

A decorative line graphic in the top left corner, consisting of a blue vertical line segment and a green diagonal line segment meeting at a point.

KT&G Responsible Sourcing Policy



KT&G RESPONSIBLE SOURCING POLICY

A decorative line graphic on the left side, consisting of a green vertical line segment and a blue vertical line segment meeting at a point.

Enacted August 7, 2025

KT&G Responsible Sourcing Policy

Overview

KT&G Corporation (hereinafter “KT&G”) implements mutually beneficial management that aims for a sustainable future and a better life for society. The establishment of the KT&G Responsible Sourcing Policy (hereinafter “Responsible Sourcing Policy”) allows KT&G to perform its social responsibility to create a sustainable industrial ecosystem while engaging in its business and realize KT&G’s intention to engage in management that is mutually beneficial with its Suppliers, thereby minimizing the negative impact on future generations and the environment while preserving the industrial ecosystem in a healthy manner.

Purpose

KT&G expects the Suppliers in its supply chain to exert their best efforts to comply with all rules and regulations, treat employees with respect, guarantee safe work environment, fulfill its environmental responsibilities and perform business activities in an ethical manner, thereby taking their social, environmental and ethical responsibilities to the fullest. KT&G also expects all raw material Suppliers included in the Company’s supply chain and their partners to take their social, environmental and ethical responsibilities to the fullest. It is to this end the Company established the KT&G Responsible Sourcing Policy.

Scope of Application

This policy applies to KT&G and all KT&G international and domestic affiliates, including subsidiaries, and the Suppliers in KT&G’s supply chain are encouraged to participate in the implementation of this policy. In addition, KT&G has established this policy in consideration of neighboring societies, NGOs, and various other stakeholders.

Principles of Application

This policy reflects the various rules and regulations of various international institutions such as the UN, OECD and ILO, in addition to the EU’s CSRD and CSDDD, the guidelines of Korea’s Ministry of Justice and National Human Rights Commission, and major international and domestic standards such as those from the global association RBA, etc.

Human Rights

KT&G intends on creating a sustainable industrial ecosystem in compliance with international rules and regulations such as the Universal Declaration of Human Rights, UN Guiding Principles On Business and Human Rights, UN Global Compact, OECD Guidelines for Multinational Enterprises, EU CSDDD (EU Directive on Corporate Sustainability Due Diligence), EU CSRD (EU Directive on Corporate Sustainability Reporting), etc.,

and expects Suppliers to comply with these international human rights standards and international rules and regulations. Suppliers are advised to achieve this by using policies and processes that are appropriate for their size and situation, with these policies and processes including the following:

- Policy pledges for respecting human rights
- Human rights due diligence processes to identify, prevent, mitigate, and explain human rights impacts
- Process to correct negative human rights impacts caused or contributed to by the supplier, that includes a mechanism to handle grievances when possible

KT&G expects Suppliers to identify, avoid, and respond to negative impacts on all internationally recognized human rights, and this includes, but is not limited to, the following:

Forced Labor and Human Trafficking

KT&G complies with all laws to prevent and eradicate slavery and human trafficking from its global supply chain. Human trafficking, assault, intimidation, confinement, or other means of unjustly restricting mental or physical freedom cannot be used to force an employee to perform labor against their will. In addition, prescribing penalties or damages for breaching an employment contract is prohibited, and contracts that restrict employees’ bodies based on monetary loans are also prohibited.

Child Labor

Child labor is prohibited on principle, and working conditions for minors and the standards for the minimum required age for labor by minors must be set in compliance with international standards and the labor laws of each respective country (however, using the labor of children under the age of 15 is prohibited under any circumstances). In addition, it is prohibited to use employees under the age of 18 for any work that is considered hazardous to children or has the possibility of causing a child to suffer harm in terms of their health, safety, or ethics.

Workhours

The applicable standards for regular workhours, overtime, and holidays under the laws and regulations of each respective country shall be followed, and in the event unavoidable overtime occurs, overtime pay shall be paid in compliance with these same laws and regulations.

KT&G Responsible Sourcing Policy

Salaries and Wages

Compensation for labor must be at a level that can meet the basic needs of the employee and their family. They must meet the minimums set by law, and if there are no applicable legal requirements, then an appropriate legal standard must be created and payment made in compliance with such standards. In addition, the use of wage deductions as a means of discipline is prohibited.

Prohibition of Discrimination

Any and all forms of discrimination or harassment based on race, nationality, gender, sexual preferences, sexual identity, age, education, religion, region, disability, marriage status, etc., are prohibited. Equal opportunity for employment must be provided for those who have the necessary qualifications or abilities for the job in question, and identical wages must be paid without any discrimination based on the type of employment if work of equal value is being performed.

Workplace Safety

In order to prevent accidents, illnesses, and injuries, a safe and healthy working environment must be provided within the workplace. The working environment must allow for the use of any necessary protective equipment, and we recommend that training regarding such be performed. The occupational health and safety related risks of workplaces must be identified and evaluated, and these risks must be eliminated or managed appropriately.

Freedom of Assembly and Association

Establishing, joining, and choosing a labor union is an employee's right. There must not be interference with the exercise of such rights, and discriminating against or harassing an employee on the basis of performing union activities is prohibited.

Handling Complaints

A reporting channel must be operated that allows internal and external stakeholders, including executives and employees, to ask for consultation and make reports. The identities of reporters must be protected so that they can present their opinions freely without fear of retaliation.

Responsible Mineral Procurement

KT&G recognizes that there are serious issues with the negative impact the mineral mining process has on human rights through human rights abuses, child labor exploitation, sexual violence, etc., in addition to the negative impacts on society, and the environment. Minerals mined illegally or unethically in areas of conflict are treated as conflict minerals in compliance with the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Due Diligence Guidelines)," and continuous monitoring is performed in accordance with the 5-step framework set forth in the OECD Due Diligence Guidelines.

Environmental

KT&G makes efforts to ensure that environmental protection is of importance in all of the Company's business activities and that the Company's business is sustainable in the medium and long term in order to perform sustainable management and maintain a mutually beneficial relationship with the farms that produce the raw materials. KT&G expects Suppliers to comply with and perform the following in order to minimize the negative impacts on the natural environment.

Compliance with Environmental Laws

All environmental licenses and permits required under the relevant environmental laws must be obtained and maintained, and operational and reporting requirements must be followed.

Inspection and Management of Environmental Factors

The emission of pollutants that can have an impact on the environment must be measured and managed, efforts must be made to minimize the negative impact pollutants can have on the environment through mitigation, etc., and an environmental protection policy that is appropriate for the company's size and situation shall be implemented.

Recycling Resources and Minimizing Waste

Efforts must be made to reduce the amount of waste that is generated by minimizing the resources that are consumed during the production process, increasing the proportion of waste that is recycled, expanding the use of packaging that can be recycled, and minimizing redundant packaging.

Carbon Neutrality and Response to Climate Change

Medium- and long-term carbon neutrality targets must be set and the use of renewable energy sources, etc., must be expanded in order to reduce greenhouse gases to meet said targets, and responses to climate change shall be implemented in close cooperation with stakeholders.

KT&G Responsible Sourcing Policy

Efforts to Preserve Biodiversity

Efforts must be made to identify any potential impacts on biodiversity and ecosystems in advance and minimize the resulting harm during the product production process.

Management of Water Resources

Efforts must be made to minimize the amount of water that is used during the production process, and to increase the proportion of water that is reused across all business operations.

Legal Compliance and Due Diligence

KT&G makes efforts to implement legally compliant management by establishing compliance systems and enhancing transparency for all of the various aspects of supply chain management. KT&G expects Suppliers to establish legal compliance, compliance oversight, and internal control guidelines that include the following, and to identify various risk factors in advance, in order to ensure compliance with all relevant laws and regulations.

Prohibition of Bribery

Suppliers shall comply with the applicable laws and international standards relating to anti-corruption and bribery in all business transactions, and shall not request or give any money, valuables or any other benefits that may be deemed as having been given with inappropriate intentions. There shall be no unlawful solicitation, directly or indirectly, to obtain business gains or benefits, and no work should be conducted with unlawful solicitation from any interested parties.

Intellectual Property and Insider Transactions

All information of the Company shall be strictly managed and protected, and confidential information shall not be disclosed without prior approval. Caution shall be taken to ensure that no intellectual property infringement occurs, and there must be compliance with relevant laws.

Fair Competition

Efforts are made to comply with the laws regarding fair competition, and to engage in ethical business based on the principle of fair and transparent transactions.

Honest Marketing

Efforts shall be made to present accurate information on the characteristics and methods of use of the products for sale on the market in a transparent manner in order to ensure that consumers can make reasonable choices and that products are procured in an honest manner.

Integrity in Accounting

Efforts shall be made to have all accounting and financial reporting comply with domestic and international accounting standards and the relevant laws and regulations so that they are accurate and transparent. . Related materials and accounting records shall be preserved for the periods set by the relevant laws, and there shall be active cooperation with external auditors and accounting audits.

Sanctions

There shall be continuous monitoring and compliance with the international sanctions and export control systems of each country or international bodies. If separate approval is required for export, the appropriate approval shall be obtained before export in order to ensure that any related restrictions or prohibitions are not violated.

Monitoring of Compliance and Supply Chain Due Diligence

KT&G can conduct supply chain due diligence of Suppliers, and such due diligence can be performed by an outsourced third party when necessary. Specifically,

- (1) Due diligence categories that take domestic and international supply chain guidelines, evaluation criteria, etc., into consideration are finalized and plans regarding the selection of the subjects of due diligence, etc., are established;
- (2) Due diligence of labor, human rights, safety, environment, ethical and legally compliant management, management systems, etc., is conducted through document and on-site due diligence;
- (3) Supplier risks are analyzed through due diligence to generate evaluation results and areas for improvement, and;
- (4) Confirmed risks and areas for improvement are submitted to the Supplier and improvements regarding said risks are requested, after which the performance of said tasks is monitored.

Monitoring is performed based on qualitative and quantitative factors and performed at least once per year, but may be performed without delay in the event of a serious change or the possibility of a new risk arising is reasonably acknowledged.