown by the SangSang Madang curators toward me throughout this program have further encouraged me to start my career as a photographer both physically and mentally. I have no doubt it will be a driving force pushing me to go forward.

As a lot of photographers have achieved reputations after making their debut through the KT&G SangSang Madang, I will also take this valuable opportunity to further develop and mature as a photographer.



The SKOPF gave me a warm-hearted memory.



**Ji-hyun Jeong**  
Photographer  
(Final Winner of the 6<sup>th</sup> SKOPF)

The KT&G SKOPF was a great opportunity for me to meet many people. It has helped me build a network of people through mentoring and a variety of activities in the long run beyond just providing financial support or awarding prizes. The human network provides me with a lot of supports and strength as I go down my career path.

I hope the SKOPF will continue to be a gateway for many photographers. I will also devote myself to becoming an excellent photographer as a SKOPF fellow.

## Significance of the Program and Future Plans

KT&G believes that culture should be enjoyed by everyone as part of their daily lives, not by only a certain group of people. To that end, we are proactive in expanding the base of culture and arts.

The KT&G SangSang Madang has operated more than 40 thousand culture programs together with about 30 thousand artists for a decade since opening the first place in Hongdae in 2007. As a result, it has evolved into a cultural landmark visited by 1.8 million people each year. It demonstrates more than 12 million visitors in a cumulative manner. In particular, it has enabled artists to continuously engage in creative activities through the virtuous cycle of support-communication-consumption, supporting non-mainstream artists and providing a wide range of cultural experience opportunities to the general public at the same time. The KT&G SangSang Madang is operating in Nonsan, Chuncheon, and Busan as well, contributing to expanding cultural infrastructures nationwide.

KT&G will continue its endeavors to build a cultural ecosystem in which artists and the public can create and enjoy culture to the fullest by expanding the base of its cultural entertainment facility SangSang Madang.



# Employment Support Programs

KT&G's SangSang Univ. was established with the objective of supporting the personal development of university students who are often worn out from the competition in schools and job-searching. As a community of university students, the SangSang Univ. offers a variety of programs through which students can express their imaginations, discover their potential, and make unforgettable memories.

## SangSang Marketing School

The SangSang Marketing School provides university students who aspire to be marketing experts with special lectures on marketing practices and presentation competitions guided by marketing professionals in major companies. As a special marketing mentoring program aimed at helping students materialize their marketing ideas and imaginations, it is operating in 13 regions nationwide to give equal opportunities to students. Participants can experience lectures and debates based on case studies and carry out team-based projects for six weeks. This program enables university students to experience marketing practices in the field and build a network of marketing experts.

### Number of Participants in the SangSang Marketing School

(Unit: persons)



Cumulative Number of Participants in the SangSang Marketing School

**14,640** persons

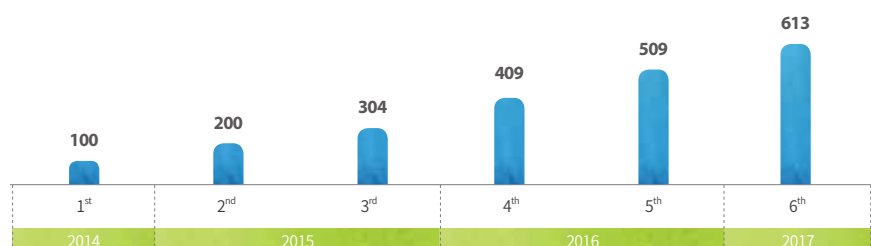
## SangSang Career Camp

The SangSang Career Camp is an employment support program for university students both enrolled in schools and on leave of absence, offering mock personality and aptitude tests, mock interviews, special lectures on employment trends, and one-to-one mentoring. Through the camp, participants consider their career options, plan how to prepare for job searches, and become motivated by building a network with peers around the country who share common concerns.



### Cumulative Number of Participants (1<sup>st</sup> to 6<sup>th</sup> Graduating Class)

(Unit: persons)





## Interview



I had a valuable and memorable experience.



Participant in the SangSang Marketing School  
**Yeon-sik Jang**

Participating in the SangSang Marketing School was a valuable and special experience. Despite majoring in Advertising and Public Relations, I was keen to learn how marketing works in the real world and get hands-on experience, which is something I could not learn in the classroom or by participating in contests. The team project, in particular, was a great opportunity to learn how to work with peers with different opinions, appreciate other people's views, and gain a sense of responsibility, team spirit and consideration for others. The case study-based lectures were also very helpful, and I appreciated the lecturers who gave advice and shared their own trial-and-error experiences.



The Career Camp was like a lighthouse to me.



Participant in the Career Camp  
**Chae-young Ahn**

I participated in the SangSang Career Camp as a job seeker with no interview experience. Through the mock interview process at the camp, I was able to see how to answer questions, correct my posture, and adjust my attitude. My questions on job finding were answered and I left the camp with newly gained confidence.

I hope other job seekers to participate in the Career Camp as well. Because I believe this program will become a lighthouse to them who want to find their own career paths.

## Significance of the Program and Future Plans

The SangSang Marketing School has been held more than ten times since 2002. It is KT&G's representative program supporting the future generation. Unlike similar programs organized by other companies or institutions held only in the capital area, the SangSang Marketing School has national influence by capitalizing on our 14 regional headquarters throughout the nation. In particular, this program earns a huge response from participants in the way that marketers of major companies give practical mentoring services. The SangSang Career Camp also differentiates itself from other similar programs by providing equal opportunities to students outside the capital area. The intensive mentoring program serves as a communication outlet for participants even after completing the program.

Going forward, KT&G will make a concerted effort to evenly offer opportunities for job mentoring services to young people throughout the nation and continuously communicate with participants to assess the long-term effect of these programs.

# Appendix

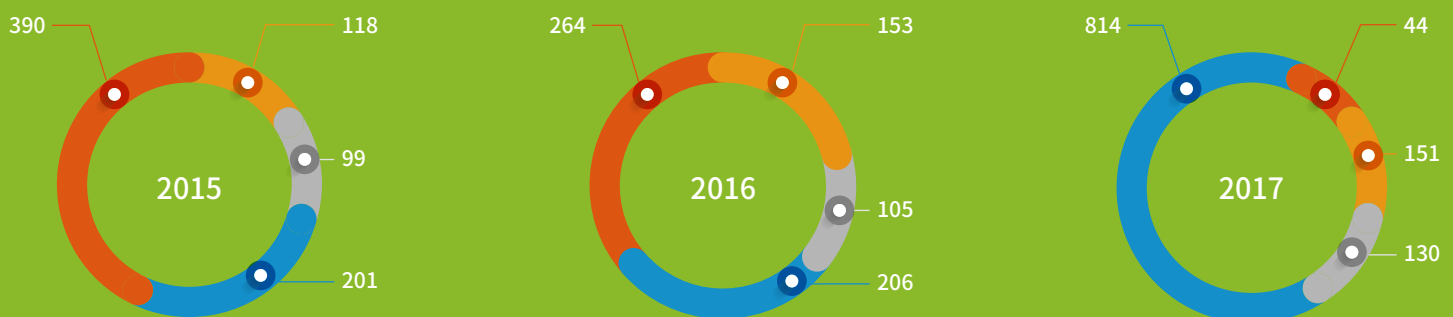
(Unit: KRW 100 million)

Classification		2015	2016	2017
Hope	Welfare Foundation	103	118	115
	Scholarship Foundation	15	35	36
	Subtotal	118	153	151
Mutual Growth	SangSang Fund	33	41	41
	Social Responsibility	20	21	27
	Youth Start-up	-	-	13
	Subtotal	46	43	49
	Subtotal	99	105	130
Creativity	SangSang Madang	155	154	758 <sup>1</sup>
	SangSang Univ.	46	52	56
	Subtotal	201	206	814
Investment	Investment in Scholarship Foundation	200	200	-
	Intra-Company Labor Welfare Fund	190 <sup>2</sup>	64	44
	Subtotal	390	264	44
Total		808	728	1,139

<sup>1</sup>Including expenses relating to the establishment of the SangSang Madang Busan (KRW 60 billion)

<sup>2</sup>Including investments in the Mutual Aid Association and Intra-Company Labor Welfare Fund for Public Enterprises (KRW 18.6 billion)

● Hope 
 ● Mutual Growth 
 ● Creativity 
 ● Investment 
 (Unit: KRW 100 million)



## Epilogue



I came to realize that there is the most meaningful thing in the work only after sharing something I have no matter how small or insignificant it is.



I also understand that the world is more beautiful when you and I look together only after sharing my heart with you.



How wonderful it is to learn today what I hadn't known before doing something.



As time goes by, I understand we feel the same way that the world will become a better place.



As long as there is warmth in our hands that we hold together, we will go forward to a brighter tomorrow with warm heart.



And KT&G will always be there.

We  
**dream** of  
a **better**  
**tomorrow**

### KT&G CSR Network

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