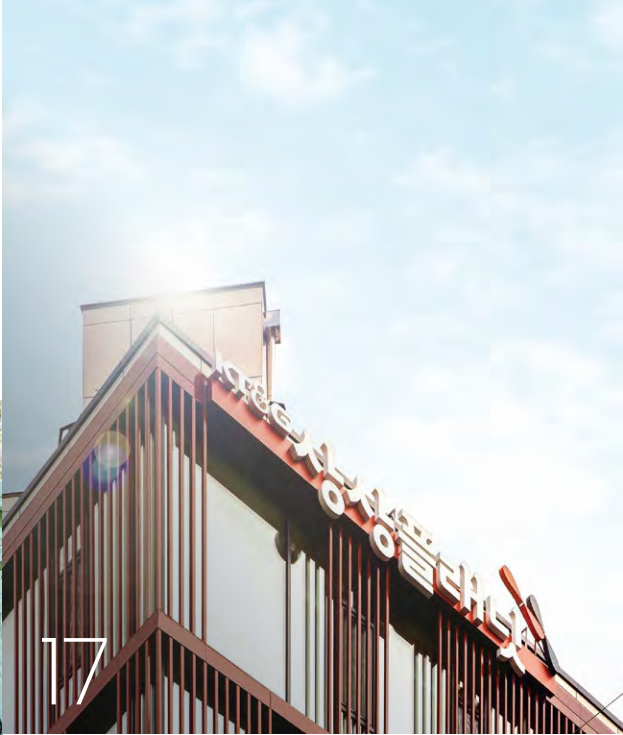


The background features a large, abstract geometric design composed of several overlapping, rounded rectangular shapes in various shades of blue, green, and orange. These shapes are arranged in a way that creates a sense of depth and movement. The design is set against a light beige, textured background that resembles recycled paper. There are also some faint, thin-lined geometric shapes and dots scattered around the main design elements.

IMAGINE A BETTER **TOMORROW**

2022 KT&G S-REPORT

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INTERACTIVE PDF

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LETTER TO STAKEHOLDERS

As a global corporate citizen, KT&G does its utmost to shape a sustainable future together with its stakeholders. Building upon our corporate philosophy of an “Inclusive Company”, we are implementing a wide range of social contribution endeavors in partnership with people, community, and our planet.

As environmental and social uncertainties are increasing, the importance of a sustainable tomorrow that KT&G is pursuing becomes more imminent, and ESG management has become a corporate imperative. To enhance sustainability, KT&G carries out various eco-friendly CSR activities such as forestation projects at home and abroad, as well as biodiversity conservation, while fulfilling our social responsibilities by conducting social contribution activities and improving D&I in the workplace. For better governance, we make concentrated efforts to implement ethical management and conduct advanced compliance based on the KT&G Group Business Ethics Charter.

KT&G has been conducting social contribution activities systematically since 2003, even before ESG became mainstream. Based on the first-generation charity activity platform consisting of the KT&G Welfare Foundation and the KT&G Scholarship Foundation, we are contributing to the establishment of social welfare infrastructure, which was followed by the development of a second-generation cultural contribution platform centered around SangSang Madang and SangSang Univ. Furthermore, KT&G continuously expanded the scope of activities to the 3rd generation social problem-solving platform represented by SangSang Planet a space for young entrepreneurship, and Global CSR, and then the 4th generation eco-friendly social contribution platform.

The impetus behind our ongoing efforts to broaden the realm of social value generation lies in our systematic approach to social contribution strategy, which propels us to consistently extend the boundaries of social value creation. KT&G has established flexible social contribution strategies suitable for the issues of each period, based on the social contribution vision of “Sustainable Development of Corporate and Society”. In 2022, KT&G implemented the “People-Community-Planet” framework, a strategy centered around the welfare of beneficiaries, to effectively address a wider range of social issues.

To implement the “People-Community-Planet” system, the KT&G Welfare Foundation and the KT&G Scholarship Foundation are striving to build various social safety nets so that individual growth of “people” can lead to social change and innovation. We also promote a wide range of social contribution activities, such as SangSang Planet (space for youth startup), SangSang Madang (complex cultural space), SangSang Univ. (community of college students), and SangSang Fund in order to realize a society of mutual prosperity by improving “community issues. Lastly, KT&G is playing the role as a global corporate citizen by carrying out various environmental CSR activities such as forestation projects at home and abroad and habitat preservation activities to preserve biodiversity, and CSR activities in many foreign countries such as Indonesia, Mongolia, and Laos in order to expand the scope of social value creation on the global scale and for our “planet”.

Corporate sustainability cannot be achieved by corporate efforts alone. Keeping in mind that the sustainability of corporations and society can be achieved only when working with various stakeholders, KT&G will continue to unfold varied imaginations to achieve sustainability.

As a global corporate citizen, KT&G does its utmost to shape a sustainable future together with its stakeholders. Building upon our corporate philosophy of an “Inclusive Company”, we are implementing a wide range of social contribution endeavors in partnership with people, community, and our planet.



Lee, Sang-Hak
Chief of Sustainability Management HQ
(CSO) & Executive Vice President
of KT&G

KT&G AT A GLANCE

Corporate Profile

Under our corporate philosophy of being “Exemplary,” “Progressive,” and “Inclusive,” KT&G imagines together with our customers as we strive to create a better life. We are generating performance in various business areas such as the health/functional food, pharmaceutical, bio, and real estate business as well as the next-generation tobacco business, which will be the engine of future growth. While evolving into a globally outstanding company through change and innovation, we continue to create social value and expanding sustainability management activities.

Company name		Establishment	CEO	Headquarters	No. of employee	
KT&G Corporation		April 1, 1987	Baek, Bok-In	71, Beotkkot-gil, Daedeok- gu, Daejeon, Republic of Korea	4,469 ¹⁾	
¹⁾ As of December 31, 2022; and based on direct employment						
Milestones						
Beginning of Korean Tobacco History		Development and Advancement through Innovation		Present Giant Global Company		
1883-1980		1987-2002		2003-		
<div>1883<ul style="list-style-type: none">Founded the Sunhwaguk1965-1983<ul style="list-style-type: none">Completed construction of major manufacturing plants in Korea</div>		<div>1987<ul style="list-style-type: none">Founded the Korea Monopoly Corporation1989<ul style="list-style-type: none">Founded the Korea Tobacco & Ginseng Corp.1999<ul style="list-style-type: none">Listed on the Korea Stock ExchangeSeparation of Red Ginseng Business (Launched the KGC)2002<ul style="list-style-type: none">Changed the corporation name from Korea Tobacco & Ginseng Corp. to KT&G Corp.</div>		<div>2003<ul style="list-style-type: none">Founded the KT&G Welfare Foundation2005<ul style="list-style-type: none">Received the Presidential Award for employee job training2006<ul style="list-style-type: none">Selected as the best corporation by the Korean Corporate Governance Improvement Support Center in its corporate governance performance evaluation2007<ul style="list-style-type: none">Received the Excellence Award from the Korea Investors Relations Association (3 consecutive years)2008<ul style="list-style-type: none">Established the KT&G Scholarship FoundationEstablished a local subsidiary in Russia and IranReceived the Grand Award from the Korea Investors Relations AssociationAwarded for reaching the USD 400 million export target2010<ul style="list-style-type: none">Included in the DJSI WorldCompleted construction of plant in Russia</div>		
				<div>2011<ul style="list-style-type: none">Acquired Trisakti (Indonesian tobacco company)Selected as the best corporation for corporate governance in 20112012<ul style="list-style-type: none">Received A Level in the ESG evaluation by the Korea Corporate Governance Service (KCSG)2013<ul style="list-style-type: none">Developed low ignition point tobacco and flavoring capsule for tobacco filtersSelected as a No. 1 company in the tobacco category of the National Customer Satisfaction Index (NCSI)2014<ul style="list-style-type: none">Won the Minister Prize of Trade, Industry and Energy at the 36th Energy Saving Competition2015<ul style="list-style-type: none">Won the Presidential Prize at the 2015 Mecenat AwardWon the Grand Prize at the Korea HRD training facility sector</div>		
				<div>2016<ul style="list-style-type: none">Won the Grand Prize at the 2016 Korea HRD AwardCertified as a “leisure-friendly company” by the Ministry of Culture, Sports and Tourism and selected as “Excellent Institution for Culture and Arts Sponsorship”2017<ul style="list-style-type: none">Launched heat-not-burn products “lil” and “Fiit”Selected as an excellent company in gender equality in employment by the Ministry of Employment and LaborAwarded the USD 400 million export towerWon the Grand Prize at the 2017 Korea HRD Award (2 consecutive years)2018<ul style="list-style-type: none">Launched “lil HYBRID”Won A+ (the highest) Level in the ESG evaluation by the KCSGWon the Prime Minister Prize as a family-friendly company by the Ministry of Gender Equality and FamilyWon the Presidential Prize for contributing to law and order by the Ministry of Justice</div>		
				<div>2019<ul style="list-style-type: none">Won the Grand Prize for corporate governance by the KCSGWon the Minister of National Defense Award at the Korea Volunteer Grand Prize by the Korea United Nations Volunteer CorpsMinister of Employment and Labor’s commendation for “person of merit in fostering social enterprises”2020<ul style="list-style-type: none">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 OfficeOpened the SangSang Planet and SangSang Madang Busan2021<ul style="list-style-type: none">Established a local subsidiary in TaiwanReceived the AA rating in MSCI ESG Ratings (2 consecutive years)Won the Presidential Citation for Social Economy Promotion Merit</div>		
				<div>2022<ul style="list-style-type: none">Awarded the Korea Brand Hall of Fame (4 consecutive years in the category of cigarette-type e-cigarette)Awarded the Contribution to Shared Growth Award from the Minister of SMEs and StartupsAwarded the Prime Minister’s Sustainability Management Excellence Award hosted by the Korea Productivity CenterReceived the Presidential Commendation for job creation from the Ministry of Employment and Labor2023<ul style="list-style-type: none">Established a local subsidiary in KazakhstanSigned the KT&G-PMI Global Collaboration Agreement</div>		

SOCIAL CONTRIBUTION FRAMEWORK

Social Contribution Value System

Recognizing the importance of corporate sustainability management, KT&G establishes and implements systematic strategies for community contribution with a focus on the department in charge of social contribution to realize the management philosophy of an “inclusive company”. Aligned with the “P-C-P (People-Community-Planet)” value framework, our social contribution strategy, we encourage personal development to facilitate social change and innovation (People); discover and resolve the issues of local community and seek win-win growth (Community); and are concerned with global issues and seek novel solutions (Planet). KT&G builds a better tomorrow by conducting social problem-solving activities encompassing all social classes.

KT& Social Contribution Strategy

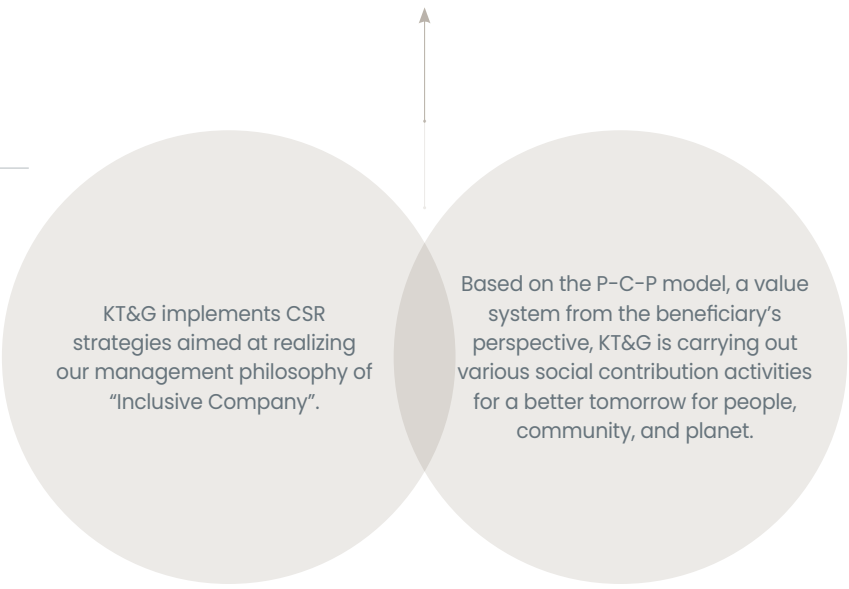
VISION

Sustainable Development of
Corporate and Society

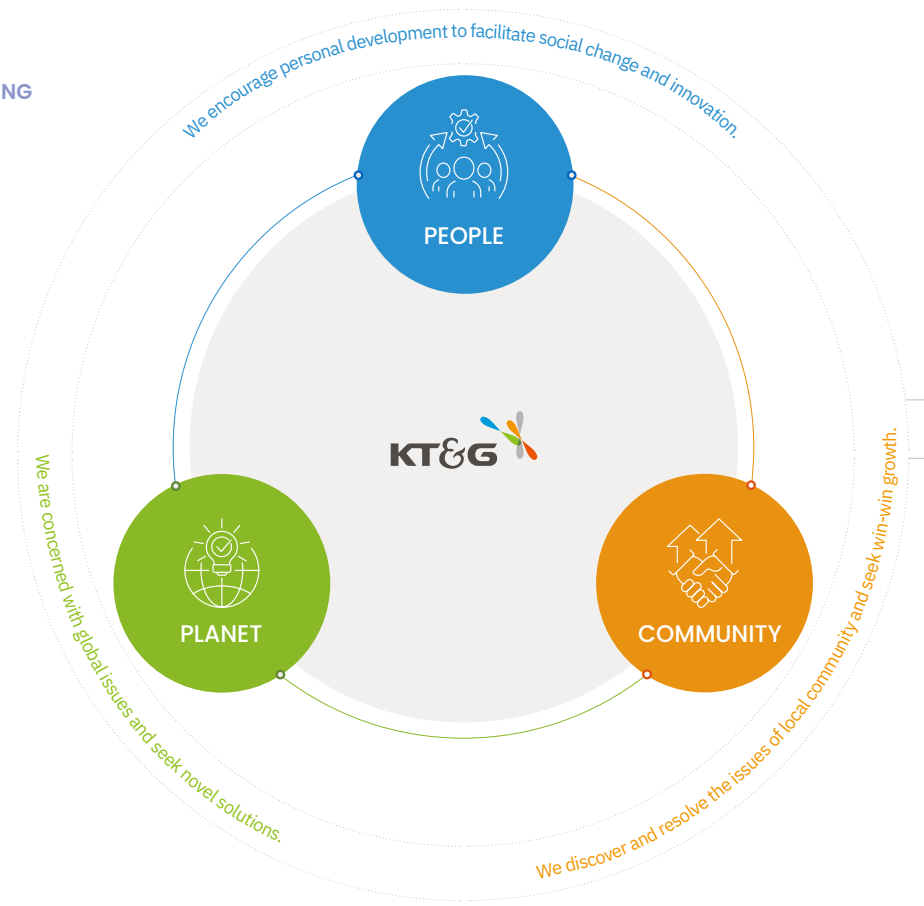
SLOGAN

Imagine a better tomorrow

STRATEGY

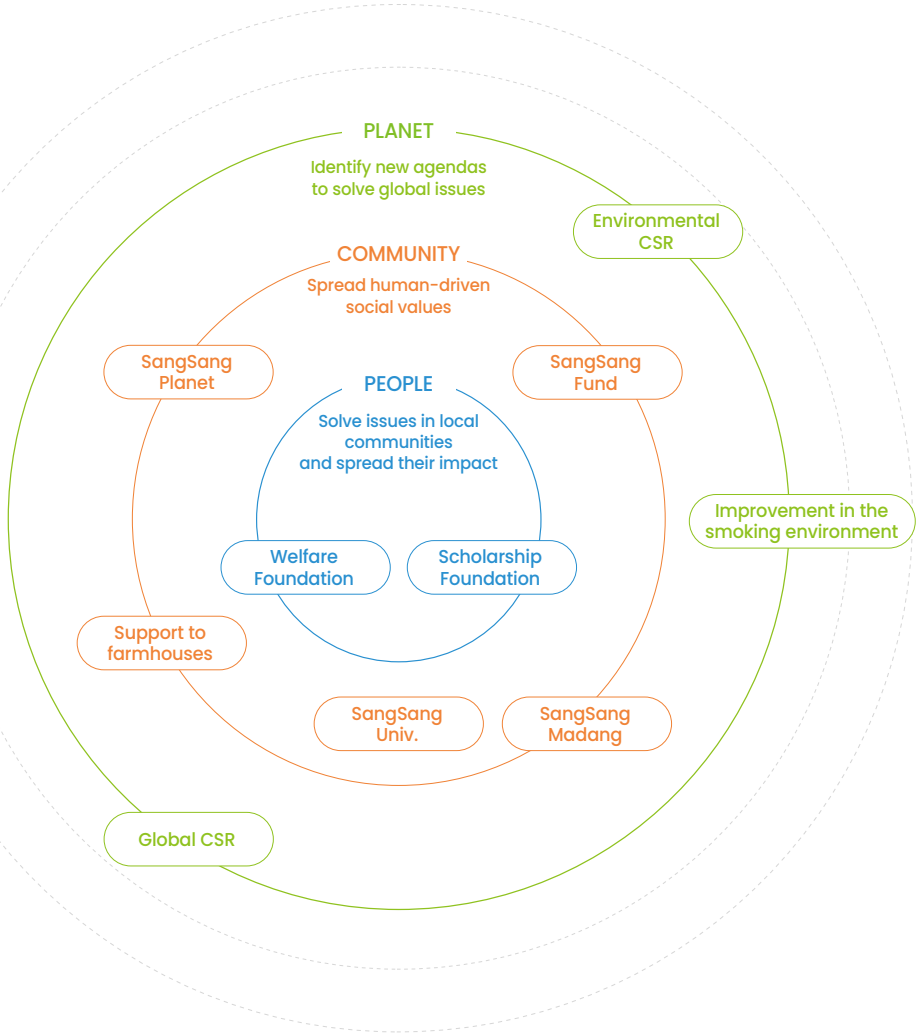


PURSuing
VALUE












SOCIAL CONTRIBUTION FRAMEWORK

Project Areas













Major Social Contribution Projects

Platform		Main Projects	Main Beneficiaries
KT&G Welfare Foundation		<ul style="list-style-type: none">• Low-income Group Support• Overseas Relief• Welfare Center Support• Volunteering Activities	<ul style="list-style-type: none">• Vulnerable social group
KT&G Scholarship Foundation		<ul style="list-style-type: none">• SangSang Scholarship• Culture & Art Scholarship• Restart Scholarship• Global Scholarship	<ul style="list-style-type: none">• Vulnerable social group
SangSang Planet		<ul style="list-style-type: none">• SangSang Summit• SangSang Start-up Camp• Social Venture Scale-up Program• Play & Network Program	<ul style="list-style-type: none">• Local communities, Stakeholders, Youth/University students
SangSang Fund		<ul style="list-style-type: none">• Donation Market, Donation Petition• Employee Volunteering Group• Other Public Services	<ul style="list-style-type: none">• Vulnerable social group, Local communities, Stakeholders
SangSang Madang		<ul style="list-style-type: none">• Discovering New Artists• Performance/Exhibition Support• Culture & Art-related Education	<ul style="list-style-type: none">• Local communities, New artists
SangSang Univ.		<ul style="list-style-type: none">• Culture & Art Program• SangSang Jiphyeonjeon• SangSang Marketing School• SangSang Friends	<ul style="list-style-type: none">• Youth/University students
Support to Farmhouses		<ul style="list-style-type: none">• Volunteering for harvesting tobacco leaves• Supporting for additional profits• Improving welfare of farms	<ul style="list-style-type: none">• Local communities, Stakeholders, Farms
Environmental CSR		<ul style="list-style-type: none">• Improving smoking environment• Protecting marine ecosystem• Forestation• Biodiversity CSR	<ul style="list-style-type: none">• Local communities, Stakeholders
Global CSR		<ul style="list-style-type: none">• Indonesia SangSang Univ.• Korean Language Institute• Global disaster relief	<ul style="list-style-type: none">• Vulnerable social group, Local communities, Stakeholders

SOCIAL CONTRIBUTION FRAMEWORK

Implementation of UN SDGs

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. In particular, we lend a helping hand in solving global issues such as environmental pollution, human rights, and inequality by utilizing the company resources and capabilities, and trying to grow together with the global community by implementing SDGs with sincerity.

GOAL			MAIN ACTIVITY
	No Poverty	1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable	Emergency living expenses for the low-income class
	Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round	Foodstuff support for the low-income class
	Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all	Support for seriously-ill patients from low-income class
	Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes	Education support for children from low-income households
		4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all	Improving education facilities at home and abroad
	Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	Establishment and operation of SangSang Planet, Operation of SangSang Start-up Camp
		8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	Establishment and operation of SangSang Univ.
	Industry, Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets	Raising win-win growth fund, Offering early payment to partners
	Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	Discovering artists with disabilities and providing support
	Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums	Supporting low-income households and improving their living environment at home and abroad
		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	Vehicle support to social welfare centers
		11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	Improving smoking environment
		11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning	Establishment and operation of SangSang Madang
	Life Below Water	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution	Marine environment purification
	Life On Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	Domestic and overseas forestation, Volunteering to restore Mt. Bukhan ecosystem, Han River purification activities
		15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species	Biodiversity CSR

SOCIAL CONTRIBUTION MILESTONES

History of Major Social Contribution Activities

KT&G is conducting social contribution activities systematically for the sustainable development of the corporation and society from a long-term perspective. In addition, we are committed to fulfilling our responsibilities as a corporate citizen by creating shared values using our own unique methods.



2022 HIGHLIGHTS

KT&G CSR Activities

In 2022, KT&G realized the value of “Inclusive Company” by spreading positive impact on our society with a consistent mindset to fulfill our social responsibilities as a corporate citizen.



Held the 2022 Daedanhan Short Film Festival to Expand the Base of Independent Films



In August 2020, the 2022 Daedanhan Short Film Festival was held in great success at KT&G SangSang Madang Hongdae Cinema, which was newly opened after three years of renovation since its closing to prevent the spread of COVID-19. The Festival is an ongoing short film exploration initiative established in 2007 to promote short films. In 2022, a total of 878 films were submitted, and among them, 25 films were chosen to be showcased through the main competition, attracting some 1,000 audiences. SangSang Madang Hongdae plans to carry out various support activities such as holding Daedanhan Short Film Festival, supporting the film-maker community, and renting free screening space on weekdays to revitalize the film industry.



Successfully Completed the 6th Class of SangSang Start-up Camp and the 5th SangSang Summit



KT&G is implementing various programs to promote the youth startup ecosystem. In 2022, the 6th class of SangSang Start-up Camp, a program fostering social innovation entrepreneur, and the 5th SangSang Summit, an expert forum to promote the social venture ecosystem, were held at the KT&G SangSang Planet, a dedicated space for youth startup.

Young entrepreneurs who participated in the 6th SangSang Start-up Camp developed a business model for solving social problems based on a practical startup training program that had been implemented for 14 weeks. Five winners were granted a unique opportunity to use the business office space at SangSang Planet for a year, free of

charge. In addition, a range of subsequent aid was offered, including the promotion of business items and facilitating connections for investment opportunities. At the 5th SangSang Summit held under the theme “Power Generated by Connection” experts in various fields such as the academic world and venture investment industry, as well as young entrepreneurs participated in the Summit as speakers and provided insight into a way of solving social problems with the “Power of Connection” in the rapidly changing era of endemic. Approximately 70 people, including the youth who want to be a social innovation entrepreneur, also joined the event and contemplated over how to expand the base of the social venture ecosystem.

Received the Presidential Award in Recognition of Contributing to Job Creation



KT&G received the Presidential Commendation in the youth employment promotion sector at the Contribution to Job Creation award ceremony hosted by the Ministry of Employment and Labor. KT&G was awarded in recognition of helping about 21,000 young people on a cumulative basis by providing the youth startup platform “SangSangPlanet” and the social venture fostering program “SangSang Start-up Camp”. Going forward, KT&G will make continuous efforts to give more opportunities to young people by operating sincere youth startup programs.



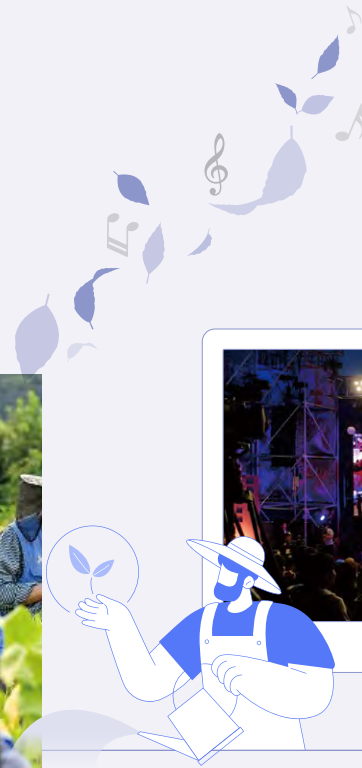
2022 HIGHLIGHTS



Continued to Lend a Helping to Leaf Tobacco Farmers for Mutual Prosperity



For continuous mutual prosperity with leaf tobacco farmers in Korea, KT&G has been carrying out volunteer activities for leaf tobacco harvesting to help leaf tobacco farmers having difficulties with labor shortage every year since 2007. Volunteer activities continued in 2022, and Raw Material HQ and Gimcheon Plant employees visited leaf tobacco farms located in Gaeun-eup, Mungyeong-si, Gyeongsangbuk-do, and helped farmers in harvesting leaf tobacco on a farmland of about 15,000m². KT&G also has been carrying out economic support projects such as farmer health check-up fee support, children's scholarships, and fuel reduction device for exhausting heat, to promote the welfare of leaf tobacco farms in Korea.



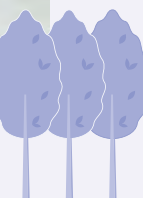
Successfully Completed the SangSang Jiphyeonjeon, a Creative Musician Incubating Project for College Students

SangSang Jiphyeonjeon is a project designed to support college students with passion and talent for music to grow into future artists. It is a representative program of KT&G SangSang Univ. that has been in operation since 2020. In 2022, 391 teams participated from all over the country and 12 teams advanced to the final contest. We helped participants grow into future artists by providing one-to-one mentoring by top vocal, rap, and band musicians in Korea and experience of playing with professional bands. Approximately 1,000 audiences attended the final contest held in September 2022, where six mentors delivered a congratulatory performance and 12 finalists performed on the stage of the final competition. The final top 3 winners were given various benefits such as production support and sound source release.

Signed an MOU with the National Institute of Ecology for Ecosystem Preservation and Biodiversity Promotion



KT&G signed an MOU with the National Institute of Ecology to preserve ecosystems and promote biodiversity and announced cooperation to build a healthy ecosystem for the future generation. Accordingly, KT&G will implement cooperative projects every year for three years starting in 2023 and plans to continue more effective biodiversity promotion projects based on the mid-to-long term cooperative system. The first cooperative project being conducted in 2023 is to protect the Janggu catfish wetland located in Yeongyang-gun, Gyeongsangbuk-do. Located in a mountain range over an area of about 38,000 m², the wetland is an excellent wetland that has been recommended as a protection area for its vastness and naturality. However, its biodiversity is decreasing due to the destruction of biological habitats due to silt inflow and scouring phenomenon caused by the surrounding roads. KT&G and the National Institute of Ecology will contribute to the restoration of biodiversity by carrying out various activities such as Janggu catfish wetland restoration project and vegetation research.

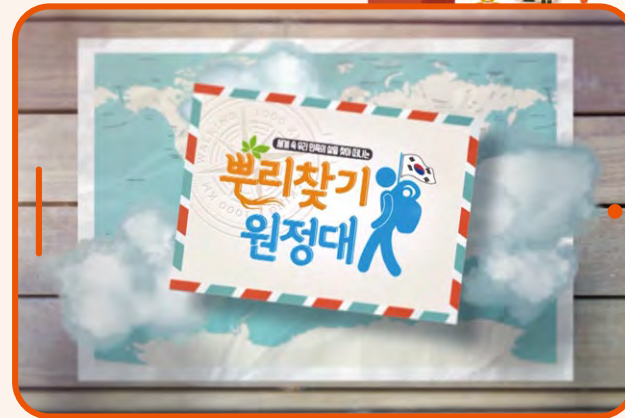


2022 HIGHLIGHTS

KGC CSR Activities

Based on the belief that sharing of healthier value leads to a better world where people can come together, KGC is conducting various social contribution activities to share social values and love, thereby creating a healthier, happier world.

▶ Root-Finding Expedition (Teenagers from Korea find roots of independence activists abroad)



CSR Activities for the Succession of Traditional and Cultural Heritage

As a leading ginseng company with a 120-year history, KGC is conducting various social contribution activities to inherit traditional and cultural heritage. In 2022, we newly organized a “Root-Finding Expedition” to find the descendants of independence activists living abroad. Selected members of Korean youth and Russian Korean youth living in Korea visited Kazakhstan together met the descendants of independence activists to carry out activities aimed at preserving and inheriting the history and culture of the Korean people and to find the roots of the nation.

KGC also hosts a Korean traditional music performance by inviting the bereaved families of the independence activists to honor their dedication and sacrifice and to promote Korean music. In 2022, we held the second performance to deliver comfort and emotion to the bereaved families of independence activists, and provided health functional foods for independence activists, bereaved families, and human cultural assets. Going forward, we will expand CSR activities for independence activists and the successors of traditional and cultural heritage in various fields.



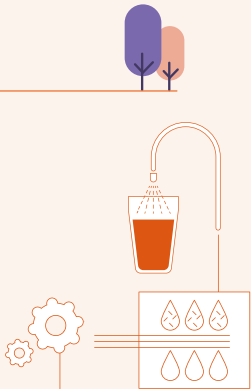
Donations to Create a Healthier World

KGC has been running a “Love Delivery to the Elderly Living Alone” campaign for seniors living alone during the Lunar New Year and Chuseok holidays. As of 2022, we delivered a comprehensive package including Jung Kwan Jang products to about 5,000 seniors living alone, along with “nutrition delivery” (holiday food) and “heart delivery” (emotional support). This initiative utilizes the Jung Kwan Jang Fund as a financial resource, structured around the matching grant approach. When employees donate a certain amount voluntarily, the company provides the same amount as additional support. Since netizens can easily participate through the Jung Kwan Jang online mall or NAVER Happybean fundraising, approximately 15,000 people have participated in donations on a cumulative basis as of 2022.



Global CSR Activity to Improve Educational Environment

With the expansion of our overseas business, KT&G Group takes active part in addressing societal challenges, including education, in key countries where operate our business. This commitment also reflects our dedication to fulfilling our role as a responsible corporate citizen. In 2019, KGC built infrastructure for drinking water facilities and provided training to improve the awareness of hygiene habits for about 10,000 residents in seven villages in Rwanda. In 2022, KGC also provided foodstuff and nutritional supplements to 750 children suffering from malnutrition in poor areas in Vietnam and implemented related education.



PEOPLE

All Changes and Innovations Pursued by KT&G are People-oriented.

KT&G is progressively executing practical and phased welfare endeavors, ranging from education to mobility and self-actualization support, by placing top priorities on the well-being of future generations and prosperity of the underprivileged. In a world where nobody left behind, people change the community for the better and innovate creatively. Imagining a such society where individual growth leads to sustainable development for all, KT&G is building a diverse and strong social safety net.

OUR SOCIAL IMPACT

KT&G Welfare Foundation



KRW 25.8 billion

KT&G Scholarship Foundation



KRW 5.5 billion

Total KRW 31.3 billion

DISCLAIMER Our Social Impact is the monetary value of the value creation outcomes of social contribution activities in 2022 that was derived by applying KPMG's "True Value" methodology, which is a global value measurement model. This does not signify the input project scale, and is provided for reference to stakeholders. It does not serve as a basis for making investment judgments.



KT&G Welfare Foundation

Realizing mutual prosperity of corporations and society through continuous and sincere social welfare projects

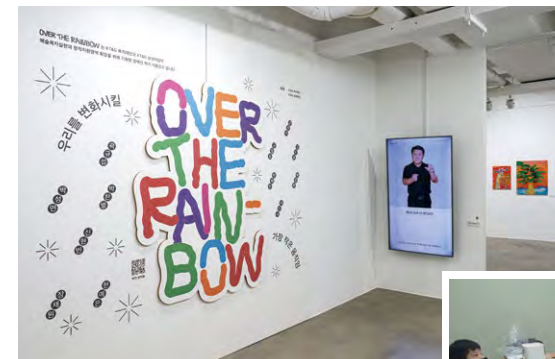
KT&G Welfare Foundation is striving to find ways of sharing happiness for both corporations and society by carrying out advanced welfare activities. The Foundation provides cultural and economic support to the low-income group in need of social consideration, such as children, seniors, and persons with disabilities, and is making efforts to improve welfare institution infrastructure by providing vehicles. Furthermore, it is implementing global educational environment improvement projects, thereby expanding its scope of social value creation.



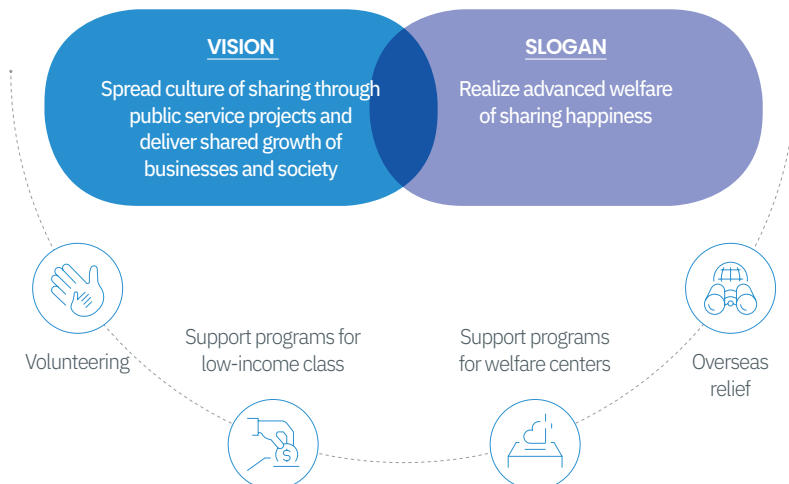
Support for Children from Low-income Households KT&G Welfare Foundation is implementing initiatives with the goal of offering culture, arts, and education assistance to children from economically disadvantaged backgrounds, thereby helping them enhance their self-esteem and nurture their creative capabilities. Furthermore, the Foundation provides opportunities for these children to explore and cultivate their innate talents. It is supporting culture, arts, and education activities at 450 childcare centers in the metropolitan area and providing various cultural programs to children from low-income households across the country in connection with SangSang Madang. The KT&G Welfare Foundation also runs book support projects to help them developing a reading habit and caring for the healthy development of children by providing SangSang Fruit Baskets.

Support for the Vulnerable Social Group KT&G Welfare Foundation holds “Over the Rainbow” exhibition for artist with disabilities every year to realize art welfare and expand the scope of supporting creative works in cooperation with KT&G SangSang Madang. The exhibition’s title, “Over the Rainbow”, symbolizes the harmonious coexistence and hopeful promise captured within diversity, offering a fresh lens that exceeds the boundaries of art. True to its name, this showcase functions as a conduit for communication, where disabled artists can be acknowledged as appreciated creators. By surmounting the bias associated with disabilities, these artists can engage with the global community, fostering meaningful dialogue. Going forward, KT&G Welfare Foundation will continue supporting the exhibition to give artists with disabilities opportunities of self-reliance and exhibition of their work.

KT&G Welfare Foundation is also conducting various activities to support the underprivileged so that they can live without losing hope, such as the medical expense support project for those who are vulnerable to medical services and the cultural experience support project for the single-parent family.



Overview of KT&G Welfare Foundation



Major Achievements in 2022



Support for children from low-income households

Number of beneficiaries 16,149 persons

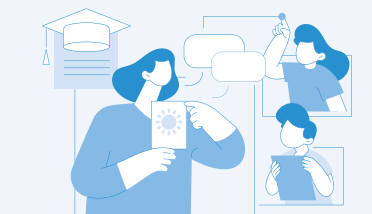
Support amount KRW 4.8 billion



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

Number of beneficiaries 17,740 persons

Support amount KRW 3.13 billion



* As of the end of 2022

KT&G Welfare Foundation

Vehicle Support for Social Welfare Centers KT&G Welfare Foundation is striving to build welfare infrastructure that can help local communities and thus has been providing vehicles since 2004 to enable efficient operations of local social welfare institutes doing their duties at poor working conditions. The Foundation supports compact cars that can drive in narrow roads considering the characteristics of the living areas of social welfare beneficiaries and reflecting the opinions of field workers. The Foundation provided a total of 2,100 compact cars as of 2002. The donated compact cars are serving as a foot for social welfare institutions across the country and keenly utilized for local social welfare activities.

Promotion of University Students' Volunteering Activities KT&G Welfare Foundation is running various volunteer programs to expand the volunteer culture of college students. In 2022, it formed an environmental volunteer group, which comprised 470 college students from 50 universities to carry out volunteer activities on a regular basis, such as planting trees and removing harmful plants in the planting area of Mt. Bukhan for ecological restoration. This has enabled the youth to increase their awareness about environmental protection, and to take part in preserving the natural environment. Furthermore, the group played contributed to enhancing the visual appeal of communities by conducting environmental cleanup activities at the Han River.

Global CSR to Improve Learning Environment The outreach of KT&G Welfare Foundation's public services extends beyond Korea, offering assistance to individuals across the globe. In particular, the Foundation helps the future generation to grow their dreams in a better learning environment by improving education environment for children in developing countries under poor learning conditions. As of 2023, the Foundation is implementing the learning environment improvement projects for two school facilities in Vietnam and Indonesia. The Foundation is supporting Nguyen Thanh Elementary School in Vietnam with school building renovation and auxiliary facility improvement, such as rest rooms. In Indonesia, the Foundation is constructing new school buildings for Ananda Elementary and Secondary School, and when the construction is complete, the Foundation plans to provide necessary learning material and equipment.



Major Achievements in 2022



Vehicle support for social welfare centers¹⁾

Number of vehicles supported 2,100 units

Support amount KRW 20.6 billion



Global CSR to improve learning environment

Support amount KRW 0.59 billion



University students' volunteering activities

Affiliated volunteering clubs 50

Number of participants 470 persons

* As of the end of 2022

¹⁾ Cumulative basis

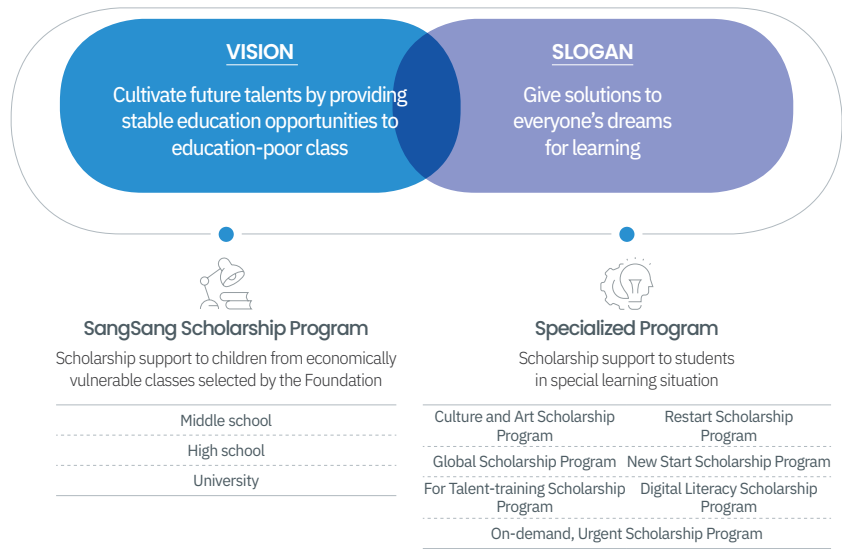
KT&G Scholarship Foundation

Shaping a better tomorrow by answering future generations’ questions about learning through sharing

KT&G Scholarship Foundation offers diverse scholarship programs across various domains, ensuring that the aspirations for education of all are realized. The Foundation grants scholarship to middle, high school, and college students from low-income households to provide them with opportunities to study through SangSang Scholarship Program, one of its leading projects. The Foundation is also dedicated to extending educational opportunities to students in unique learning conditions, including those pursuing cultural and artistic disciplines, young applicants, and students enrolled in overseas local universities, through the Specialized Scholarship Program. All these represent KT&G Scholarship Foundation’s desire to help talents unlock their full potential regardless of the environment they are in.



Overview of KT&G Scholarship Foundation



SangSang Scholarship Program

Through the SangSang Scholarship Program, KT&G Scholarship Foundation selects and supports students of the underprivileged group every year who have excellent academic abilities even though their economic conditions are challenging. Furthermore, the Foundation employs a “total care approach” that entails sustained scholarship provisions for the chosen students, extending from middle and high school through university, unless disqualification criteria are met. The Foundation grants SangSang Scholarship of KRW 1 million for each middle school student, KRW 2 million for high school students, and KRW 3 million for college students every year. In 2022, the Foundation granted scholarship to a total of 1,497 students with excellent academic performance.

Specialized Scholarship Program

On-demand Scholarship Program In addition to the regular SangSang Scholarship Program, KT&G Scholarship Foundation runs an on-demand scholarship program aimed at assisting adolescents facing educational marginalization as a result of social challenges. The Foundation also donated KRW 180 million to the Korean Red Cross for safety education support projects in order to help the youth obtain a proper sense of safety. The donation will be used in 2023 for youth safety education, distribution of teaching aids, and first aid contests among the youth at the national level.

Culture & Art Scholarship Program In 2016, the Foundation launched the Culture & Arts Scholarship Program through which it identifies individuals displaying exceptional talent in the domains of arts and sports and bestows them with scholarships. Among the beneficiaries of this support, pianist Yunchan Lim won the world-renowned classical music competition “Van Cliburn International Piano Competition” in 2022 as the youngest ever winner. In 2017, pianist Lim was chosen as a scholarship recipient of KT&G Scholarship Foundation, and he was granted scholarships until 2019 to enhance his artistic abilities and further. The Foundation also granted KRW 10 million to him to root for his dream as a pianist. Since 2021, the Foundation has been concentrating on cultivating a people of excellent talent in ballet to implement the project more efficiently. The Foundation also runs a “master class”, a dance education program in which that ballet dancers and choreographers provide professional coaching guidance and showcase performance opportunities to selected talents for more systematic talent development.



Major Achievements in 2022



SangSang Scholarship Program

Number of recipients **1,497** persons
(483 middle school, 796 high school, 218 college students)

Support amount **KRW 2,850** million
(KRW 480 million for middle school, KRW 1,770 million for high school, KRW 600 million for college students)



On-demand Scholarship Program

Support amount **KRW 200** million



Culture and Art Scholarship Program

Number of recipients **62** persons

Support amount **KRW 300** million

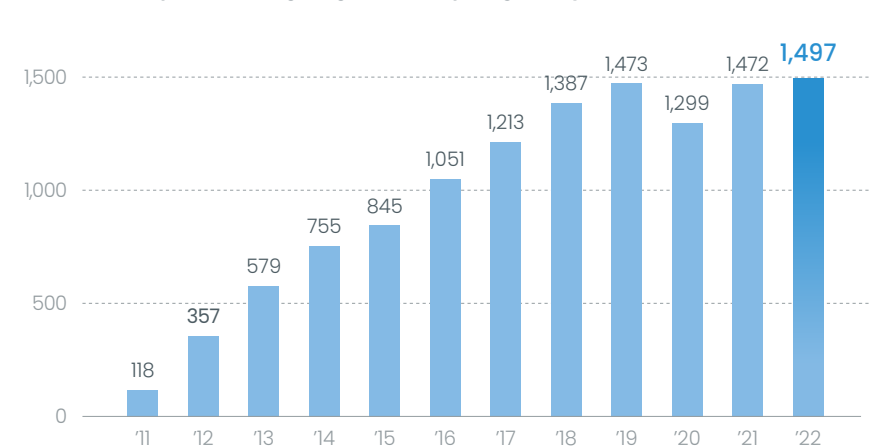
* As of the end of 2022

KT&G Scholarship Foundation

For Talent-training Scholarship Program In 2022, the Foundation launched a new scholarship program aimed at fostering outstanding talents in the fields of social innovation and science and technology. In the field of social innovation, the Foundation held an idea contest to create social values by presenting solutions to social problems for college students and provided scholarships to a total of 59 students from the final 21 teams and incubation training for social innovation startups. In the field of science and technology, the Foundation selected 25 Korean and eight foreign KIST (Korea Institute of Science and Technology) researchers in their masters and doctoral courses to foster science talents.

Restart Scholarship Program Since 2016, KT&G Scholarship Foundation has been operating the Restart Scholarship Program designed to provide academic assistance to adolescents with commendable lifestyles, aiding in their social reintegration during their time in juvenile detention centers or upon their departure from such facilities. In collaboration with the Korea Juvenile Protection Association, a public institution under the Ministry of Justice, the Foundation identifies recipients and offers educational expenses. This partnership aims to empower adolescents at risk in their journey towards self-reliance, enabling them to discover and realize their dream. In 2022, the Foundation supported a total of 87 adolescents in detention centers, through tuition for college freshmen, living expenses for middle and high school students, qualification examination fees, and technical training expenses.

Number of Recipients of SangSang Scholarship Program by Year (Unit: Persons)



New Start Scholarship Project In 2022, KT&G Scholarship Foundation launched the New Start Scholarship Project to grant scholarships to runaway adolescents who left their homes due to a lack of protection and support within their domestic environment. These youth are often placed in a blind spot of welfare system because it is difficult to receive protection from institutional authority. In response, the Foundation selected 100 runaway adolescents upon the recommendation of related agencies, such as the Korea Youth Shelter Association, and provided scholarships worth KRW 200 million, so that they can continue to study in a stable learning environment.

Digital Literacy Scholarship Project KT&G Scholarship Foundation has been providing IT learning material and equipment to elementary school students since 2021 to support digital literacy education in order to narrow the gap in digital education by creating a stable online learning environment. In 2022, the Foundation contributed to the establishment of an online learning environment by providing tablet PCs to 106 elementary school students at local children's centers and social welfare institutions across the country. The Foundation also provided digital literacy education with 24 college student volunteers playing their role as mentors so that beneficiary students can quickly utilize the infrastructure.

Global Scholarship Program This is a global project that has been implemented for overseas students since 2018. In 2022, the Foundation held a startup contest in two countries, Indonesia and Turkey, and granted scholarships to 383 college students selected based on the recommendation of local institutions.



Major Achievements in 2022

For Talent-training Scholarship Program

Social Innovation Field

Number of recipients 59 persons Support amount KRW 100 million

Science and Technology Field

Number of recipients 33 persons Support amount KRW 100 million

Restart Scholarship Program

Number of recipients 87 persons

Support amount KRW 50 million

New Start Scholarship Program

Number of recipients 100 persons

Support amount KRW 200 million

Digital Literacy Scholarship Program

Number of recipients 130 persons

Support amount KRW 200 million

Digital Literacy Scholarship Program

Number of recipients 383 persons

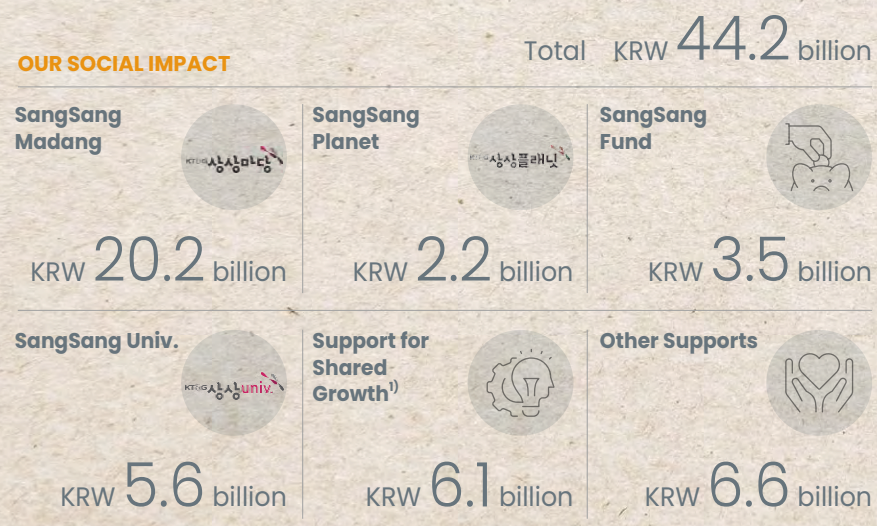
Support amount KRW 190 million

* As of the end of 2022

COMMUNITY

KT&G dreams of a world where everyone's imagination drives mutual prosperity

In order to realize this dream into reality, KT&G facilitates the sharing of spaces and know-how through which we can address social challenges. As individuals come together to exchange their aspirations and insights, a culture of shared growth and unity will flourish, fostering the expansion of social value that is beneficial to all. We develop such values and resonate with our employees, and they take active part in the company's endeavors to tackle community issues.



DISCLAIMER Our Social Impact is the monetary value of the value creation outcomes of social contribution activities in 2022 that was derived by applying KPMG's "True Value" methodology, which is a global value measurement model. This does not signify the input project scale, and is provided for reference to stakeholders. It does not serve as a basis for making investment judgments.

¹⁾ Excluding the amount for purchasing all domestic leaf tobacco



SangSang Planet

A place where youth entrepreneurs learn, meet, and create impact together to change the world for the better

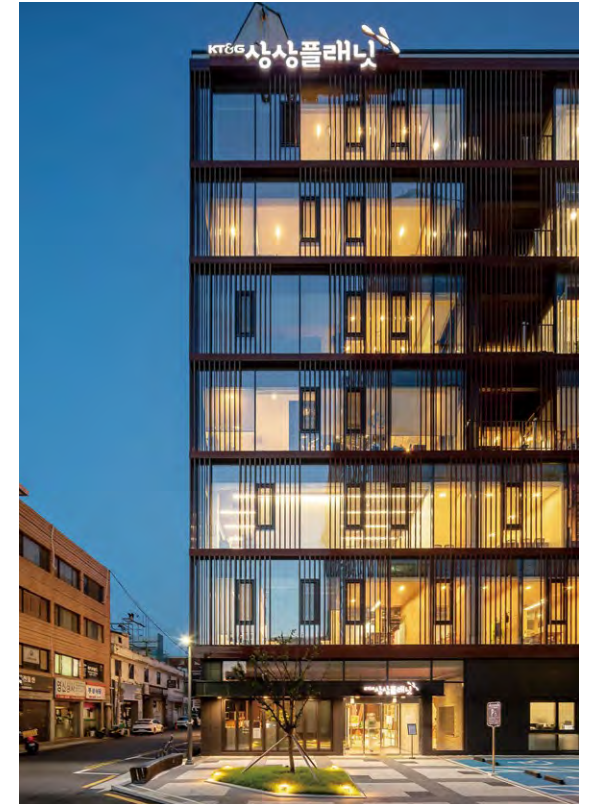
SangSang Planet is a youth startup support space that opened in July 2020. KT&G is promoting various youth startup support projects for the growth of the future generation. KT&G has been helping the youth, who imagine a better future, start their own businesses. Our efforts began with the sponsorship of the Asia University Student Start-up Exchange in 2004, which was followed by the launching of K&G SangSang Start-up Camp in 2017, a program designed to discover and foster social innovators who address societal issues through entrepreneurial endeavors.

SangSang Planet stands as an incubating platform conceived by KT&G, providing young entrepreneurs with a stepping stone to scale-up their business, on the back of KT&G's extensive understanding and experience in fostering youth startup. Going forward, we will provide multifaceted support for youth startup, and SangSang Planet will serve as the base camp for our efforts to support their challenge.



Space of SangSang Planet

KT&G SangSang Planet serves as a collaborative workspace exclusively designed to nurture the development and interactions of social ventures at their early stage. Located in Seongdong-gu, Seoul, a region often referred to as the Social Venture Valley, SangSang Planet provides a conducive environment for fostering innovative growth. The facility spans across 8 above-ground floors and 1 underground floor, with a total floor area of approximately 4,000 square meters. The office space accommodates a total of 256 seats, providing a conducive environment for entrepreneurs to work. There are also meeting rooms and lounges on each floor, and various common spaces such as sleeping rooms and shower rooms are also available for user convenience. In addition to these comfortable and convenient workspaces for youth entrepreneurs, KT&G helps them exchange, communicate, and grow their dreams by running competency support programs such as education and mentoring as well as communication support programs such as busking and small groups on a regular basis.



KT&G Youth Startup Support History



SangSang Planet

SangSang Planet Programs

KT&G provides various benefits for the growth of startups, such as capacity building programs and exchange opportunities, in addition to the office space. Moreover, we seek to discover and nurture social ventures and facilitate the social innovation ecosystem by operating youth startup programs such as KT&G SangSang Start-up Camp and Sangsang Summit, together with the programs that support the growth of tenants of SangSang Planet and promote exchanges among them, such as Planet Campus, Planet Talk, and 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 Market

Planet Market is a place of sales of products and services for moved-in companies to open up new markets. Planet Market is opened for nearby residents and visitors to Seongsu-dong and supports activities necessary for the growth of the moved-in company, such as product sales and accumulation of customer experience by presenting their products to customers.



Planet Pop-up

Tenants 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 SangSang Planet offer the local community a great opportunity to enjoy culture and art.



Planet Talk

Planet Talk is a talk concert program that enables participants to listen to the various experiences of senior entrepreneurs. Participants can share information necessary for growth based on the topics of areas needed for newly established social ventures, such as ESG, brand, HR, corporate culture, and marketing.



Connect Planet

Connect Planet is a networking program that enables Planet moved-in companies to communicate and share information. Connect Planet gives an opportunity for individuals with common interests to form a community.



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.



Youth Start-up Program



Korea's first-ever fulltime social innovation start-up launching program aimed at supporting youth exploring to solve social issues through business.



SangSang Summit is a forum for social innovation entrepreneurship held every year. Using this conference program, experts and those who are interested in innovation gather and talk about the future by discovering key elements that can achieve innovation.



SangSang Planet

KT&G SangSang Start-up Camp Launched in 2017, KT&G SangSang Start-up Camp is an accelerating program aimed at helping social innovation startups grow or re-start. Each year, we chose participating companies among startups at their inception or re-start stage to seed stage to support their ongoing development by offering tailored and hands-on initiatives, including business establishment coaching, expert mentoring, and pitching sessions. As of 2022, the 6th class of SangSang Start-up Camp has been successfully completed, and we are operating the 7th class. In particular, from the 7th class in particular, we have increased the type of startups to support by subdividing the course to the start track (inception stage), reboot track (re-startup), seed track (growth stage).

 SangSang Start-up Camp



SangSang Summit KT&G hosts SangSang Summit, an expert forum on social innovation, every year with the goal of drawing public attention and engagement to social venture ecosystem. In 2022, the 5th SangSang Summit was held offline at the Connect Hall on the 1st floor of SangSang Planet thanks to the easing of distancing regulations. Under the theme of “Connecting Various Social Innovations”, experts from such various fields as academia, institutions, global IT enterprises, and startups participated in discussions that illuminated the trajectory of social innovation. Their talks spanned an array of subjects, ranging from themes centered on social impact and growth, such as collective impact, social value measurement, and interlinking of social missions. In addition, the theme of “change and connection” was explored to share insights on such subjects as climate change, impact investment, metaverse, and game-changing growth formula.



Achievements of SangSang Start-up Camp



Number of team

144 teams

Number of participants

415 persons

Cumulative sales revenue

KRW 40.3 billion

* Based on cumulative performance from the 1st to 7th classes

Achievements of SangSang Summit Operation in 2022



Number of offline participants

About 150 persons

Cumulative number of participants

About 1,900 persons

SangSang Fund

KT&G's unique donation culture made of employee's voluntary participation and reward of good deeds Donation Petition

SangSang Fund is a social contribution fund raised by the voluntary participation of KT&G employees. When employees donate part of their monthly salary, the company matches the same amount. Since its adoption in 2011, the SangSang Fund has formed a cumulative total of KRW 39.9 billion, including KRW 3.9 billion raised in 2022, as a result of active participation of employee in overall process ranging from fund operations to search for recipients and sponsorship.

The raised SangSang Fund is used to support vulnerable social groups and solve social problems through donation petition and donation market programs. The SangSang Fund Management Committee, composed of 11 employee representatives, deliberates, and makes decisions on the donation agenda to ensure transparent operation. Support for large-scale social problems such as natural disasters is determined by a committee resolution, and funds for social contribution to increase intimacy with the community is executed voluntarily by KT&G local organizations across the country, contributing to diffusing a culture of sharing.

Overview of SangSang Fund



Major Cases Supported through SangSang Fund in 2022

In March 2022, KT&G donated KRW 1 billion to the Korea Disaster Relief Association including KRW 500 million for the relief of large-scale wildfire that occurred on the East Coast including Uljin, Gyeongsangbuk-do, and KRW 500 million for the relief of large-scale heavy rain damage in the metropolitan area that occurred in August. The donated funds were used to provide housing facilities and relief goods for disaster victims. KT&G also donated KRW 400 million to create the SangSang Forest, a forest for environmental protection at home and abroad. The donation was used to restore forests in Bonghwa-gun, Korea, which were damaged by forest fires, and to establish forests to prevent desertification in Mongolia.

Donation Petition The donation petition initiative serves as a method to identify recipients of donations. In this program, when an employee identifies a story within an underserved welfare area and extends a helping hand, the story becomes eligible for donation consideration if it garners over 200 supportive comments from fellow employees. Since its introduction in 2013, many members have participated in the program to provide various benefits to the underprivileged in the welfare blind spot, such as medical support, residential environment improvement, and education, since they cannot receive support from the welfare institutions.

Donation Market Donation Market is a participation-based donation program that enables employees to select a donation receiver among the candidates collected from various channels such as NAVER Happybean, KT&G Welfare Foundation, and recommendations from local organizations. Started in 2015, the Donation Market program has conducted activities to solve a wide range of social issues in various fields, such as overseas relief and improvement of environmental problems, in addition to the welfare improvement of the underprivileged.

Engagement by Local Organizations Across the country, KT&G is conducting community-based sponsorship projects led by approximately 20 sales headquarters and plants. As employees who are familiar with the community find the donation receiver, practical support and customized social contribution can be made. In 2022, KT&G executed a total of 295 nationwide support initiatives, encompassing areas such as medical expenses, essential daily provisions, enhancement of living conditions, and year-end charitable endeavors. These efforts were directed towards the elderly, disabled individuals, and multicultural families, and were facilitated through local welfare institutions. A sum of approximately KRW 1.5 billion from the SangSang Fund was allocated for these activities.



Raising and Execution of SangSang Fund in 2022

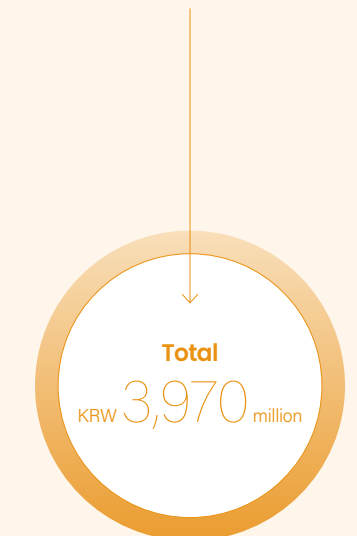


SangSang Fund Operational Committee
KRW 1,670 million

Local Organizations
KRW 1,560 million

Donation Market
KRW 720 million

Donation Petition
KRW 20 million



SangSang Madang

Cultural milestones that we have been creating together with local community as a complex cultural and artistic space in daily life

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.



Milestones of KT&G SangSang Madang

Hongdae

Opened in Sep. 2007



Culture and Art Complex in the City

KT&G SangSang Madang Hongdae is a culture and art complex opened in September 2007, spanning across 7 above-ground floors and 4 underground floors. It has 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 Jun. 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. The site consists of 9 building such as the gallery, art hall, cafe, accommodation, educational space and restaurant. The Art Camping Village is also built for the general citizen to have an opportunity to enjoy culture together with nature.



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 and 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.

Small art gallery in the city

KT&G Daechi Gallery is an open gallery where people can meet culture and are easily in their daily lives. The exhibition items change every month in a space of about 59.5 m², and KT&G support artists in various fields such as painting, photography, and installation art to meet visitors.

Busan

Opened in September 2020



Space for Art and Social Contribution

KT&G SangSang Madang Busan, spanning across 13 above-ground floors and 5 underground floors, is the largest SangSang Madang in operation. 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.



Business Areas of SangSang Madang

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

Start-up, Mutual prosperity with local community



SangSang Madang Busan was newly opened in 2020 and continuously realized mutual prosperity with the community using various methods such as youth entrepreneurship support projects and flea markets in connection with local small businesses, in addition to culture and arts.

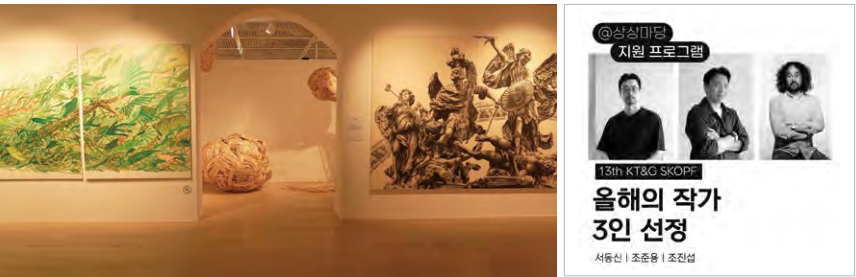
Startup contest
Flea market for small business owners

SangSang Madang

Major Achievements of SnagSang Madang in 2022

Performance Support Program, Expanding Nationwide KT&G SangSang Madang Hongdae is supporting the practical growth of indie musicians by implementing various music support projects. Starting with “Band Discovery” first introduced in 2007, it supports the growth of new artists in various ways, including My First Concert which has been conducted since 2015. KT&G also expands the project at a national level through SangSang Madang Busan opened in 2020. The “Indie on Spotlight”, one of representative program of SangSang Madang Busan, provides mentoring of popular musicians and performance experience to new musicians based in Busan. Musicians such as Harim, Yozoh, and Car the Garden participated as mentors, and the mentors helps the selected mentee musicians throughout the entire process, from concert planning to joint performance, so that they can experience actual growth. The SangSang Live Practice Room program provides live hall space, musical instruments and equipment in KT&G SangSang Madang Busan to musicians who need a practice space and stage experience. KT&G ensures that participants can expand their activity stage nationwide through cooperation with SangSang Madang Hongdae.

Exhibition Support to Help New Artists Shine The exhibition support project of SangSang Madang started with SangSang Madang Hongdae Gallery. Opened in 2007, KT&G SangSang Madang Hongdae focuses on supporting non-mainstream culture rather than popular culture. Therefore, it plans new visual arts as an exhibition space that supports contemporary art, non-mainstream art and new artists. KT&G SKOPF held its 13th exhibition in 2022, which provides exhibition support, including activity subsidies and mentoring, to selected photographers of the year. KT&G Daechi Gallery is also making efforts to find artists in various fields such as photography, painting, and installation art by holding by holding “Daechi Artist Fellowship (DAF),” an exhibition support project held twice a year, from 2021. In addition, SangSang Madang Busan Gallery, which opened in 2020, implemented ARTISTART, a preliminary artist support program in connection with local art universities. It supports graduates of art colleges to take the first steps as artists by supporting exhibitions.



Major Achievements of SnagSang Madang in 2022



Performance

187 times, artists of 548 teams



Exhibition

67 times, artists of 670 teams



Design

56 times, artists of 826 teams



Education

143 classes,
trainees of 1,579 persons

* Based on major projects of SangSang Madang

SangSang Madang

SangSang Madang Academy – a Gateway to Artists from Amateur to Professional

KT&G SangSang Madang Academy has been launching and running various courses since its opening in 2007 with the hope that more people can and experience culture and arts with ease. To foster professionals in the field of culture and arts, we are operating concert planner workshop, design figure production process, and Bologna picture book workshop, while also running hobby courses to spread daily creative education that life becomes art. These courses give students opportunities to experience a new culture and gives new motivation for creative activities to artists. In 2023, KT&G plans to contributing to the creation of a virtuous cycle structure in the culture and art world by holding special relay lectures given by the graduates of SangSang Madang Academy.

Daedanhan Short Film Festival Held at Newly Renovated Cinema

After about a year of preparation, KT&G SangSang Madang Hongdae Cinema, which had been closed due to the spread of COVID-19, was reopened in January 2022 and is promoting support programs for independent and artistic filmmakers again. SangSang Madang Hongdae Cinema is making efforts to find independent films with imagination and connect potential films with audiences by continuously operating Daedanhan Short Film Festival, leading short film discovery program in Korea, since 2007. The Festival was temporarily closed due to social distancing but raised its curtain again in 2022. In 2022, a total of 878 films were submitted to the 14th Daedanhan Short Film Festival, which was resumed after three years, and an actor Kwon Yul, Cine21 reporter Lee Dahye, and film director Lee Jisong selected 25 finalists, which were visited by 1,000 audiences. The film festival was operated under various themes such as short film competition, short film invitation, and special section. For short film competition, the festival awarded a total of KRW 15 million in prize money in five award categories in order to continue support for the development of the short film industry.

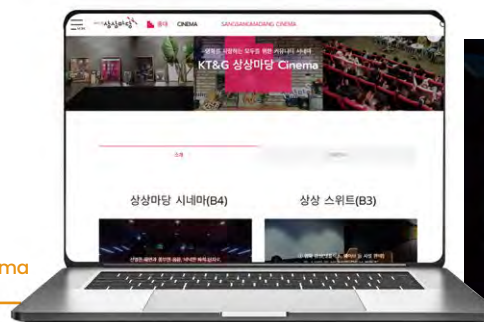
Korea Cosmetics Challenge – Youth Startup Support Program & SangSang Flea Market – Flea Market for Local Small Businesses

KT&G has been operating the “Korea Cosmetics Challenge” contest to support youth start-ups since 2021, aimed at supporting startup ideas in the beauty field. The entire process of the contest is performed in collaboration with SangSang Madang’s cultural contribution platform and COSMOCOS, one of KT&G Group subsidiaries. COSMOCOS supports the final selection team in the overall brand development and production process so that ideas can lead to actual commercialization, by providing ODM-based product development support, expert mentoring and accelerating support, promotion booth and follow-up marketing support, etc.

“SangSang Flea Market” of SangSang Madang Busan is a flea market held together with local merchants. This flea market is held on the last Saturday of every month with the goal of mutual prosperity with local small businesses. This flea market is becoming a place for small business owners to meet consumers, and for visitors to enjoy various cultural and artistic programs such as busking and exhibitions along with shopping. SangSang Madang Busan is nurturing this flea market as a mutual prosperity brand with local small business owners and is also used as a test bed for moving into SangSang Madang Design Square.



 SangSang Madang Cinema



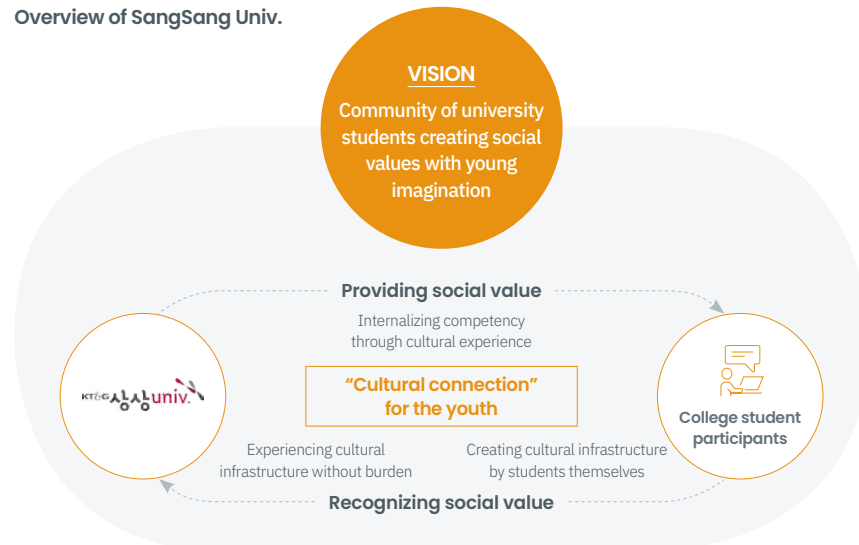
SangSang Univ.

A place where imagination of the youth transforms into social value

SangSang Univ. is a community of college students that turns youth's imagination to social values. As one of the unique CSR programs designed by KT&G, in 2022, SangSang Univ. gave some 103,000 college students facing difficulties in 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.



Overview of SangSang Univ.



Major Achievements of SnagSang Univ. in 2022

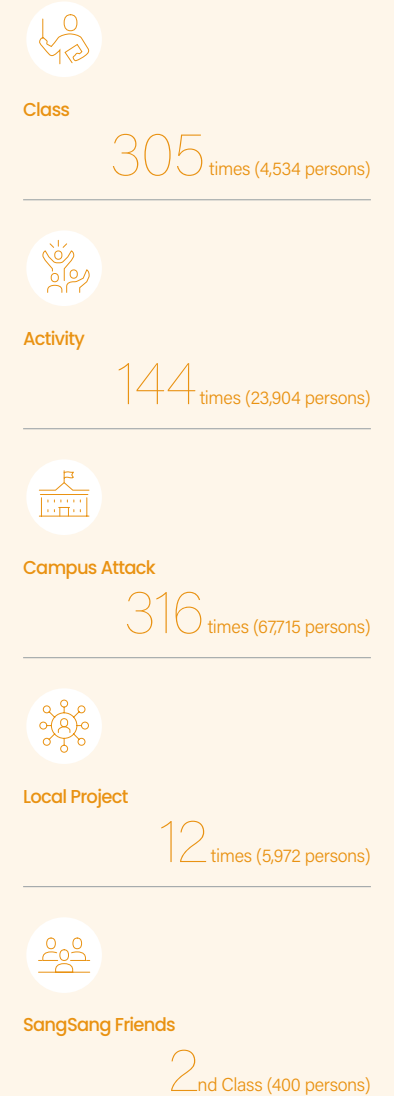
SangSang Jiphyeonjeon – Musician Incubating Program for College Students First introduced in 2020, SangSang Jiphyeonjeon is a musician incubating program that helps college students with passion and talent for music to grow into future artists. In 2022, 391 teams of college student artists who dream of becoming next-generation musicians applied across the country, and a total of 12 teams were finally selected through preliminary and main rounds. The final teams received mentoring from top musicians in Korea and finished the four-month long journey by holding the final stage of competition at the SangSang Univ Jiphyeonjeon Festival. SangSang Univ encourages college students to confidently grow their dreams and skills by providing a stage for community college students to realize their dreams. The winner was given various benefits, such as production support and music release on domestic music streaming sites, and a total of KRW 30 million won in prize money, so that they can cultivate their dreams and skills with confidence.

SangSang Marketing School – Training Program to Foster Future Marketing Experts KT&G has been operating the SangSang Marketing School since 2010 with the motto of “fostering young and competent marketing experts for the future”. In 2022, 1,200 college students participated in the school and took online training, including practical marketing trends and startup marketing cases, then produced a marketing video for startups and performed a mission to suggest marketing strategies. Then, about 300 participants who passed the finals participated in the Marketing Fair held at the Yangjae aT Center and presented their marketing plans and videos so that they can grow further as a prospective marketer.

SangSang Upcycling Art Workshop – Art Wall Design Program Using Marine Garbage SangSang Upcycling Art Workshop is a program where college students create art walls using marine garbage collected from the beach in Jeju Island through plogging and plastics collected from campus. The art wall was completed by about 300 college students who participated in the program. They painted murals on the inner wall of the Jeju National University Stadium by drawing silhouettes of participants, and processing and attaching waste resources that were collected in advance. KT&G further develops SangSang Upcycling Art Workshop operating model and plan to launch a new “SangSang Blue Pavilion,” a marine garbage utilization architecture and design program, to inform the seriousness of marine environmental pollution and deliver the message of environmental preservation.



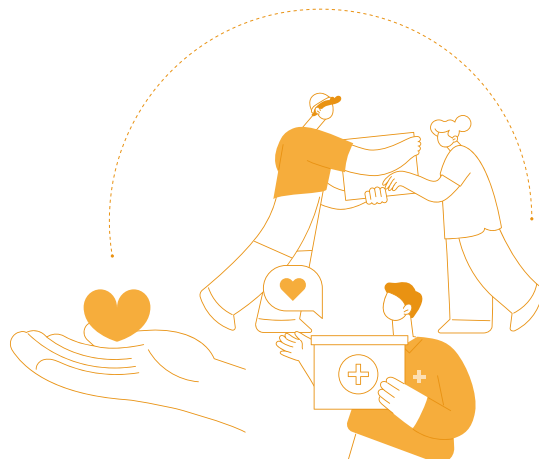
Major Achievements of SnagSang Univ. in 2022



Social Responsibilities

KT&G's unique culture of sharing that envisions a better tomorrow with unusual imagination

KT&G employees support and participate in CSR pursued by the company as a member of the community where the company operates. KT&G employees are participating in various social responsibility activities in their own ways, such as donations, talent, and time, and the company seeks ways to coexist with the community by utilizing the efforts and dedication of its employees as a valuable resource.



KT&G Social Responsibility Activities in 2022

Kimchi-making and Winter Supply Drive for the Underprivileged KT&G has been conducting year-end sharing activities for community neighbors who are waiting for a warm helping hand during the winter season. In the winter of 2022, KT&G shared a total of KRW 1 billion including activities conducted by KT&G Welfare and Scholarship Foundation, in addition to SangSang Fund, donations by employees. KT&G carefully looked after alienated neighbors in various fields, such as donating kimchi and heating oil for the community with a fund of KRW 500 million raised through employee donations and KRW 80 million worth of briquettes through the Briquette Run Voluntary Activities based on employee participation.

SangSang Together – Employee Volunteer Group Since 2007, KT&G has been operating the SangSang Together Volunteer Group composed of its employees. The SangSang Together Volunteer Group carries out various service activities, ranging from cleaning up the environment near the company's business site to serving free meals for the underprivileged and sharing activities at the end of the year. In 2022, a total of 600 employees participated in volunteer activities. KT&G employees supported company's social contribution activities by participating in various volunteer activities, such as beach cleaning volunteer activities and plogging near the workplaces for environmental protection and Briquette Run Voluntary Activity to share briquettes with the underprivileged at the end of the year.

Support for the Underprivileged for a Healthy Society In 2022, KT&G implemented sponsorship activities by investing in KRW 180 million in collaboration with the Ministry of Justice to help the underprivileged live in a better environment and settle down in society stably. KT&G constructed horticultural facilities to support the psychological stability of patients and medical staff at the National Law Hospital under the Ministry of Justice and contributed to the improvement of residential environment for 120 households by renovating old houses to support the improvement of the deteriorated residential environment of probationers. In addition, KT&G provided COVID-19 self-diagnosis kits worth KRW 60 million to prevent the spread in detention facilities.



Win-win Growth

Soil for sustainable growth rooted in cooperation and mutual prosperity

Sustainable agriculture that cherishes people and protects the environment is the basis of increasing sustainability of KT&G and farms. We are therefore focused on sustainable agriculture as a way to achieve mutual prosperity with famers so that the seeds of change can take root and bear fruit. In addition, KT&G is seeking to realize a better future by pursuing joint growth with SMEs, which are the basis of the local economy of where we operate our business.

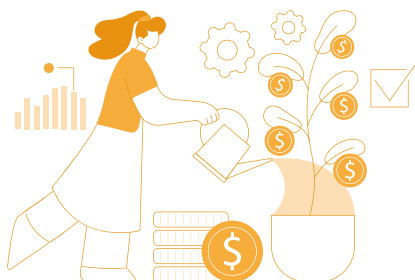
Activities Aimed at Win-win Growth in 2022

Efforts to Achieve Joint Growth with Farmers As part of ESG management, KT&G is making various efforts for joint growth with leaf tobacco farmers who are raw material suppliers. Among tobacco companies running business in Korea, KT&G is the only company that purchases domestic leaf tobacco to protect the farms. In 2022, KT&G purchased 7,224 tons of leaf tobacco from 2,700 farms, which amounted to KRW 71.7 billion.

Our employees take part in volunteering activities every year to help farmers during leaf tobacco planting and harvesting seasons. To cultivate tobacco, seedlings should be grown in seedling facilities and transplanted instead of sowing seeds in the field. This process is important, since it determines the outcome of the harvest, but it cannot be easily mechanized. Due to the nature of leaf tobacco cultivation, the labor intensity is high. However, farmers are having difficulty securing enough labor due to rural population decline and aging problems. KT&G has been conducting voluntary services to help farmers for 14 years since 2009, to solve these difficulties and transfer know-how to produce high-quality leaf tobacco.

In addition, KT&G has been providing welfare promotion subsidies to leaf tobacco farmers every year since 2013, which amounts to a total of KRW 3,336 million including KRW 480 million in 2022. The subsidy is used to pay for health checkup expenses for leaf tobacco farmers, scholarships for their children, and purchases of exhaust heat fuel reduction devices. In this way, KT&G has been continuously conducting various activities for mutual prosperity with the farmers with sincerity for a long period of time, not a one-time event. KT&G will enjoy the joy of growing together by carrying out sharing activities that can practically help farmers.

Efforts to Grow Together with SMEs According to the basic statistics on SMEs compiled by the Ministry of SMEs and Startups in 2020, the number of SMEs in Korea is 7,286,023, accounting for 99.9% of all companies, and the number of SME employees accounts for 81.3% of all employees. As SMEs are the backbone of our economy and the basis of the local economy considering this statistics, KT&G signed a business agreement for joint growth with Industrial Bank of Korea (IBK) and is providing low-interest loans to SMEs located in the Chungcheong region. KT&G deposited KRW 100 billion in IBK to contribute to facilitating local economy and creating jobs and created a fund worth KRW 200 billion based on the deposit. The fund is used to provide loans at lower interest rates than the market to corporations in five fields, including start-ups and small business owners located in Daejeon City, Sejong City, and Chungcheong Province. As of 2022, a cumulative total of 954 companies benefited from low-interest loan support, and the amount of interest reduction supported in 2022 was KRW 1.84 billion.



PLANET

KT&G is expanding its global presence with an eye towards future.

The best future imagined by KT&G is where forests that we built bring about change that resolves the climate crisis and where our tailored CSR activities in countries that lacked the capabilities needed to resolve social and environmental issues transform into wings of innovation and solve global issues. To make this future into today, we are strengthening social contribution activities in the area of eco-friendliness while expanding the scope of social value creation to the global stage as part of our utmost efforts to fulfill roles as a global corporate citizen.

OUR SOCIAL IMPACT

Total KRW **11.9** billion

Eco-friendly CSR



KRW **10.5** billion

Global CSR



KRW **1.4** billion

DISCLAIMER Our Social Impact is the monetary value of the value creation outcomes of social contribution activities in 2022 that was derived by applying KPMG's "True Value" methodology, which is a global value measurement model. This does not signify the input project scale, and is provided for reference to stakeholders. It does not serve as a basis for making investment judgments.



Eco-friendly CSR Activities

KT&G is reducing its environmental footprint while raising social value, thereby developing into an ESG-leading company.

KT&G is actively looking into ways to reduce its carbon footprint in the process of use and disposal of our products. We encourage stakeholders to participate in and identify with our efforts to find measures, thus fulfilling our social responsibilities and making diverse efforts to create social value. In addition, we are carrying out various social contribution activities to protect and restore the natural environment to improve environmental issues, which have become a global task.

Smoking Environment Improvement Program

KT&G has been carrying out the smoking environment improvement program for more than a decade to actively fulfill social responsibilities in an area that is related to its business. As a leading activity, we are building an infrastructure (smoking room, cigarette butt collection box, eco-friendly ashtray) to establish a clean street environment and make environmental improvements by eliminating illegal littering of cigarette butts. We are expanding the establishment of smoking rooms at major publicly-used facilities, including airports, train stations, and large public facilities. We set up a cumulative 511 smoking rooms across the nation, including the 86 rooms established in 2022. To more effectively prevent illegal littering of cigarette butts in areas that are difficult to set up a smoking room, such as narrow alleyways, we supported the establishment of cigarette butt collection boxes. We commenced a pilot project in 2021, followed by the installation of a total of 2,236 cigarette butt collection boxes by the end of 2022 in major cities around the nation, including Seoul and Busan. In addition, we are producing and distributing portable ashtrays that are made of eco-friendly materials. Since 2022, we distributed around 100 thousand ashtrays in collaboration with local governments and environmental NGOs, through which we expect to raise consumer awareness and improve smoking habits.

Ssudam Ssudam Campaign KT&G runs the “Ssudam Ssudam Campaign” to build an infrastructure that helps prevent illegal littering of wastes, including cigarette butts, while raising consumer awareness. Meaning “please throw away your cigarette butts in the trash can”, the Ssudam Ssudam Campaign was launched based on a suggestion made by the SangSang Realization Committee (currently Junior Board), a corporate culture improvement organization, in 2020. Since May 2021, we have been applying the Ssudam Ssudam pictogram that encourages the practice of smoking manners to all products sold in Korea (around 70 types). In addition, we set up Ssudam Ssudam Campaign posters at convenience stores (around 46,000) across the nation, and attached campaign slogans to 1,200 work vehicles.



Smoking Environment Improvement Program



Support for Smoking Room Installation

511 smoking rooms,
KRW 7,220 million
(2011-2022)



Support for Cigarette Butt Collection Box Installation

2,236 boxes,
KRW 460 million
(2011-2022)



Distribution of Eco-friendly Ashtrays

102,000 ashtrays,
KRW 850 million
(2022)

* As of the end of 2022, and cumulative basis

Eco-friendly CSR Activities

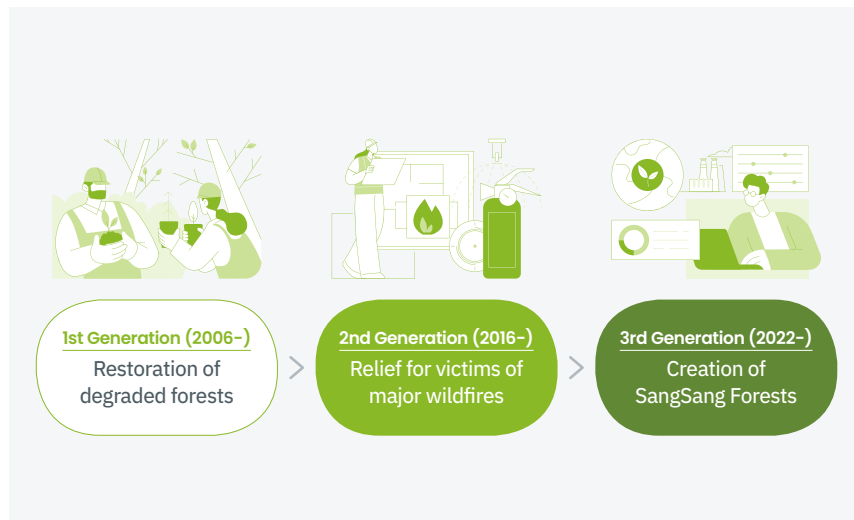
Natural Environment Preservation Program

Forestation Projects in Korea and Overseas With KT&G Welfare Foundation taking the lead, KT&G has been steadily carrying out a CSR activity that involves building forests, amounting to a total of KRW 5 billion, for 18 years since 2006, thereby contributing to improvements in the forest environment in Korea and abroad. As the first step, we volunteered and planted 38,000 trees in the Naksan Temple forest fire damage area in Yangyang, Gangwon-do from 2006 to 2012. Since 2013, we planted 14,000 trees and removed harmful plants for ecological restoration on Mt. Bukhan. We expanded the scope of the program to go beyond volunteering to restore damaged forests and include support for local communities that suffered losses from wildfires. In 2019, we donated KRW 500 million to help victims of the Goseong and Sokcho wildfires. In addition, we provided KRW 50 million for the victims of 2021 Turkey wildfires, which was followed by a donation of KRW 500 million for the relief of the victims of the Uljin and Samcheok wildfires in 2022.

While our focus on restoring damaged forests as part of CSR activities can be regarded as the 1st generation and supporting victims of large wildfires as the 2nd generation, we launched in 2022 the “KT&G SangSang Forest” establishment program as part of strategic ESG management implementation. Using the KRW 600 million in the SangSang Fund that was raised through voluntary donations made by employees, we plan to build forests consisting of a total 15,000 trees by 2023 in major regions in Korea as well as Mongolia, where we conduct our overseas business, through which we will contribute to reducing carbon and overcoming the climate crisis.

In Korea, we built the KT&G SangSang Forest in Daegwallyeong in 2022, and are building the KT&G SangSang Forest in Bonghwa County in 2023. The Daegwallyeong SangSang Forest consists of 1,000 seedlings that were planted in an area spanning around 1.5 hectares on a national forest trail designated by the Korea Forest Service. The number of seedlings matches the number of employees who took part in a plogging campaign, adding greater significance to the program. In 2022, we commenced the establishment of a SangSang Forest consisting of 5,500 trees in an area spanning around 1.8 ha to restore the forest in Hwacheon-ri, Bonghwa County that was damaged due to a forest fire, and plan to complete the forest in 2023. A unique characteristic of the Bonghwa SangSang Forest is that plants that serve as food for honeybees will be planted to restore biodiversity, thereby raising eco-friendly impact.

Furthermore, we established a SangSang Forest in Mongolia, where desertification is rapidly progressing. In 2022, we built the first SangSang Forest in the form of an urban forest, consisting of a total 3,000 trees, together with 500 resident households in the outskirts of Ulaanbaatar. Aiming for completion in 2023, we are currently building the second SangSang Forest, consisting of a total 5,200 trees, with participation by 1,000 local resident households. The Mongolian President and Minister of Environment and Tourism visited the SangSang Forest when establishment of the first forest was commenced in 2021. They provided considerable support to this project, which is contributing to the Mongolia’s “One Billion Trees” national campaign.



Outcomes of Forestation Project



Value of the SangSang Forest created in Daegwallyeong, Korea in 2022¹⁾

Carbon dioxide absorption

9,248 kg/year

Fine dust absorption

47,872 g/year



Value of the SangSang Forest created in Mongolia in 2022²⁾

Carbon dioxide absorption³⁾

502.8 tCO₂eq/year

Preventing desertification

3 ha (Equivalent to 4 soccer fields)

¹⁾ Estimate of the partner organization Tree Planet

²⁾ Estimates of partner organization Green Asia Network

³⁾ Including soil carbon absorption due to the restored land

Eco-friendly CSR Activities

Preserving Biodiversity KT&G has signed an MOU on “Ecosystem Conservation and Biodiversity Promotion” with the National Institute of Ecology in 2022 to contribute to the recovery of natural capital and the restoration of species, and will jointly carry out a mid- to long-term cooperation project for three years starting in 2023. Accordingly, we will plan and execute activities that are aimed at protecting the ecosystem and restoring biodiversity together with the National Institute of Ecology every year. As the first-year collaboration activity held in 2023, we will protect the Janggu catfish wetland in Yeongyang County, located near the KT&G Yeongju Plant. The Janggu catfish wetland is a mountain wetland spanning around 38,000 m². It is a wildlife habitat where the National Institute of Ecology’s Research Center for Wetland carried out a detailed examination to suggest the wetland’s designation as a wetland protection area, considering its extensive area and outstanding natural aspects. Habitats are being destroyed due to soil inflow from nearby roads and scour, leading to reduced biodiversity. To take action, KT&G and the National Institute of Ecology will carry out restoration construction and research on the species that live in the wetland. Even after the end of the first project, we plan to continue collaborative relations with the National Institute of Ecology in carrying out diverse biodiversity activities, such as protecting endangered species and preserving habitats.

Overview of the 1st Year Projects for the MOU on Ecosystem Conservation and Biodiversity Promotion

Target Area

Janggu catfish wetland
nearby the Yeongju Plant

Restoration Area

Approximately 38,000 m²

Major Species identified

<p>Endangered Species Level II</p> <p>3 bird species (Eurasian goshawk, fairy pitta, black paradise flycatcher)</p> <p>3 mammal species (yellow-throated marten, leopard cat, Siberian flying squirrel)</p>	<p>National Red List Near Threatened (NT)</p> <p>1 inset species (migrant hawk)</p>	<p>National Red List Least Concern (LC)</p> <p>3 plant species (trigonotis icumaevine, eleutherococcus divaricatus var. chiisanensis, lysimachia coreana Nakai)</p> <p>7 insect species (agelastica coerulea Baly, etc.)</p>
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Protecting the Marine Ecosystem To address the ocean pollution issue that is caused by ocean wastes, KT&G has been conducting a marine ecosystem protection project since 2021 in collaboration with the Korea Marine Environment Management Corporation (KOEM) and OSEAN.

In 2021, which was the first year of the project, professional divers collected marine wastes to purify the waters, while our employees volunteered to carry out coastal cleanup activities. In 2022, the scope of the project was expanded to include “Adopt-a-Beach” Program organized by KOEM. It is a program in which a company adopts a beach that needs to be protected and cares for the beach as if it were a companion animal by carrying out such activities as beach cleaning. As of 2022, we adopted four companion beaches and are making the beaches beautiful by collecting wastes and improving the landscape. The 2022 marine environment protection project was participated in by a total of 1,232 people, including employees and civic groups. Beach cleanup activities that were carried out at the companion beaches led to around 15 tons in collected wastes, while professional divers collected marine wastes totaling around 2,200 kg from across the nation, thereby contributing to protecting the ocean.

In addition, we also held a junk art exhibition, using collected wastes, so as to raise citizens’ awareness of ocean environment destruction. The exhibition was held at the Busan Exhibition & Convention Center and SangSang Madang Seoul Daechi Gallery in 2022, attracting around 2,000 visitors, while raising awareness of destruction of the marine ecosystem and communicating the importance of environmental protection by exhibiting artworks that were made of ocean wastes.

Drinking Water Project in Tanzania KT&G supplied 1,300 eco-friendly water purifiers worth KRW 240 million from October 2021 to July 2022 to local elementary schools in Tanzania, from where we import leaf tobacco raw materials. The gravity-type filter water purifier that we supplied not only addresses shortage of drinking water and waterborne diseases but also does not require energy, replacing 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 reduction effects of up to 13,000 tCO₂eq/year.



Performance of Marine Ecosystem Protection Projects in 2022



Global CSR Activities

We fulfill responsibilities as a global corporate citizen to become a truly global top-tier player.

As KT&G’s global expansion gains speed, its roles and responsibilities toward local communities around the world are also growing. KT&G is fulfilling social responsibilities as a global corporate citizen by carrying out social contribution activities in diverse countries, including countries where its businesses have a presence. We provide emergency disaster relief overseas and conduct country-tailored social contribution activities, in addition to Korean language education, Korean culture dissemination activities, and job support activities. We are providing help that is needed around the world in accordance with our unique social contribution value system.

Global CSR Activities in 2022

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, in addition to culture and arts, hobby activity, and career development content that local university students usually find difficult to access. In 2022, we simultaneously ran online and offline classes with revitalized face-to-face activities. To provide pleasant offline class experiences, we established the “Univ. Zone”, a face-to-face class hub, in collaboration with universities and organizations in Indonesia.

The SangSang Festa that was previously held online due to COVID-19 was held offline to offer performances by local singers as well as various participatory cultural experiences. In addition, we are operating a Korean language school in Surabaya for cultural exchange between Korea and Indonesia. Korean language classes that can be participated in by local residents, including undergraduate students, were provided. A total 486 persons took part in the curriculum in 2022. In 2022 alone, around 32,000 people participated in the SangSang Univ. program through on and offline activities. We plan to continually fulfill roles as a global corporate citizen through our Indonesia program.



Total of 14 countries
KRW 21.4 billion

* As of the end of 2022, and cumulative basis

Global CSR Activities

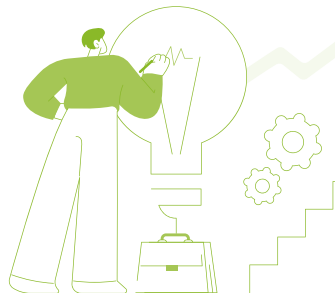
Job Creation Support Program in Indonesia In 2019, KT&G established the Coffee Lab in Indonesia to contribute to the creation of jobs for youths. Afterwards in March 2021, we opened a vocational training center for sewing at Universitas Kristen Cipta Wacana (UKCW), a university located in Malang, to strengthen the foundation for the underprivileged to become independent. A total 243 people completed the curriculum at the vocational training center by 2022. Based on the skills they acquired at the center, the participants have found a job or are running their own clothing business. By helping people in Indonesia learn skills that become the foundation of economic activities, such as sewing, we are providing practical help to improve the quality of life of the underprivileged.

We are also providing employment-related content, including resume preparation, interview practice, and consulting, through the SangSang Univ. Career School to help undergraduates find a job or start a business. In 2022, we held a business startup idea contest for undergraduates in Indonesia. The theme of the contest was “vitalizing the local economy by supporting small business owners in Indonesia”. The contest collected ideas from college students whose dream is to start their own business, while providing expert mentoring. Scholarships were provided to five chosen teams.

Country-Tailored CSR Activities KT&G carries out tailored CSR activities that can help resolve social and environmental issues that are respectively experienced by local communities around the world. We delivered tents and relief supplies amounting to around KRW 30 million to help provide temporary homes to victims in Indonesia, which suffered significant damages from an earthquake in 2022.

In Mongolia, which is experiencing serious environmental issues caused by desertification, we are conducting the KT&G SangSang Forest project together with the Agroforestry Training Center in Mongolia that was established by the KT&G Welfare Foundation to prevent desertification and reduce carbon emissions. We are building the forest in the form of an urban forest in collaboration with Mongolian residents. We built the first forest, consisting of a total 3,000 trees, in 2022, and commenced the establishment of the second forest that will be completed in 2023 with a total of 5,200 trees.

We are also striving to improve educational conditions in local communities around the world. To support the educational infrastructure in Laos, we used the SangSang Fund, which was raised through employee donations, to build an elementary school in Nonkeo, for which construction commenced in 2021 and was completed in December 2022. Together with the elementary school in Khampanae that was completed in 2019, the new school is expected to contribute to the nurturing of future talent. The KT&G Welfare Foundation is carrying out an educational environment improvement project at the Nguyen Thanh Elementary School in Vietnam and Ananda Elementary and Secondary School in Indonesia. In Kazakhstan, where KT&G recently advanced into, we began building a Korean language school with the goal of completion in 2023. Through the school, we will provide Korean language education to local residents of Kazakhstan and ethnic Korean descendants, and carry out various CSR activities related to the Korean culture.



APPENDIX

Financial Report

(Unit: KRW 100 million)

Category	2019	2020	2021	2022
KT&G Welfare Foundation	118	135.9	149.6	146.1
KT&G Scholarship Foundation	42	40	44.7	46.3
SangSang Planet	81	92.9	16.7	12.9
SangSang Fund	39	40.5	40.7	39.7
SangSang Madang	287	269.2	175.6	201.8
SangSang Univ.	52	25.8	42.5	47.5
Support for win-win growth, etc.	343	32.7	30.2	71.2
Sponsorship projects such as global CSR	16	22.7	21.6	22.5
Smoking environment improvement, eco-friendly CSR, and other social responsibilities	28	9.2	18.5	32.1
Others	4	2.7	-	-

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. 02-3404-4346

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CALCULATION METHOD

Amount of donation to address community issues (100%)
Calculation of the return on investment in educational support and job creation projects (118%)¹⁾
Calculation of the return on investment in low-income housing support (231%)²⁾
Calculation of the return on investment against the investment cost of environmental and infrastructure improvement projects (250%)³⁾
Calculation of the return on investment against the investment cost of health care support projects (550%)⁴⁾

¹⁾ G.Psacharopoulos and H.A. Patrinos, Returns to investment in education: a further update (2004)
^{2,3)} BCG, The cement sector: a strategic contributor to Europe's future
⁴⁾ G. Hutton, Global costs and benefits of drinking-water supply and sanitation interventions to reach the MDG target and universal coverage (2012)

To carry out more systematic social contribution activities, KT&G applied KPMG's "True Value" methodology, which is a global value measurement model, and analyzed the value creation outcomes of social contribution activities in 2022. KT&G's social contribution activities were converted into monetary value based on the following calculation method and the results are presented as "Our Social Impact" data in this report. This data is provided for reference to stakeholders and does not serve as a basis for investment judgments.

