

KT&G  
S-REPORT 2021

# IMAGINE A BETTER TOMORROW

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## Interactive PDF User Guide

The KT&G 2021 integrated report was published as an interactive PDF with functions such as navigation to related pages and shortcuts to related web pages.

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## Disclaimer

KT&G analyzed the results of creating value of social contribution activities in 2021 by applying the “True Value” methodology of KPMG, a global value measurement model, to carry out more systematic social contribution activities. The results are presented in this report as ‘Our Social Impact’ data, provided for reference to stakeholders and not the basis for investment decisions.

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# Letter to Stakeholders



*KT&G is creating social values in various fields based on the social contribution promotion system of 'Hope', 'Creativity', and 'Shared Growth'.*

KT&G is committed to social contribution activities with the goal to deliver its philosophy as a 'Together Company'. We work with all stakeholders to build a sustainable society.

COVID-19 pandemic and challenges around climate crisis have made ESG management as prerequisite for sustainability management. This suggests that businesses should go beyond creating profits and be an integral part of creating value that can solve social problems. Aware of such, KT&G carries out various initiatives and activities to fulfill its social responsibilities.

We engages in carbon neutrality activities including forestation at both home and abroad for environmental protection, marine ecosystem protection for biodiversity and various CSR programs related to our value chain. All of these come along with activities for social contribution activities, shared growth with stakeholders in the supply chain, human rights and HR diversity in the Company.

We pledge our sustained efforts towards building stronger compliance and committing to ethics management policies aimed at mitigating business risks and advancing corporate governance.

In particular, KT&G has implemented well-designed social contribution activities via various platforms under the value system of 'Hope, Creativity and Shared Growth' until 2021. Our employees help the



marginalized class through KT&G Welfare Foundation and Scholarship Foundation so as to share 'Hope' with all members of the society. We operate five SangSang Madang and SangSang Univ., which is a community of university students, aimed at promoting 'Creative Imagination' for artists and local communities by supporting diverse cultural ecosystem. Lastly, we create a society of 'Shared Growth' with stakeholders from all sides through global / environmental CSR, SangSang Fund raised by executives and employees and SangSang Planet designed to help start-ups by young men and women.

In alignment with social and environmental issues, KT&G will adopt 'People, Community, Planet' model as the new value system for driving a more flexible and effective social contribution activities that benefits recipients the most. We ask for your support and attention to the efforts that KT&G will make to create genuine social values founded on the value system for mid-to-long-term social contribution activities.

Various social issues and COVID-19 pandemic pushed the world to the state of rapid changes. Yet, KT&G was able to preserve its value as the 'Together Company' for a long period of time driven by the support from all stakeholders. As much as our commitment to what we have done so far in building a better society as described in the Sustainability Report, KT&G will keep imagining and realizing those imaginations for the benefit of society at large.

KT&G's Director of Sustainability Management HQ &  
Vice President / **Lee Sang Hak**

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# KT&G AT A GLANCE

## Corporate Profile

Under the corporate philosophy “Exemplary,” “Progressive,” and “Inclusive,” KT&G imagines together with customers and strives to realize a better life. Growing into a leading global company through changes and innovations, KT&G is creating social values and expanding sustainability activities, including corporate environmental responsibility. In addition, we are generating results in various business areas such as health functional food business, biopharmaceutical business, real estate business, including next-generation tobacco business, which will be the engine of future growth.

Company name	Establishment	CEO	Headquarters	Employees
KT&G Corporation	April 1, 1987	Baek, Bok-in	71, Beotkkot-gil, Daedeok-gu, Daejeon, Republic of Korea	4,311 persons (as of Dec. 31, 2021, including contract-based employees)

## Milestones

1883~1980	1987~2002	2003~Present			
<b>Beginning of Korean Tobacco History</b>	<b>Development and Advancement through Innovation</b>	<b>Giant Global Company</b>			
<b>1883</b> • Founded the Sunhwaguk <b>1965~</b> • Completed major manufacturing plants in Korea <b>1975</b> <b>1987</b> • Founded the Korea Monopoly Corporation	<b>1989</b> • Founded the Korea Tobacco & Ginseng Corp. <b>1999</b> • Listed on the Korea Stock Exchange • Separation of Red Ginseng Business (establishment of the KGC) <b>2002</b> • Changed the corporation name from Korea Tobacco & Ginseng Corp. to KT&G Corp.	<b>2003</b> • Established the KT&G Welfare Foundation <b>2005</b> • Won the Presidential Award for the Best Company in Vocational Competency Development <b>2006</b> • Selected as the best company in corporate governance by the Korea Corporate Governance Improvement Support Center (three consecutive years) <b>2007</b> • Won the excellent award at the Korea IR Competition hosted by the Korea Investor Relations Service (three consecutive years) <b>2008</b> • Established the KT&G Scholarship Foundation • Established a local subsidiary in Russia and Iran • Won the grand prize at the Korea IR Competition hosted by the Korea Investor Relations Service • Awarded the 400 million dollar export tower	<b>2010</b> • Included in the DJSI World 2011 <b>2011</b> • Acquired Trisakti (an Indonesian tobacco company) • Selected as the best company in corporate governance in 2011 <b>2012</b> • Received A Level in the ESG evaluation by the KCSG (Korea Corporate Governance Service) <b>2013</b> • Developed low ignition point tobacco • Selected as a No. 1 company in the tobacco category of the National Customer Satisfaction Index (NCSI) <b>2014</b> • Won the Minister Prize of Trade, Industry and Energy at the 36th Energy Saving Competition <b>2015</b> • Won the Presidential Prize at the 2015 Mecenat Award • Won the grand prize in the Korean HRD training facility sector	<b>2016</b> • Won the Grand Prize at the 2016 Korea HRD Award • Certified as a ‘leisure-friendly company’ by the Ministry of Culture, Sports and Tourism and selected as ‘Excellent Institution for Culture and Arts Sponsorship’ <b>2017</b> • Launched heat-not-burn products “lil” and “Fiit” • Selected as an excellent company in gender equality in employment by the Ministry of Employment and Labor • Awarded the 400 million dollar export tower • Won the Grand Prize at the 2016 Korea HRD Award (two consecutive years) <b>2018</b> • Launched “lil HYBRID” • Won A+ (the highest) Level in the ESG evaluation by the KCGS • Won the Prime Minister Prize as a family-friendly company by the Ministry of Gender Equality and Family • Won the Presidential Prize for contributing to law and order by the Ministry of Justice	<b>2019</b> • Won the Grand Prize for corporate governance by the KCGS • Won the Minister of National Defense Award at the ‘Korea Volunteer Grand Prize’ by the Korea United Nations Volunteer Corps • Minister of Employment and Labor’s commendation for ‘person of merit in fostering social enterprises’ <b>2020</b> • Formed a partnership with PMI (Philip Morris International) • Korea Intellectual Property Association ‘Intellectual Property Management Company of the Year’ Commendation from the Commissioner of the Korean Intellectual Property Office <b>2021</b> • Established a local subsidiary in Taiwan • Won the AA rating in MSCI (Morgan Stanley Capital International) • Won the Presidential Citation for Social Economy Promotion Merit <b>2022</b> • Awarded the Korea Brand Hall of Fame (for four consecutive years in the category of cigarette-type e-cigarette) • Patriots and Veterans Month External Merit Award Appreciation Plaque

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# SOCIAL CONTRIBUTION KEY MILESTONES

KT&G carries out well-designed social contribution activities to drive sustainable development of businesses and society and create shared value with a long-term perspective.



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# 2021 HIGHLIGHTS



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## Awarded Presidential Award for Merit in Social Economy



On Jul. 2nd KT&G won the Presidential Award at the '2021 Government Award for Merit in Social Economy' organized by the Ministry of Strategy & Finance. The Award was designed to honor individuals who identified successful business models in social economy and contributed to realizing social values. KT&G enjoyed the honor in the category of social values in recognition of sponsoring youth start-ups and supporting the marginalized.

KT&G opened SangSang Start-up Camp in 2017 to identify and foster social entrepreneurs who seek to solve social and environmental issues through business by creating jobs for vulnerable classes. In Jul. 2020, we opened 'KT&G SangSang Planet' in social venture valley in Seongsu-dong, Sungdong-gu to bring energy into youth start-up ecosystem. We also opened youth start-up center in SangSang Madang Busan to help grow young entrepreneurs in the region. Going forward, KT&G will continue to create social values by supporting social venture and solving unemployment issues.

2

## Eco-friendly CSR to address environmental challenges



As a global company, KT&G is committed to various social contribution activities with the goal to create a better environment, which has become a global agenda. We launched a pilot program installing 147 cigarette butt collection boxes in six regions including in metropolitan cities to solve issues around illegal dumping of cigarette butts, which was widened to across the nation from 2022.

In South Gyeongsang province, we kicked off Sseudam Sseudam Campaign for raising consumer awareness and carried out activities to clean up the coastal areas and the underwater. In parallel, we are leading multiple activities to cut carbon emissions and ease climate crisis. Forestation on 2.5ha of land in Mongolia and Korea and supply of 1,300 eco-friendly water purifiers to let Tanzanians have access to clean drinking and consume less fossil fuels with roughly 10 million Won in budget are just a few examples.

Other than this, we are exerting various efforts to renew employees' awareness on environmental issues. 「2021 Feel Green Campaign」 engaging employees and activities to encourage use of non-disposables and upcycled products have elevated awareness on what it means to be green. Voluntary participation in 'plogging' by 1,900 KT&G employees not only changed awareness on environmental issues but also contributed to protecting the environment in the local community.

As always, KT&G will keep enhancing eco-friendly CSR in both depth and breadth.



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## Grand Opening of SangSang Madang Busan for Culture and Art Ecosystem in Busan



In Dec., 'SangSang Madang Busan', a culture complex in Seomyeon, Busan, made its grand opening of the entire space. SangSang Madang Busan is KT&G's fifth culture complex we opened last September to bolster our support for culture and art ecosystem and create more opportunities to enjoy pop culture. At the grand opening, movie theaters, restaurants, roof top and other facilities located in 8th ~ 13th floors were newly introduced on top of performance hall, cafeteria, youth start-up support space that had already been unveiled. Cultural performance, exhibitions by artists and special lectures were provided for the citizens, self-employed and the local community as part of the rich program lineup. SangSang Madang Busan will keep up this momentum and come up with new culture and art programs to sponsor artists from all fields and serve as the hub of communication with young men and women in Busan.



3

## Sharing of Contribution by SangSang Planet in Solving Youth Unemployment on 1st Anniversary

Sharing of Contribution by SangSang Planet in Solving Youth Unemployment on 1st Anniversary  
KT&G SangSang Planet, which opened up in social venture valley in Seongsu-dong, Seoul, with the goal to sponsor young entrepreneurs and help create jobs for the youth marked its first anniversary in Jul. 2021. In celebration, SangSang Planet arranged colorful programs to look back on its achievements in the past one year and share success stories of social innovation entrepreneurs. 'SangSang Planet', which is exclusively for youth start-ups to grow and communicate with each other, eases financial burden on rookie entrepreneurs by setting rent at half the market average price. It also supports entrepreneurs in other forms such as offering networking program for businesses, which is needed for growth, and a wide variety of training programs on marketing, legal, etc. On this foundation, its occupancy ratio exceeded 90% in less than one year and 19 tenants expanded their hiring to drive business expansion, an indication of how 'SangSang Planet' has landed itself as a successful youth start-up platform and a model driving virtuous cycle in the start-up ecosystem.





## 5 Commitment to COVID-19 Contingency Plan as Part of Corporate Responsibility



### Commitment to COVID-19 Contingency Plan as Part of Corporate Responsibility

KT&G's COVID-19 contingency plan, which we established after the onset of the pandemic, continued to fight against the persisting virus and solve social issues arising from it. Our activities are based on support plan in three stages – physical assistance, customized assistance and psychological assistance.

In physical assistance, we distributed cool kit to medical practitioners and offered preemptive support to those at most direct risk. To this end, we cut rent in owned building spaces.

In customized assistance, we helped find jobs for artists and provided online training support to ensure that vulnerable classes with no exception are provided with the right assistance to respond to COVID-19. In addition to this, we donated medical oxygen concentrators worth KRW200 million and 15,000 face masks to Indonesia, which is our major foreign business partner, to fulfill our responsibility as a global corporate citizen. KT&G employees also jumped on the bandwagon as they joined 'Campaign to Help Flowering Farmhouse' to support flowering farmhouses hit hard by the spread of COVID-19 and 'Family(食購) Campaign' designed to buy food ingredients to help shops in conventional street markets. This is part of the psychological assistance to boost morale of the self-employed and lift up the spirits.

KT&G's efforts to help communities overcome the pandemic and get back to their normal lives will continue.

## 6

### '10100' on the Occasion of 10th Anniversary of KT&G's Signature Employee Fundraising 'SangSang Fund'



'10100' on the Occasion of 10th Anniversary of KT&G's Signature Employee Fundraising 'SangSang Fund' KT&G SangSang Fund is a signature fund voluntarily raised by executives and employees since Mar. 2011. To commemorate its 10th anniversary, KT&G held an exhibition to look back on its path over the decade. The Company also provided opportunities for nationwide performance tour and exhibitions to artists through a public contest with the goal to support young artists adversely affected by COVID-19. Performances and exhibitions were a great source of comfort to the hearts and minds of executives, employees and audience fatigued by the pandemic. Donation from the Company, executives and employees is the source of SangSang Fund based on 1:1 matching grant, which is executed transparently upon deliberation and decision-making by SangSang Fund Operational Committee composed of 11 employee delegates. 'Donation Market' whereby recipients are selected based on stories clicked by executives and employees, 'Donation Petition' of stories searched by executives and employees, 'Autonomous Share for Sustainability Management HQ' to support local communities in remote areas and 'Share for SangSang Fund Operational Committee' are where funds are channeled to ensure that executives and employees find the Fund meaningful. Thanks to engagement by executives and employees, a total of KRW4 billion is raised a year with cumulative raising of KRW36 billion. We will continuously strive to dedicate ourselves in genuine social contribution programs and leave a positive footprint in the local communities.



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### 'SangSang Univ Local Project' in 13 Regions



SangSang Univ launched 'local project' with university students in 13 regions nationwide as part of the efforts to revitalize culture and art with local communities. In Seoul, we opened fashion runway with master sewers in Changsin-dong, which is the center of Korea's sewing and dressmaking industry, and university students aspiring to become fashion designers and models. In Busan, we hosted 'Shoes Festival' to take advantage of Busan's past glory as the shoemaking hub. In South Cheolla province, KT&G held 'Uni-Broadway' to open venue for university students to perform in musicals based on original scenarios and collaboration with local theater companies. In North Cheolla province, we arranged 'SangSang Short Movie Production Project' where local university students enjoyed opportunities for moviemaking from filming to editing and movie premier. These are just a few number of 13 local projects that we launched across the nation.

SangSang Univ will keep launching local projects nationwide to expose university students to various experiences. At the same time, we believe these initiatives will go a long way in breathing life into culture and art in local communities.

8

### Volunteer Activities for Leaf Tobacco Harvesting for 14 Years



Since 2007, KT&G has voluntarily reached out for help to leaf tobacco farmhouses aimed at sharing production knowhow of high-quality leaf tobacco and make up for labor shortage. In Aug. 2021, executives and employees from Raw Material HQ and Gimcheon Plant helped farmhouses in Dunpo-myeon, Asan harvest 5,700kg of leaf tobacco on 16,000m<sup>2</sup> of farmland.

In December, we signed an agreement with Large Companies/SME/Agricultural and Fishery Cooperation Foundation' and contributed KRW20 billion in Agricultural and Fishery Win-Win Fund to sustain our win-win activities for local farmhouses and enjoy shared growth.



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# RESPONSE ACTIVITIES TO COVID-19

## COVID-19 Contingency Plans



### STEP 1. Physical Assistance

#### Emergency supplies and support through fundraising, goods and rental discount

#### Emergency supplies for medical staff

In July 2021, KT&G sponsored KRW300 million in SangSang Fund to medical practitioners working hard to ease spread of COVID-19 in the hot summer via National Disaster Relief Association. The fund was used to distribute cooling kit to medical practitioners who had to wear protective clothing against the virus in the midst of the heat wave.

#### Cut rental burden to tenants in KT&G buildings

KT&G is part of the 'Good Leaseholder Campaign' to help minimize economic shock COVID-19 sustained on the self-employed. By giving a discount in the fixed rental to tenants at KT&G's 12 building spaces who are either self-employed or run a small business, we contributed roughly KRW310 million.



### Social Impact from Response Activities to COVID-19

KRW **16.8** billion



To walk the talk of being a 'Together Company', which is the Company's business philosophy, we have been putting in place a contingency plan to solve major social issues. To solve social issues in a more effective manner in the midst of COVID-19 variant, which made matters more challenging, KT&G established COVID-19 contingency represented by phased support system in 2019. Our efforts to find solutions to various social issues including COVID-19 will continue going forward.

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## STEP 2. Customized Support

### Intensive support program customized to classes vulnerable to disaster

#### Job Creation Initiatives for Artists

On the occasion of the 10th anniversary of SangSang Fund, KT&G sponsored around KRW300 million to help young artists marred by COVID-19 to demonstrate their talents. Specifically, we gave 10 teams each in exhibition, performance and busking categories an opportunity to exhibit six times and perform nine times at SangSang Madang and SangSang Planet. Culture and art programs offered great opportunities to not only encourage artists but also everyone in local communities depressed by COVID-19.

#### Emergency Support to Remove COVID-19 Blind Spots

KT&G collaborated with Ministry of Justice and other related organizations to support quarantine supplies and ensure nobody is left behind in the relief efforts. We supplied 150,000 face masks worth KRW63 million to Korea Correctional Service and self-test kits worth KRW60 million to juvenile protection institutions under the Ministry of Justice.

#### Support for the Vulnerable Groups\_Welfare Foundation

KT&G Welfare Foundation engaged in sharing as in other years in 2021 with focus on customizing support to classes weakened and affected by the spread of COVID-19. We donated agricultural goods and red ginseng worth roughly KRW2.15 billion to build health immunity of the vulnerable group, which included both low income class and local farmhouses.

#### Scholarship and Online Learning Tools\_Scholarship Foundation

In 2021, KT&G Scholarship Foundation provided a total of KRW400 million or KRW1 million each to 400 children of the self-employed and the jobless whose livelihood deteriorated as a result of COVID-19. As COVID-19 made online class a norm, the Foundation also delivered tablet PCs to 400 students from grade 1 to grade 6 registered in local children's centers and social welfare institutes nationwide to ensure there is no blind spot when it comes to education and launched digital literacy education, which 20 university students joined voluntarily as mentors.

#### Overseas Relief Activities

COVID-19 variant was not just limited to Korea but was a global health issue. To fulfill its social responsibilities as a global company and join in the efforts to overcome health crisis, KT&G sent medical oxygen concentrators and 15,000 face masks worth KRW200 million to Indonesia and Russia, which are our major overseas partner countries. Supplies have been delivered to local hospitals to treat COVID-19 patients in serious conditions. Other than quarantine support, we also engaged in the initiatives to aid livelihood, education and other areas that have been hurt by the pandemic. In Mar. 2021, we opened Vocational Training Center focusing on sewing and dressmaking in UKCW University located in Malang, Indonesia to support the vulnerable groups to stand on their own feet in Indonesia, which is one of the Company's key partner countries. Each training session is joined by 30 trainees and three sessions have been completed as of 2021. The Center teaches dressmaking skills and others to support financial independence of trainees and they have indeed made significant progress by either finding a job or manufacturing clothes on their own.



## STEP 3. Psychological Assistance

### Support to Revitalize the Spirits Depressed or Disengaged by COVID-19

#### Relay Campaign to Help Flowering Farmhouses

To support flowering farmhouses affected by the spread of COVID-19 KT&G launched 「Relay Campaign to Help Flowering Farmhouses」, which continues to this date. In Feb. 2021, we started a flower delivery program to children of employees newly entering elementary, middle and high schools and also to employees soon to give birth throughout the year. This not only boosted sales of flowering farmhouses but also represented a good employee welfare. In May every year, which is the Family Month, we send flowers and letters to employees' families on the same token to support flowering farmhouses. In 2021, activities to help those farmhouses amounted to roughly KRW40 million thereby cheering both families of executives and employees and flowering farmhouses challenged by COVID-19.

#### Family(食購) Campaign Together with Executives and Employees

KT&G started 「Family(食購) Campaign」 in 2020 to support local farmhouses affected by COVID-19 and restore the depressed local economy. 'Family' in the Campaign represents 'eating' and 'buying' together as family. As part of the Campaign, KT&G bought lunchboxes from the self-employed from conventional street markets and served them as lunch meal to executives and employees. 3,000 executives and employees joined the Campaign until 2021 on cumulative basis. In addition to this, we promote and sell local specialties purchased from 46 farmhouses that we partnered with in 11 regions nationwide to KT&G executives and employees. By doing so, we aim to be a comfort and relief to the self-employed who are going through difficult times due to the pandemic.



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# SOCIAL CONTRIBUTION FRAMEWORK

KT&G executes CSR strategies, which we have established to put our business philosophy as a 'Together Company' into action. We earmark 2% of annual sales revenue into social contribution activities, which is one of the highest ratio in Korea. We plan and run a good variety of social contribution programs based on commitment to a platform embedded with our core competencies under the value of Hope · Creativity · Shared Growth. In 2022, we plan to introduce a new CSR value system aligned with the changing environment by shifting from the existing platform-based value system around Hope · Creativity · Shared Growth to beneficiary-based value system around PEOPLE-COMMUNITY-PLANET. Under the new value system, we aspire to broaden our support base all the way to the global level and set our activity scope targeting different beneficiary groups with greater flexibility and freedom. By taking initiatives in addressing social issues and making sure that fair opportunities are efficiently distributed to all members of society particularly those in greater need, KT&G promises to create a better tomorrow for all.



Values in Pursuit	Platform	Key Initiatives	Main Beneficiaries
<b>Hope</b>  We strive to distribute greater opportunities and resources to members of society in greater need, thereby create a future of harmony for everyone.	Welfare Foundation  Scholarship Foundation	• Support to low-income class • Overseas relief • Support to welfare centers • Volunteering activities	Vulnerable social group  Vulnerable social group
<b>Shared Growth</b>  We operate business responsibly for a better tomorrow where we work and grow together with the communities.	SangSang Planet  SangSang Fund  Social Responsibility	• SangSang Planet • Social venture growth support program • Donation petition • Donation market • SangSang Summit • Program to enhance exchanges of social venture • Employee volunteering group • Other public services	Local community, stakeholders, youth/ university students Vulnerable social group, Local community, stakeholders
<b>Creativity</b>  We help new artists and university students develop and flourish their capabilities, thereby contribute to building a more creative and diverse cultural ecosystem.	SangSang Madang  Sang Sang Univ.	• Global CSR • Smoking environment improvement • Support to leaf tobacco farms • Environment CSR • Culture and art program • Employment support program • Support to leaf tobacco farms • Support to performances/ exhibitions • University students' executives • Environment CSR	Local community, stakeholders Local community, New artists Youth/university students

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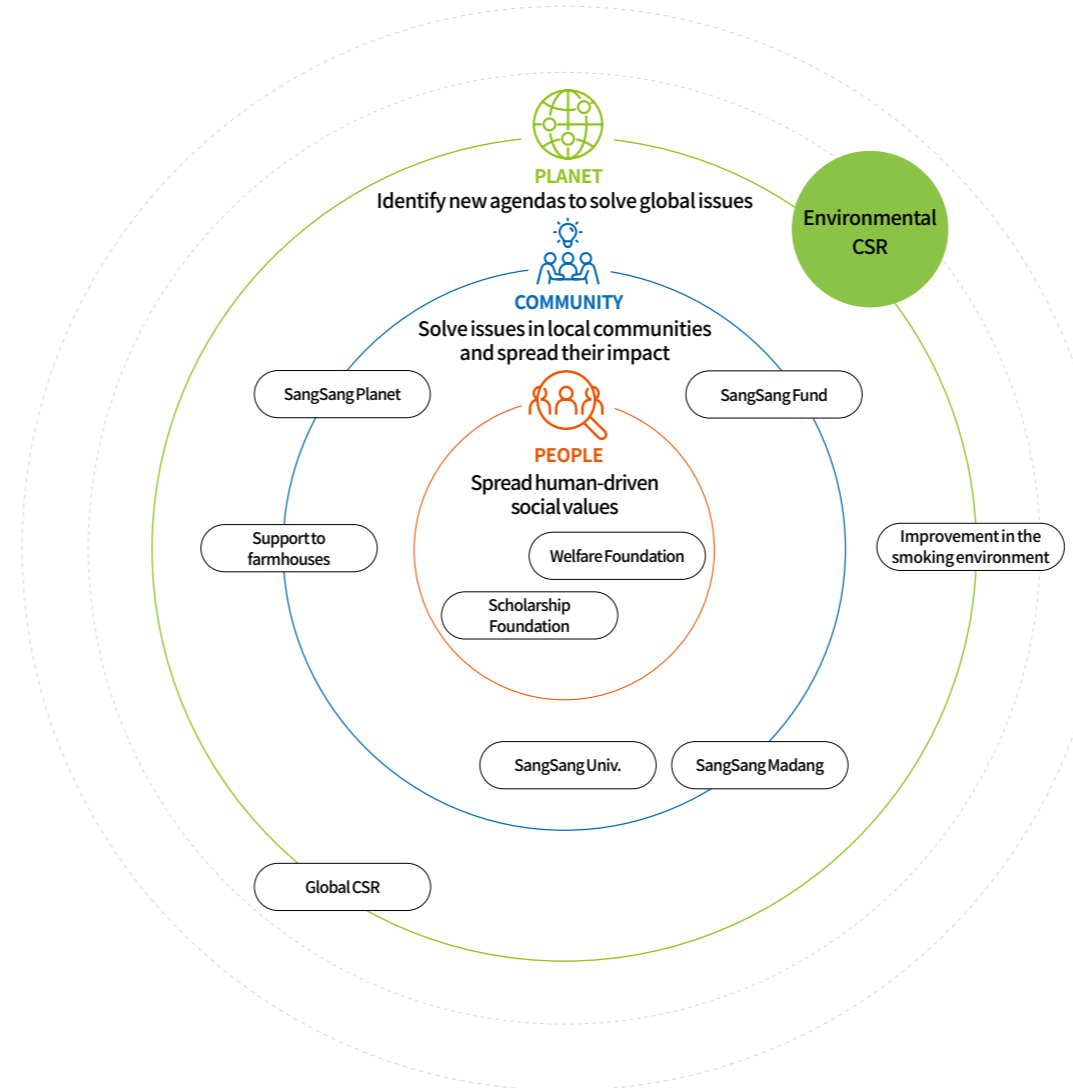
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## 2022 New Social Contribution Framework : People-Community-Planet

KT&G has been running a wide variety of CSR(Corporate Social Responsibility) programs under the core values of Hope-Creativity-Shared Growth. Led by the dedicated organization, KT&G, which is acutely aware of the Company's sustainability management, upgraded the framework with the aspirations to further facilitate the programs under the new beneficiary-based value system represented by P-C-P(People-Community-Planet). 'PEOPLE', aimed at transforming an individual's growth into a driver to innovate and change society and businesses, 'COMMUNITY' embracing the efforts to solve issues in local communities and driving shared growth and 'PLANET' aimed at exploring innovative solutions with keen interest in global issues are the governing values for KT&G's CSR. The 2021 S-Report presented names of each CSR program under the new value system to identify classification of each program and icon of the new P-C-P model. Based on the new CSR platform, KT&G will continue its commitment to various social contribution activities for a brighter future.



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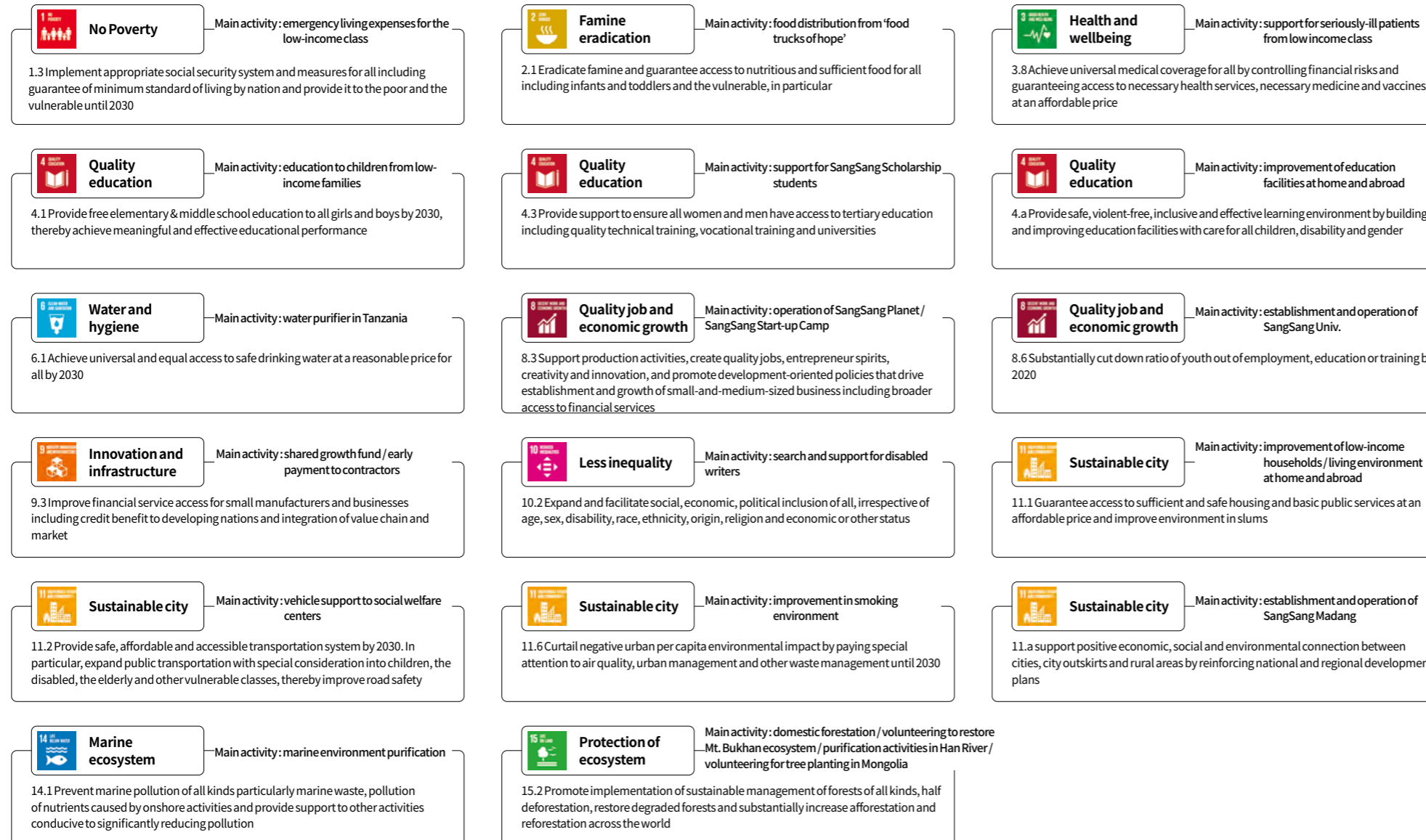
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## UN SDGs IMPLEMENTATION

As a global corporate citizen, KT&G seeks to engage in various activities to contribute to achieving SDGs(Sustainable Development Goals) resolved by the United Nations. Armed with our own resources and capabilities, we commit ourselves to genuine activities conducive to achieving SDGs, thereby solve global issues around environmental pollution, human rights and inequality, thereby drive sustainable development of the world.



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## Seeds Sowed with 'Hope'

KT&G operates social welfare and scholarship programs to help deliver 'hope' to the socially disadvantaged. KT&G Welfare Foundation established in 2003 supports the socially disadvantaged class to find economic and psychological security. It also donates compact vehicles and engages in other support programs for social welfare centers to ensure social welfare programs can last. KT&G Scholarship Foundation, which was founded in 2008, contributes to alleviating inequalities in education opportunities by applying Total-Care System across courses from middle schools to universities. Scholarship programs are targeted with greater diversity from culture and art to teenagers in crisis to ensure benefits of such programs can reach out to as many as possible.

### OUR SOCIAL IMPACT

Welfare Foundation KRW 34.0 billion

Scholarship Foundation KRW 5.3 billion

Total KRW 39.3 billion

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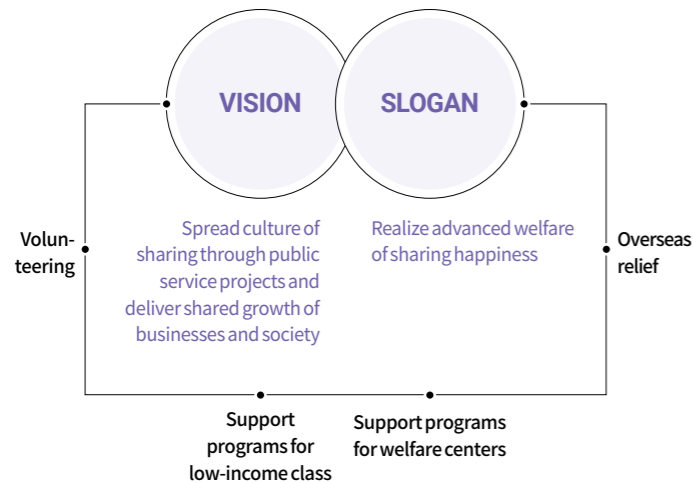
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# 01 Welfare Foundation

KT&G Welfare Foundation engages in highly effective activities in all aspects to realize 'advanced welfare of sharing happiness' by spreading 'culture of sharing', which is the Foundation's goal. The Foundation provides direct economic support to the low-income class including children, the elderly and the disabled who are in need of care from the community and contributes to expanding infrastructure of sharing by sponsoring compact vehicles to welfare centers, etc. Furthermore, the Foundation runs emotional support programs like music and art education to improve quality of life and runs overseas relief programs to deliver its responsibility as a global corporate citizen, which are just a few of many other welfare programs the Foundation is leading to ensure everyone's happiness.

## Overview of Welfare Foundation



## Support for children from low-income families

KT&G Welfare Foundation supports online music and art courses in 452 children centers nationwide for children from low-income households with the goal to provide both emotional security and stronger emotional intelligence to the children. For children's health and better nutritional balance, the Foundation also supplies food including fruits every month and books to improve children's learning capabilities. In 2021, cultural experience programs affiliated with SangSang Madang prior to COVID-19 have switched to online programs to prevent the pandemic and they are continuing to this day.

## Support for the Vulnerable social group

KT&G Foundation provided eco-friendly agricultural food package including rice and grains to 25,000 low-income households whose livelihood has been affected by COVID-19. Along with this economic support, the Foundation also organized cultural experience programs for single-parent households for exposure to various cultural experiences and helped the disabled writers with their art works as well as exhibitions. The Foundation implements various support programs as such to help the Vulnerable social group live their lives without losing hope.

## Vehicle support for social welfare centers

KT&G Foundation started a program to provide vehicles to social welfare centers in 2004 to ensure sustainable implementation and spread of welfare programs. By doing so, this program, which is the Foundation's signature program, contributed to building local welfare infrastructure. In 2021, the Foundation provided 150 vehicles from the annual average of 100 in previous years, considering domestic social welfare conditions challenged by COVID-19 and helped secure the vulnerable class' right to mobility. As of 2021, a total of 1,950 vehicles have been provided to welfare centers on a cumulative basis serving as transportation means of all social welfare centers nationwide and contributing to welfare activities in local communities.

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### Promotion of University Students' Volunteering Activities

KT&G Foundation has signed agreements with volunteering clubs in 50 universities with the goal to engage more university students to volunteering activities. In 2021, the Foundation volunteered for wall painting in Yangwon Elementary School and Shinmyung Elementary School in Seoul with 80 volunteering university students. This not only offered psychological security to elementary school students and local residents in the communities but also gave a great opportunity for students majoring in art to share their talents.

In addition to this, 20 university student volunteers plant indigenous species and remove foreign noxious plants in Mt. Bukhan, which is a national park, as part of the efforts towards environmental protection.



### Global Dream Kit Supply Initiative

In the face of prolonging COVID-19, KT&G Welfare Foundation provides dream kit to children in foreign countries in need for education and quarantine.

The Foundation shared education kits related to art, science and Korean culture to 1,200 students in three elementary schools in Siem Reap, Cambodia, thereby offering various education opportunities. This was accompanied by distributing face masks and hand sanitizers to help fight COVID-19.

### Major Achievements in 2021

#### Support for children from low-income households



**11,166** students  
Number of recipients

**4.52** KRW billion  
Support amount

#### Support to low-income households (quarantine, heating expenses, etc.)



**28,965** beneficiaries  
Number of recipients

**4.48** KRW billion  
Support amount

#### Vehicle support to social welfare centers(cumulative)



**1,950** vehicles  
Number of vehicles supported

**18.5** KRW billion  
Support amount

#### Global dream kit supply project



**140** KRW billion  
Support amount

#### Domestic university students' volunteering activities



**50**  
Affiliated volunteering clubs

**461**  
volunteers  
Number of participants

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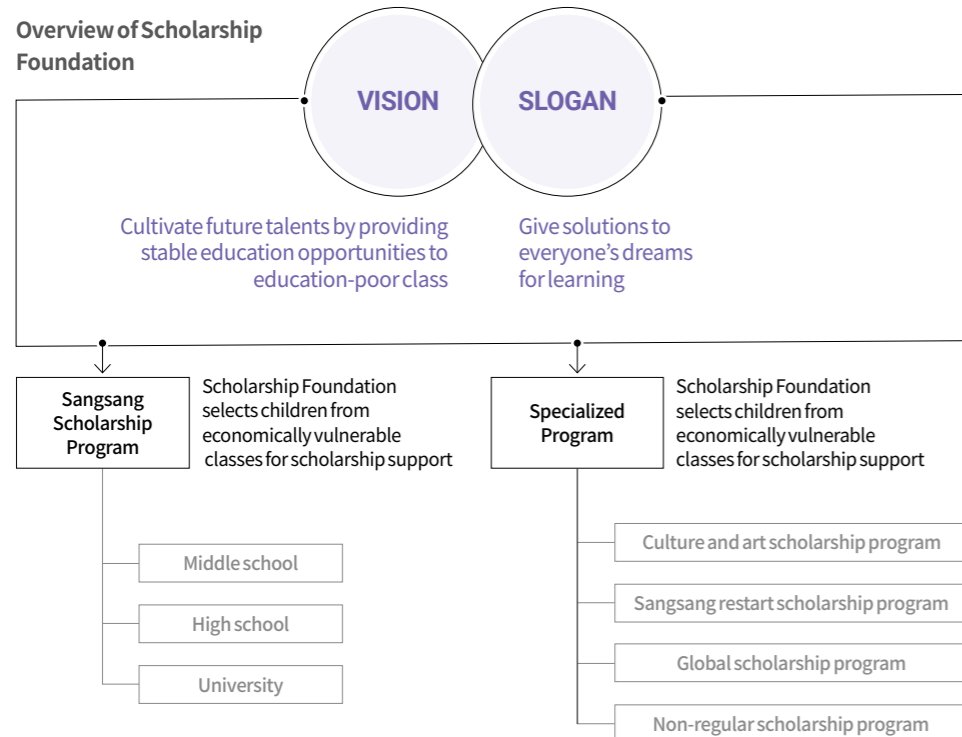
## 02 Scholarship Foundation



KT&G Scholarship Foundation provides scholarship programs in various areas to make sure everyone's dreams for learning can come true. Sangsang Scholarship, which is the basic scholarship, shares learning opportunities by offering scholarship to middle, high school and university students from low-income households. At the same time, efforts are made to make sure students aspiring to pursue their studies in art and culture, Korean students studying overseas and teenagers released from juvenile detention centers are given opportunities for learning from the Foundation's specialized scholarship program.

All these represent KT&G Scholarship's desire to help talents dream their dream regardless of the environment they are in and stay hopeful.

### Overview of Scholarship Foundation

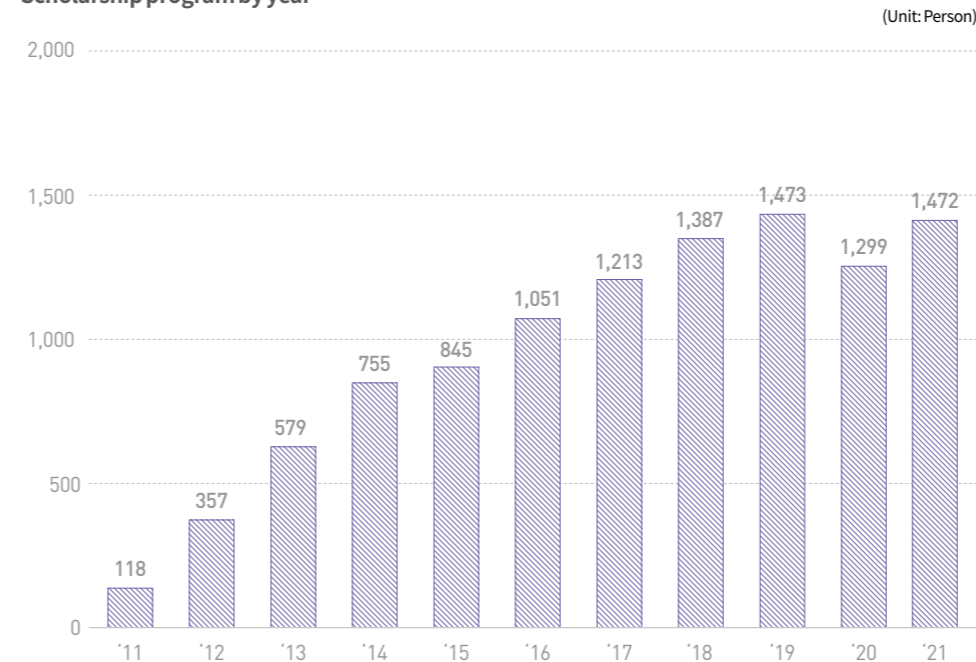


### Sangsang Scholarship Project

KT&G Scholarship Foundation selects and supports scholarship students every year from the underprivileged class who are not financially well-off but demonstrate outstanding academic competency. The pool of students enjoy their scholarship status unless disqualified from middle and high school to university based on total-care method. Every year, the Foundation supports KRW1 million, KRW2 million and KRW3 million to each middle, high school and university student.



### Number of recipients of Sangsang Scholarship program by year



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## Specialized Scholarship Program

### On demand Scholarship Program

In addition to the regular Sangsang Scholarship program, KT&G Scholarship Foundation has On demand scholarship programs to aid the education poor caused by social issues. In 2021, the Foundation offered KRW200 million or KRW1 million each to 200 university students from the self-employed parents whose lives were affected by the spread of COVID-19 in 2021. The Foundation raised another KRW200 million to support academic pursuit of children from families who lost their lives due to COVID-19. A total of 100 university students were selected for this cause and were offered KRW2 million each. All these programs represent the Foundation's endeavor to strengthen customized support to the self-employed families and those who lost their jobs as a result of the pandemic, thus making sure there is no blind spot in education.



### Restart Scholarship Program

In 2016, KT&G Scholarship Foundation launched 'Restart Scholarship' project aimed at supporting social independence of youth living in childcare centers. In collaboration with Korea Juvenile Protection Association (KJPA), a public institution under the Ministry of Justice, the Foundation selects recipients eligible for educational expense support to help them stand on their feet with strength. In 2021, we aided university admissions, general equivalency diploma and technical training to 78 juveniles from childcare centers.



### Culture & Art Scholarship Program

KT&G Scholarship Foundation's culture & art scholarship is aimed at supporting talents and culture and art. Dance talents who have been identified and selected by the Foundation are supported to participate in competitions, lesson fee to help further sharpen their capabilities. In 2021, the Foundation supported ballet master class lectured by professional ballet dancers and choreographers and showcases for the selected scholarship students as an opportunity to help their growth into competent culture talents.



### Online Scholarship Program

Aimed at creating a stable online education environment and close the gap in digital education, KT&G Scholarship Foundation launched 2021 scholarship program to support online education, which distributed IT learning tools and provided digital literacy education to students from elementary schools. The Foundation distributed tablet PCs to 400 elementary school students registered in local child centers and social welfare centers across the nation. Also, digital literacy education was provided by 20 university student volunteers who joined as mentors for greater effectiveness.



### Global Scholarship Program

To deliver our responsibilities as a global corporate citizen, KT&G put forth global scholarship since 2018. In 2021, KT&G Scholarship Foundation offered scholarship to 203 high-performing students in three universities in Indonesia, Turkey and Russia with recommendation from local institutions. The Foundation also provided around KRW100 million in scholarship to 58 graduate students from 19 countries who demonstrated competitive research results at KIST.



## Major Achievements in 2021

### Non-regular Scholarship



**300** recipients **400** KRW billion  
University students from the self-employed and jobless families

### Sangsang Scholarship Program



**1,472** students **3.08** KRW billion  
(460 middle school, 681 high school, 331 university students)  
(Middle school KRW460 million, high school KRW1.72 billion, university KRW900 million)  
Amount of assistance

### Restart Scholarship Program



**78** students **0.5** KRW billion  
Number of recipients Amount of assistance

### Culture & Art Scholarship Program



**40** students **240** KRW billion  
Number of recipients Amount of assistance

### Online Education Support Scholarship



**420** students **250** KRW billion  
Number of recipients Amount of assistance

### Global Scholarship Program



**261** students **2.9** KRW billion  
Number of recipients Amount of assistance

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## Fruit Reaped by 'Shared Growth'

To deliver the value of 'shared growth' as a company that stands side by side with the communities at large, KT&G is committed to activities that drives shared growth of businesses and local communities and subsequently create social values. 'Sangsang Planet', which the Company provides as a platform to support youth start-up, lays the foundation for the young men and women to dream a brighter future. 'Sangsang Fund' raised by KT&G executives and employees channels funding to those in need.

The Company also engages in global CSR activities that are related to our business in order to fulfill our role as a global corporate citizen. In parallel with these, we also have environmental CSRs such as improving smoking environment, purifying marine environment and promoting forestation as part of the move to preserve the global environment.

### OUR SOCIAL IMPACT

Sangsang Planet

2 KRW  
billion

Donation projects including global CSR, etc.

3.7 KRW  
billion

Sangsang Fund

4.1 KRW  
billion

Support for shared growth

83.1 KRW  
billion

Social responsibilities

9.6 KRW  
billion

Total

102.5 KRW  
billion

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## 01

## Sangsang Planet



KT&G runs various support programs aimed at growth of future generations. 'Sangsang Planet', which is an incubating platform, is one of those programs aimed at growing and reinforcing capabilities of social ventures in their early stages for young rookie entrepreneurs. Through 'Sangsang Start-up Camp', which identifies and cultivates new social ventures, 'Sangsang Summit', an expert forum to vitalize ecosystem around social innovation and other programs dedicated to supporting ventures by stage, we make sure our assistance goes into all directions. In doing so, we encourage the challenging and hopeful spirits of all young entrepreneurs.

## Origin of KT&amp;G Sangsang Planet

KT&G Sangsang Planet dates back to 2004 when the Company sponsored 'Asian University Students' Start-up Exchange Contest', which was the largest size in Asia and the only contest of such nature in Korea. In 2017, we opened 'KT&G Sangsang Start-up Camp' to support youth start-ups, job creation and identify and cultivate start-ups driving social innovation. Founded on years of understanding and experience into youth start-up, we established 'KT&G Sangsang Planet' for rookie entrepreneurs keen on social innovation. For them, 'KT&G Sang Planet' serves as the place to learn, meet with peers, build social impact and to start up a business.



## KT&amp;G Youth Start-up Support History

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## Sangsang Planet

KT&G Sangsang Planet is a shared office dedicated to fostering growth and exchanges of rookie social ventures. The Planet sits on a total floor area of 4,000m<sup>2</sup> from B1 ~ F8. The office has a total of 246 seats and various shared facilities including meeting rooms, lounge and sleeping rooms are available in each floor for entrepreneurs' convenience. KT&G runs regular growth support programs such as working-level coaching and demo day as well as exchange support programs such as busking and small gathering to help entrepreneurs settle their business down early on.

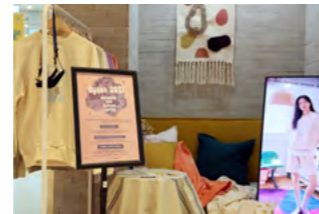
### Programs for Sangsang Planet Members



Planet Campus



Planet Day



Planet Pop-up



Play Planet



Wellness Planet



Connect Planet



### Growth Support(Scale-up) Program

#### Planet Campus

Planet Campus is a regular education/coaching program aimed at reinforcing working-level capabilities of Planet members. Rookie entrepreneurs are given a chance to learn finance/marketing/HR/labor/legal and others that are needed for running a business. Monthly mentor-mentee matching and 1:1 coaching are also available for them.

#### Planet Day

Planet Day is held on Jul. 15th, which is the opening day of KT&G Sangsang Planet. Tenants present their growth stories to VCs(Venture Capital) and get feedback as well as coaching. This comes in parallel with various other events including reception and photo zone, etc.

#### Planet Pop-up

Members of the Planet can take advantage of the Planet Pop-up zone on the first floor to promote their products and services. KT&G supports fixed budget to applying teams who can promote themselves to customers visiting Sangsang Planet and turn it into an opportunity for growth.



### Play & Network Program

#### Play Planet

Play Planet is a busking program to comfort the hearts and minds of exhausted Planet members and professionals in the neighborhood. Performances by artists of different genres on the first floor of Sang Sang Planet offer the local community a great opportunity to enjoy culture and art. Flea market for products and services laid out by Planet members opens in parallel.

#### Wellness Planet

Wellness Planet is a program aimed at keeping physical and mental health of Planet members. Body stretching, meditation and yoga are some of the programs available for members to stay in good health.

#### Connect Planet

Connect Planet helps Planet members share their hobbies and interests from movie watching to running and book reading, etc., on a regular basis.

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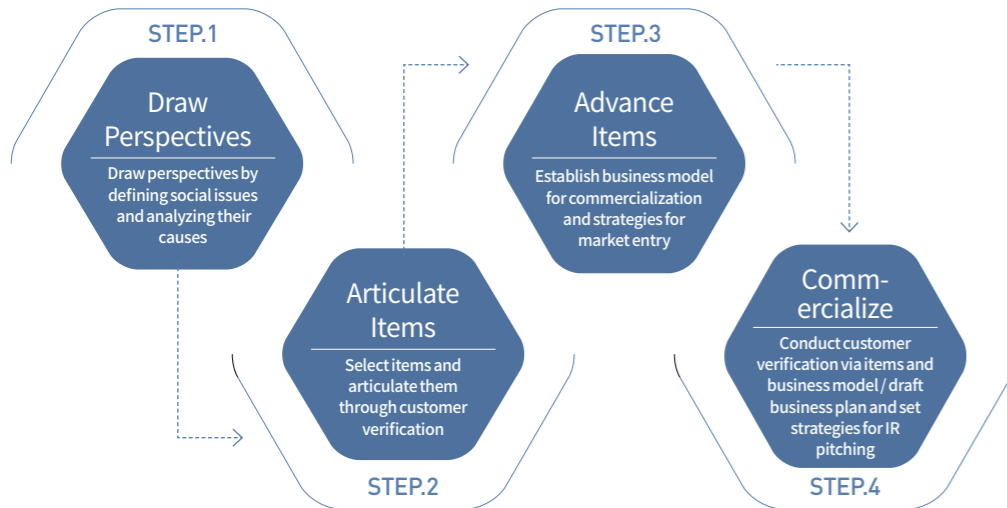
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## Youth Start-up Program



## Methodology of Social Innovation Start-up

Achievements of Sangsang Start-up Camp Operation  
(six camp teams on cumulative basis)

<b>112</b>	<b>215</b>	<b>21.1</b> KRW billion
Number of teams	Number of participants	Cumulative sales revenue
<b>831</b>	<b>36</b> teams	<b>38</b> teams
Employment	Incorporation	Entry into social entrepreneur cultivation project



## KT&amp;G Sangsang Start-up Camp

KT&G Sangsang Start-up Camp is a program dedicated to cheering the dreams of young men and women striving to solve social issues through business. A total of six camp teams have completed their activities in the Camp. KT&G assists sustainable growth of camp participants by holding working-level coaching program for full-time start-ups and demo day, etc.

Teams who have graduated from the Camp are building their presence in various areas and a total of 36 teams so far have incorporated themselves into social venture start-up. Furthermore, 38 teams were selected in 'social entrepreneur development project, which is supported by the government, and they are standing at the frontline of vitalizing social economy.



## Achievements of Sangsang Summit Operation in 2021

around **250**  
Number of online participants



## Sangsang Summit

KT&G hosts 'Sangsang Summit', which is an expert forum on social innovation, every year with the goal to draw public's attention and engagement to social venture ecosystem. The 4th Sangsang Summit in 2021, which was held under the theme of 'The Path Towards Innovation Built by Future Generations', invited experts to make presentations on value consumption trend of future generations, ESG-

oriented future investment strategies and companionship between businesses and future generations. Young entrepreneurs also had a chance to share their stories on founding ESG start-up at the Summit. To prevent the spread of COVID-19, Sangsang Summit was held online and Metaverse map modeled after Sangsang Planet was also disclosed for the first time.

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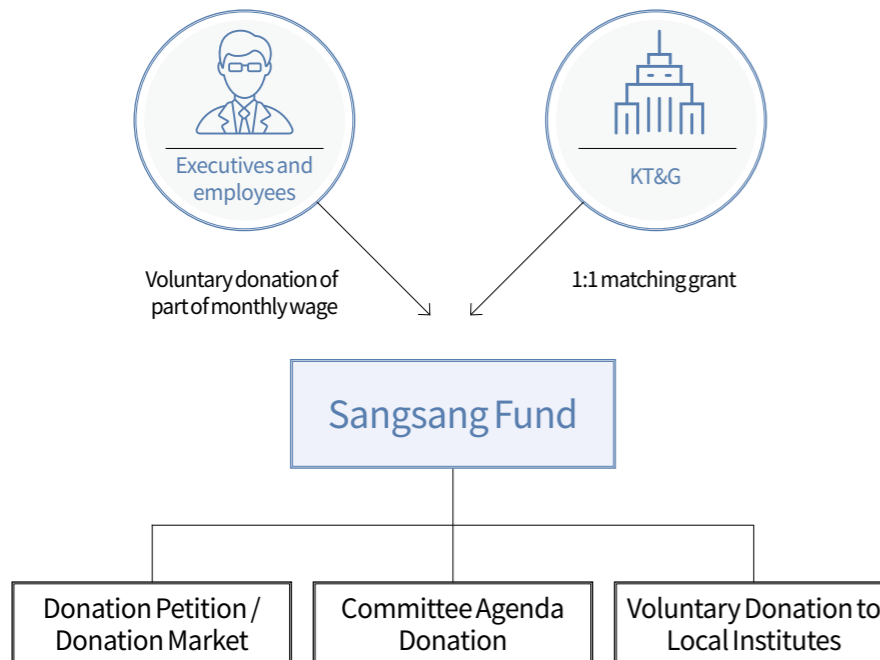
## 02

## Sangsang Fund



KT&G Sangsang Fund, which was launched in 2011 and marked its 10th anniversary in 2021, is a fund voluntarily raised by KT&G executives and employees with the goal to support neighbors in need in local communities and address urgent social issues. A total of KRW36 billion has been raised via Sangsang Fund until 2021 and more than 90% of executives and employees are participating in fundraising.

## Overview of Sangsang Fund



## Sangsang Fundraising and Operation

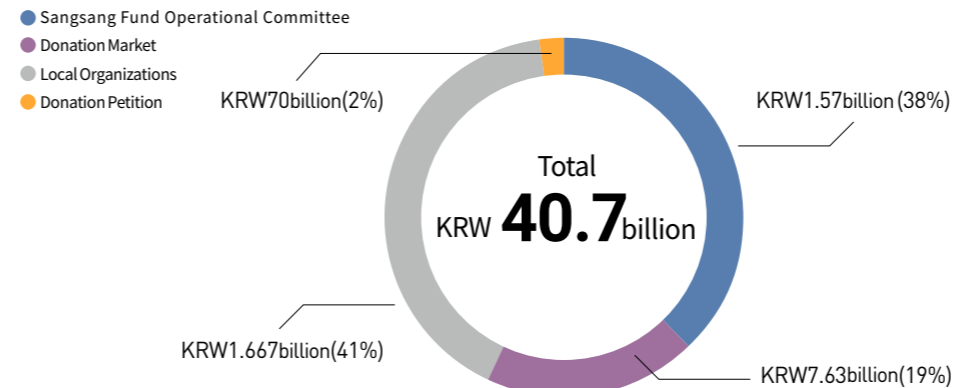
Sangsang Fund is a social contribution fund program based on 1:1 matching grant between employees' voluntary donation from their wage and the Company's of equal amount. Sangsang Fund Operational Committee composed of 11 employee delegates deliberates and resolves donation agendas to ensure transparent operation of the fund which is used for medical, educational and livelihood support for the underprivileged abandoned in welfare blind spot through Donation Petition and Donation Market programs. The Fund also goes to solving social issues that require private-government cooperation through voluntary donation to local organizations after resolution at Sangsang Fund Operational Committee. KT&G helps executives and employees be part of the whole process from fundraising to operation and search for recipients prior to donation. KRW4.07 billion was raised in Sangsang Fund in 2020 and cumulative fund raised and donated totaled roughly KRW36 billion.

## Key Support Cases in 2021

In July 2021 KT&G sponsored KRW300 million in Sangsang Fund for medical practitioners combatting COVID-19. It was spent for buying and distributing cooling kits to medical practitioners fighting heat from wearing protective clothing through Korea Disaster Relief Association.

As a global corporate citizen, KT&G spent KRW350 million in education infrastructure support fund to provide quality education to countries with whom we have business partnership. It went to building an elementary school near Vientiane, capital of Laos, with target completion in 2022. 해외사업국 is also committed to making sure there is no blind spot when it comes to education and building an education infrastructure conducive to talent development.

## 2021 Sangsang Fundraising and Execution

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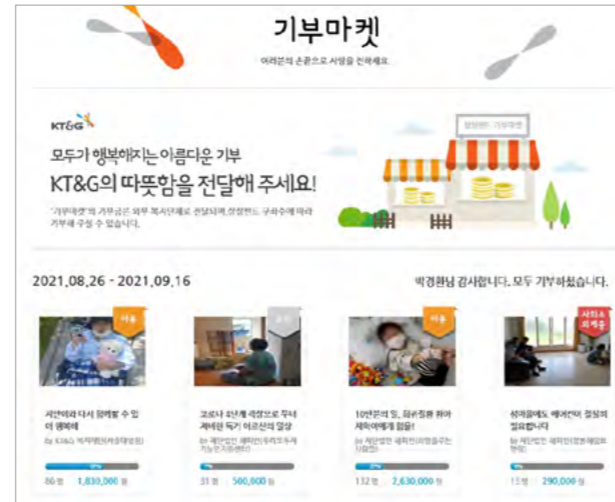
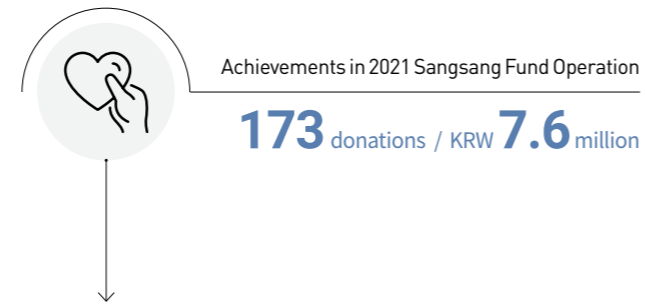
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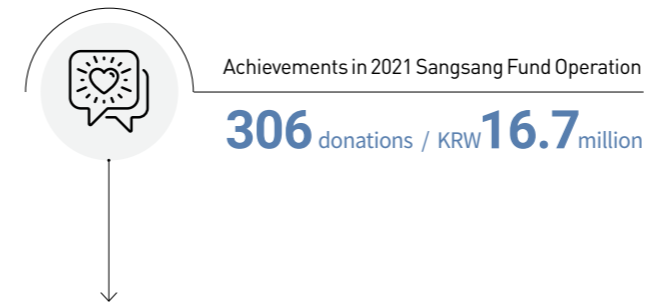
### Donation Petition

Donation Petition, which started in 2013, is a program in which donation proposal made by an executive or an employee identified from those left out in the welfare blind spot becomes eligible for approval upon review by 사회공헌부 if it gets more than 200 positive comments from KT&G executives and employees. This Donation Petition goes to medical support, improvement in living environment, education, among many others, and shares wide-ranging benefits.



### Donation Market

Donation Market, which was launched in 2015, is a program whereby KT&G executives and employees pick donation targets from among stories submitted via several channels including NAVER's Happy Bean, Welfare Foundation or recommendations from local organizations. The Company takes advantage of this program to not only support medical expense for the socially disadvantaged but also for overseas relief, environment and many others.



### Engagement by Local Organizations

In order to provide closer support to the underprivileged in local communities, KT&G encourages its 20 marketing organizations and plant nationwide to search stories eligible for donation. In 2021, KT&G engaged in a total of 306 support activities across the nation. Throughout the year, the Company tapped KRW1.67 billion from Sangsang Fund to support medical expense, daily necessities for the elderly, the disabled, multicultural households and to improve living environment via local welfare facilities.

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SangSang Madang

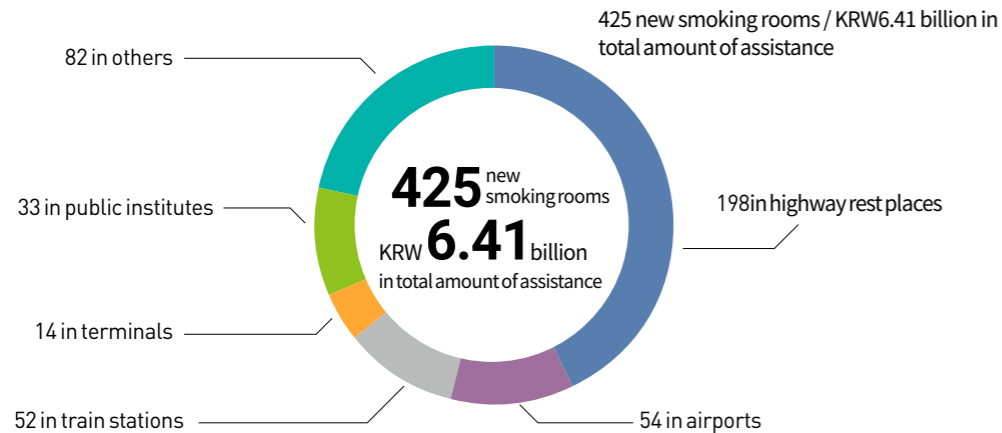
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## 03 Social Contribution

KT&G delivers its social responsibilities as a corporate citizen in the form of volunteering by executives and employees, environmental protection, improvement in smoking environment and support for the underprivileged in local communities. KT&G will keep up the momentum and exert best efforts to drive shared growth with local communities where our business activities will have a presence.

where our business activities will have a presence.



### Kimchi-making and winter supplies for the underprivileged in local communities



In 2021, KT&G supported approximately KRW150 million in Kimchi and winter supplies to neighbors in local communities at risk in the cold winter due to prolonging COVID-19. KRW55 million was spent for Kimchi-making and heating fuel delivery and another KRW90 million went to coal donation, which is related to coal briquette run volunteering activities joined by KT&G volunteering group.

### Sangsang Together Employee Volunteering Group



In 2021, employee volunteering activities switched to 'online' due to re-spread of COVID-19. Online 'Coal Briquette Run' volunteering activity of donating coal briquette as much as the mileage by executives and employees launched at the end of 2021 to share warmth with others was joined by 200 executives and employees who donated 60,000 coal briquettes. 'Coloring kit' program drew 330 executives, employees and their families who designed T-shirt each for donation to the underprivileged and orphanages in Indonesia, which is one of KT&G's partner countries.

### Improvement of Smoking Environment



KT&G taps into its core capabilities to actively deliver its social responsibilities in areas that are related to the Company's businesses. To address concerns around secondhand smoking and illegal straying of cigarette butts, we have been continuing the initiative to build smoking rooms in multi-use facilities. In 2021, we opened 65 smoking rooms largely in airports and train stations to add cumulative number of smoking rooms to 425 nationwide. Along with this, KT&G launched a pilot project to install exclusive collection box of cigarette butts to eliminate illegal straying of cigarette butts. To this end, we installed 147 exclusive collection boxes in Seoul, Busan and four other major regions and plan to expand it across the nation in 2022.



Kimchi-making



'Coloring kit' by KT&G Employee Volunteering Group



Improvement of Smoking Environment



Exclusive cigarette butt collection box

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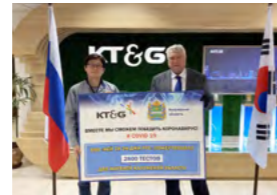
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## 04 Global CSR Activities

As a global corporate citizen committed to fulfilling its social responsibilities, KT&G explores a strong set of global CSR programs based on mid-to-long-term strategies. KT&G is constantly evolving/advancing CSR operation model in Indonesia in which the Company has the biggest business presence overseas and serves as a symbol of KT&G's global business expansion. With the CSR model, we are solving issues in the local communities of Indonesia, thereby building a strong foundation to grow together with communities. KT&G is also implementing CSR activities in other partner countries like Turkey and Russia and countries in need such as Cambodia and Laos.



Delivered COVID-19 test kit to Turkey



Delivered COVID-19 test kit to Russia



Created 'Sangsang Forest' in Mongolia



Indonesia Korean language school



Vocational training center in Indonesia



Supported water purifiers to Tanzania



Built elementary school in Laos



Sangsang Univ. Indonesia Barista Class



Sangsang Univ. Indonesia Online Festa

Sponsored **KRW 19.2 billion** in Cumulative  
Amount Across **13 countries** in 2021

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## KT&G Sangsang Univ. Indonesia

KT&G operates Sangsang Univ. in Jakarta to enhance Indonesian university students' cultural literacy and help them grow. We provide a variety of experiences and exchange opportunities, which local university students that not generally exposed to, along with cultural arts, hobbies, and career development content. In 2021, we opened a real-time online class, breaking down barriers to allowing university students outside Jakarta to join the course. We also expanded employment/startup training opportunities to solve local social problems. Furthermore, we held an online Festa for Indonesian college students, who have had fewer opportunities to experience culture due to COVID-19, and provided non-face-to-face performances by localsingers.

In addition, KT&G is operating a Korean language school in Surabaya for cultural exchange between Korea and Indonesia. Korean language classes were conducted where residents, including general college students, could participate, and in 2021, a total of 376 people participated in the curriculum. Furthermore, in 2021, about 35,000 people participated in KT&G Sangsang Univ customized for the local area. As we advance, we plan to faithfully fulfill our role as a global corporate citizen through the Indonesian program.

## Indonesia job creation support project

In 2019, KT&G opened Coffee Lab in Indonesia to help create jobs for the young men and women in Indonesia. In Mar. 2021, the Company opened vocational dressmaking training center in UKCW University located in Malang, Indonesia to help the disadvantaged stand on their own feet. In 2021, 141 Indonesians were trained at the vocational training center where KT&G provided training on dressmaking skills and others needed to engage in economic activities. Skills and techniques learned from the Center allow trainees to find a job and start clothing business of their own, which in turn enable KT&G's global CSR to create a virtuous cycle in the local communities in Indonesia. Coffee Lab, which is a vocational training school specializing in coffee, opened eight barista classes in 2021 in alliance with KT&G Sangsang Univ. Indonesia. 80 students attended the classes, which played a major role in enhancing interest in Indonesia's coffee industry and expanding vocational training.

## Global Disaster Relief

KT&G stands at the frontline of disaster relief to solve global issues. When the number of COVID-19 patients in serious condition soared and so did hospital bed occupancy as a result of COVID-19 variant, which spread rapidly in 2021, KT&G donated medical oxygen concentrators and KF94 masks to Indonesia and Russia through cooperation with governments of both countries. Supplies for relief totaled KRW200 million in value. In appreciation of the donation, Indonesian government awarded KT&G Minister of Health Award. We also donated 35,000 seedlings to Turkey in order to restore forests damaged by serial mountain fire. Tree planting is scheduled at the end of 2022 after soil investigation and restoration. KT&G's commitment to social responsibilities as a global corporate citizen will stay strong.

## Education Support in Laos

KT&G implements projects to improve educational environment in developing nations in need of humanitarian support. In 2021, the Company provided support to facilities expansion at 캄빠네-KT&G Elementary School built in 2019 and another elementary school in need of facilities upgrade in 논개오 near the capital city of Vientiane. Objective of the project is to improve educational environment in Laos struggling from COVID-19 through collaboration with the Laos government. The work is currently underway by reflecting knowhow gained from building and operating schools with target completion for 논개오-KT&G Elementary School scheduled in Nov. 2022. KT&G will consider sending Volunteering Group during the construction period if COVID-19 eases. We look forward to the two schools playing central roles in building a wider talent pool for the country.



Sangsang Univ. Indonesia Vocational Training Center on Sewing



Global Disaster Relief



Education Support in Laos

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## Shared Growth



KT&G purchases the entire leaf tobacco production of farmhouses, which are our sources for raw material, for shared growth and stable production of leaf tobacco. We also run a wide array of other programs for shared growth including support for additional income creation, financial support, volunteering activities at farmhouses and communication channel, etc.

### Shared Growth with Leaf Tobacco Farmhouses

KT&G's Hearin Chili Pepper Powder Project helps leaf tobacco farmhouses to utilize their farm land, farming skills and other resources to increase their chili pepper harvest and sales. This helps farmhouses to generate additional income source beyond leaf tobacco. In 2021, we signed an agreement with 19 farmers from whom we purchased KRW203 million worth of dried chili pepper.

\*Hearin: chili pepper harvesting and sales support project to help leaf tobacco farmhouses Achievement of Hearin sales support in 2021



#### Achievement of Hearin sales support in 2021

Number of farmers **19** Dried chili purchase volume **10,680** kg Purchase amount KRW **203** million

### 100% Purchase of Leaf Tobacco from Farmhouses

KT&G purchases the entire leaf tobacco from domestic farmhouses for production to ensure their stable farming business and create shared value. In 2021, we purchased 8.031 tons of leaf tobacco worth KRW80.2 billion. In 2022, we plan to purchase approximately 8,000 tons of leaf tobacco.



#### Achievement of 100% Purchase of Leaf Tobacco from Farmhouses in 2021

Number of farmers **2,854** Purchase amount KRW **80.2** billion

### Shared Growth with Leaf Tobacco Farmhouses

KT&G engages in a wide variety of support activities to drive shared growth with leaf tobacco farmhouses. For example, we make 30% of purchase payment interest-free in advance in April ~ May so as to help farmhouses buy agricultural equipment or pay for personnel expenses, etc. We also make payment in cash for better liquidity, which improves welfare of farmhouses and put them in a better position to overcome COVID-19.

In 2020 and 2021, KT&G delivered condolence money to leaf tobacco farmhouses damaged by natural disasters to support their quick restoration. Other programs for shared growth with farmhouses include welfares such as medical check-up for farmers and scholarship for their children, etc.

Furthermore, our executives and employees proactively volunteer themselves during leaf tobacco planting and harvesting period to make up for labor shortage. In addition, from 2021, we are promoting the simplification of leaf tobacco trimming packaging and occasional purchase of joint trimming packaging.



#### Assistance to farmhouses in 2021 (cumulative)

Number of farmers **7,002** Amount of assistance KRW **2.85** billion

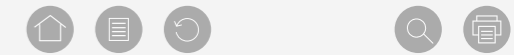
### Low-interest Loan Support to SMEs

KT&G signed Agreement for Shared Growth with IBK Industrial Bank of Korea as part of the effort to promote local economy and create jobs by supporting SMEs. Subsequently, we support low-income loan to SMEs located in Choongcheong province. As per the Agreement, KT&G deposited KRW100 billion to IBK's account, which was used as the source to raise KRW200 billion in fund that goes into supporting low-interest loan to five areas including business foundation and the self-employed in Daejeon, Sejong and Choongcheong province.



#### Support from Shared Growth Fund in 2021

Number of recipient companies (cumulative) **722** Amount of interest deduction KRW **1.15** billion



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## Eco-friendly CSR for Protecting Earth Environment



### Marine Environment Protection Project

KT&G is deeply involved in addressing environmental issues escalated by plastic wastes destroying marine ecosystem, which has become a serious global issue. In 2021, we launched marine ecosystem protection project aimed at restoring biodiversity together with Korea Marine Pollution Response Corporation and Ocean, which is a private institution. In Busan and South Gyeongsang province, 260 members from Employee Volunteering Group joined coastal clean-up activity and collected around seven tons of waste. In underwater clean-up activity, professional divers collected around 100kg of underwater waste. At Sangsang Madang Busan, we opened discussions on environmental issues with 1,500 visitors to Junk Art Exhibition.

### Forestation at South Korea and Abroad

KT&G executives and employees explored a project to drive shared growth with local communities with the goal to engage in the Company's ESG guidelines and cut carbon footprints in Korea and overseas where KT&G has a business presence. To this end, executives and employees tapped into Sangsang Fund for fundraising and spent KRW210 million for forestation.

In Korea, we built 'KT&G's First Forest' to make national trail in Daegwanryeong carbon-free. Around 1,000 trees were planted on 1.5ha(around 4,500 pyong) of land in the first half of 2022. For forestation, executives and employees saved one tree each from 'plogging', which is a combination of jogging with litter picking up. Through forestation in Daegwanryeong, which is tied with phase two activity of

KT&G's eco-friendly campaign 'Feel Green', KT&G not only contributed to carbon neutrality but also enhanced employees' awareness on environmental protection.

In Mongolia where KT&G has a business presence, KT&G opened 'Sangsang Forest' to help Mongolia find solutions to such issues as desertification. Around 500 households from local communities took part in building the self-supporting 'Sangsang Forest' on a 1ha land, which is mostly pine trees. This urban forest is located close to 'Korea-Mongolia Friendship Forest' built by Korea Forest Service. Unveiling ceremony of 'Sangsang Forest' sign and tree-planting was held in October last year in the presence of top-ranked officials from Mongolia's Ministry of Environment. This was followed by Mongolian President Khurelsuk and Minister of Environment's visit to the site both of whom showed their strong support for the project whose direction is aligned with 'National Movement for One Billion Trees'(one household - one tree-planting campaign) in pursuit by the Mongolian government.



'Junk Art Exhibition',  
Marine Environment Protection  
Project

'Daegwanryeong National Trail  
Forestation for Shared  
Growth towards Carbon Neutrality'



### 'Feel Green' Environment Campaign Engaging Executives and Employees

KT&G launched 2021 「Feel Green Campaign」, which is an environmental campaign engaging executives and employees with the goal to draw support for 'KT&G GREEN IMPACT' set as the Company's' mid-to-long-term vision for the environment and to get involved in environmental protection activities. 'Feel' carries a dual meaning - executives and employees must take actions for environmental protection, feel the changes brought on by it. The Campaign was implemented in three phases.

In phase one, the Campaign encouraged the use of non-disposables to cut down on trash created from daily lives. Phase two focused on communicating environmental issues by involving executives and employees in plogging, and picking up trash near KT&G HQ. The final phase elevated interest in eco-friendly products by making upcycled pouches and selling them in in-house bazaar. This added greater significance for KT&G as the Company made pouches from waste banners collected from KT&G centers nationwide and donated revenues from selling them to Environment Education Center.

Around 1,900 KT&G executives, employees and their families participated in the phased Feel Green Campaign. By encouraging employees to be involved in the Campaign and be a pleasant part of environmental activities, the Company enabled employees to feel the importance of being eco-friendly for themselves and commit themselves to environmental protection on a sustainable basis.



'Feel Green' Environment Campaign Engaging Executives and Employees

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'Sseudam Sseudam' Campaign

### Sseudam Sseudam Campaign

Sseudam Sseudam Campaign by KT&G is aimed at addressing earth environment pollution caused by illegal straying of cigarette butts and trash. 'Sseu' is the first syllable meaning trash bin in Korean and 'dam' is the first syllable meaning cigarette butt in Korean. Combine the two syllables and it means 'please throw cigarette butts in a trash bin'. The activity kicked off in 2020 based on the proposal from 'Sangsang Realization Committee', which consists of young employees and discusses ideas to improve corporate culture.

To enhance consumer awareness, KT&G applied 'Sseudam Sseudam' pictogram in KT&G products(around 70 products) sold in the domestic market from May 2021. KT&G put notice sign of the Campaign in convenience stores(46,000 stores) nationwide to renew smokers' awareness and improve smoking manner, thereby promote environmental protection. Campaign slogan is also attached to 1,200 corporate vehicles.

KT&G is also serious about building the right infrastructure including smoking rooms and cigarette butt collection boxes to keep consumers from illegally straying trash. We opened 65 smoking rooms in airports and train stations in 2021 and total number adds up to 425 on a cumulative basis. Reflecting our commitment to eliminating illegal straying of cigarette butts, we installed 147 exclusive collection boxes of cigarette butts in pilot in six regions nationwide including Seoul and Busan. Based on what we did in 2021, we plan to expand the pilot program to across the nation, hand out portable ashtray and move into other new initiatives.



Eco-friendly Water Purifiers to Tanzania

### Eco-friendly Water Purifiers to Tanzania

KT&G supplied 1,300 eco-friendly water purifiers worth KRW240 million to local elementary schools in Tanzania from where we import leaf tobacco raw materials. The gravity type filter water purifiers that we supplied not only addresses shortage of drinking water and waterborne diseases but also does not require energy as it displaces the past method of purifying water by burning heavy carbon-emitting fuel such as fossil fuel and trees to heat water. This allows around 260,000 students in Tanzania to have access to as much as 340 million liters of clean filtered water a year, which can also lead to carbon emission cutback by up to 13,000 ton/year.

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## The Tree Growing with 'Creativity'

KT&G supports young and creative writers and artists with passion so as to let everyone share the value of culture and art with ease and pleasure. 'Sangsang Madang', which is an open culture space KT&G operates as part of MECENAT activities, is a venue on which creators can deliver their imagination and talents to the fullest and the general public can have access to new ideas and the world of young, original culture. KT&G aspires to create a cultural ecosystem based on communication-driven support, which is differentiated from the general cultural activity support found in other businesses. 'Sangsang Univ.', which has positioned into Korea's no. 1 community of university students, provides the platform for university students who will grow to become future leaders to learn and interact with each other in various fields such as culture, art and career, thereby open up new future and possibilities.

### OUR SOCIAL IMPACT

Sangsang Madang KRW 17.6 billion

Sangsang Univ. KRW 5 billion

Total KRW 22.6 billion

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## Sangsang Madang

Sangsang Madang is Korea's leading culture and art complex that is home to a wide variety of programs from performances to movies, exhibitions, experiences, culture and art and education, etc. It is where KT&G shares culture contents with the general public and supports artists' creative activities to build a cultural ecosystem from production all the way to consumption. Sangsang Madang also plays a leading role in creating a new culture by promoting and sharing new trends.

### 'Sangsang Madang', the Culture and Art Complex in Our Lives History

#### Hongdae

Opened in Sept. 2007

##### Culture and Art Complex in the City

KT&G Sangsang Madang Hongdae is a B4 ~ F7 culture and art complex opened in September 2007. It avails space for design, exhibitions, academies, cinema, performances and café in support of various artistic activities and exchanges. By supporting original and creative works of artists and offering greater opportunities for the general public to enjoy art and culture, KT&G Sangsang Madang Hongdae contributes to building a new culture.



#### Nonsan

Opened in June 2011

##### Space to Experience Culture and Art in Nature

KT&G Sangsang Madang Nonsan is a suburban experience-oriented culture and art complex where adults and teenagers can experience creative education and enjoy special cultural experience in their daily lives. Built to enrich cultural infrastructure in local communities, the nine buildings in Sangsang Madang Nonsan accommodate gallery, art hall, café, hotel, education hall, restaurants and mini swimming pool, etc.



#### Chuncheon

Opened in April 2014

##### Encounter of Art and Stay

KT&G Sangsang Madang Chuncheon is a culture complex whose building has been remodeled from Gangwon Sports Centers under the concept of 'Art Stay'. Located in the waterfront of Euiahm Lake boasting a beautiful scenery, Sangsang Madang Chuncheon consists of 'Art Center', which is home to performance hall, live studio, gallery, lecture rooms and café, and 'Stay', which has practice rooms for music and performances, guest rooms and seminar rooms, etc.



#### Daechi

Reopened in April 2017

##### Multi-purpose Performance Hall

KT&G Sangsang Madang Daechi Art Hall stages plays, concerts, musicals and various other performance genres. Signature works in Korea's performing business ranging from plays to concerts and musicals were staged in Sangsang Madang Daechi Art Hall.

It is contributing to taking Korea's performing arts to a higher level by giving full support to original and creative performances never tried before.



#### Busan

Opened in September 2020

##### Space for Art and Social Contribution

KT&G Sangsang Madang Busan in a B5~F13 building is the largest Sangsang Madang in service. Culture zones in Sangsang Madang Busan consisting of café, design, performance hall, gallery and movie theater allow all visitors to refresh themselves and enjoy culture at the same time. Creators' creative work, space supporting start-ups, accommodation, F&B facilities and diverse contents add excitement to visitors as well.



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## Sangsang Madang Hongdae Renewal

### Love for Cinema – Sangsang Madang Cinema Renewal

Sangsang Madang Cinema located at B4 has positioned itself into the signature theater for independent art films since 2007. It not only plays independent films but also supports film distribution, image correction(Cinelab) and hosts Daedanhan Short Film Festival as part of its efforts to present rich film-related contents for moviegoers and audience who love short art films. In 2021, Sangsang Madang Hongdae prepared 'New Sangsang Madang Cinema' to support the film industry marred by COVID-19 and provide a better experience and services to fans. It opened in Jan. 2022. To keep in pace with diverse social trends such as the growth of OTT and growing needs for meeting face-to-face, New Sangsang Madang Cinema adopted the so-called 'community cinema', which explores various contents away from the classical one-way film watching and facilitates two-way communication between audience and filmmakers.

New Sangsang Madang Cinema added a rich list of new programs such as free theater rental for filmmakers and film community contents management while keeping intact existing programs high in demand such as Daedanhan Short Film Festival. This program renewal is accompanied by facilities upgrade such as laser projector, new seats and lobby and outdoor stairway remodeling for greater user convenience. The 76-seat theater and small private premiere room at Sangsang Madang Cinema will serve as the center for creating distinct contents, driving film industry's growth and offering new experiences to audience.



### Sangsang Madang X I got everything – Opened Café hiring Severely Disabled Baristas

In Dec. 2021, 'I got everything', a café opened on the third floor of Sangsang Madang Hongdae in collaboration with Korea Disabled People's Development Institute with the goal to create jobs for the severely disabled. 'I got everything' is a gallery café that avails itself for exhibiting art works and holding culture and art events to be consistent with the nature of Sangsang Madang Hongdae as a culture and art complex.

Keep your eyes on KT&G Sangsang Madang Hongdae, which is going beyond supporting cultural and artistic aspirations for up-and-coming artists to creating sustainable jobs for the severely disabled.

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## Sangsang Madang Business Areas



### Film

Renewed and re-opened theater in 2021 as the venue to present various contents to filmmakers and audience including playing independent art films and supporting communities of filmmakers.



Support film industry



### Concert

Develop feature performances and contribute to taking concert culture to a higher level by identifying rising musicians and building music distribution platform for both the public and artists doing the creative works.



Support in finding musicians



### Exhibition

Mirror the true face of young generation by staying in tune with reality and serve as the contents market for culture and art industry. Support up-and-coming writers and peers from various fields and promote communication between writers and citizens aspiring for a new culture created from art works.



Support pure photo art



### Education

Run education programs divided into talent cultivation, culture and art and living art classes in various fields of culture and art.



Cultivate talents in culture and art



### Design

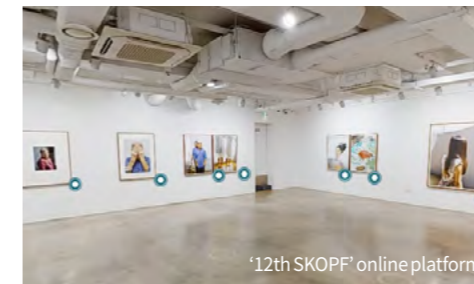
Run a multi-shop where rookie designers can articulate ideas, communicate with consumers and sell products from independent design brands.



Support distribution of independent designer works

## Moves to Enlarge Contact between Artists and Audience via Online Programs

Sangsang Madang did not suspend its support for artists even during the COVID-19 pandemic situation as KT&G believed in helping them imagine their dreams to the fullest. Aware of the challenges in face-to-face contact, Sangsang Madang instead turned to online programs. 'Picturesque House' exhibit drew around 170,000 visitors to the online platform and '12th SKOPF', which is KT&G Sangsang Madang's exhibition supporting photographers, attracted around 25,000 visitors. The online 'Band Discovery - TOP 5 Performance', which is Sangsang Madang's band artist competition program, was viewed by approximately 7,500 fans. These all suggest Sangsang Madang's commitment to connect artists who had less offline opportunities to showcase themselves with the general public in need of cultural experience, and even enlarge the encounter between the two.



## Performance Program Connecting Artists with Audience



공연지원사업 '밴드 디스커버리'

Sangsang Madang runs performance planning, artist support and performance hall operation service to offer fresh cultural experience to audience and provide a platform in which rookie artists can communicate with the public. 'Performance support program', which is the signature program in the field of performance, gives greater opportunities for artists to present themselves on stage. 'Band Discovery', which is part of the performance support program, targeted amateur musicians and two winner teams were presented with KRW2 million in prize money, budget for single album production and a chance for joint concert with professional musicians. Sangsang Madang also hosted contest-type 'Sangsang Funding Concert' and solo concert-type 'My First Concert' in a bid to support professional musicians. 'Sangsang Funding Concert' is an interactive concert in which audience enjoy the performance and fund it. KT&G gave another 100% of the fund raised to the two best teams who were also given a chance to use live hall at Sangsang Madang Hongdae for free. 'My First Concert' offers musicians to stage their first solo concert. The opportunity went to six teams who demonstrated their musical imaginations without constraints. At 'Label Day', which is a music label support program, KT&G gave six labels an opportunity to use live hall at KT&G Sangsang Madang Hongdae for free and also paid for live filming of the performance.

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10100 Exhibition

### <4<sup>th</sup> Over the Rainbow> Sharing Dreams and Hopes of the Disabled

<Over the Rainbow>, which is an exhibition of disabled artists held in Sangsang Madang Hongdae, Chuncheon and Busan, marked its 4th year in 2021 with support from KT&G Welfare Foundation. At the 4th exhibition, 120 artworks embracing the dreams and hopes of 10 artists with developmental disorders were selected among those recommended by local institutes where Sangsang Madang is located. For the disabled artists, it was an opportunity for them to discover their potential. For the public in general, it was an opportunity to expose themselves to a new field of culture and art.

The 4th Over the Rainbow arranged a barrier-free space providing sign language and subtitles in the introduction for greater convenience to the disabled visitors. Also, exhibition brochure and collection added Braille to better serve the disabled. It drew a great feedback from 3,000+ visitors.

## Exhibition Program to Shine Rookie Artists

KT&G organizes various exhibitions and visual art workshops to expose audience to greater culture and art opportunities and support artists. At the same time, the Company offers the venue to open debate on contemporary art, thereby create new value in local culture and art.

### 100 Artworks Exhibited by 10 Young Artists <10100 Exhibition>

On the occasion of the 10th anniversary of 'KT&G Sangsang Fund' in 2021, which is the voluntary executive and employee donation program, KT&G supported young artists whose opportunities for performance and exhibition were blocked by COVID-19 with the fund raised from KT&G employees. The feature exhibition titled '10100: Remember the Last 10 Years and Imagine the Next 100 Years' exhibited 100 works by 10 young artists who were selected from the Recommendation Committee representing Hongdae, Chuncheon, Busan and Nonsan where Sangsang Madang is located and exhibited artworks representing each region. In Aug. 2021, the exhibition took off in Sangsang Madang Hongdae and later stretched to Sangsang Madang Chuncheon and Sangsang Madang Busan over a two-month period during when young artists were able to communicate with around 2,000 visitors through their artworks.

10100 Exhibition 4<sup>th</sup> Over the Rainbow

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Sangsang Madang Academy

### Sangsang Madang Academy that Unlocks Ordinary Imagination

KT&G opened Sangsang Madang Academy in 2007 to broaden general public's exposure to culture and art. The Academy focuses on spreading education on creative work where life itself is another form of art by segmenting or merging culture and art genres that are close to our daily lives. 'Design Figure Creation', 'Bologne Image Book Workshop' classes break down the barrier between professionals and amateurs and give the public opportunities to experience new cultures. For professional artists, the Academy motivates them to push for new creative works. In 2021, KT&G swiftly switched to online operation as COVID-19 restrictions tightened and flexibly introduced new courses that could be taught online such as writing, creative work programs, among others, as part of our effort to build wider connection with students.



Design Challenge



### Design Market for Independent Designers Transforming Imagination into Reality

SangSang Madang Design Market is a venue to discover up-and-coming designers in Korea. KT&G avails Design Market for product development, creative work and exhibition to bring life to designers' imagination and support their free works. Design Square where more than 300 brands and 2,000 creative products are on sale and <Design Challenge>, which is the program dedicated to support rookie designers, both enable Design Market to reemerge as the place for discovering and introducing new designers year after year.

#### Achievements in 2021 by Area (all five Sangsang Madangs)



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## 02 Sangsang Univ.

Sangsang Univ. is a community of university students that fuel young men and women's imaginations to realize social values. It is one of the original CSR programs by KT&G. In 2021, Sangsang Univ. gave 55,000 university students who struggle in the competitive environment from 13 local communities nationwide an opportunity to learn, grow and exchange with each other as part of the efforts to help them create a healthy culture on their own.



### Original Musician Incubating Project by University Students Jib. Hyeon. Jeon.

Jibhyeonjeon unveiled in 2020 is a musician incubating project focused on promoting growth of university students who have the talents and passion for music into future artists.

In 2021, 243 teams composed of university students aspiring to become next-generation musicians applied to join the Project, which selected 12 finalist teams after the preliminaries. The 12 teams then got mentoring from top-ranked musicians in Korea before staging a performance at Comsta(competition+festa) before concluding their journey that lasted for four months.

KT&G not only presented the stage for university students in local communities to realize their dreams but also granted finalists with other benefits such as music producing, song release in local streaming site and a total of KRW30 million in prize money to further students' skills and aid journey towards their dreams.

Overview of Sangsang Univ.

### "Design Yourself"

Design Yourself



### A program to foster future marketing experts, 'Marketing School'

With the motto of 'nurturing young and competent marketing experts in the future,' KT&G has been operating a marketing school since 2010. The Marketing School, which celebrated its 14th anniversary in 2021, was conducted online through the Metaverse (3D virtual world) and SNS platform, reflecting the trend change of Generation Z and the quarantine situation due to COVID-19.

After taking an online education that encompasses marketing trends, corporate social responsibility, and understanding of startups, 1,112 college students performed a mission to produce a startup promotional video and propose a marketing strategy. Afterward, participants had time to improve their understanding of marketing practices by participating in marketing competitions on the Metaverse platform.

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‘HOPE’ Support Amount (Unit: KRW0.1 billion)

Category	2018	2019	2020	2021
Welfare Foundation	121	118	135.9	149.6
Scholarship Foundation	36	42	40	44.7
Sub-total	157	160	176	194.3

‘Shared Growth’ Support Amount (Unit: KRW0.1 billion)

Category	2018	2019	2020	2021
Sangsang Planet	155	81	92.9	16.7
Sangsang Fund	38	39	40.5	40.7
Social responsibility	21	28	9.2	18.5
Donation and sponsorship etc	71	16	22.7	21.6
Support for joint growth etc.	-	343	32.7	30.2
Sub-total	285	507	198	127.7

‘CREATIVENESS’ Support Amount (Unit: KRW0.1 billion)

Category	2018	2019	2020	2021
Sangsang Madang	175	287	269.2	175.6
Sangsang Univ.	52	52	25.8	42.5
Other	-	4	2.7	-
Sub-total	227	343	297.7	218.1

KT&G Social Contribution Network		
KT&G	www.ktng.com	T.080-931-0399
KT&G Welfare Foundation	www.ktngwelfare.org	T.02-563-4459
KT&G Scholarship Foundation	scholarship.ktngtogether.com	T.070-4124-6451
KT&G Sangsang Planet	www.sangsangplanet.com	T.070-7439-9436
KT&G Sangsang Madang	www.sangsangmadang.com	T.02-3404-4589
KT&G Sangsang Univ.	www.sangsanguniv.com	T.02-3404-4342

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