



2018 KT&G Social Contribution Report





IMAGINE A BETTER TOMORROW

To realize a “society where people live together,” KT&G faithfully fulfills its social responsibility as a corporate citizen and pursues sustainable development.

To this end, KT&G is proactive in conducting activities that offer contributions in the fields of youth start-up, donation, social welfare, scholarship, culture & arts, and social responsibility to realize the values of “hope,” “mutual growth,” and “creativity.” We will continue to focus on creative and differentiated social contribution activities.



CONTENTS

02 Message from the CEO

04 Corporate Introduction · Milestones in Social Contribution

06 Framework of KT&G's Social Contribution

08 2018 KT&G Highlights

10 Sowing the Seeds of “Hope”

Welfare Foundation · Scholarship Foundation

18 Bearing the Fruit of “Mutual Growth”

Youth Start-up · SangSang Fund · Volunteer Group ·

Global CSR · Social Responsibility

28 Cultivating Trees with “Creativity”

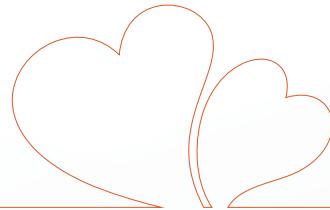
SangSang Madang · SangSang univ.

38 Appendix

Message from the CEO



KT&G is committed to
realizing the values of
“hope,” “mutual growth,”
and “creativity” to create a
better future for all.



KT&G has been committed to fulfilling social responsibility and leading changes and innovation that meet the needs of the times since its privatization in 2002. Our mission in social contribution extends to seeking fundamental solutions to various social issues beyond providing inclusive welfare services to socially vulnerable groups, thus eventually developing and operating valuable social contribution models. To ensure sustainable development of the company and society, we are implementing systematic social contribution activities centered on the value of “hope,” “mutual growth,” and “creativity.”

First, the value of “hope” starts from support for people in need.

We provide socially alienated groups with diverse welfare services through the KT&G Welfare Foundation, helping their social and emotional stability. We also donate facilities and necessities to social welfare centers for their stable service operation. The Scholarship Foundation offers various scholarship programs with the aim of cultivating future talents by offering equal educational opportunities.

Second, we fulfill our social responsibility to create the value of “mutual growth” with communities.

KT&G operates a differentiated start-up cultivation program aimed at addressing social issues through innovative businesses. Other programs for mutual growth include supporting leaf tobacco farms who are core suppliers and improving smoking environment for both smokers and non-smokers. Moreover, our employees make it a rule to share love through donation to the SangSang Fund and participation in the SangSang Together volunteer works.

Lastly, KT&G supports “creative imagination” of youth who will lead the future.

We strive to expand the foundation of cultural ecosystem to help everyone to enjoy culture and arts. The complex culture space “KT&G SangSang Madang” plays a key role as a stage where non-mainstream new artists can showcase their cultural, artistic, and creative works and communicate with the public. On top of that, the “SangSang univ.” provides university students with opportunities for learning, exchange, and sharing and helps them find future careers.

I believe our society will become emotionally rich when creating and sharing social values together. I hope this report, containing the value and direction of our social contribution activities, will serve as a channel for forming a consensus on our social contribution with stakeholders, creating more social values, and disseminating the culture of sharing. Going forward, KT&G will continue to fulfill its social responsibility as a corporate citizen by providing equal opportunities and pursuing inclusive growth. We at KT&G also promise to focus on developing and conducting more differentiated and sustainable social contribution programs.

A handwritten signature in black ink, appearing to read "Bok-in Baek".

CEO of KT&G Bok-in Baek

Corporate Introduction

Profile

KT&G has expanded its business domains to bio, health, and beauty sectors beyond tobacco manufacturing and distribution. We have also secured market competitiveness through continuous changes and innovation, evolving into a global player beyond Korea. Moreover, the company is proactive, not only in committing to social contribution activities as a corporate citizen, but also in fulfilling its environmental responsibility through eco-friendly product development as well as resource and energy savings.

Corporate History

- Founded as Sunhwaguk, a national tobacco manufactory, in 1883
- Established the Ginseng Division under the Imperial Treasury in 1899
- Reorganized as a Monopoly Bureau in 1952
- Founded the Korea Monopoly Corporation in 1987
- Changed the name to Korea Ginseng & Tobacco Institute in 1989
- Changed the name to KT&G Corporation in 2002 with the privatization

Key Performances in 2018

(non-consolidated basis)

Sales



KRW **2,625** billion

Operating profit



KRW **1,004** billion

Expenditure on social contribution



KRW **66.9** billion

Expenditure on social contribution to sales

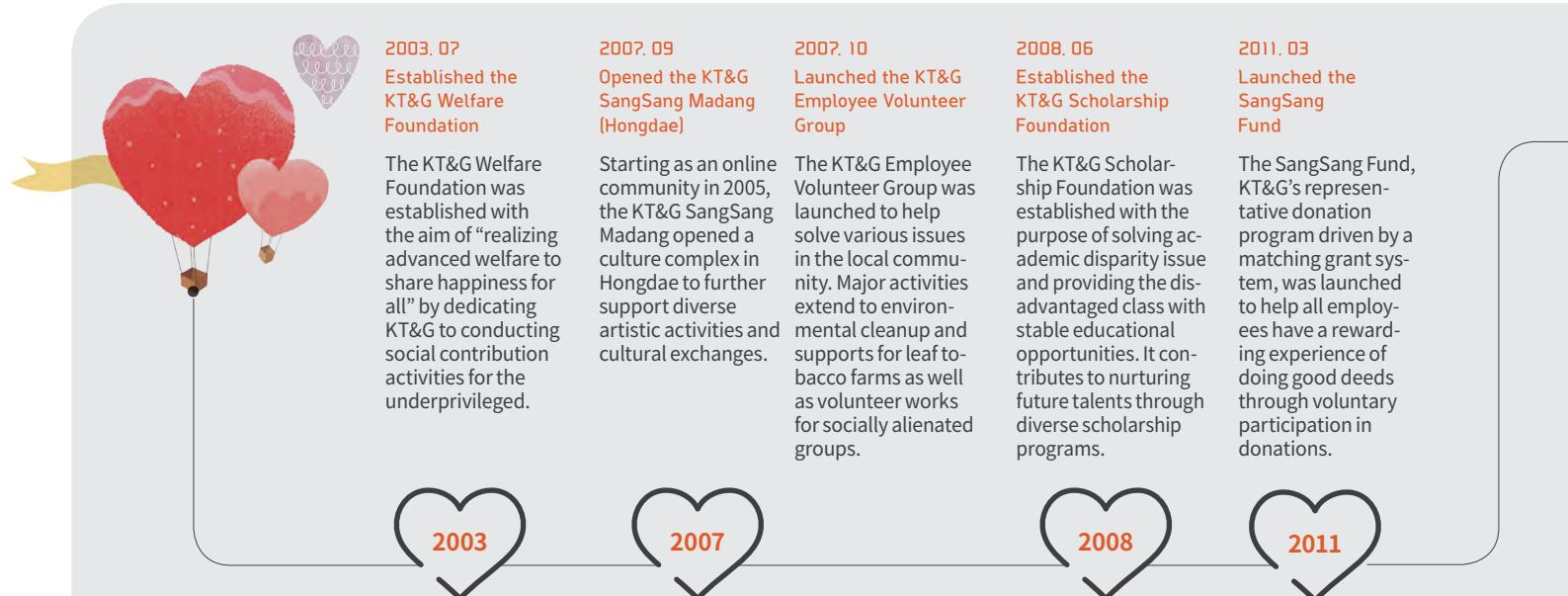


2.5%

Business Portfolio and Subsidiaries



Milestones in Social Contribution



Global Operation

	Export to more than 60 countries		Export 184 brands		Overseas sales 44.3 billion sticks		Production subsidiaries 7 in four countries		No. of local employees 2,900 persons
---	--	---	-----------------------------	---	--	---	---	---	--



2014	2015	2016	2017	2018
2014. 04 Opened the KT&G SangSang Madang (Chuncheon)	2015. 11 Won the Grand Prize in Recognition of Mecenat Activity	2016. 02 Enhanced the Social Contribution Organization	2017. 10 Launched the KT&G SangSang Start-up Camp Program	2018. 12 Won the Presidential Citation in the Law and Order Sector
Following the establishment of SangSang Madang in Hongdae and Nonsan, a nature-friendly cultural space "SangSang Madang (Chuncheon)" was opened in 2014. It provides local people with cultural healing experiences.	KT&G won the grand prize at the "2015 Mecenat Award" in recognition of supports for non-mainstream culture & arts and contribution to the expansion of cultural infrastructure through the integrated cultural space "SangSang Madang."	To ensure more active social contribution, KT&G launched the Social Contribution Department in 2007. Its status was upgraded to office level from existing department in 2016 in order to promote more professional social contribution activities.	In an effort to relieve youth unemployment and shift our CSR paradigm toward "social innovation by solving social problems," KT&G launched the "KT&G SangSang Start-up Camp," a program to support social innovation youth start-ups, after a year-long review.	KT&G won the Presidential Citation at the "2018 Law and Order Merit Award" in recognition of sponsoring public services including the CPTED (Crime Prevention through Environmental Design) program for the past two decades with the aim of helping build a safe society.

Framework of KT&G's Social Contribution

With the aim of shifting the paradigm of social contribution beyond simple support efforts, KT&G has been developing and operating new social contribution programs where we can exert our full expertise.

We are also proactive, not only in communicating and cooperating with various stakeholders to create more synergies in social contribution, but also in evaluating performances in social contribution activities to maximize efficiency.

Going forward, KT&G will make a concerted effort to offer opportunities and resources to needy people efficiently and eventually contribute to resolving societal problems.



Slogan
Imagine a Better Tomorrow

Core Values

Hope

We work towards providing more opportunities and resources for members of society in need to promote harmony and prosperity.



Mutual Growth

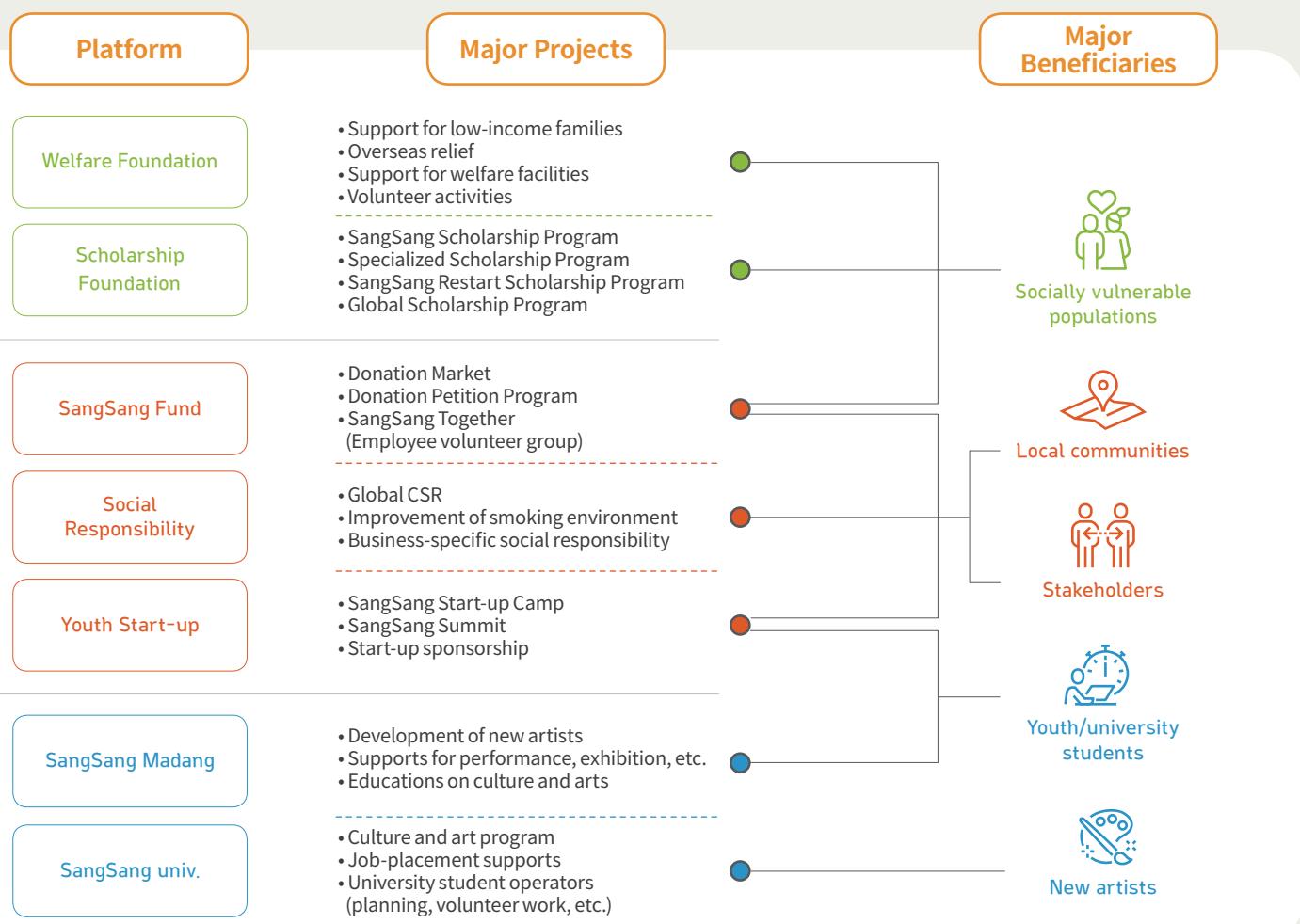
We conduct our business in a responsible manner in pursuit of mutual growth within our society.



Creativity

We support new artists and help college students develop skills to build a more creative and diverse cultural ecosystem.





2018 KT&G HIGHLIGHTS



Supported leaf tobacco farms for mutual growth

KT&G pursues co-prosperity with the domestic leaf tobacco farms by supporting their welfare promotion and economic independence.

In 2018, we spent KRW 400 million on medical checkup of 1,000 low-income and elderly leaf tobacco farmers and scholarships for 73 children of farm households.

For six years from 2013 to 2018, a total of KRW 1.65 billion has been delivered to around 4,700 beneficiaries for their medical checkup and scholarships.

On top of that, KT&G pays farms 30% of leaf tobacco sales in advance and dispatches its volunteer groups to provide helping hands to them who suffer from labor shortages.



Held the 12th "SangSang Marketing School" with the concept of resolving local issues

The "SangSang Marketing School," where participants can experience practical marketing activities and get coaching from experts celebrated its 12th session, in which a total of 1,130 university students participated.

They not only learned marketing theories and experienced brand launching processes but also exchanged views with professionals through diverse case studies.

Particularly, the 12th session, which was conducted in 12 regions across the nation, had a special meaning as some of the participants' ideas were used for resolving pending issues of local communities.

This commitment resulted in the winning of the Presidential Citation at the "2018 Law and Order Merit Reward" supervised by the Ministry of Justice on December 20, 2018.



Won the Presidential Citation for merits in establishing law and order from the Ministry of Justice

Over the past two decades, KT&G has invested around KRW 10 billion in projects aimed at establishing law and order. Those included the improvement of crime prevention and elimination of blind areas of law-related education. This program was done in cooperation with the Ministry of Justice.

Particularly in 2018, we promoted integrated support for emotional stability, startup, livelihood, and living environment improvement of at-risk youth to help them successfully integrate into society. KT&G also continued support for the CPTED by using the SangSang Fund, thereby contributing to keeping the community safe and reducing crime rate.

This commitment resulted in the winning of the Presidential Citation at the "2018 Law and Order Merit Reward" supervised by the Ministry of Justice on December 20, 2018.



Successfully completed the "SangSang Summit" and the 2nd "SangSang Start-up Camp"

The SangSang Summit, a specialist forum aimed at expanding the base of social innovation and sharing the fruits of KT&G's social venture cultivation project, was held in February 2018.

More than 400 persons participated in the forum and many professionals including Eun-ae Lee, head of Seoul Social Economy Support Center, and Jong-gul Kim, a professor of Hanyang University, were on the panel.

In April, we conducted the second session of Sang-Sang Start-up Camp which is well received as a venue for systematic start-up cultivation. A total of 39 participants arranged into 19 teams conducted professional programs for 14 weeks and created sales of KRW 370 million. The results received better reviews than the first Camp both quantitatively and qualitatively.



Proactively participated in solving global social issues

The 65-member volunteer team including “SangSang Volunteer” university students was sent to Indonesia in late July 2018. They conducted volunteer works for improving the living environment in Asri Village, Cikarang. Major activities included building a community service center and physical training facilities, offering educational services, and revamping outworn school facilities.

Moreover, KT&G donated KRW 100 million to help recovery works in Indonesia where a large number of casualties and serious property damage occurred due to the 7.5 magnitude earthquake and subsequent tsunami in Sulawesi region in late September 2018.

This was even more meaningful as the donations were made through the “SangSang Fund” raised by employees.



Supported the development of local communities for three consecutive years through the win-win growth fund

KT&G invested KRW 100 billion in the win-win growth fund in December 2015 with the aim of supporting the economic development of local communities.

This fund started from our commitment to shared growth with local communities and materialized through the collaboration with IBK.

Entire revenue from the win-win growth fund has been used for supporting SMEs (small and medium-sized enterprises) with excellent technological competence and growth potential in local areas.

In 2018 alone, 448 SMEs in local areas received financial support from the fund. Since December 2015, a total of 522 SMEs have been able to reduce loan interest worth KRW 7.2 billion on a cumulative basis.



Became the grand prize winner in the KCSE for three consecutive years

KT&G SangSang Madang won the grand prize in the complex culture space sector of the KCSE (Korea Customer Satisfaction Evaluation).

KT&G SangSang Madang was favorably received in that it had been proactive in supporting creative works of artists and providing the public with opportunities for diverse cultural experiences such as performance, film, and arts.

For example, the “Trees,” the award-winner in the band discovery sector in 2017, won the “2018 INDIE WEEK CANADA” and the “Woyzeck,” a troupe supported by the SangSang Madang, won the excellent award at the “2018 Seoul Future Theatre Festival.”

Moreover, the “For Vagina’s Sake,” an indie film that the SangSang Madang supported distribution, won the “Documentary of the Year” award at the “2018 Female Cineaste Award”.



Expanded the scope of activities of the Scholarship Foundation and Welfare Foundation

Approaching a decade of establishment, the KT&G Scholarship Foundation promoted the global scholarship project in 2018 with the aim of expanding its activities. A total of 48 Indonesian university students were the beneficiaries of this project.

The number of beneficiaries and amount of scholarships since the establishment in June 2008 reached 7,607 persons and KRW 25.2 billion on a cumulative basis, respectively.

The KT&G Welfare Foundation donated 100 subcompact cars to social welfare facilities across the nation in 2018. For 15 years from 2004 to 2018, a total of 1,500 units have been donated. The subcompact car with high mobility and economic feasibility has become a good helper to social workers.



Sowing the Seeds of “Hope”



KT&G, which has grown on the strength of trust and love from customers and society, is committed to fulfilling its role as a responsible corporate citizen to create a better tomorrow where all members of our society live in harmony. As part of that, we are striving to provide more opportunities and resources to people in need of social protection and inclusion to help them live in hope by establishing the Welfare Foundation and Scholarship Foundation Foundation.



The KT&G Welfare Foundation not only provides practical support to people in need but also helps social welfare institutions engage in welfare services. Moreover, the Foundation is proactive in conducting volunteer work at home and abroad by collaborating with volunteer clubs from 50 universities.

The KT&G Scholarship Foundation operates the SangSang Scholarship Program to help underprivileged middle/high school and university students continue their studies despite their hardships. The specialized scholarship program contributes to cultivating future talent in the fields of arts, music, and culture.

Efforts for the value of “Hope”



Welfare Foundation
KRW **12.1** billion

Scholarship Foundation
KRW **3.6** billion

Welfare Foundation



With the aim of disseminating the culture of sharing and realizing co-prosperity with society, the KT&G Welfare Foundation promotes various social welfare programs that support low-income children, senior citizens, welfare facilities, and overseas volunteer works.



Supports for Low-income Children in 2018

No. of beneficiaries	Support amount
25,110 persons	KRW 3.11 billion

Supports for Low-income Children

KT&G is proactive in helping low-income children grow into healthy members of society. The KT&G Welfare Foundation provides low-income children of local children's centers with diverse supports through eight welfare centers. Those include music and art education, book donation, and cultural experience and social development programs for their emotional cultivation. On top of that, we send fruit basket every month and donate school uniforms.



SangSang Dream Picnic



Facility improvement at children's centers

Improvement of the Environment of Local Children's Centers

In order to ensure that children using local children's centers can grow up in a better and healthier environment, the KT&G Welfare Foundation helps the centers, suffering from relatively low government support, improve their facilities and infrastructure.

In 2018, approximately KRW 400 million was invested in improving facilities of 58 local children's centers across the nation.



Improvement of the Environment of Local Children's Centers in 2018

No. of targets	Support amount
58 local children's centers	KRW 400 million

Car Donation to Social Welfare Institutions

The KT&G Welfare Foundation has donated 100 subcompact cars with high mobility and economic feasibility to social welfare institutions every year since 2004 in order to help those who often work in places with relatively poor road conditions. It has become a representative project of the KT&G Welfare Foundation.

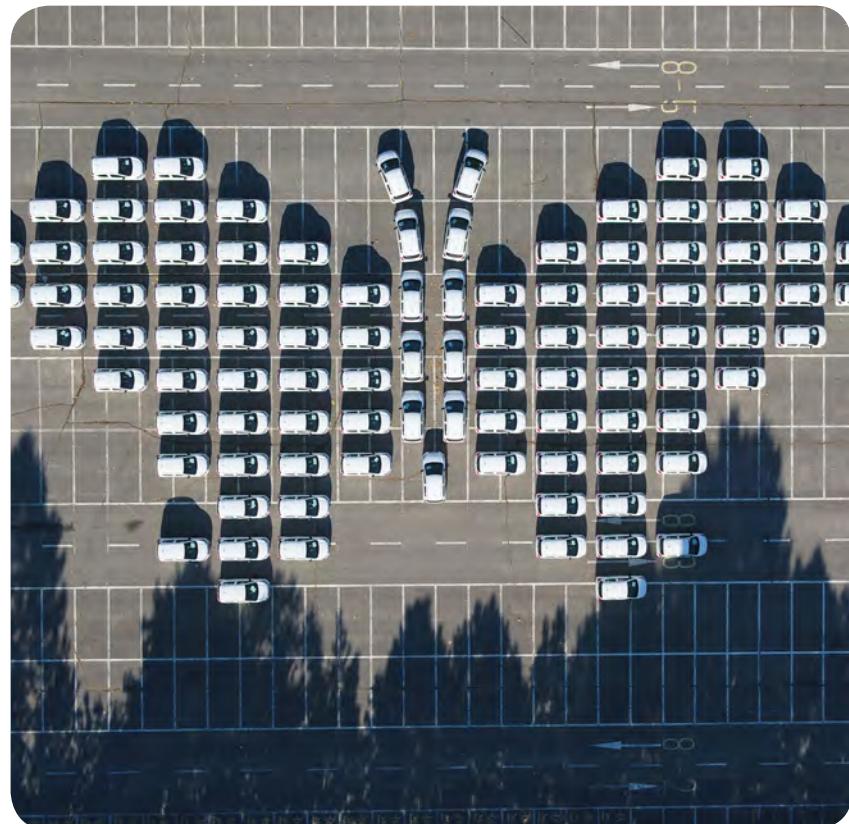
As of 2018, a total of 1,500 cars have been donated to social welfare centers nationwide, contributing to identifying low-income groups deprived of social welfare services and efficiently promoting welfare activities such as the delivery of lunch boxes.

▶ Car donation to welfare centers in 2018



Car Donation Results as of 2018 (cumulative)

No. of cars donated	Support amount
1,500 units	KRW 13.9 billion



Car donation to welfare centers

Overseas Volunteer Works

Volunteer works of the KT&G Welfare Foundation have been implemented even in foreign countries beyond Korea. In 2018, the Foundation built educational facilities in Myanmar and supported the operation of a forestry and agriculture center in Mongolia, thereby contributing to improving the quality of local people's lives. Moreover, university volunteer groups are sent to Cambodia, Myanmar, and Vietnam to improve educational and living environment in local areas.



Overseas Voluntary Medical Care Activities in 2018

No. of participants

120 persons (80 in Cambodia, 20 in Myanmar and Mongolia, respectively)

Support amount

KRW **1.08** billion

Volunteer works in Myanmar



Domestic Volunteer Works

The KT&G Welfare Foundation actively conducts volunteer works in alliance with volunteer clubs from 50 universities, striving to disseminate the culture of love sharing. Moreover, different age groups including senior citizens participate in our volunteer works. The Foundation's volunteer service center "& Ter," established in June 2004, helps them implement integrated and systematic volunteer works. Major activities include wall painting, ecological restoration of Bukhan Mt., and educational & mentoring services (career counseling for youth, educational supports in rural areas).



Domestic Volunteer Works in 2018

No. of volunteer clubs

50 clubs

No. of participants

1,050 persons



Ecosystem recovery volunteer work in Bukhan Mt.

INTERVIEW



Seo Seong-ae

Director, Junghwa Community Child Center

The Junghwa Community Child Center was established in October 2009. We first met the KT&G Welfare Foundation in 2010. The Foundation's sharing activities includes learning guidance, cultural experience, disinfection service ,and school uniform support. These have all been a great encouragement to children of the Child Center who face a lot of difficulties due to poor surroundings. We deeply appreciate the Foundation who has always been a reliable guardian to our children.

Ping-pong game for senior citizens



Kimchi sharing



Han Sang-heum
Participant in the 40th Session of Areumdri University Student Global Volunteer Group

Supports for the Socially Vulnerable Class

KT&G Welfare Foundation provides social welfare services to those who are in need of help to pursue the value of sharing and create a better tomorrow. In the aspect of welfare for senior citizens, we not only support their livelihood and welfare, but also conduct services for their psychological and emotional well-being. Those include events on national holiday, Parents' Day, and birthdays, participation in local festivals, literature award for senior citizens, ping-pong game, and so on.

Welfare programs for low-income families include donating Kimchi and heating expenses in winter season, improving their living environment, performing epidemic prevention, and supporting daily necessities. Other activities extend to developing and sponsoring disabled writers and supporting serious patients.



Welfare Services for Senior Citizens in 2018

No. of beneficiaries	Support amount
11,839 persons	KRW 830 million

Supports for Low-income Households in 2018

No. of beneficiaries	Support amount
36,851 households	KRW 2.58 billion



The KT&G Foundation's "Areumdri University Student Global Volunteer Group" gave me a chance to join the first global volunteer work. Despite difficulties in communication due to language, we became friends with local students in Myanmar very quickly thanks to their heartfelt reception. I believe our volunteer work helped them grow up with hope and dream of a better environment. I heartily thank the KT&G Welfare Foundation for giving me a valuable experience.

Scholarship Foundation



The KT&G Scholarship Foundation engages in diverse scholarship projects to provide adolescents of the disadvantaged with stable education opportunities, helping them grow into talented individuals.



SangSang Scholarship Programs in 2018

No. of beneficiaries

1,387 persons

Amount of scholarships

KRW **3.26** billion

SangSang Scholarship Programs

The SangSang scholarship selects children and youth of educationally alienated classes who display excellence in learning despite financial hardships. Beyond existing programs focused mainly on financial aid, our scholarship programs pursue supporting overall school activities including tuition, learning aids, and self-development from middle school to university. In 2018, SangSang scholarships were granted to 426 middle school, 897 high school, and 64 university students.

- Middle School Students: KRW 1 million per person annually for 3 years in school
- High School Students: KRW 3 million per person annually for 3 years in school
- University Students: Maximum KRW 4 million per academic year (2 semesters)



Specialized Scholarship Program in 2018

No. of beneficiaries

23 persons

Amount of scholarships

KRW **120** million

Culture & Arts Scholarship Program

The culture & arts scholarship program aims to develop and support talents in the fields of culture and arts. We select those who have special talent in those fields every year and grant scholarships for their participation in competitions or the taking of private lessons. The number of beneficiaries has been expanded to 23 in 2018 from 6 in 2016 and 14 in 2017. In 2018, Lim Yoon-chan, an applicant in 2017, ranked second in the junior sector and won the Chopin Award at the “2018 Cleveland International Juvenile Piano Competition,” one of the top three piano competitions in the U.S., distinguishing himself as a new artistic talent on the global stage.

INTERVIEW



Huh Jae-hee,

Sergeant, Welfare Policy Office of the
Korean National Police Agency

I first learned of the “SangSang Scholarship Program” from the KT&G Scholarship Foundation when I transferred to the Korean National Police Agency. The program was distinguished from existing ones focused merely on granting scholarships in the way that the KT&G Scholarship Foundation checks whether the scholarship is used for the beneficiary’s learning or not. I thought that’s the reliable scholarship program for beneficiaries. I hope the SangSang Scholarship Program will be expanded to encourage more students carry on toward their dreams.



SangSang Scholarship Camp for high school students



Granting scholarship to culture and arts students

SangSang Restart Scholarship Program

Since 2016, the KT&G Scholarship Foundation has been running the SangSang Restart Scholarship Program which supports youth under institutional protection to stand on their own feet. We select target beneficiaries in collaboration with the Korea Juvenile Protection Association and support their educational expenses, thereby helping at-risk youth overcome hardships and grow into healthy members of society. In 2018, a total of 56 persons received our support for college entrance, qualification exam and technical training.



SangSang Restart Scholarship Program in 2018

No. of beneficiaries	Amount of scholarships
56 persons	KRW 53 million

Global Scholarship Program

The KT&G Scholarship Foundation launched the global scholarship program to become more active in business in commemoration of its tenth anniversary. This program grants scholarships to excellent local students recommended by overseas universities and going forward, the scope will be expanded to developing internship and local community-related programs. In 2018, KRW 53 million was delivered to 48 Indonesian students.



Global Scholarship Program in 2018

No. of beneficiaries	Amount of scholarships
48 persons	KRW 53 million



Lee Se-bong
Secretary General, Korea Juvenile Protection Association

The SangSang RESTART Scholarship Program helps juveniles who come out of the detention center challenge the future without giving up their dreams and hope due to economic hardships. Support for school tuition and private academy fees and sharing of case studies on successful social settlements encourage them to become healthy members of our society. This program also contributes to the prevention of juvenile delinquency and helps decrease the re-offending rate. Thank you again for your great support.





Bearing the Fruit of “Mutual Growth”



Our social contribution pursues realizing the “ecosystem for sustainable society” where even the socially vulnerable groups can create happiness and a better tomorrow rather than simply donating money or engaging in volunteer works. To this end, we are working on fulfilling our social responsibility, supporting the challenging spirit and passion of youth, and sharing love through the SangSang Fund, thereby building a foundation where all members of our society can grow together.



KT&G realizes its business philosophy of “A Company That Shares with Customers” by actively supporting youth start-ups aimed at creating social value through solving social problems.

Moreover, the “SangSang Fund,” a donation program made by KT&G employees, and “SangSang Together,” KT&G’s employee volunteer corps, contribute to further activating and systemizing our social contribution activities.

As for social responsibility related to our business, we strive to create a culture where smokers and non-smokers can respect each other and promote co-prosperity with business partners including the domestic leaf tobacco farms.

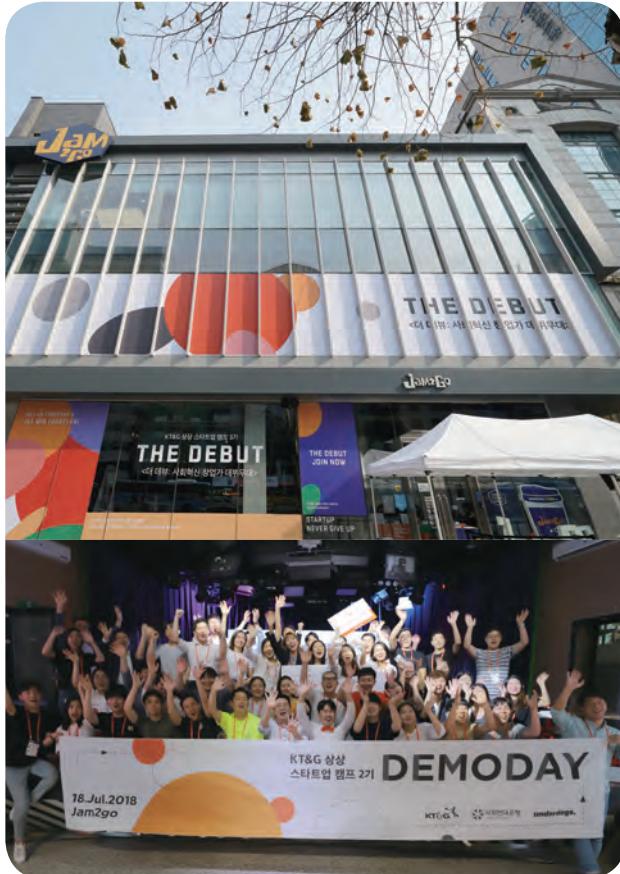
Efforts for the value of “Mutual Growth”

	Youth Start-up KRW 15.5 billion
	SangSang Fund KRW 3.8 billion
	Social Responsibility KRW 2.1 billion
	Donation, etc. KRW 7.1 billion

Youth Start-up



To help address the youth unemployment issue, KT&G is proactive in supporting youth start-ups. Specifically, the “KT&G SangSang Start-up Camp” focuses on developing and cultivating youth who dream of becoming founders of socially innovative businesses. We also hold a grand-scale forum named “SangSang Summit” to stimulate the public’s interest and participation in social innovation activities.



2nd KT&G SangSang Start-up Camp “The Debut”

KT&G SangSang Start-up Camp

The KT&G SangSang Start-up Camp provides an optimized start-up cultivation course to those who prepare socially innovative businesses. This program identifies innovative pre-founders and allows them to organize optimized teams through special solutions and then operates a 14-week training course with a professional curriculum based on the 7-step socially innovative start-up methodology. During the course, senior start-up operators offer tailored coaching services for each team to assist the launching of socially innovative start-ups and their rapid growth.

As of January 2019, a total of 55 socially innovative start-ups have been launched and sales of KRW 1.89 billion have been created through the SangSang Start-up Camp. Meanwhile, KT&G is building a platform for youth start-ups in the “Seongsu Social Venture Valley” located in Seongsu-dong, Seoul. Upon the completion in the first half of 2020, the platform will be used for activating the ecosystem for socially innovative start-ups.



2nd KT&G SangSang Start-up Camp in 2018

No. of participants

19 teams

Sales creation

KRW 370 million

INTERVIEW



Our team designs and sells riding equipment and accessories made of reflection materials. We were very happy to learn about details needed for realizing our ideas at the second KT&G SangSang Start-up Camp. Advice from senior start-up operators were of great service to our project execution. We are now focusing on expanding product lineup and distribution channels by participating in the social entrepreneur cultivation project. We will spare no effort for our business growth and sharing of social value.

Nodeul

Winning Team at the 2nd KT&G SangSang Start-up Camp



2018 KT&G SangSang Summit



KT&G SangSang Summit in 2018

No. of participants

393 persons

Major panel

Presidents of institutions **16**

▶ 2nd KT&G SangSang Start-up Camp in 2018

▶ 1st KT&G SangSang Summit in 2018

KT&G SangSang Summit

KT&G held the first “KT&G SangSang Summit” in February 2018 in a bid to seek ideas of developing an ecosystem for socially innovative start-ups and to share the performances.

A total of 393 persons participated in the KT&G SangSang Summit, including start-up support institutions, social enterprises, public organizations, private companies, pre-founders, and many professionals including Eun-ae Lee, head of Seoul Social Economy Support Center, and Jong-gul Kim, a professor of social economics at Hanyang University, who were on the panel. They had a heated discussion on the way to cultivate social ventures and innovative start-ups and reviewed the importance of support for social economies.

Meanwhile, approximately 70% of participants were in their 20s and 30s, which proved there is increasing interest in social ventures and innovative enterprises by our youth. KT&G will continue efforts for identifying and nurturing youth start-ups going forward.



Lee Young-seok
Head of Social Economy Team,
Social Solidarity Bank

The KT&G SangSang Start-up Camp has made remarkable accomplishments in identifying and cultivating rookie start-ups and rapidly growing them up in a short period of time. Moreover, the SangSang Summit contributes to expanding the base of social innovation by offering relevant information and inspiration to the public and pre-entrepreneurs. I appreciate KT&G pursuing co-prosperity with business partners and making a concerted effort for both social problem resolution and job creation.





KT&G has raised and operated the “SangSang Fund” since 2011 to help employees have a rewarding experience of doing good deeds through voluntary participation in donations instead of traditional company-driven donation. The “SangSang Fund” has become a donation culture representing KT&G on the strength of employees’ active participation and transparent operation.

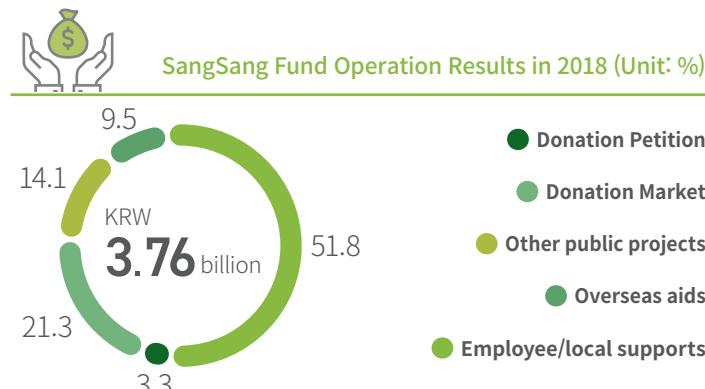


Briquette donation

Raising and Operating the “SangSang Fund”

The SangSang Fund is raised by employees’ voluntary donation of a portion of their salaries and the company’s 1:1 matching grant. It is used after the deliberation and resolution by the SangSang Fund Operation Committee which consists of 11 employee representatives, ensuring transparency in operation. The amount the fund raised and donated was KRW 3.8 billion in 2018 and has reached KRW 23.9 billion on a cumulative basis since 2011.

In 2018, the SangSang Fund was used not only for supporting the underprivileged who were alienated from the universal welfare system, but also for addressing social issues that need private-public cooperation through the resolution of the Committee. Other supports included donation for the recovery of earthquake damage in Indonesia and establishment of educational facilities in Laos.



INTerview



Han Ji-won
Social Worker, Busong Social Welfare Center

I was very impressed that KT&G employees share petitions and make donations through the intra-company Donation Petition Program. Choeun, a daughter of a family, who was helped by the program couldn’t get medical care due to economic difficulties even though she needed to undergo surgeries for gastrostomy tube and broken thumbs caused by congenital disease. However, she is now getting rehab treatment after successful surgeries thanks to donations from the SangSang Fund. I appreciate KT&G employees for delivering a message of hope to the underprivileged.

Donation Petition Program

KT&G has been establishing a new donation culture in which donors select items, places, and methods in terms of donation for themselves beyond just monetary contribution. A representative example is the “Donation Petition Program” launched in 2013 for the effective utilization of KT&G’s SangSang Fund. Process flow is as follows: when a proposal for donation is submitted through the KT&G intranet, petitions are made through comments. If the proposal gets over 200 recommending comments, donation through the SangSang Fund is determined after on-the-spot inspection. The Donation Petition Program is firmly entrenched as a culture unique to KT&G. A total of KRW 490 million has been donated through this program since its introduction.



Donation Petition Program in 2018

No. of petitions	Support amount
5 items	KRW 120 million

Donation Market

The Donation Market, introduced in 2015, is a participatory donation system in which our employees choose beneficiaries recommended by Naver’s social foundation “Happy Bean” and KT&G Welfare Foundation. We have donated KRW 2.5 billion to 454 requests for support by socially alienated classes and overseas relief programs.



Participation in Donation Market in 2018

No. of beneficiaries	Amount of donations
144 requests	KRW 830 million



Ha Hye-jeong
Assistant Manager,
ChildFund Korea

Suyeon’s family moved to a rural area after her father’s business failed. However, even their rural house was completely destroyed by fire. After hearing this unfortunate story, KT&G employees gave the family a helping hand through the Donation Market. Suyeon’s family was able to settle down in a new home and all members are making best efforts to regain their feet. I’d like to express my gratitude for the support from KT&G employees and the SangSang Fund.

Donation for the recovery of earthquake damage in Indonesia



제이리엔지 후원자님께

안녕하세요. 저희에게 인해 큰 어려움을 겪고 있을때 도움을 받은 후원자님에게 감사합니다.
제이리엔지 직원 여러분은 정말 약물 같은 시선이었어요.
사업 실패후 큰 부담지면서 시내를 돌아다니게 되자
5년도전에 저기우천으로 저의집은 저마다로 변하고 시부모고과
저희 가족은 생활상의 하나 전전긍정이 오늘때 없는 신세가 되었습니다.

마을 사람들의 도움으로 일시기초에서 저에게 되었지만 넉넉지 않은 보금자리를 찾을수 없어 그곳에 생활로 걸어갔습니다.
다행은 거울도 우리를 더 힘들게 했지만 그의 힘든건 우리 아버
시였습니다. 당시 베란다가 많이 지쳐되어 뒷마당에서 아파했습니다
있어도 치료를 받을수 없는 것처럼했습니다.

다행스럽게 축복으로 해피빈에 도움을 받으면서
제이리엔지 후원자님을 만나게되어 이렇게 후원까지
받게 되었네요.

감사합니다. 제이리엔지 후원자님 도움으로 저희 가족은
그동안에 시내에 작은 집으로 아파도 하게 되었고 서둘러
전민족으로 시작하게 되었습니다.
우리 서둘러가 이렇게 아파 합니다.
“엄마, 우리집 한잔실이 빠져 있어요. 이제 만족하세요.”

A beneficiary's letter of thanks to the Donation Market





The KT&G volunteer group promotes volunteer works for socially alienated people and local communities across the nation, thereby contributing to building a better world where all members of society live in harmony.



Volunteer work of Sintanjin Plant's employees

SangSang Together

The KT&G volunteer group “SangSang Together” was established in October 2007 with the aim of implementing sincere social contribution through involvement in solving local problems. A total of 157 volunteer teams from 20 institutions are in operation today. In 2018, 760 employees spent 12,153 hours on volunteer work.

Major activities of the volunteer group include food sharing through the “SangSang Fund Hope Truck,” house repair for low-income families, support for leaf tobacco procurement program, and so on. Excellent volunteers are awarded and provided with global CSR opportunities.



Activities of the SangSang Together in 2018

No. of participants

760 persons

Time spent on volunteer works

12,153 hours

INTERVIEW



Lee Chang-hoon
Member of KT&G SangSang
Together

Global volunteer activities in Mongolia will be a good memory for me throughout my life. Meeting with volunteers of other organizations, NGO staff, and local people was what I remember most. Despite different backgrounds and environments, we all performed volunteer work in harmony because of their warm heart, hopeful eyes, and laughter. I hope trees we planted will be of help to the local people and all participants will live a healthy and happy life.

Global CSR

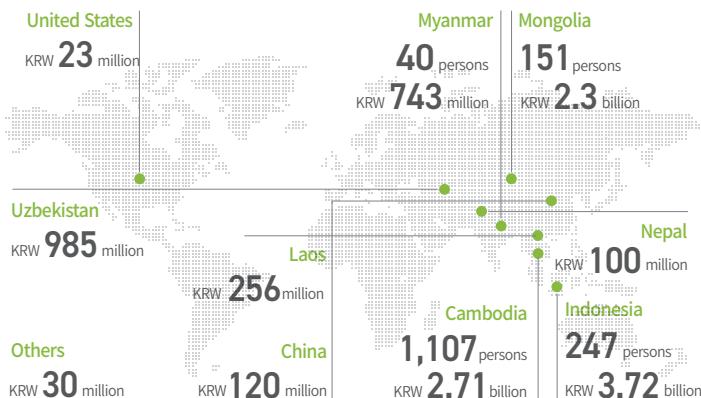


As a global corporate citizen, KT&G is actively conducting diverse CSR activities in the world, including supports for the underprivileged, training on Korean language, and exchange of culture & arts. We will continue to expand our global CSR activities to help solve local social issues.

SangSang Volunteer activities in Indonesia in 2018



SangSang Volunteer activities in Indonesia in 2018



Global CSR

KT&G is actively involved in addressing global social issues in line with the UN SDGs initiative to fulfill social responsibility as a global corporate citizen. Starting with the Habitat project called “Building the House of Hope” in Indonesia in 2015, we have engaged in improving living environment and building public health centers and physical training facilities for local poor villages through the use of volunteer groups every year.

In 2018, the SangSang Volunteer university students visited Asri Village in Cikarang, Indonesia, to build a community service center and physical training facilities, contributing to improving the quality of local people. Moreover, KT&G operated Korean language institutes and the SangSang univ. programs in Indonesia to provide local university students with opportunities for experiencing arts & culture.



SangSang univ. Program in Indonesia in 2018

No. of participants	Support amount
7,063 persons	KRW 570 million

Global CSR Results ('05~'18)

Volunteer Corps on Global Missions	Support amount
1,550 persons	KRW 10.99 billion

*Including activities of the KT&G Welfare Foundation



Kim Hyung-ki
Participant in the Korea-Indonesia SangSang Volunteer

As a member of the KT&G SangSang Volunteer, I engaged in community service conducted in Cikarang, Indonesia. We not only had a meaningful time for value sharing with local people but also built athletic facilities for them. It was hard at first, but I was very proud when the facilities were completed. This volunteer work gave me a good chance to share more values and have a retentive memory of Indonesia where I want to realize my dreams in the future.



Social Responsibility



KT&G is working on improving smoking environment to establish an advanced smoking culture and pursuing co-prosperity with leaf tobacco farms. Going forward, we will spare no effort to create more values and a better future together with stakeholders.



Volunteer work for leaf tobacco farms

Supports for Leaf Tobacco Farms

KT&G provides both financial support and volunteer services to leaf tobacco farmers who are our primary business partners. The KT&G's Volunteer Group, made up of its employees, helps farmers during the transplanting season in March and harvesting season between July and August. These seasons are when farmers need a lot of helping hands. Moreover, KRW 400 million was donated to the farms in 2018. It was spent on medical checkup expenses for 1,000 low-income elderly farmers as well as scholarships for 73 students. From 2013 to 2018, a total of KRW 1.65 billion has been donated and the number of beneficiaries has reached around 4,760 individuals.

▶ [Volunteer work for leaf tobacco farms in 2018](#)



Supports for Leaf Tobacco Farms in 2018

No. of beneficiaries	Support amount
1,073 persons	KRW 400 million

Flexible Payment System for Suppliers

To ensure fair trade and co-prosperity with suppliers, KT&G makes whole payment for raw materials in cash within the fifth business day of the following month. Also, payment is made in advance before national holidays and the end of year. Moreover, we purchase entire leaf tobacco produced from the domestic farms to support stability in their lives.



INTERVIEW



Kim Sam-rye
A Leaf Tobacco Farmer in
Younggwang-gun

I have been engaging in farming leaf tobacco for 40 years. It's not easy to have time for visiting the hospital as we work on farming. Therefore, I had never dreamed of receiving regular medical checkups. KT&G gave me a chance to have medical checkups and I was diagnosed with stomach cancer. Fortunately, it was detected in an early stage and completely cured. I'm now focusing on producing high-quality leaf tobacco. I appreciate KT&G for helping me enjoy a healthy life.

▶ [Supporting medical checkup and scholarship to leaf tobacco farms](#)



Improvement of smoking environment

Improvement of Smoking Environment

As a public responsibility program related to our business, KT&G has been striving to build a culture of mutual respect between smokers and non-smokers. Specifically, we have focused on improving smoking room environment in public facilities. As of 2018, KT&G has installed approximately 246 smoking rooms in public facilities such as airport and railroad station nationwide. Other activities include printing pictograms of proper smoking etiquette on cigarette cases, carrying out youth smoking prevention campaigns, and distributing educational materials for youth smoking prevention programs.



Smoking Room Installation (as of 2018)

No. of smoking rooms installed

246 places

Investment amount

KRW **4.46** billion

Operation of the Mutual Growth Fund

In 2015, KT&G signed a business agreement on supporting SMEs with IBK (Industrial Bank of Korea) and invested KRW 100 billion in the Mutual Growth Loan Fund of IBK. The fund has been used for financial aid to SMEs in Daejeon and Chungcheong-do at low interest rates. As a result, by the end of 2018, a total of 522 SMEs in those regions were able to reduce interest costs of around KRW 7.2 billion. KT&G will continue to pursue co-prosperity with local communities going forward.



Mutual Growth Loan Fund (as of 2018, cumulative)

No. of beneficiaries

522 companies

Interest cost reduction

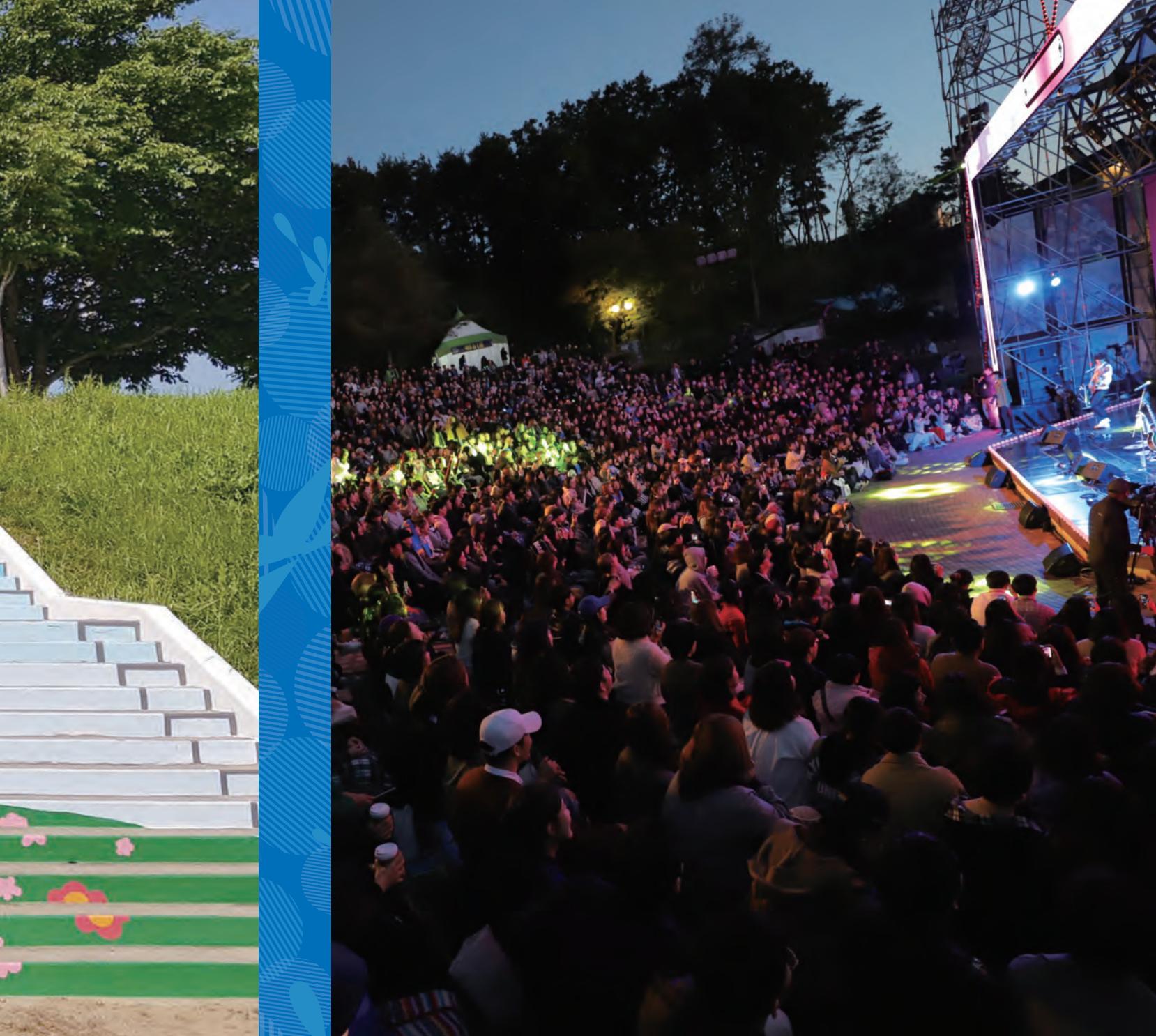
KRW **7.2** billion



Cultivating Trees with “Creativity”



KT&G provides creative musicians and artists with open cultural spaces “SangSang Madang” where they can demonstrate their imagination and faculty to realize their dreams. Moreover, our programs for university students help them shape a new future and identify potential through diverse experiences and exchanges.



KT&G unsparingly supports culture and arts so that they can be enjoyed by everybody in life, and not by only special persons. The SangSang Madang provides creators with opportunities to realize their imaginations and the public with an environment where they can easily access new ideas and fresh culture and arts. It is also a space where both creators and enjoyers can exchange and communicate with each other to realize the imagination of today as a reality.

The SangSang univ., launched in 2010, has become the No.1 university students' community in Korea that encompasses the areas of culture & arts, job-placement, and volunteer work, supporting their passion and challenges.

Efforts for the value of “Creativity”



SangSang Madang KRW **17.5** billion

SangSang univ. KRW **5.2** billion

SangSang Madang



The SangSang Madang, operated as part of KT&G's Mecenat activities, is Korea's representative culture and art complex. More than 1.8 million people visit annually, and diverse performances, exhibitions, festivals, experiences, and cultural and art education programs are operated.



Great Short Film Festival

Supports for Movie Screening and Distribution

The SangSang Madang operates a theater dedicated to displaying the domestic and overseas low-budget independent and art films and introducing films of various genres that are relatively less exposed to the public by holding the "Great Short Film Festival." Moreover, to help vitalize the Korean indie film industry, the SangSang Madang selects two or three indie films and supports their distribution, marketing, and guest visits every year. These films had little chance to be seen despite outstanding artistic value and popular appeal. In 2018, we supported two indie films "For Vagina's Sake" and "A Long Farewell" which attracted a total of 13,916 visitors. Meanwhile, the CINE LAB, a space to provide the highest digital film technologies and share relevant information, contributes to enhancing the quality and completeness of indie and art films.



Short Film Production and Distribution (as of 2018, cumulative)

No. of short films distributed

28 films

Sales revenue

KRW 2.05 billion

INTERVIEW



Kim Bo-ram
Director of the Indie Film
"For Vagina's Sake"

A lot of people said, "Is it possible?" when I prepared this film. However, the film attracted more than 10 thousand visitors to 40 first-run theaters across the nation including SangSang Madang in January 18, 2018. The film distribution team of KT&G SangSang Madang made a concerted effort to attract as many visitors as possible despite a documentary with an unfamiliar theme. It's not common for an indie film to be screened at theaters for four months. It was attributable to the team members who strived to inform people of the film. I was very lucky to launch my first movie together with the team of KT&G SangSang Madang.



KT&G SangSang Madang Hongdae



KT&G SangSang Madang Nonsan



KT&G SangSang Madang Chuncheon

Performances That Help Communication between the Public and Creators

The SangSang Madang operates diverse platforms where musicians can meet the public more frequently and closely. Those include the Band Discovery program for promising new musicians, planned music performances for different generations, operation of the live hall, which help artists create more contents and widen their range of activities. The SangSang Madang has produced a lot of new indie bands and contributed to the development of local cultural performances by integrating its platforms and musicians' potential.



2018 KT&G SangSang Madang Stage Challenge – “Wangbok Seogan”



Lee Young-ik
Participant in the 1st Exhibition
for Disabled Writers

SangSang Realization Festival

KT&G offers unconventional cultural experiences to the public by holding the “SangSang Realization Festival” every year. The seventh festival in 2018 was held in the KT&G SangSang Madang (Chuncheon) in October under the theme of “March of Youth: For Our Happy Days.” Visitors enjoyed diverse culture and arts programs titled “SangSang ART” and “SangSang PLAY” as well as performances of famous artists such as “Jang Ki-ha and The Faces” and “Gugkasten” as well as new bands.



I participated in the “Over the Rainbow” exhibition in the summer of 2018. Receiving a proposal on exhibition from SangSang Madang, I couldn’t believe my ears. It was a good opportunity for me to display my works in the SangSang Madang despite being a team event. Particularly, the word “Rainbow” of the title contains a meaning that even disabled writers can showcase works expressing their own worlds. Like the theme of exhibition, I hope all disabled writers will fly up into the sky across the rainbow.

SangSang Madang Academy, a Space for Learning and Communication

Sharing pleasure and value through culture and arts activities is one of the greatest blessings to human. The SangSang Madang Academy, which was opened in September 2007 with the aim of providing more people with culture and art experiences, has been committed to disseminating educations on creative activities by segmenting and integrating diverse culture and arts genres. At the SangSang Madang Academy, a variety of classes are operating to give opportunities for better understanding of culture and art to the public and motivation for creative activities to artists. The SangSang Madang Academy always supports imagination and pursues cultural diversity.



SangSang Madang Academy Operation in 2018

No. of lectures	No. of attendees
152 times	1,884 persons



Bologna Picture Book Workshop

INTERVIEW



Choi Min-ji
Illustrator, participant in the
Bologna Picture Book Workshop

Q. How did you contact the Bologna Picture Book Workshop and felt about receiving the award?

A. I love picture books, so I have made my own test books. For better works, I participated in the program. A lot of instructors answered my frequent questions very kindly. It was great. It would be impossible if I joined programs held by other organizations. They gave me diverse opinions on my project, which was of great service to me. It was also positive that participants were able to perform their works by helping each other. These processes served as a great energy to me with little experience.

Quentin Blake's Sweet Factory exhibition in 2018



Final competitor of the 2018 KT&G SKOPF

- ▶ 20C Masters Series - Norman Parkinson
- ▶ 2018 KT&G SKOPF – Photographer of the Year

Q. What was your impression on the program and memorable episode?

A. I was really excited about my work displayed in the Bologna exhibition hall. And foreign visitors were able to easily find my work as there was an independent booth. When someone was reading my book, I used to check his/her face from a short distance. It was very interesting. At first, I wasn't sure if I would do well because my Photoshop and design program skill was poor. However, the training course helped me have sufficient skill necessary for showcasing my work at the Bologna Picture Book Workshop. Working together with other participants, not alone, was a great encouragement to me.

Exhibition Programs for Culture-Sharing Opportunities

The KT&G SangSang Madang has held the exhibition named “20C Masters Series” to introduce overseas artists to Korean people, offering them opportunities for experiencing different cultures. Starting with the “Robert Doisneau, the Moments He Loved” in 2014, we have held the “Raymond Savignac, Charlie Chaplin on Canvas” in 2015, “Jean Jacques Sempe, Paris to New York” in 2016, “Jacques Henri Lartigue, La Belle France” in 2017. In 2018, the “Quentin Blake, Sweet Factory” exhibition was held in Hongdae, Chuncheon, and Busan for over 320 days, in which more than 44 thousand citizens visited.

KT&G SKOPF

The KT&G SKOPF started in 2008 and has become one of KT&G’s most representative programs for supporting young photographers in Korea. Each year, the SKOPF receives portfolios from applicants in the form of a contest and selects winners after a screening process. They are provided with professional mentoring services, exhibition opportunities, and support for publication and marketing. Lee, Jae-wook, an award-winning photographer in 2017, successfully joined the Goyang Creative Studio of National Museum of Contemporary Art in 2018 and has been full of vitality. The award-winning photographer in 2018 was Kim, Seung-koo who submitted Bamseom (an islet in the Han River in Seoul)-themed photos.



KT&G SKOPF Program (as of 2018, cumulative)

No. of photographers we support	Support amount
39 persons	KRW 1.09 billion



Octopus Bathhouse
(part of Choi Min-ji's picture book)



The SangSang univ., a university student's community that helps self-growth by providing opportunities for diverse experiences and exchanges, is one of the unequaled and differentiated CSR programs unique to KT&G.



2018 KT&G SangSang Marketing Camp



Representative Programs



Vivid lecture and job experience programs offered by marketing specialists



Diagnosis and prescription for career development by instructors



Mentoring program for job-seeking activities and motivation for working

University Students' Community

The SangSang univ. provides university students with chances of finding and expressing themselves and sharing values with each other through learning, experience, exchange, and communication. Major programs are as follows: "Class" where they can have various experiences in culture, arts, life, and career; "Activity" for participating in performance, exhibition, volunteer work, special lecture, and travel; and "SangSang Casting" aimed at contributing to the development of local communities through their creative ideas in collaboration with local governments and organizations.

▶ Introduction of KT&G SangSang univ.



University Student Board



University student groups who plan and operate diverse programs of the SangSang univ.



University volunteer groups who plan and execute volunteer works jointly with the SangSang univ.



University press corps who cover SangSang univ. and major university issues



Romantic Voyage

Hanyang University Team,
Participants in the 2018 SangSang Fashion Runway

We felt the difference between school and business field. At university, it was no problem to make up for insufficiency throughout project process. Meanwhile, during the collaboration project with sewing masters, we learned that the most important thing is to make thorough preparation with professionalism in advance. During the project, we were all united toward a goal and passionately committed to works. Getting the chance once again, we will create better results based on accumulated experiences.



2018 SangSang Fashion Runway

Contribution to the Development of Local Communities in Association with Local Organizations

The SangSang univ. provides university students across the nation with spaces where they can realize imagination. It holds diverse contests in collaboration with local governments and organizations in 14 regions including Seoul Metropolitan Government, Seoul Design Foundation, Urban Regeneration Center Busan, and Gyeonggi Tourism Organization to support exchanges and growth of university students who have common interests. The ideas identified through the contests contribute to the development of local communities. The main contest is "SangSang Fashion Runway," a culture and art program for urban regeneration co-sponsored by Seoul Metropolitan Government and SangSang univ. It was designed to build a platform for urban regeneration projects by connecting university students who dream of becoming models and designers with sewing masters in Changsin-dong and Sungin-dong, Jongno-gu, Seoul. At the second SangSang Fashion Runway in 2018, 13 teams advanced to the finals after audition and design examination. They showed off their potential in the fashion sector in association with sewing masters.



Lee Soo-jin

Officer in charge of urban regeneration,
Seoul Metropolitan Government

The SangSang Fashion Runway was prepared to increase the value of local communities and promote sustainable urban regeneration by the collaboration between sewing masters in Changsin-dong and Sungin-dong and university students. Particularly, it focused on helping them acquire business experience and better understanding of sewing industry. I felt great about their satisfaction on this project and changes in the perception of sewing masters. This project presented a successful model of urban regeneration driven by public-private-academic-industrial cooperation. I hope more valuable urban regeneration business model will be promoted.



Other Projects for University Students

상상캐스팅

Contest program that helps exchanges and growth of university students who have common interests in association with local governments and organizations

상상Lab

A laboratory where university students can realize what they want to experience



We dream of a better tomorrow together with KT&G



Your wide and active supports for culture and arts in the long-term perspective will work as a driving force for future talents who will lead the global artistic circles beyond Korea.

I always support KT&G's activities.

- A staff of the Korea Mecenat Association -



Whenever I get feedbacks on gratitude from beneficiaries of the Donation Market program, I feel glorious and happy as a working staff dedicated to linking the program with welfare facilities. I

hope more people will be happy through the Donation Market program.

- A staff of the Happy Bean -



KT&G's social contribution embraces the value of sustainability and demonstrates respect and consideration for partner institutions. I always support KT&G's authentic CSR activities.

- Secretary General of the bbb Korea -



APPENDIX

(Unit: KRW in billions)

Classification		2016	2017	2018
Hope	Welfare Foundation	11.8	11.6	12.1
	Scholarship Foundation	23.5	3.6	3.6
	Subtotal	35.3	15.2	15.7
Mutual Growth	Youth Start-up	-	1.3	15.5
	SangSang Fund	4.1	4.1	3.8
	Social Responsibility	2.2	2.6	2.1
	Donation/Sponsorship, etc.	10.6	9.4	7.1
Creativity	Subtotal	16.9	17.4	28.5
	SangSang Madang	15.4	75.7	17.5
	SangSang univ.	5.2	5.6	5.2
Total	Subtotal	20.6	81.3	22.7
		72.8	113.9	66.9



KT&G CSR Network

KT&G | ktng.com | +82-80-931-0399

SangSang Madang | sangsangmadang.com | +82-2-3404-4589

Welfare Foundation | ktngwelfare.org | +82-2-563-4459

Scholarship Foundation | scholarship.ktngtogether.com
| +82-2-3404-4558

Contact | KT&G CSR Office

Address | 19F KT&G Tower, Yeongdong-daero 416,
Gangnam-gu, Seoul, Postcode 06176

Tel | +82-2-3404-4586

Fax | +82-2-3404-4579

E-mail | csr@ktng.com



2018 KT&G Social Contribution Report



This report is printed in soy ink and on
FSC®-certified paper.

