Climate
Transition Plan



Towards a net-zero economy and climate resilience



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Foreword:

The Intergovernmental Panel on Climate Change (IPCC) paints a stark picture: we must nearly halve emissions by 2030 and reach net-zero globally by 2050 to prevent the worst impacts of climate change.

Our company purpose – 'Creating fulfilling moments. Creating a better future' – drives everything we do, from product innovation and providing a better consumer experience to managing our business in a sustainable way that supports local communities and enhances environmental performance. The word "Creating" is an integral part of our purpose statement, and we believe the future is more important than the present. As a result, we have established our Climate Transition Plan to demonstrate our commitment to creating a better future for the planet and the communities in which we operate.

Our Climate Transition Plan is a blueprint for transforming our business in a rapidly changing world.

As a global tobacco company with deep roots in agriculture, we face unique challenges and opportunities. Our agricultural foundation places us at the forefront of climate, biodiversity and water management issues.

Energy sits at the core of our transition. However, our efforts extend beyond our factories, warehouses, and offices, to include the transition of our vehicle fleet and our approach to business travel, underscoring the importance of collaboration in driving systemic change across the transport sector.

Our most significant challenge – and opportunity – lies in our relationships with tobacco growers and suppliers. Our Leaf Programs and Non-Tobacco Material Procurement workstreams reveal the complexities of driving sustainability through a global supply chain. We are navigating cultural differences, building capacity and reshaping industry norms.

These dependencies paint a picture of a company deeply embedded in complex global systems. Our transition is not just about reducing our own emissions – it's about catalyzing change across entire industries and communities. It requires us to balance short-term business needs with long-term sustainability goals, harmonize global standards with local realities and continue to transform data into actionable insights.

As we embark on this journey, we do so with a clear understanding: our future success is inseparable from the sustainability of our planet and the resilience of our partners. This Climate Transition Plan is our commitment to navigating this complex landscape, not just to mitigate risks, but to seize opportunities for a more sustainable, innovative, and prosperous future.

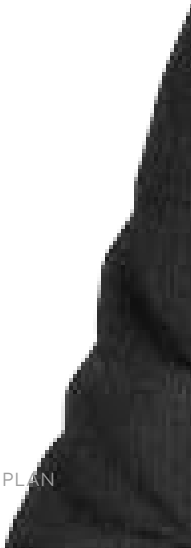
To our shareholders, employees, partners and customers: this transition is fundamental to our long-term value creation strategy. It will demand new ways of thinking, working and collaborating. But within these challenges lie immense opportunities to drive efficiency, spark innovation, strengthen our relationships and create new sources of value.

I invite all our stakeholders to join us on this transformative journey. The challenges we face are global in scale and require collective action. Together, we can create a more sustainable and prosperous future for JTI, our industry, and our planet.

> "As a global tobacco company with deep roots in agriculture, we face unique challenges and opportunities.

Eddy Pirard

PRESIDENT AND CHIEF EXECUTIVE OFFICER





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Foreword:

As JTI's CFO, I recognize that our long-term financial success is intrinsically linked to our ability to navigate the transition to a low-carbon economy.

Our Climate Transition Plan is a crucial component of our overall business strategy and financial planning, representing our commitment to creating long-term value while addressing the urgent need for climate action.

The business world is undergoing a paradigm shift in how it views sustainability. Investors, consumers, regulators and financial institutions are increasingly demanding robust climate strategies and transparent reporting.

Frameworks such as the Corporate Sustainability Reporting Directive (CSRD), the EU Deforestation Regulation (EUDR) and the EU Corporate Sustainability Due Diligence Directive (CSDDD) are reshaping the regulatory landscape. At JTI, we're positioning ourselves to thrive in this new environment through specific financial mechanisms.

Central to our financial strategy is the integration of climate considerations into our decision-making processes. We have implemented an Internal Carbon Price across all capital expenditures in our factories and manufacturing facilities worldwide, as well as energy sourcing decisions. This tool has been transformative, enabling us to quantify climate-related risks and opportunities in financial terms. We reassess the suitability of our carbon price on a regular basis, including expansion to projects elsewhere in the business.

To finance our transition, we secured a sustainability-linked loan of USD 100 million in 2023. We're able to use this to finance projects across renewable energy, energy efficiency, green buildings, clean transport and natural landscape preservation that meet the principles of our green financing agreement.

Our financial strategy extends beyond securing green finance. We're embedding sustainability principles aligned with both regulatory obligations and our internal corporate criteria into our broader financial planning and risk management processes, including:

- conducting climate scenario analysis to understand potential financial impacts of different climate futures
- incorporating climate risks into our enterprise risk management framework
- developing financial incentives for suppliers to improve environmental performance
- identifying suppliers with the highest emissions intensity for focused collaboration
- revising investment criteria to prioritize projects contributing to our climate goals
- exploring the integration of sustainability metrics into performance evaluation and compensation structures

By applying these financial tools and strategy, we're enabling broader transformation while ensuring financial sustainability. The transition requires significant investment, but it also opens new avenues for innovation, efficiency and value creation. By proactively managing this transition through robust financial planning, we're positioning JTI to capitalize on the business opportunities presented by the shift to a sustainable economy.

> **Central to our financial strategy is the integration of climate considerations into our decision-making processes.**

Vassilis Vovos

EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER

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1. JTI's Climate Transition Plan

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1.1

Rising to the climate challenge



At JTI, our purpose of ‘Creating fulfilling moments. Creating a better future’ drives every aspect of our business.

For over two decades, we’ve been embedding sustainability into our core operations, where people and planet play an important role.

Although nearly 200 countries have pledged their commitment under the Paris Agreement, the current pace of implementation reveals a significant shortfall in delivering the emissions reductions needed to meet global climate goals. The United Nations Environment Programme (UNEP) identifies the private sector as a critical force in closing this gap, with its unique ability to drive mitigation through innovation, investment and influence. At JTI, we recognize this responsibility and have set ambitious sustainability targets aligned with global reduction pathways to ensure we actively contribute to the collective effort to limit warming and accelerate the transition to a low-carbon future.

As a business deeply connected to natural resources, we recognize the substantial risks climate change poses to our operations, supply chains and stakeholders:

Supply chain vulnerability: Changing weather patterns can significantly increase the frequency of extreme weather events, and shifting agricultural zones significantly impact our crop yields and leaf quality, affecting our core tobacco farming operations, as well as non-tobacco supply chains.

Infrastructure resilience: Climate-related disruptions threaten our employees, production facilities and transportation networks, potentially increasing operational costs and disrupting business continuity.

Market transformation: The transition to a low-carbon economy brings both regulatory challenges and opportunities for innovation that will reshape markets and consumer expectations.

Our climate transition plan outlines how we mitigate key risks by advancing global emissions reductions and embedding sustainable practices into our business.

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1.2

JTI's role in the transition to a net-zero economy and climate resilience

Our value chain complexity presents unique challenges for decarbonization.

Our business spans global agricultural production, manufacturing and distribution networks, each with distinct emissions profiles and reduction opportunities. An overview of the global presence of JTI's operations can be found on **jt.com**.

To navigate the complexities of our business model and emissions profile effectively and sustainably, we undertook a comprehensive materiality assessment. Through significant stakeholder engagement, this assessment identified and prioritized the areas where our efforts and resources can have the most significant long-term impact through our products and operations. Details of our materiality assessment can be found on the **Japan Tobacco Inc. Group website under the 'Materiality'** header.

FIGURE 1: JTI's Sustainability Impact Framework



The findings of the materiality assessment informed development of our Sustainability Impact Framework, which covers three key strategic pillars:

1. **Innovating PRODUCT** - we enable more sustainable consumption patterns while supporting our climate goals.
2. **Empowering PEOPLE** - throughout our value chain, we create the human capacity needed to drive environmental progress.
3. **Protecting PLANET** - we safeguard the natural resources that both our business and communities depend upon.

The interconnection between PRODUCT, PEOPLE and PLANET forms the foundation of our sustainability approach. This integrated approach ensures that progress in one area reinforces advancement in others, creating a virtuous cycle of positive impact that builds resilience and sustainable value for all stakeholders. Within our Climate Transition Plan, our focus is primarily on the PLANET and PEOPLE pillars. Full details of our product innovation and circularity activities can be found on the **PRODUCT pages of our website.**



EMPOWERING
PEOPLE

We believe in empowering people. From our employees to our growers, we aim to positively impact lives and livelihoods.

ATTRACTING TALENT AND FOSTERING AN INCLUSIVE EMPLOYEE EXPERIENCE
We will deliver fulfilling experiences and an inclusive environment for our people to realize their full potential.

IMPROVING GROWER LIVELIHOODS
We will place the grower at the center of everything we do to deliver a positive impact on their livelihoods.

PROTECTING
PLANET

We believe in protecting the planet. Tackling climate change and conserving nature are key to a thriving world for today and tomorrow.

TACKLING CLIMATE CHANGE AND REDUCING EMISSIONS
We will act to minimize our climate impact by reducing emissions towards net zero.

CONSERVING NATURE
We will act to protect water, minimize waste, enhance biodiversity and promote sustainable agriculture.

1.3 JTI's climate transition journey: towards 2050

Since 2012, we've been calculating and managing our emissions across our entire value chain, continually refining our methodology and increasing use of primary data.

This rigorous approach has given us a clear understanding of our emissions profile and informed our target-setting process.

Our largest emission source is our Scope 3 upstream emissions. This is reflected in our strategy, where our main area of focus to 2030 is the reduction of our emissions from the goods we buy, specifically our tobacco leaf and non-tobacco materials. An overview of our emissions profile can be found in our latest **Sustainability Performance Overview**.

We continually update our emissions strategy to incorporate the latest guidance, methodologies, and increase our access to primary data, ensuring that our strategy and internal processes continue to support our climate ambitions.

Our parent company, Japan Tobacco Inc., has set ambitious targets that are validated by the Science Based Targets initiative (SBTi) and reflect the latest in climate science.

At JTI, we've established our own targets, fully aligned with those of Japan Tobacco Inc., to actively contribute to the Group's objectives and broader economic decarbonization efforts. Since the introduction of our targets in 2019, we've systematically strengthened our commitments - moving from 2°C aligned targets to more ambitious 1.5°C aligned goals, separating out our FLAG (Forestry, Land and Agriculture activities) emissions and setting appropriate targets and adopting more robust accounting methodologies as climate science and reporting standards have advanced.

This plan outlines the strategic approach and planned actions to achieve our targets. It does not include progress updates. Year-on-year performance information can be found in our **Sustainability Performance Overview** and **relevant reports** or on the **Sustainability section** of our website.

FIGURE 2:
JTI's strategic target development aligned to best practice

2019
First JT Inc. SBTi validated targets

2023
Targets updated to align with critical 1.5°C limit on global temperature increases

2025
Targets updated in line with best practice to adopting specialized Forest, Land and Agriculture (FLAG) targets

2026 onwards
Long term net-zero commitment.

Update Emissions Reduction Roadmaps to 2030 on an annual basis

Commitment to a just transition

The scale of the climate challenge demands collective action, with particular attention to ensure a just transition. At JTI, we're committed to a transition that is both environmentally effective and socially equitable. This means creating opportunities across economies, particularly for vulnerable communities in our supply chain, while simultaneously investing in our own employee network.

"Central to our strategy is a just transition. We monitor 100% of farms, comprising a total of 69,000 growers from whom we source tobacco leaf directly, on human rights impacts on their operations including child labor. We are proud that the work we do to support our growers delivers better outcomes for people in our supply chain.

Anna Maria Rugarli, Vice President of Corporate Sustainability



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We're committed to the principle of a just transition, which ensures that our move towards a sustainable future is fair and inclusive. For our employees, this includes comprehensive upskilling programs in relation to sustainability and changing roles for a low-carbon economy. In alignment with the International Labor Organization (ILO) guidelines, we focus on skills development, decent work and inclusive dialogue to ensure no one is left behind as we transform our business practices. For our farming communities, our Sustainability Impact Framework, supported by the PEOPLE and PLANET pillars, has long integrated sustainable farming practices, such as crop rotation and complementary crops. These practices not only improve soil health and biodiversity but also enhance the resilience and productivity of the farming communities we partner with.

Working towards a just transition

At JTI, we've made meaningful progress in embedding sustainability across our agricultural supply chain, workforce practices and internal operations. Our **supply chain due diligence** goes beyond human rights and health and safety; it also integrates environmental sustainability and economic resilience, ensuring that our sourcing practices support long-term viability for both PEOPLE and PLANET.

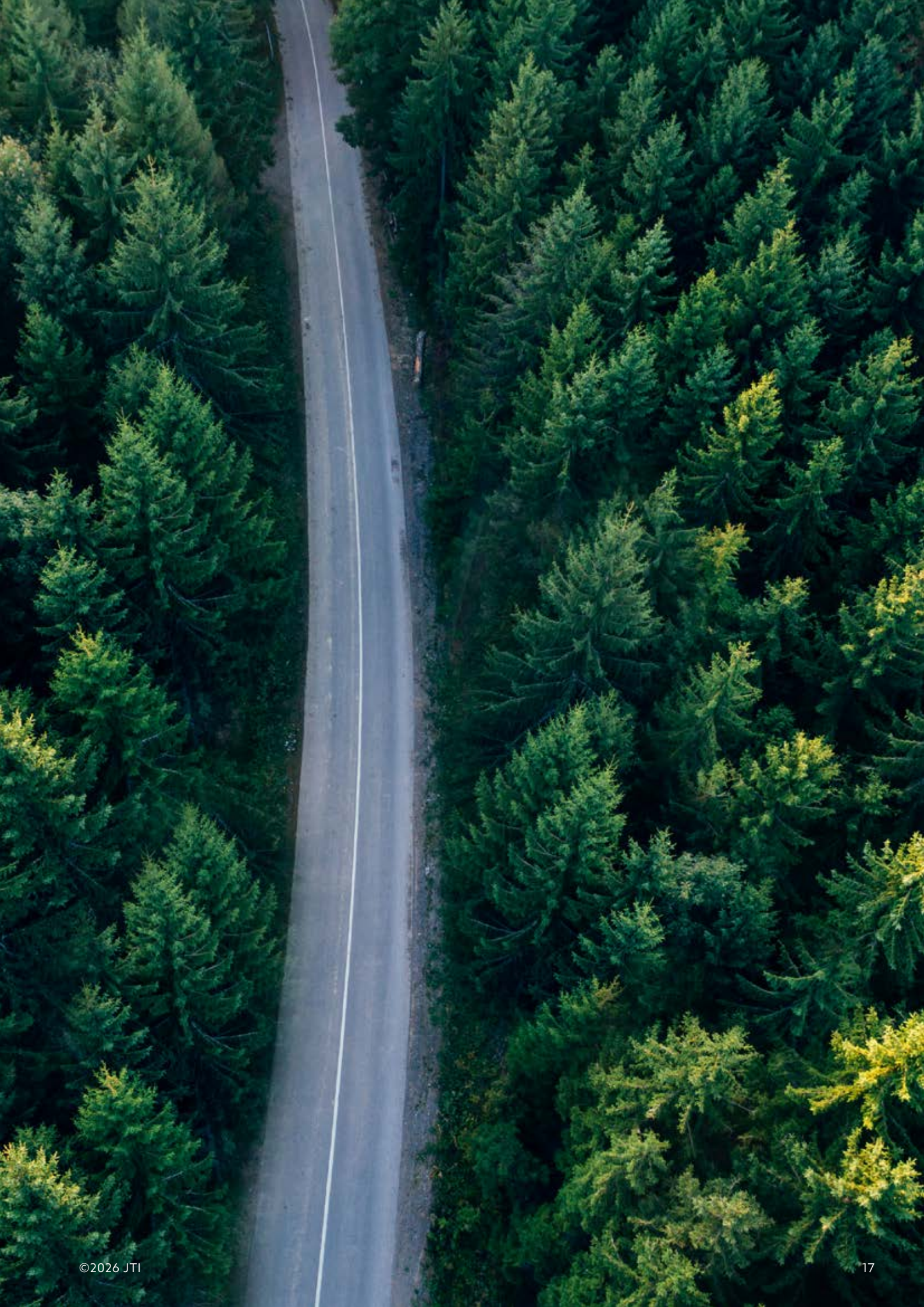
Through this work we have implemented several key initiatives:

- **Sustainable agricultural practices:** We are proud to have fully implemented our Agricultural Labor Practices (ALP) program in all sourcing countries with directly contracted growers, reflecting our commitment to responsible farming practices and efforts to enhance workers' rights and safety.
- **Growers' livelihoods and living income:** We are dedicated to helping our growers in their pursuit of a living income, respecting human rights across our supply chain, and providing effective grievance mechanisms to support and protect all farm workers. We have deployed our Living Income Calculator across all vertically integrated origins, helping us make informed decisions and improve growers' livelihoods.
- **Sustainable research and development:** Our Agronomy Development and Extension Training (ADET) centers operate as model tobacco farms, where applied research and development are conducted to ensure that tobacco cultivation remains environmentally sustainable, economically viable and socially responsible.

Further information on each of these topics and our specific activities and progress to date can be found in our most recent **Human Rights report** and on the **PEOPLE pages** in the Sustainability section of our website.

It is not just our supply chain we are thinking about. Internally, rather than centralizing sustainability expertise, we have deliberately upskilled employees across diverse operational functions including manufacturing, procurement, logistics, finance and marketing. Each of our net-zero workstreams described further in this plan is owned and led by operational teams with direct business accountability, not by sustainability specialists. This approach ensures that those making daily business decisions have both the expertise to evaluate climate impacts and the authority to drive change.

To support our work and ensure we are considering sustainability holistically, not just with a view of reducing carbon, we've established a Nature Framework, which sets out interlinking components that need to be considered across PEOPLE and PLANET dimensions, to achieve our nature commitments. This holistic approach recognizes that environmental and social sustainability must advance together, creating a just transition pathway that builds capability and resilience across our entire value chain.



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1.4 JTI's emissions overview and net-zero commitments



Our Scope 3 emissions account for the majority of our total carbon footprint.

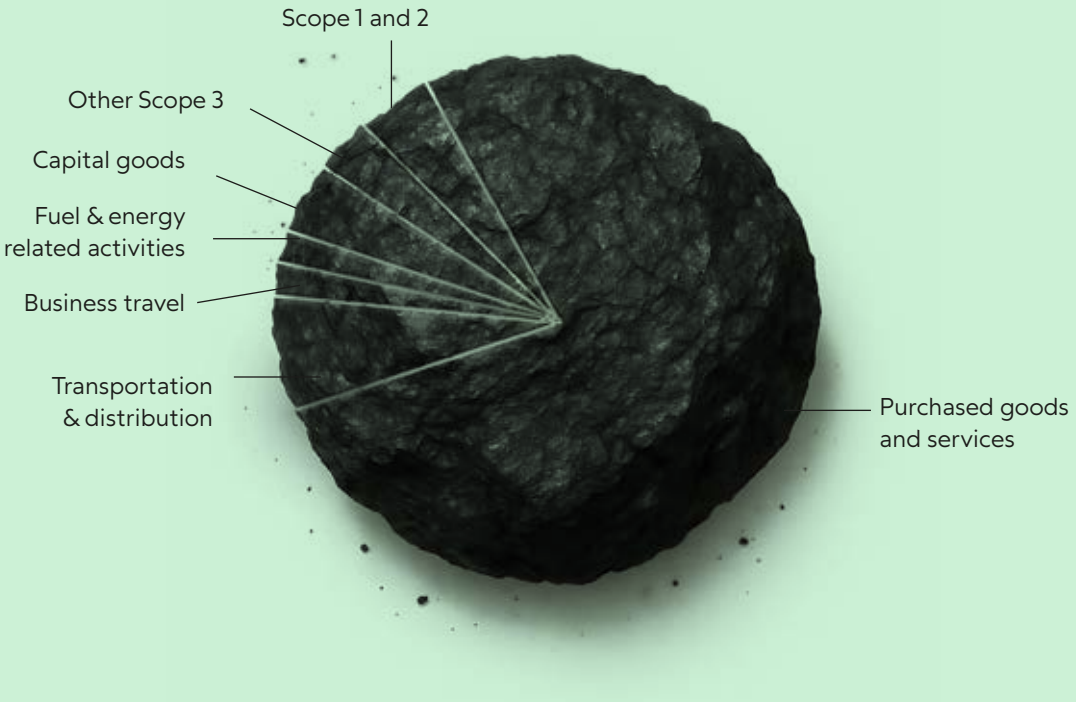
These emissions mainly arise from the products and services we buy, most notably tobacco leaf and non-tobacco materials, and the transportation of our materials and the products we sell.

Most of our Scope 1 and 2 emissions originate from our manufacturing facilities. This is due to energy-intensive production processes, including tobacco leaf threshing and processing, operation of manufacturing machinery, and maintenance of climate-controlled environments. While Scope 1 and 2 emissions, those directly under our control, are less material, they present immediate opportunities for impact and serve as a foundation for our 2050 net-zero commitments.

Figure 3 is an indicative illustration of the relative scale of our Scope 1, 2 and 3 emissions. For up-to-date emissions performance, please see our latest **Sustainability Performance Overview**.

To support our journey toward net-zero, we've developed a comprehensive set of targets and commitments that guide our strategy and ensure a holistic approach to climate action. These are designed not only to reduce emissions but also to embed sustainability into every facet of our operations. An overview of our key commitments, impact levers and internal governance mechanisms driving our progress is presented in Figure 4.

FIGURE 3:
Indicative materiality breakdown of JTI's carbon footprint



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FIGURE 4:
JTI's commitments, targets and strategic levers

Our commitments and targets

Direct operations

- 47% emissions reduction by 2030 and 90% by 2050 (from 2019 baseline)
- Carbon neutral operations by 2030
- Renewable electricity: 50% by 2025, 100% by 2040

Value chain

- Scope 3 Non-FLAG emissions 28% reduction by 2030, from 2019 baseline (leaf and non-tobacco materials)
- Scope 3 FLAG emissions 33.3% reduction by 2030 72% reduction by 2050 (both from 2019 baseline)
- Achieve net-zero greenhouse gas emissions across our entire value chain by 2050

Nature

- **Natural forests:** No deforestation of natural forests in our own operations and supply chains for tobacco leaf, paper and pulp-based materials by 2025 and in our entire supply chain by 2030
- **Managed forests:** Zero net deforestation of managed natural forests in our entire supply chain by 2030
- No conversion of natural ecosystems in our own operations and supply chains for tobacco, paper and pulp-based materials in high conservation value areas by 2025, and all natural lands by 2030

How we will achieve our targets

Reducing operational emissions

- Energy efficiency
- Renewable energy
- Green mobility

Transforming supply chains

- Leaf sourcing
- Non-tobacco material procurement
- Low carbon business travel
- Transportation & distribution

Regenerating nature

- Zero-net deforestation
- Water stewardship
- Biodiversity conservation
- Circular economy and improved waste management

Empowering people

- Green upskilling
- Supporting grower livelihoods
- Capability building through training and cultural improvements
- Just transition within our farming communities

Mechanisms to support our commitments

Strategic risk management

- Cascaded responsibility & climate scenario analysis

Robust governance

- Including cascaded responsibility & Japan Tobacco Inc. climate linked incentives

Financial mechanisms

- Internal carbon pricing and sustainability-linked loan

Value chain and industry collaboration

- CDP supply chain
- Direct supplier engagement

Progress updates against our targets found here

1.5
JTI's net-zero strategy

By concentrating our efforts on the most significant emission sources, we can ensure that our resources are utilized where they'll have the greatest impact.

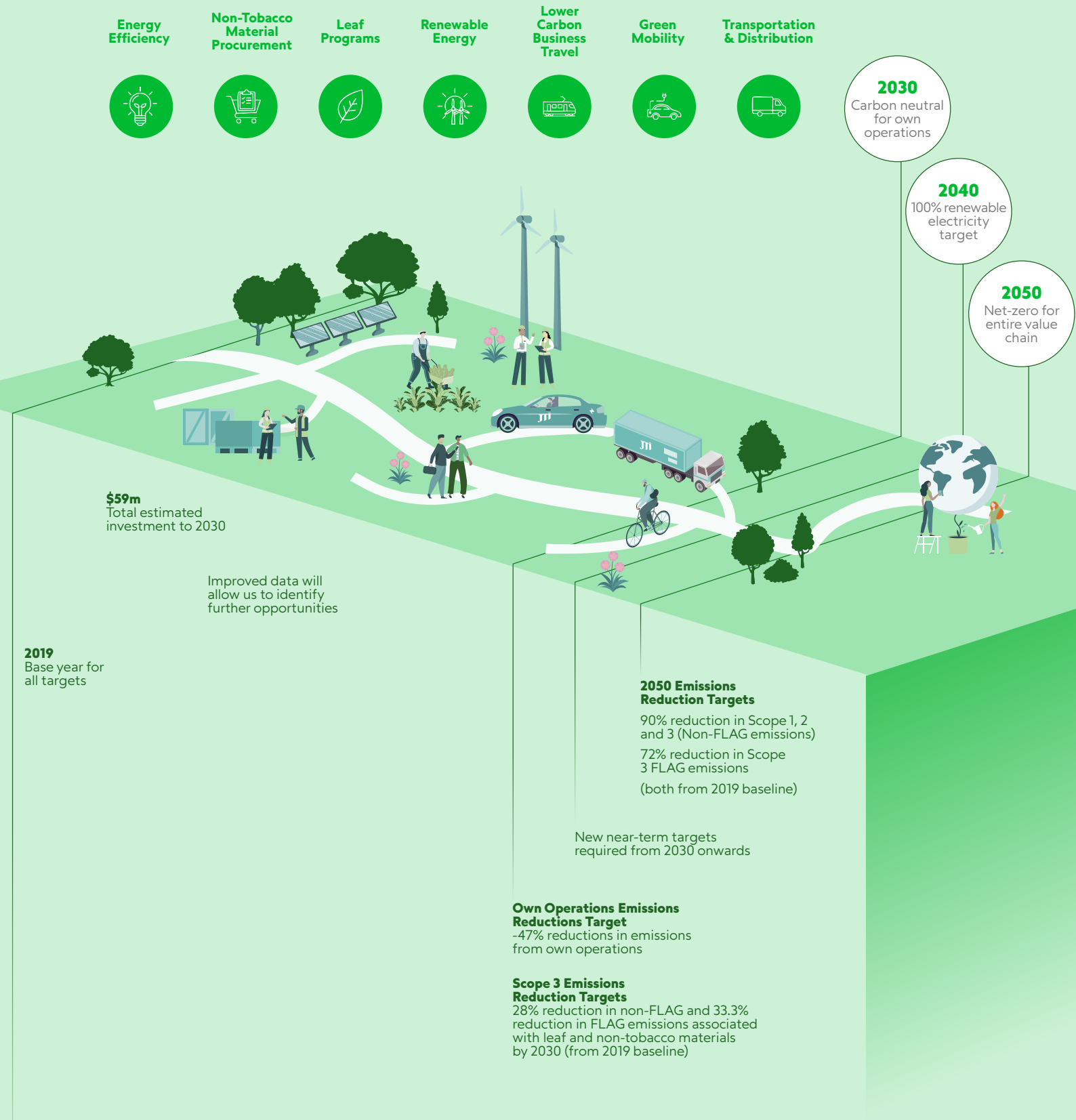
We've established seven strategic net-zero workstreams **(see Figure 5)** that span our direct and extended business operations, including our suppliers and growers. Each workstream has a designated Lead within the business, responsible for coordinating effort and overseeing progress in these areas. Each Lead is supported by our governance structure detailed later in this document **(see section 5. Governance).**

For each of our seven different workstreams, we embed sustainability into our financial planning through an annual planning process that evaluates the projected impact of both planned and proposed emissions reduction initiatives. We consolidate decarbonization activities across the business to understand their contribution toward our emissions reduction targets. This exercise enables us to quantify the abatement potential of each activity, assess associated costs, and make informed investment decisions aligned with our decarbonization strategy. From this process we developed decarbonization roadmaps to 2030 that consider business growth projections with sustainability objectives, ensuring that our future strategy is reflected in our plan to achieve near-term targets.



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FIGURE 5:
JTI's journey to net-zero greenhouse gas emissions



Our roadmap development process is highly collaborative. Each workstream leader is engaged to evaluate current and planned initiatives, providing a comprehensive view of our projected emissions reductions by 2030. This cross-functional process involved colleagues from various areas of the business, including manufacturing, distribution, procurement and representatives from our different operations and markets to develop actionable strategies that reflect operational realities.

Our strategic view of how we will achieve our near-term emission reduction targets is presented in this Climate Transition Plan. We plan to update our roadmaps each year, to reflect strategic, operational and progress changes that may arise.

We recognize that effective climate management extends beyond carbon accounting alone. The decisions we make to reduce emissions could inadvertently impact nature, employees or local communities. Therefore, our emissions reduction and climate adaptation strategies consider these potential impacts holistically.

Our supply chain partners are essential to achieving our Scope 3 emissions reduction goals, making it crucial that our approach includes upskilling and empowering individuals while supporting local communities. The establishment of our FLAG targets enhances this integrated approach by providing greater visibility into land-based activities and their wider impact on nature and biodiversity.



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2. JTI's pathway to Scope 1 and 2 reduction

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2.1
Our plan to achieve our Scope 1 and 2 target

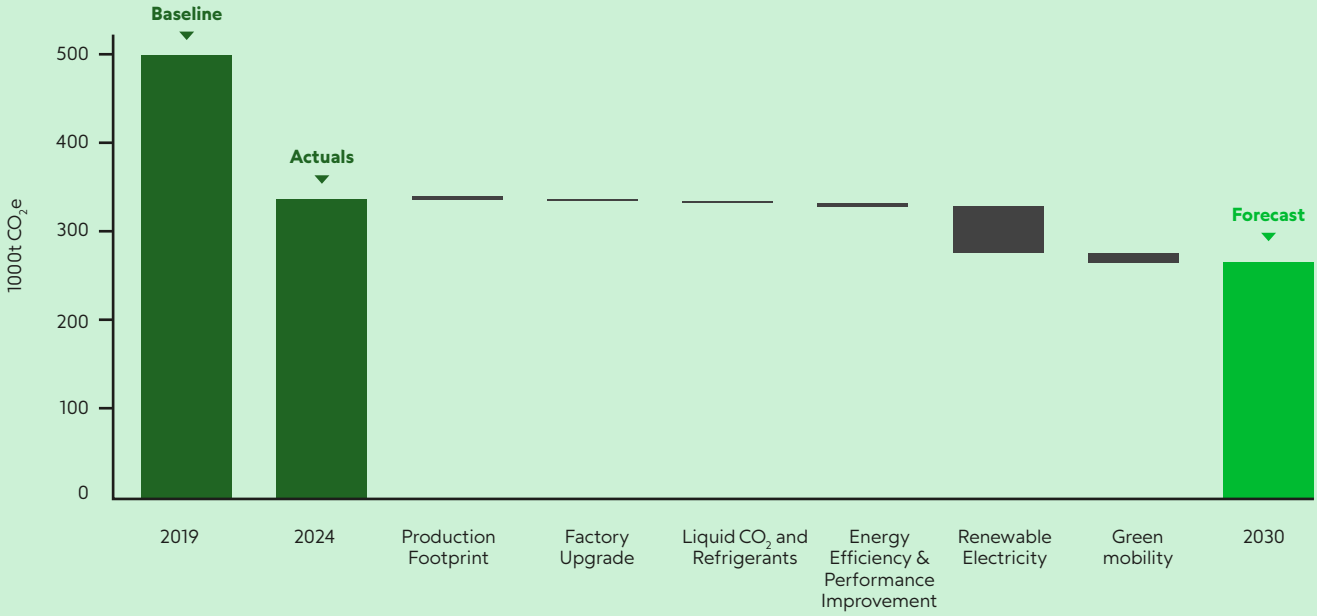
Our strategy to reduce Scope 1 and 2 emissions has three distinct focus areas:

- Energy efficiency across our operations: Reductions will come from process improvements, behavioral changes, and technological advancements.
- Increasing renewable energy usage (supported by 100% renewable electricity target) and, where possible, transitioning to electrical solutions in our facilities. This is the lever that we anticipate saving us the most carbon in the near term.
- Reducing emissions from company vehicles through a combination of fuel efficiency measures and conversion of fleet away from traditional combustion engines.

A strategic overview of the activities and investments we plan to make to achieve our 2030 target of 47% reduction in Scope 1 and 2 emissions can be found in Figure 6 below.

This roadmap outlines our strategic approach to low carbon transition and will be reviewed and refined annually.

FIGURE 6:
Scope 1 and 2 emission reduction activities to 2030



2.1.1 Energy efficiency and electrification

At JTI, we recognize that moving to renewable energy is a critical step in the climate transition.

We are also focused on improving energy efficiency to reduce consumption across our operations, by implementing more effective processes in our factories, warehouses and offices.

To ensure our investments deliver maximum impact in reducing energy-related emissions, we have developed and adopted an Energy Emissions Investment Hierarchy to guide decision-making.

This framework enables us to prioritize interventions based on their effectiveness and strategic value. However, given the diversity of our operational contexts, spanning multiple regions and site types, the hierarchy is applied with pragmatic flexibility. In practice, a hybrid approach is often necessary to account for local operating conditions, technical constraints, and economic feasibility, ensuring that our strategy remains both rigorous and adaptable.

FIGURE 7:
JTI's energy emission investment hierarchy



Energy efficiency
Investment, which reduces the amount of energy consumed and that needs to be purchased



On-site renewable generation, including Power Purchase Agreement (PPA)*
Investment, which can bring cost benefits and security of supply



Off-site renewable generation, including Power Purchase Agreement (PPA)*
Investment, which can bring cost benefits/stability and supports expansion of global renewable energy infrastructure



Green Tariffs
Spend, not investment; costs can fluctuate significantly over time



Energy Attribute Certificates (EACs) (on top of standard tariff)
Spend, not investment: costs can fluctuate significantiy over time

This hierarchy guides us when making decisions about energy generation and procurement, but in reality a blended approach is adopted based on availability and economic viability.

*A Power Purchase Agreement (PPA) is a long-term contract under which a business agrees to purchase electricity directly from a renewable energy developer, typically at a fixed or predictable price, without needing to own or operate the generation assets itself.

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As part of our energy efficiency and electrification work, we have implemented a number of energy savings initiatives.

Measures include:

- Undertaking carbon-neutral site assessments with expert third parties at greenfield developments (land not previously developed).
- Installing energy-efficient lighting, such as LED systems at offices, warehouses and production facilities.
- Improving operational controls.
- Maximizing the use of natural light.
- Enhancing the efficiency of air conditioning, compressed air and steam / hot water systems.
- Optimizing combined heat and power (CHP) system utilization.[1]

Processes include:

- **ISO 50001 certification:** We continue to increase the number of our factories and threshing sites that have obtained certification of their Energy Management Systems.
- **Energy Daily Management Systems (DMS) development:** These systems act as decision-support tools, aiding in the monitoring and control of energy distribution. We successfully piloted the use of energy daily management system at our Jordan factory, leading to the deployment of DMS across additional sites to gain further real-time data insights.
- **Knowledge sharing:** Our **Environment opportunities scheme** serves to facilitate the exchange of emission reduction activities, supporting our factories to develop concrete action plans for decarbonization.

Our annual progress in reducing our overall energy consumption can be found in the latest version of our **Sustainability Performance Overview**.



Combined heat and power (CHP)

In countries where the possibilities to move to lower-carbon electricity are limited, CHP systems provide an effective solution to reduce emissions.

Our factory in Iran has completed the installation of a CHP and has been generating electricity, steam, and hot water internally since April 2022. This project achieved a 17% reduction in total CO_2e in 2023 compared with 2021, equivalent to approximately 2750 tons of CO_2e annually.

However, in regions like Germany, where lower-carbon electricity options are more accessible, we may switch off CHP systems to align with our broader energy transition strategy, which is what we applied at our Trier factory in 2024.

[1] A CHP plant can reduce Greenhouse Gas emissions by utilizing the waste heat that would otherwise be released into the environment in conventional electricity generation. Depending on the carbon intensity of national electricity grid, we continuously monitor our operations to optimize our use of CHP systems to realize savings

2.1.2 Renewable energy

We have achieved our target of 50% renewable electricity by 2025 and so are looking towards 2040 where we have committed to 100% renewable electricity.

An overview of our progress to date can be found the latest version of our **Sustainability Performance Overview**. We have a comprehensive and costed action plan extending to 2030 to ensure we continue to proactively work towards our 2040 target of 100% renewable electricity. We plan to invest significantly across a range of decarbonization initiatives – including renewable energy procurement, transition to biomass and biogas, onsite solar photovoltaic (PV) installation and closure of CHP systems.

Renewable energy in practice



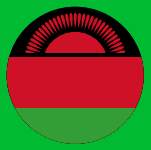
Wind farm in **Trier, Germany**





Solar farm in the Łódź region, **Poland**



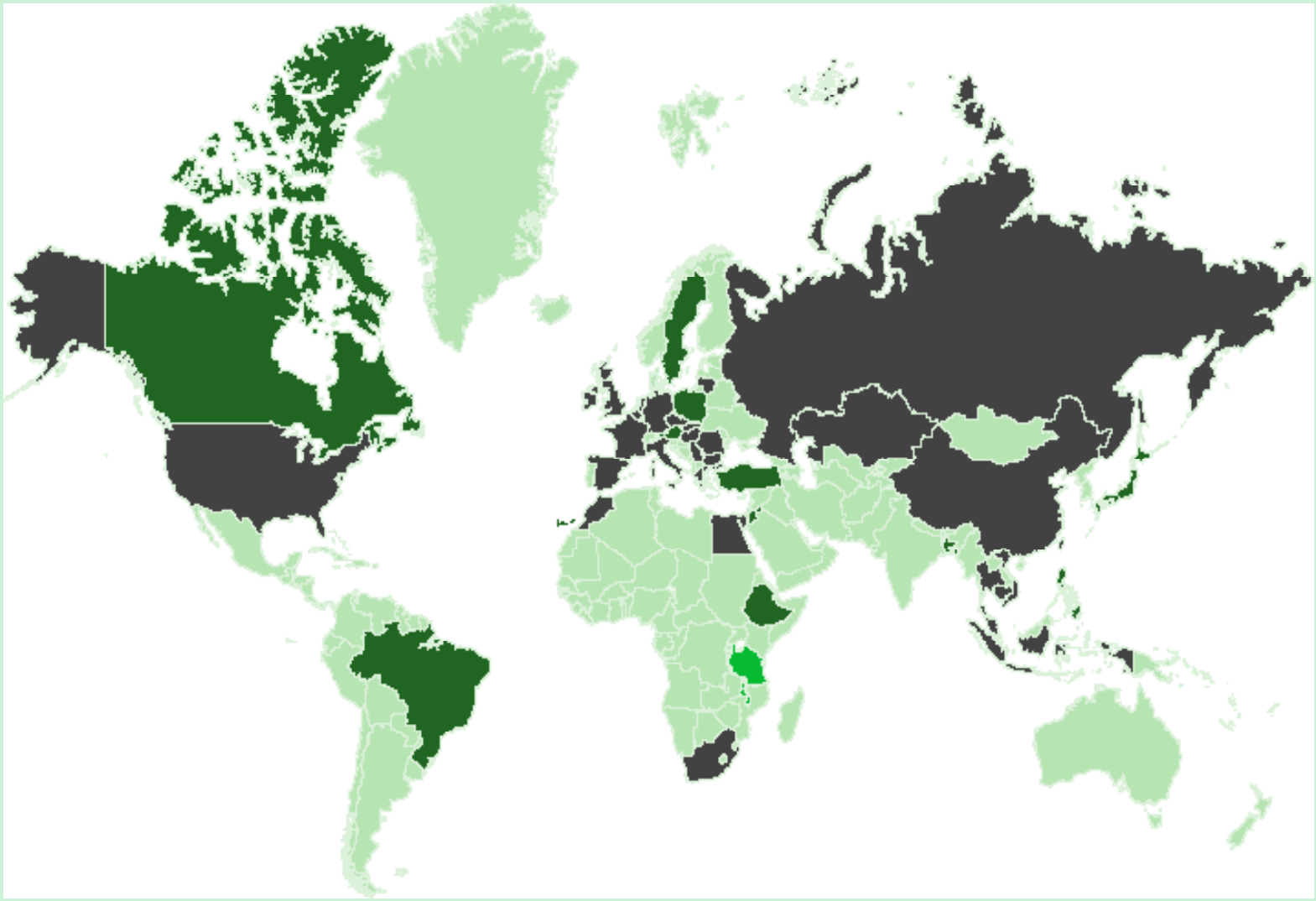


A biomass alternative to coal in Mtsiriza, **Malawi**



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FIGURE 8:
Renewable energy across JTI



Renewable energy purchased by JTI in that country

Andorra
Belgium
Bulgaria
Cambodia
China
Czech Republic
Egypt
France
Germany
Greece
Hong Kong
Hungary
Indonesia
Ireland
Italy
Kazakhstan
Lithuania
Malaysia
Morocco
Netherlands
Portugal
Romania
Russia
Serbia
Slovakia
South Africa
Spain
Switzerland
Taiwan
Thailand
United Kingdom
USA
Vietnam

Renewable energy generated and purchased in that country

Austria
Bangladesh
Brazil
Canada
Canary Islands
Ethiopia
Japan
Jordan
Philippines
Poland
Sweden
Turkey

Renewable energy generated by JTI in that country

Malawi
Tanzania

This map provides an overview of countries where JTI purchases renewable energy, for details on coverage in each country please refer to **JTI's website**.

2.1.3 Green mobility

In 2021, we launched our Green Mobility program to support the decarbonization of our company vehicle fleet.

This strategy categorizes markets into tiers, based on infrastructure readiness and vehicle availability. Corresponding actions are outlined for each tier, including vehicle fleet upgrades, charging infrastructure installations, eco-driving training, route optimization, vehicle maintenance and promoting a green culture.

For example, our operations in the United Kingdom, Ireland, Spain and Romania have already upgraded their fleets with electric vehicles (EVs), with more to follow suit. We launched the Green Mobility Handbook and Green Procurement Guidelines to provide guidance to JTI markets to transition to greener mobility practices, contributing to our overall near- and long-term emission reduction targets.

Our plan to achieve our target

- We've established Key Performance Indicators (KPIs) to measure our progress, focusing on fleet emissions per kilometer, percentage of low-emission vehicles in new purchases or lease agreements and the inclusion of Green Mobility roadmaps in market plans. To support progress against these KPIs, we've implemented dedicated communication campaigns, invested in infrastructure and deployed eco-driving training to promote behavioral change and reduce emissions. We've also been supporting employees with the installation of charging points at home to help facilitate the transition.
- We currently plan that more than half of the vehicles that we directly own and operate (classified as Scope 1 emissions) will be low emissions by 2030. Achieving this would contribute to a reduction of 47% of JTI emissions from our own operations, compared to the 2019 baseline. It would also support our ambition to be carbon neutral for our own operations.

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2.2 Dependencies



We recognize that achieving our goals depends on various external and internal factors.

Understanding these dependencies helps us anticipate potential challenges, develop mitigation strategies and maintain flexibility in our approach, as we work towards our climate transition goals. We continue to review our action plans frequently to ensure alignment with current macroeconomic and market conditions. For each workstream, we've identified key dependencies:

Energy efficiency:

- **Geopolitical instability:** Political conflicts or instability may restrict our capacity to invest or operate in specific regions.
- **Energy price fluctuations**: Global energy market fluctuations could affect our investments. We introduced an Internal Carbon Price to mitigate this risk and regularly update our action plans based on current economic and market trends.
- **Holistic decision-making:** We're evolving our planning approach to include emissions reduction and broader environmental and social considerations.

Renewable energy:

- **Reporting frameworks:** Continuing our alignment with established frameworks such as the Greenhouse Gas Protocol and the Science Based Targets initiative (SBTi) allows us to effectively use Energy Attribute Certificates (EACs).
- **On-site renewable installations:** Assessing the suitability of our existing buildings and facilities for installing renewable energy solutions.
- **Availability of biofuels:** Ensuring local access to sustainably sourced biofuels.
- **Global renewable investment:** Monitoring worldwide investment trends in renewable energy directly aids the transition to cleaner national electricity grids.

Green Mobility:

- Availability of green vehicles that meet our safety rating requirements.
- Suitability of electric charging infrastructure in local operational environments.
- Availability of skilled technicians to maintain our fleet.
- Ability to promote positive choice with employees for wider Scope 3 emission reductions.

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3.
Reducing emissions in our value chain (Scope 3)

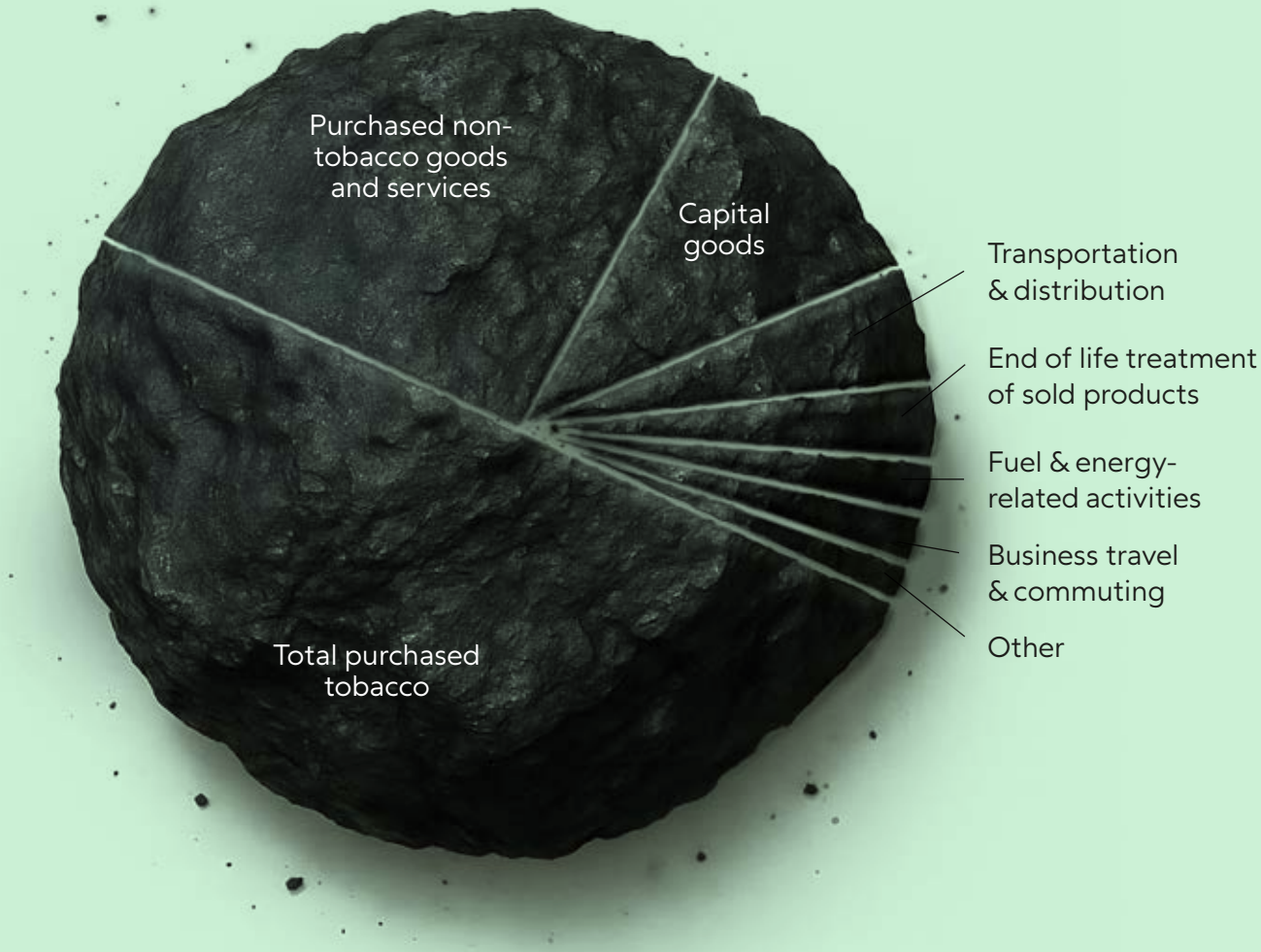


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Our upstream value chain accounts for the majority of JTI's emission footprint, with purchased goods and services making up the largest share.

As such, procurement is a key area of focus for our 2030 targets and emission reduction activities. Figure 9 is illustrative of the breakdown of our Scope 3 emissions. Our latest Scope 3 footprint can be found in our **Sustainability Performance Overview**.

Figure 9:
Indicative breakdown of our Scope 3 emissions



3.1

Our value chain net-zero workstreams

Managing emissions in the context of our complex value chain requires a collaborative approach with our suppliers, including targeted strategies for different procurement areas and emissions sources.

We manage our value chain emissions through four key net-zero workstreams, which cover the majority of our Scope 3 emissions:

1. **Leaf programs:** Collaborating directly with our direct and indirect leaf supply chains to mitigate our most significant emission source. This area is also a key focus for enhancing climate resilience and minimizing our impact on nature and biodiversity.
2. **Non-Tobacco Material procurement:** Engaging with suppliers of packaging, filters and other materials.
3. **Low carbon business travel:** Influencing employee behavior and choices.
4. **Transportation & distribution:** Enhancing efficiency in material and product transportation.



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3.2 Supply chain management

We've established four procurement areas that cover our value chain which we leverage to manage our emissions.

Each of our Scope 3 net-zero workstreams works with different procurement areas to ensure we account for the distinct requirements, complexities and differences between the materials and goods we buy:

1. **Leaf programs:** Direct and third-party tobacco leaf sourcing.
2. **Global Supply Chain direct procurement:** Non-tobacco materials such as packaging and filters, freight and manufacturing machinery.
3. **Reduced risk products (RRPs):** Devices and consumables.
4. **Indirect procurement:** Other procurement needs.

To manage our supply chain emissions and risk effectively, we employ:

- Internal standards and guidelines including our Sustainable Procurement Due Diligence Framework.
- Supply chain screening and risk management.
- Agricultural Labor Practices (ALP).
- Leaf Supply Chain Due Diligence (SCDD) assessments.
- Direct engagement with growers and suppliers.

Our dedicated Sustainable Procurement Team within Global Supply Chain spearheads sustainability initiatives and collaborates closely with suppliers on sustainability matters. In 2023, we established an initial Responsible Procurement Framework, which we continue to refine to enhance knowledge sharing and foster a more aligned approach to sustainable procurement due diligence across the business. This framework is applicable to all four procurement areas.

Our sustainability criteria are integrated into the JTI Supplier Standards with clear compliance expectations. Our senior management has oversight of our robust supplier screening program which is implemented by procurement teams.

Our key suppliers undergo a qualification process, including comprehensive screening to identify risks related to compliance, human rights, environmental impact and health and safety before commercial agreements are finalized. Where risks are identified, we provide support and collaborate on improvement strategies.

We continue to assess the sustainability performance of our critical suppliers. The results of this monitoring are reviewed, and follow-up actions are taken as needed. These findings are also integrated into the annual performance evaluations of our suppliers.

We also use CDP Supply Chain to engage with our main suppliers of tobacco and non-tobacco materials, equipment manufacturers, logistics, reduced risk product devices and airlines.



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3.3 Value chain focus

Emissions from purchased goods and services are our largest Scope 3 category emissions and so form the basis of our emission reduction strategy.

Mirroring the strategic planning applied to our Scope 1 and 2 emissions, our procurement teams are working with suppliers to understand and mitigate the emissions impact of our activities through to 2030. To achieve our 2030 Scope 3 targets, we have two key areas of focus:

- **Leaf supply chain** where our key areas of focus will continue to be supporting growers to improve yields, improve curing efficiency, reduce wood consumption and improve wood renewability, alongside decreasing post-curing losses.
- **Non-tobacco material procurement** where the key to this achievement will be to ensure our top suppliers (in terms of emissions) set and meet their own emission reduction goals. We therefore continue to prioritize engagement and collaboration with our suppliers.

Our initial roadmaps show the estimated contribution from each decarbonization lever area towards our 2030 goal, split across FLAG and non-FLAG emissions. In line with the Scope 1 and 2 modelling, we will update the parameters and assumptions of our Scope 3 roadmaps each year to reflect market and operating conditions.

FIGURE 10:
Scope 3 Category 1 (purchased goods and services) 2030 FLAG emission reduction trajectory

Target 33.3% reduction by 2030, compared to 2019 baseline

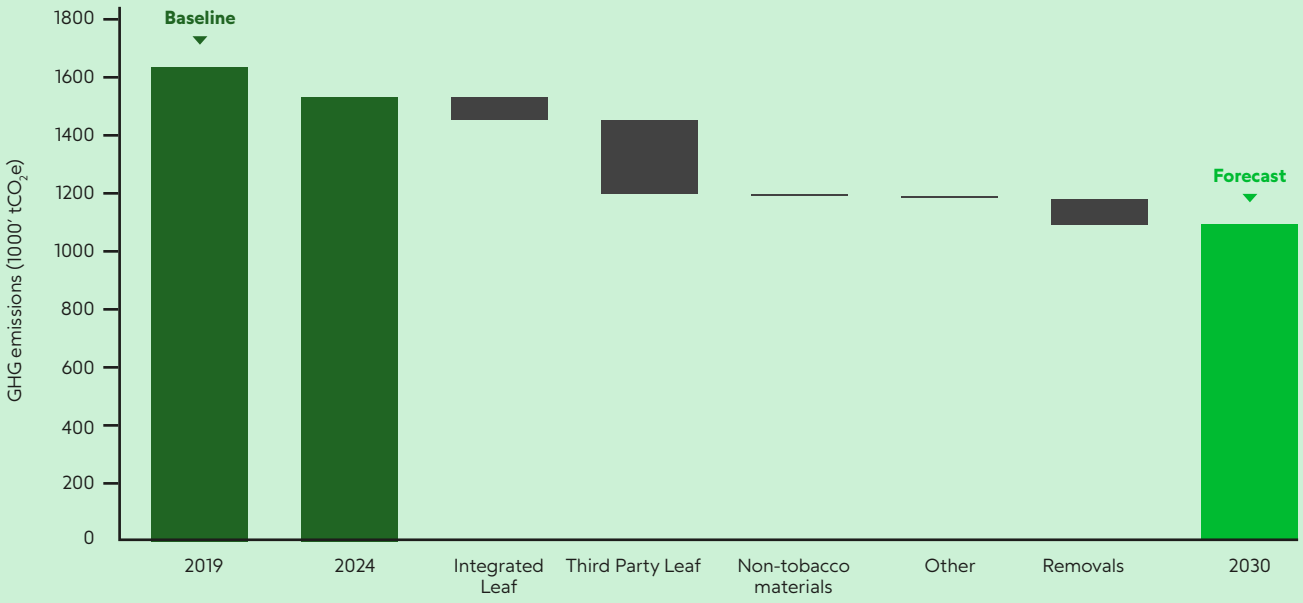
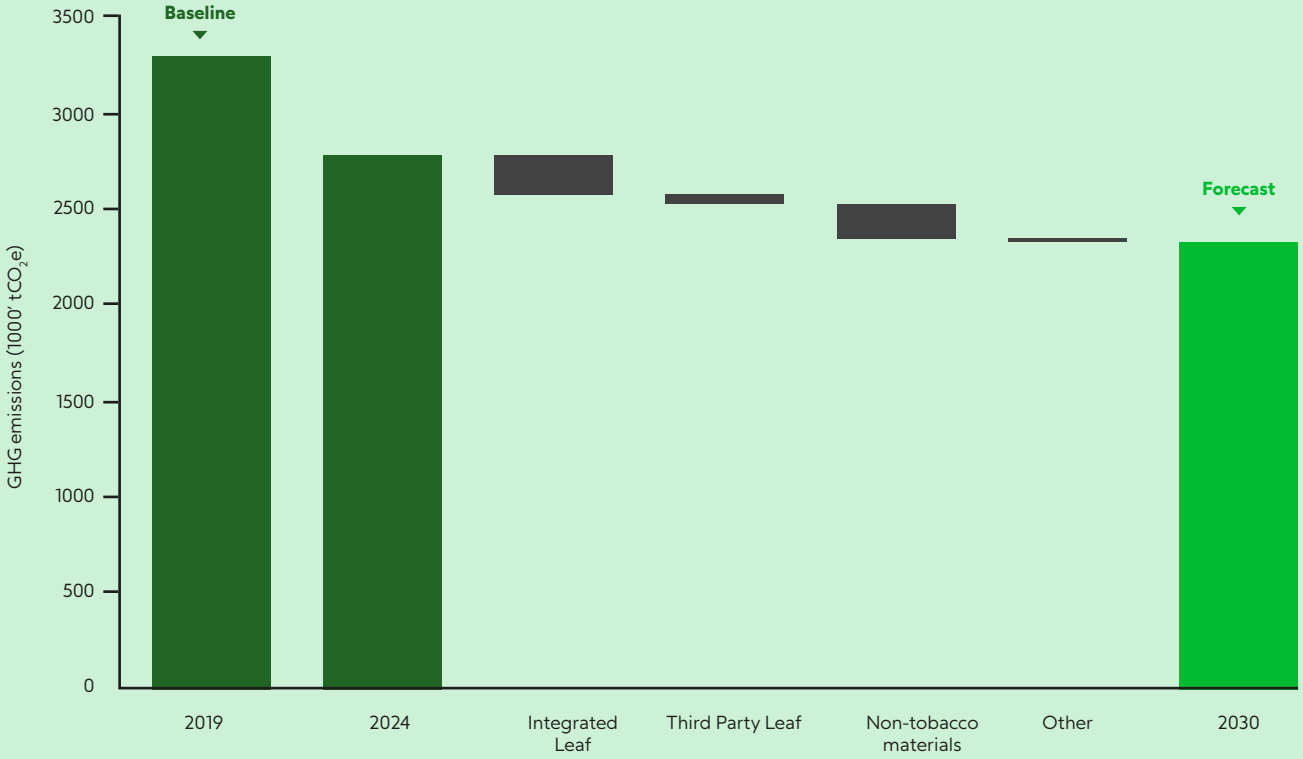


FIGURE 11:
Scope 3 Category 1 (purchased goods and services) 2030 non-FLAG emission reduction trajectory

Target 28% reduction by 2030, compared to 2019 baseline



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3.4 Value chain strategy



3.4.1 Leaf program supply chain structure

We source our tobacco leaf through two primary channels: directly contracted growers and third-party leaf merchants.

Together, these sourcing models encompass 300,000 growers located in around 30 countries. This approach gives us greater flexibility when responding to changing market requirements. The direct contracting model allows us to maintain verifiable provenance and traceability of leaf, while enabling a higher degree of influence and support to the growers. In most cases, third-party leaf merchants source directly from their contracted growers, providing them with advice on crop management and good agricultural practices.

Emissions assessment and targeting

Through our relationships with growers and suppliers, our ongoing applied research and development trials at our ADET and other research facilities and along with several years of Life Cycle Assessment (LCA) work, we have a clear understanding of our leaf supply chain carbon footprint. This detailed insight allows us to accurately calculate our emissions, identify key sources of emissions and decarbonization levers and manage other fundamental metrics and parameters (environment, social, governance).

The vast majority of third-party leaf still comes from four key global suppliers, with whom we work closely to ensure good practices. However, determining the provenance of our leaf and implementing our Agricultural Labor Practices can be more challenging in some countries. In these cases, we work with leaf suppliers and other stakeholders to implement robust supply chain due diligence processes.

Our leaf emissions account for the largest portion of our total Scope 3 footprint (our latest footprint can be found in our **Sustainability Performance Overview**). Unlike our non-tobacco material procurement, our leaf supply chain involves a higher number of much smaller suppliers; sometimes as small as a single smallholder grower. This presents unique challenges related to natural resources use and management, as well as workers' human rights, cultural differences across regions and complex interdependencies between emission reduction activities and physical climate impacts.

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Reducing the emissions associated with our leaf growing and procurement will be dependent on continued engagement and collaboration with our leaf supply chains, and effectively implementing high-impact initiatives at scale.

In line with SBTi guidance on Forest, Land, and Agriculture (FLAG), our GHG emissions and our LCA incorporate FLAG emissions.

Key reduction initiatives

We've implemented and continue to implement several initiatives that contribute directly or indirectly to reducing emissions:

- **Curing Barns Upgrading Programs:** Improving barn and furnace efficiencies, reducing wood fuel consumption.
- **Forestry Programs:** Growing trees to produce a renewable supply of wood fuel and/or timber for tobacco curing.
- **Customized Good Agricultural Practices:** Consistently promoting our Minimum Agronomic Standards for optimal tobacco leaf production processes, with more responsible and efficient use of crop inputs (fertilizers, Crop Protection Agents), as well as soil management and conservation.
- **Forest Conservation and Avoided Deforestation Project:** Implementing a local forest rehabilitation and conservation in Brazil.
- **Biochar from tobacco waste:** Turning tobacco waste into biochar, which stores carbon and also, when applied in fields, helps improve soil health.

Engagement and knowledge building

Using our LCA results that include FLAG emissions, we identify and prioritize emissions hotspots associated with tobacco leaf across the countries from which we source leaf. These insights inform targeted mitigation responses, developed in collaboration with local internal teams. We work with our growers to ensure the effective implementation of these initiatives, providing technical support with agronomy and forestry practices.

We regularly update our LCA work, investigate alternative mitigation options and build local knowledge within our supplier networks to manage cultural and political barriers to implementation of action plans. Going forward, we'll integrate climate scenario analysis (CSA) with LCA to assess how shifts in climate, such as drought or reduced rainfall, could impact tobacco cultivation and emissions profiles.

Beyond grower engagement, we're embedding emissions reduction strategies into leadership decision-making to align business continuity planning with climate goals.



Partnering with suppliers to drive practice change

As part of our commitment to secure a long-term supply of quality tobacco leaf and create shared value for our growers and our business, we provide broad extension services to our directly contracted growers. These services include technical extension service delivery and assistance by our Agronomy Technicians on a regular (scheduled) basis during a crop cycle. Where possible and feasible we also provide a customized crop inputs pack, aimed at ultimately improving productivity, which also improve our social and environmental impact. By enabling growers to become more productive and efficient in the way they grow, harvest, and cure tobacco leaf, we support them in becoming more profitable and using resources more responsibly.

Agronomy Development & Extension Training (ADET)

We strive to enhance our understanding and methods of tobacco farming and share these insights with our directly contracted growers. We have made significant investments in this regard, including the creation of ADET facilities in Brazil, Japan and Zambia. These sites function as model tobacco farms where we conduct applied research and development on various topics to ensure sustainable, viable, and profitable tobacco farming that complies with environmental requirements and regulations. As well as reducing our impact, our ADET centers support a just transition by enabling growers to become more productive and efficient in growing, harvesting, and curing tobacco leaf, supporting them to become more profitable. Further details of this can be found in our **Human Rights report**.

ADET facility activities include trials on crop management, soil fertility, crop inputs, curing barn efficiency, production cost savings, mechanization, innovations and agroforestry. Once validated, trial outcomes are passed on to growers through our extension services. The facilities also provide training and extension services to promote optimal grower productivity, quality, and leaf production integrity.

Additionally, we partner with leading international academic institutions, such as the Federal University of Santa Maria in Brazil, to develop innovative tobacco production methods and further integrate sustainable wood resource management in small-scale tobacco farming.



The ADET facilities have developed best-practice approaches that our directly contracted growers are expected to follow:

- **Good Agricultural Practices:** All our leaf suppliers are expected to adhere to Good Agricultural Practices, which aim to produce a customized quality crop while protecting, sustaining or enhancing soil, water, air, as well as animal and plant life.
- **Minimum Agronomic Standards (MAS):** Our directly contracted growers are required to follow MAS, growing tobacco under our stewardship. In return, they receive credit for prescribed crop inputs and dedicated extension services from our Agronomy Technicians. This support includes recommendations delivered through a program of scheduled visits throughout the crop cycle.
- **Minimum Forestry Standards (MFS):** Our directly contracted growers are required to follow MFS, which is a set of specifications and guidelines that ensure growers in countries that use wood for tobacco curing can establish and manage quality, productive woodlots and live barns with a reduced environmental impact **(see section 4.2.3 Our approach to forest management).**

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Our commitment to good agricultural practices extends beyond tobacco. We encourage growers to use seasonal crop rotations, by growing complementary crops like maize, ground nuts, or soya on the same land in alternate seasons. This practice benefits growers and contributes to a just transition by providing extra income and improving food security. It also positively contributes to conserving nature, as it promotes soil conservation, supporting long term economic stability through land productivity for local communities.

Implementing Minimum Agronomic Standards (MAS) for sustainable tobacco farming

At JTI, our Minimum Agronomic Standards (MAS) are integral to promoting sustainable farming practices among our tobacco growers. These standards incorporate various practices that significantly contribute to water and soil conservation and support best practices:

- **Mulching (Seedling Production):** This practice involves covering the soil with organic or inorganic materials to decrease water evaporation, maintain soil moisture and improve soil health. By retaining moisture, mulching helps to reduce the frequency and volume of irrigation needed, thus conserving water and enabling optimal growth of seedlings in a uniform manner resulting in optimal time in the seedbeds with the least possible opportunity for unnecessary waste of resources.
- **Reservoirs (Seedling Production):** Establishing water holding reservoirs ensures a reliable, clean and secure water source for seedling production. This practice minimizes the dependency on local water supplies and helps in managing water more efficiently during critical growth periods.
- **Box ridges:** These structures are designed to capture rainwater within fields, reducing runoff and erosion. Box ridges help in retaining rainwater within the ridge, thereby increasing the direct availability of water for the crops during dry periods.
- **Seasonal crop rotation and minimum tillage:** Encouraging growers to practice seasonal crop rotation and minimum tillage helps in maintaining soil health and supports in the control of crop specific pests and diseases. Crop rotation improves soil structure and fertility by alternating crops with different nutrient requirements and root structures. Minimum tillage reduces soil disturbance, thereby preventing erosion and maintaining soil organic matter.

The Crop Calendar, a critical component of MAS, stipulates that tobacco seedlings should be planted at the optimal period in the year. This strategic timing ensures that the maximum water requirement of the crops coincides with historical climatic norms made up of consistent and adequate rainfall. By aligning the planting schedule with natural rainfall patterns, the need for extracting local water supplies for irrigation is significantly reduced.

3.4.2 Non-Tobacco Material procurement

While leaf accounts for most of our Scope 3 emissions, non-tobacco materials, such as paper, filters and packaging, represent another significant contributor to our emissions footprint and represent further opportunities for emissions reduction.

For each of these areas, we consider not just emissions but also the impacts of waste and how materials can contribute to a circular economy. Further details can be found on the **circularity section** of our website.

Data quality improvements

We calculate non-tobacco material emissions from purchased goods using product-specific emission factors from our suppliers wherever available, supplemented by global average emission factors to fill gaps. Since 2020, we've shifted from spend-based estimates to using life-cycle inventory data from Ecoinvent. In 2023, we began collecting supplier-specific emissions data directly. By the end of 2024, the majority of our non-tobacco material emissions were derived from those more accurate supplier-specific data, and we are actively working to expand coverage to further improve precision and completeness.

Supplier engagement

We have created a bespoke, annual questionnaire to allow us to increase the proportion of non-tobacco material emissions that are calculated using supplier-specific data. We are increasing this each year thanks to our engagement efforts. For our most up to date supplier-specific coverage see our latest **Sustainability Performance Overview**.

Additionally, we've used the CDP Supply Chain, engaging with our main suppliers of tobacco and non-tobacco materials, equipment, logistics and reduced-risk product devices and key airlines, on climate, water and wood-related action. This information allows us to review each supplier's climate strategy, to assess their ambitions, plans, progress towards targets in place and gain insight into identified climate-related risks and opportunities.

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Active collaboration

To strengthen collaboration across our value chain, we held a webinar for all JTI global suppliers focused on sharing good practices from JTI's own Scope 1, 2 and 3 initiatives. The session provided insights into JTI's Scope 3 Supplier Engagement Program and included an open Q&A to encourage discussion and knowledge exchange.

In addition to the webinar, JTI hosted three Scope 3 Reduction Workshops, inviting both our direct suppliers and their suppliers. These workshops aimed to deepen understanding of emission reduction strategies across the supply chain and to emphasize the critical role of supplier contributions in achieving collective climate goals. Quarterly meetings are conducted with key suppliers based on their emission share to ensure that actions are in place and on track to reduce emissions.

This engagement and collaboration are vital to our 2030 emission reduction pathway. Our modeling assumes that our top 25 non-tobacco materials suppliers by emissions will meet their current climate commitments. By working closely with our supply chain, we are supporting our suppliers in realizing their own climate ambitions and helping to drive meaningful progress toward a lower-carbon future.

Forward strategy

As part of this continued effort, we will continue our successful and wide-reaching engagement and collaboration efforts with our suppliers - and, in some cases, their suppliers - within key workstreams. This way we develop robust and detailed emissions reduction plans with our suppliers, supporting measurable progress toward our 2030 targets.

We will also continue to enhance the availability and quality of supplier-specific data. This will enable greater accuracy in calculating our non-tobacco materials footprint.

3.4.3 Additional value chain initiatives

Low-carbon business travel

Although business travel only accounts for a very small proportion of our total emissions footprint, it's an area where we can directly influence employee behavior through engagement and policy.

The COVID-19 pandemic accelerated our adoption of online meetings, which helps us avoid travel-related emissions. However, some business travel remains essential. We initially focused reporting and reduction of business travel emissions on air travel, with the plan to go on to expand our efforts to include rail travel and accommodation.

To better manage these emissions, we're enhancing our business travel data by incorporating more granular details, such as carrier information and load factors and including less material activities such as hotel stays. These improved data aim to empower colleagues to consider the emissions impact of their travel decisions and inform our company's business travel policy.

Optimized transportation and distribution

Emissions from the upstream and downstream transportation of products and materials account for a material share of our total emissions footprint. Our efforts here will focus on minimizing the emissions footprint of our logistics network. This could include transitioning to low-carbon fuel alternatives or adopting fully electric vehicles.

We have long established processes that embed route optimization and supply chain management to reduce time-critical shipments and minimize air freight. Beyond this, we can further influence emissions by equipping teams with robust data for informed decision-making. Our focus is to improve data availability and quality, enabling the logistics team to integrate emissions impact into decision-making and drive our international logistics decarbonization efforts.

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3.5 Dependencies

Each Scope 3 emissions workstream faces unique dependencies that could affect our progress:

Leaf programs

- Increasing frequency of extreme weather events, natural disasters, and broader shifts in prevailing weather systems, all of which may disrupt agricultural inputs, supply chain, and operational continuity.
- Embedding environmental trade-offs into business continuity planning, balancing short-term business needs with long-term sustainability goals.
- Grower capacity and capability to implement regenerative practices.
- Need for industry-aligned regenerative agriculture principles.
- Regulatory support for sustainability initiatives.
- GHG protocol evolution to account for FLAG savings and impacts.
- Local dynamics, including socioeconomic conditions, cultural practices and agricultural traditions, which may influence the feasibility and implementation of proposed initiatives.

Non-Tobacco Material procurement

- Reliability and consistency of supplier data for tracking progress.
- Each material supply chain has unique management challenges.
- Company-wide understanding of the potential emissions impact of purchasing decisions.
- Need for automated information exchange systems, as management approaches mature.
- Potential for collaborative industry approach, especially for niche machinery and material suppliers.

Low-carbon business travel

- Our ability to influence cultural change within our employees.
- The continued decarbonization of the transport sector, including air, hotel and ground transportation industries.

Optimized transportation and distribution

- Accelerated decarbonization of the transport sector with necessary infrastructure and equipment.
- Improved availability of alternative fuels and electric vehicles (EVs), particularly heavy-duty vehicles.
- Geographical differences in fuel types or technology availability.
- Geopolitical stability for maintaining traditional sea or road logistics routes.

3.6 The role of carbon credits

As part of our long-term strategic planning, we have developed our carbon offsetting strategy.

This initiative is designed to future-proof both our access to supply of credits and our cost management, while also supporting emissions reduction and removal activities beyond our direct value chain.

While reducing our own emissions remains our primary focus, it's important to consider our offsetting strategy now, as the cost of high-quality carbon credits is expected to rise significantly through to 2050. Therefore, it is crucial to understand the strategic implications, associated costs and role of offsetting to reduce future operational expenditure and secure supplies before 2050.

Our offsetting strategy was developed with the support of a specialist service provider. It is aligned with our broader business strategy, guided by our sustainability commitments. It is centered around the use of high-quality credits from independently verified projects.

The strategy was built using the following assumptions:

- No significant change to business operations and production portfolio
- Phased carbon neutrality of our factories 2025-2029
- Carbon neutrality for our own operations (factories, warehouses, offices) by 2030
- Net-zero across our entire value chain by 2050.

To meet these goals, we planned to pursue a blended approach to the acquisition of high-quality credits between now and 2030, combining spot market purchases with direct project investments. Our target is to source approximately one-third of credits from the spot market, with the remaining volumes secured through direct project investment. However, inline with the **Oxford Offsetting Principles**, we will continue to prioritize emissions reduction through our own initiatives and activities over balancing and neutralizing emissions.

Reflecting the sustained efforts to reduce emissions across our factories, offices and warehouses, we are currently exceeding our established target. In parallel, implementation of our Offsetting Strategy is underway. As a result, we are positioned to achieve carbon neutrality for our own operations by 2028 — two years ahead of the original timeline. In advance of this, phased carbon neutrality across our factories will be accelerated accordingly.

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4. Building climate resilience

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4.1 Climate risk assessment

As a business intrinsically linked to natural resources, JTI is vulnerable to climate change impacts throughout its value chain.

From tobacco leaf cultivation to market distribution, both extreme weather events and long-term environmental shifts can significantly disrupt our operations, our directly contracted growers and third-party leaf suppliers, our employees and our wider value chain. We collaborate closely with our directly contracted growers to support their adaptation and mitigation efforts against climate risks at the farm level.

We conducted our first climate scenario analysis in 2019 and have continued to refine our analysis since then. We reassess our climate scenario analysis on a regular basis, identifying how hazards could evolve under both 'best case' (1.5°C) and 'worst case' (4°C) global warming scenarios across three time horizons. We consider JTI's vulnerability to each risk, business criticality of affected operations, historical experience with similar hazards and expert opinions on potential changes under various climate scenarios. Our key climate-related risks and opportunities can be found in Figure 12 below.

Further details on our climate scenario analysis methodology and parameters can be found in our latest **Task Force on Climate-related Financial Disclosures (TCFD) report**.

As well as updating our analysis, we continue to further integrate climate risk management into our corporate governance structure. We also build knowledge with leadership teams and strategic decision makers on the impact of decisions on emissions and climate risk management.

FIGURE 12:
JTI's key climate risks and opportunities

PHYSICAL RISKS
Tobacco Leaf

Heavy rain
Heavy rain could impact tobacco yields and/or tobacco quality.

Drought
Drought could impact tobacco yields and/or tobacco quality.

Pests and diseases
Changing climatic conditions that increase the suitability of pests and diseases / pathogens could influence crop health and lead to potential reductions in tobacco yields.

PHYSICAL RISKS
Employees

Heat stress
Increase in heat stress in key production regions could lead to increased health and safety risks and decrease productivity among outdoor workers.

TRANSITION RISK
All

Enhanced / expanding carbon pricing schemes
Enhanced / expanding carbon pricing schemes could result in increased operational costs.

TRANSITION OPPORTUNITIES
Manufacturing Facilities

Increased availability and levelized cost of on-site renewable technologies
This could result in lower operational costs and could support JTI's decarbonization efforts.

Increase in the supply of biofuels
This could result in lower procurement costs for gas-based electricity and other machinery and support JTI's decarbonization efforts.

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4.2 Nature

At JTI, we recognize the vital importance of nature and biodiversity to the health of our planet and the sustainability of our business.

Our commitment to biodiversity is guided by our nature strategy that, in turn, aligns with JTI's ongoing sustainability initiatives, as well as the Convention on Biological Diversity's Kunming-Montreal Global Biodiversity Framework. This Framework focuses on ecosystem and species health, aiming to halt human-induced species decline and guiding our society and economy to operate within safe and sustainable planetary boundaries.

As a tobacco manufacturing company, our activities have the potential to impact nature and biodiversity throughout our value chain. We recognize our dependence on natural resources for our business success and, as such, view nature as an integral component of our broader sustainability strategy. Understanding and addressing our impacts on nature and biodiversity is a strategic priority.

We are committed to playing an active role in the protection and support of biodiversity and the ecosystems that are impacted by our activities by complying with biodiversity regulations in countries of operation. We also aim to align with industry standards and leading frameworks regarding its nature and biodiversity performance, including those set by the Accountability Framework Initiative (AFi), Task Force for Nature-Related Financial Disclosures (TNFD) and Science Based Targets Network (SBTN). These frameworks helped JTI shape our strategy and to set targets, regarding deforestation / conversion-free supply chains. Further details can be found in the Our **approach to forest management** section of this plan.

By following leading frameworks, conducting a nature impact assessment and implementing relevant targets, we aim to reduce impacts on nature, support conservation and restoration of ecosystems and contribute to the preservation of biodiversity for future generations and the sustainability of our business.

JTI has already made significant progress over the years in estimating its impacts on climate change and the associated risks and opportunities for the organization. In developing our nature strategy, JTI will build upon current and planned sustainability efforts that contribute to the mitigation of nature impacts across our value chain, to leverage existing activities and improve where required. Similar to our wider sustainability strategy, our nature efforts will be overseen by our Nature Sub-Operating Committee, Planet Operating Committee and Sustainability Steering Committee to manage and track nature performance at the management and executive level. We are also engaging with external experts and relevant stakeholders where necessary to build a credible strategy.

4.2.1

The interconnection of climate and nature

True corporate sustainability is only possible when both nature and society flourish together.

Climate, biodiversity and forests are not separate issues; they are inextricably linked. Climate change accelerates ecological degradation, while the loss of nature intensifies climate instability. Tackling these challenges in isolation risks overlooking their systemic interdependence. To address root causes and build enduring solutions, we need to ensure a joined-up, integrated approach that reflects the complexity of the natural world and the societies that depend on it.

We understand the interlinked relationship between climate and nature, so we consider biodiversity impacts and mitigations in our emission reduction strategy, where applicable. As part of our Forests, Land and Agriculture (FLAG) emissions reduction strategy, we're investigating the use of waste tobacco as biochar feedstock, which will not only reduce our FLAG emissions but also positively contribute to nature through improved soil quality. In the future, we will consider the integration of this work into a nature transition plan, as required by the Corporate Sustainability Reporting Directive.

To help support us in approaching these interlinkages holistically, we've developed a comprehensive Nature framework as part of our PLANET pillar. This framework outlines our nature-related considerations, impact levers and mechanisms that support the continued development of our nature strategy.

As part of our commitment to nature, we've set several nature-related targets across conservation, deforestation, water, and waste. You can find details of these targets in the relevant sections of this document.

> "Our vision extends beyond carbon reduction. We recognize that true sustainability requires a holistic approach that considers the interconnectedness of climate, nature and people.

Anna Maria Rugarli
Corporate Sustainability Vice President

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FIGURE 13:
Interconnection of climate and nature

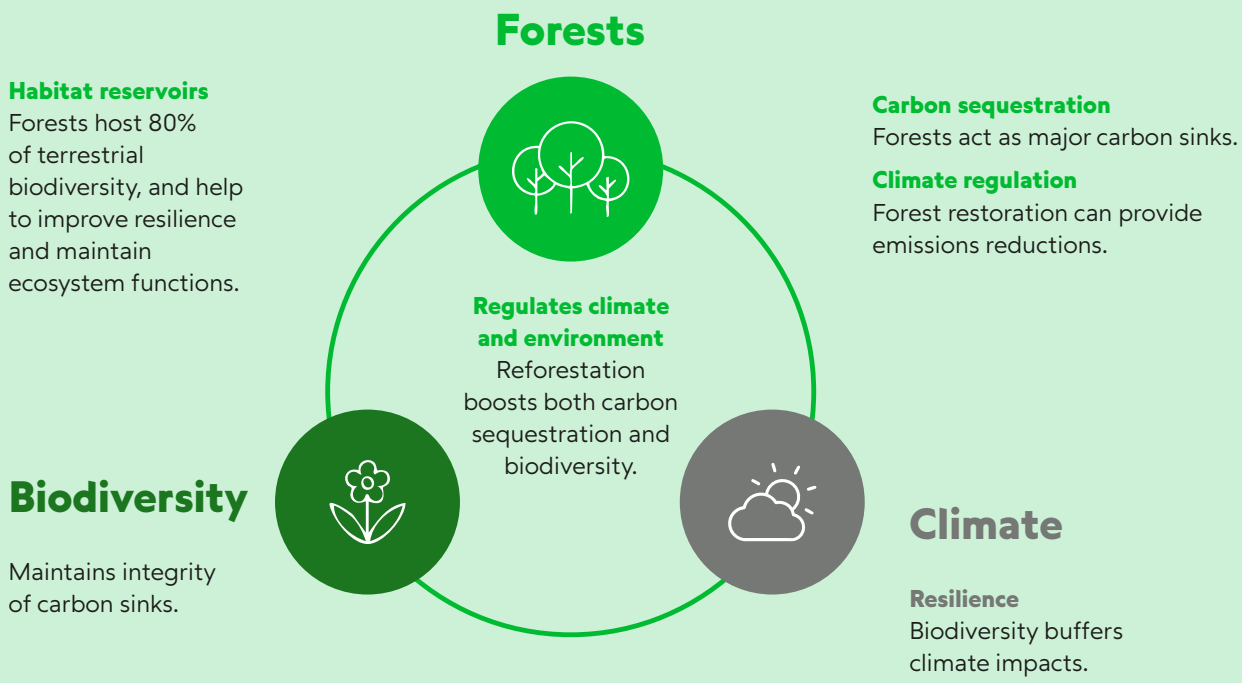
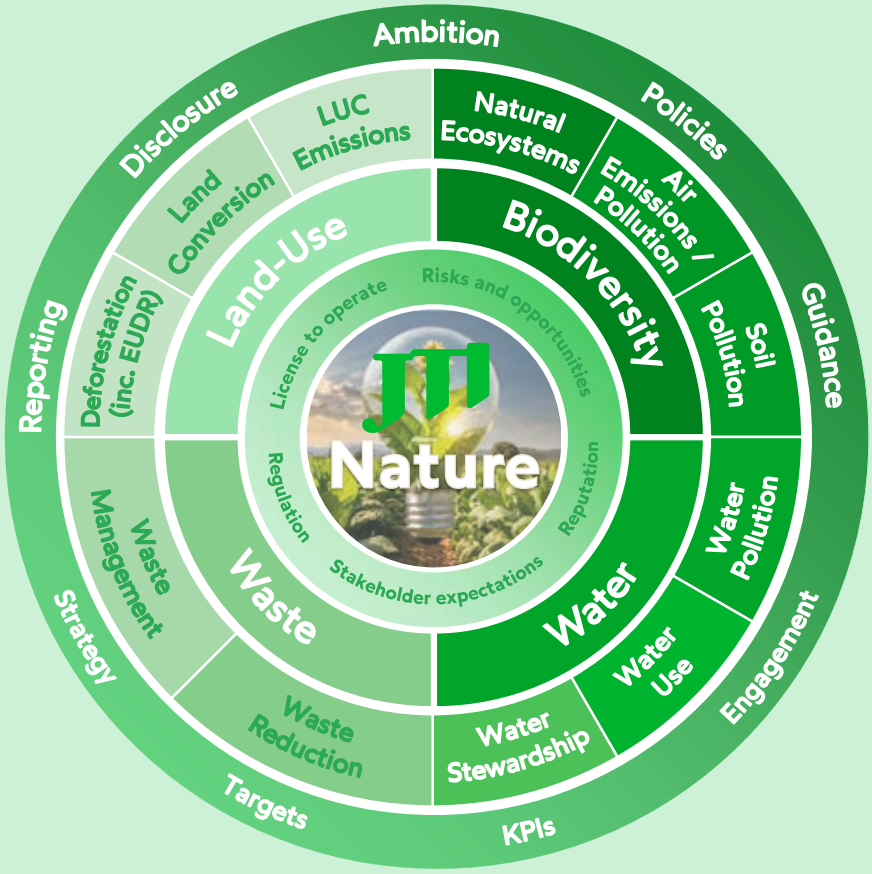


FIGURE 14:
JTI's Nature framework



4.2.2 Biodiversity

Our approach to biodiversity conservation is founded on understanding the reciprocal relationship between our business activities and natural ecosystems.

Nature intersects with our value chain at multiple points, and we recognize that our direct tobacco leaf supply chain represents both our most significant biodiversity impact and our primary opportunity for conservation.

However, our commitment extends beyond this. We are actively evaluating and managing biodiversity risks and opportunities across our indirect tobacco and non-tobacco materials supply chain to ensure a holistic and responsible approach. Every part of our value chain matters, and we are working to ensure that all areas are considered, not just the most material ones.

Our 'Biodiversity and No-Deforestation Ambition Statement' outlines our commitments to minimizing environmental impact in these areas and the strategic steps we will take to achieve this.

To build our strategy to achieve our commitments, we have established a Nature Sub-Operating Committee. Through this, subject matter experts collaborate to assess JTI's impacts and dependencies on natural ecosystems. Our strategic governance approach strengthens our ability to assess, manage and mitigate biodiversity impacts, while cascading responsibility for actions to the relevant operational teams.

While we continue to integrate nature considerations into our core governance structures, we are also taking action to understand where our impacts and risks lie. As part of our commitment to responsible environmental stewardship, we have started a comprehensive Biodiversity Impact Assessment to evaluate the effects of our operations on local ecosystems, species and habitats.

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This assessment has provided a clear understanding of the direct and indirect impacts, enabling us to focus our activities and inform our biodiversity strategy.

Building on this and following the guidance of TNFD and CSRD, we are currently undertaking a Biodiversity Risk Assessment to explore potential future threats to biodiversity, such as climate change, land-use pressures and emerging ecological risks. This forward-looking analysis will help us strengthen our resilience, prioritize action, and align with evolving best practices in nature-related risk management.

Together, these assessments form the foundation of our approach to biodiversity: evidence-based, risk-aware and aligned with our broader sustainability goals.

Our partnership with the **LIFE Institute in Brazil**, established in 2009, exemplifies this approach. The LIFE Methodology for Business and Biodiversity enables clear analysis of impacts, risks and opportunities in our relationship with biodiversity, supporting evidence-based environmental investment decisions.

For several years, we've applied this methodology to operations in Brazil, to evaluate impacts across our supply chain, including those of over 10,000 integrated growers. Our work was showcased at the UN Biodiversity Conference (COP15) in 2022, being recognized as the only case involving such a large supplier group collectively applying biodiversity metrics. We aspire to become the first company in our sector and in agrobusiness to achieve LIFE Certification.

This assessment considers key elements such as:

- Monoculture plantations
- Water and fertilizer usage
- Deforestation
- Pollution

This work is underpinned by close collaboration with our operational teams, whose on-the-ground expertise is essential to mapping real-world interdependencies and identifying material risks and opportunities.

Mirroring how we have embedded climate into our processes and culture, we will engage colleagues across the business to cascade responsibility for action and management to operational roles. Through this engagement we will provide both general awareness and role-specific training to build a shared understanding of biodiversity challenges. This will empower our teams to contribute meaningfully to our ambition of achieving JTI future ambitions relating to net-positive biodiversity outcomes.

We understand the interlinked relationship between climate and nature, so we consider biodiversity impacts in our emission reduction strategy, where applicable. As part of our FLAG emission reduction strategy, we're investigating the use of waste tobacco as biochar feedstock, which will not only reduce our FLAG emissions but also positively contribute to nature through improved soil quality.

4.2.3 Our approach to forest management

Wood is vital to our business, serving as both a resource for curing tobacco and a key element in climate mitigation.

Forests are critical for carbon sequestration, biodiversity and soil erosion control. We prioritize sustainable management of this resource to ensure a steady supply of renewable wood while actively working to conserve and restore forests.

Within our Nature Sub-Operating Committee, which is responsible for executing our nature strategy, we established a workstream focused on no-deforestation. We have set ambitious targets to enhance biodiversity by addressing deforestation and land conversion in our operations and supply chain.

Deforestation- and conversion-free targets

- No deforestation of natural forests in our own operations and supply chains for tobacco leaf, paper and pulp-based materials by 2025, and in our entire supply chain by 2030.
- No conversion of natural ecosystems in our own operations and supply chains for tobacco leaf, and paper- and pulp-based materials in high conservation value areas by 2025 and all natural lands by 2030.

In addition, to address impacts of timber product extraction from managed natural forests, we have an existing commitment of:

- Zero net deforestation of managed natural forests in our entire supply chain by 2030.

This will be achieved through the sustainable extraction of forest products in a way that enhances biomass and biodiversity in previously degraded or deforested natural forest areas.

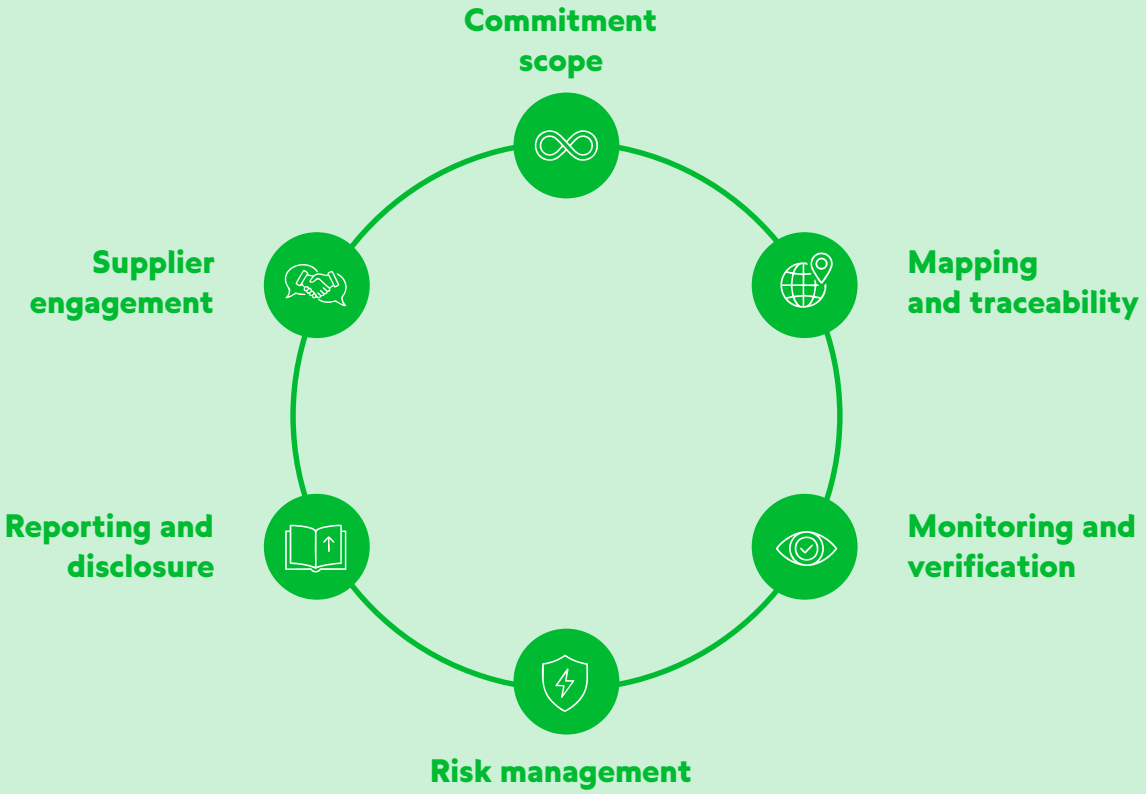
Progress against our targets can be found in the latest version of our **Sustainability Performance Overview**.

Our approach to a deforestation- and conversion-free business

We have developed a deforestation- and conversion-free approach that aligns with best practice while remaining adaptable to the specific context of impact. This flexibility enables us to effectively implement and advance progress towards our targets, recognizing that our level of influence and control varies across the value chain depending on where the impact occurs. The initial focus of our approach is supporting the development of reliable, consistent methods for deforestation assessment by collaborating with industry bodies, NGOs and other stakeholders to enhance the reliability of deforestation monitoring.

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FIGURE 15:
JTI's strategy process for managing and mitigating deforestation and conversion



Within our vertically integrated tobacco leaf supply chain, our focus is on in-depth risk assessments that leverage satellite technology and field level verification. Using this insight, we engage with our growers to develop good practices and implement suitable management and mitigation measures tailored to their regions.

Although formal deforestation- and conversion-free targets have only recently been established, sustainable forestry has been part of our strategy for a long time and is central to the work at at our Agronomy Development & Extension Training (ADET) centers. Our in-house agroforestry experts ensure good practices in key areas where our business may impact wood supplies and forestry, including the development of our Minimum Forestry Standards (MFS). **See section 3.4.1 Leaf programs: Agronomy Development & Extension Training (ADET).**

Our integrated and holistic approach focuses on wood production and contributes to natural forest protection and rehabilitation, while supporting local communities. Key actions include:

- Continuing work at our ADET centers to build the necessary skills and knowledge within our global farming community.
- Advocating for the adoption of uniform best practices and standards to ensure global consensus and effectiveness in managing forest-risk commodities. While some markets benefit from stringent regulations that enforce sustainable practices, others operate under less rigorous standards, creating disparities that can undermine efforts to manage deforestation-free supply chains effectively.

In our third party leaf and pulp & paper materials supply chains, our approach is different. Since we rely on third-party suppliers, our emphasis shifts to proactive supplier engagement. We focus on gathering deeper data insights, assessing the control measures our suppliers have in place, and encouraging them to set their own deforestation- and conversion-free targets and management strategies.

We will continue to build our strategy in these areas over time. Updates will be made available on the **PLANET pages of our website**.

4.2.4 Water

Water is vital throughout our value chain, from cultivation and processing of raw materials, to manufacturing and daily operations at JTI sites globally.

Although tobacco crops primarily rely on rainfall and our processing operations are not water-intensive, responsible water management remains essential given its importance to local communities. Water quality issues, drought, and flooding can significantly affect both these communities and our operations, making water stewardship a strategic priority.

Between 2014 and 2020, we conducted comprehensive water risk assessments at our factories, evaluating water availability, quality, regulatory changes and vulnerability to natural hazards like floods and droughts. These assessments informed action plans to reduce risks and enhance water management across our operations.

Building on this foundation, in 2023 we established ambitious new water targets:

By 2030:

- Reduce water withdrawal in our operations by 33% compared with 2019 base year.
- Certify 100% of eligible production facilities against the Alliance for Water Stewardship standard.

We have conducted a supply chain water assessment to analyze water intensity across tobacco leaf origins and throughout our value chain, from leaf growing and processing to finished goods production. That study confirmed that over 90% of the water used in leaf growing comes from rainfall, highlighting our low water intensity. These insights continue to inform our water reduction and efficiency strategies throughout our operations. Progress against our targets can be found in the latest version of our **Sustainability Performance Overview**.

> “Our transition plan addresses critical issues such as biodiversity conservation, water stewardship, and the protection of natural ecosystems, while also focusing on the social fabric of the communities where we operate.
>
> Anna Maria Rugarli, Corporate Sustainability Vice President

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5.
Governance



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Transitioning to a low-carbon world, enhancing climate resilience and integrating sustainability into everyday business practices requires changes both at the leadership level and among employees - everyone has a role to play.

Our governance structure for addressing social and environmental topics is well-established. Recently, we've broadened this framework to encompass more comprehensive environmental governance, with a particular focus on nature, biodiversity, and no-deforestation. While these areas have been competently managed by operational teams for several years, the enhanced structure ensures they receive heightened attention and strategic oversight.

5.1
Leadership and decision-making

The Executive Committee (ExCom) is the ultimate decision-making body within JTI, tasked with comprehensive oversight and management of climate-related issues.

ExCom members maintain direct involvement in climate governance, through their roles on the Sustainability Steering and Enterprise Risk Management Committees. This ensures senior leadership is not only actively engaged but also fully accountable for JTI's sustainability performance.

Chaired by the CFO, the Sustainability Steering Committee provides strategic perspective and ensures transparent governance on sustainability matters. It plays a crucial role in directing attention and resources to climate-related issues at the highest levels of decision-making. The Committee is convened regularly to discuss sustainability matters, including environmental, and to weave climate considerations into broader strategic and operational decision-making processes.

The governance mechanisms extend beyond these periodic meetings, incorporating climate considerations into various operational processes at functional level. This includes integration into annual budget reviews, oversight of major capital expenditures, management of employee incentives and strategy development. Additionally, the Sustainability Steering Committee oversees climate transition planning, scenario analysis, target setting, progress monitoring and comprehensive risk management.

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5.2 Alignment with Japan Tobacco Inc.

Japan Tobacco Inc., our parent company, positions climate change as one priority matter within sustainability, this is reflected through the setting and validation of group-level Science-Based Targets. JTI's targets fully align with Japan Tobacco Inc.'s targets.

Japan Tobacco Inc. board members have oversight of climate risk, as a part of wider sustainability, facilitated through JTI's ExCom risk owners, in line with JTI's Enterprise Risk Management processes. For more information on risk management within Japan Tobacco Inc., please refer to **the website**.

Climate-related updates from JTI's executive-level committee are presented to Japan Tobacco Inc. through the group-level Sustainability Advisory Forum (SAF). The SAF acts as a forum to discuss progress, strategic direction, and new plans, before key climate-related updates are shared with Japan Tobacco Inc. board members including the CEO. The SAF comprises Japan Tobacco Inc. Senior Vice Presidents (SVPs), its Chief Sustainability Officer and the heads of Japan Tobacco Inc.'s businesses (including JTI's CFO) and corporate functions. It typically meets three times a year.

Further detail on how Japan Tobacco Inc. and JTI interact can be found in the **Japan Tobacco Inc. Integrated report** and **JTI's TCFD report**.

5.3 Implementation structure

To implement our plan and net-zero workstreams effectively, Vice Presidents from key functions work closely with Corporate Sustainability.

This collaboration facilitates setting precise targets and KPIs as well as systematic monitoring of performance to ensure we meet our goals.

To operationalize our governance structure, we've created focused implementation teams, including the Climate and Nature Sub-Operating Committees. Each team translates high-level strategy into actionable workplans, with clear accountability metrics and progress tracking mechanisms. This approach ensures climate-related considerations are embedded in operational decision-making across business functions rather than siloed within sustainability teams.



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FIGURE 16:
JTI's sustainability governance model



5.4 Enabling a sustainable culture

At JTI, we recognize that the success of our transition hinges on the active participation and awareness of all employees.

It's imperative that both our leadership and employees are fully equipped with the necessary skills and knowledge to implement our sustainability initiatives effectively.

Our approach to green upskilling focuses not on creating more environmental specialists, but on enabling employees across all functions - Legal, Finance, People and Culture, and others - to contribute to the green transition from their areas of expertise.

Through structured engagement with teams who oversee decarbonization activities, we've gained critical insights into practical implementation challenges, resource requirements, technical feasibility and interdependencies between different workstreams.

5.4.1 Climate leadership

Our Executive Committee receives education on climate and sustainability issues to ensure well-informed decision-making.

Training is facilitated through the Sustainability Steering Committee, with bespoke sessions led by both internal and external climate experts. This structured approach ensures that strategic decisions, particularly those related to crucial targets such as electricity usage and climate impact, are made with a thorough understanding of their implications. The Planet Operating Committee and the Sustainability Steering Committee work collaboratively to rigorously review targets related to electricity and climate, with stakeholders receiving targeted training at each stage.

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5.4.2 Enabling employees to drive change

Our Corporate Sustainability Upskilling program is at the heart of cultivating a culture of sustainability throughout JTI.

This initiative ensures that every employee, regardless of role, has access to the necessary tools, information, and training needed to strengthen their sustainability capabilities. In 2024, we launched an internal Sustainability Hub, which we further enhanced in 2025 with an AI-powered guide. These resources make sustainability more accessible to the broader internal audience, while serving as a single source of truth for employees involved in sustainability initiatives across the business who need to access existing information on specific topics.

As part of our commitment, we've implemented specialized Scope 3 training for our Global Supply Chain Procurement team. This training, conducted in collaboration with subject matter experts, serves as a crucial component of the team's onboarding and capacity building process, integrating sustainability considerations into procurement practices. We will also leverage this type of engagement to embed nature considerations into our operations and company culture.

5.4.3
Celebrating and scaling impact

The Sustainability Impact Awards are a key enabler of JTI's climate transition, reinforcing the principle that sustainability is everyone's business.

The Sustainability Impact Awards recognize and scale initiatives across the organization that contribute tangible impact against JTI's Sustainability Impact Framework, including the Protecting PLANET pillar, by linking projects to strategic priorities and measurable outcomes. By showcasing credible, business-embedded solutions and rewarding cross-functional collaboration, the Sustainability Impact Awards help build internal capability, accelerate adoption of best practices, and support delivery of JTI's climate and environmental objectives.

Each edition of the Awards brings record engagement, with more submissions, more locations participating, more voters taking part, and more employees joining the ceremony both online and in person.



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5.4.4

Beyond our organization

Our sustainability knowledge transfer goes beyond our own operations, equipping supply chain partners with the environmental insight needed to drive real change.

Whether working with directly contracted growers or independent leaf suppliers, our focus is not merely on recommending practices, but on fostering a deep understanding of ecological cause and effect. This empowers growers and suppliers to fully comprehend the impact of their decisions and take accountability for sustainability outcomes. By equipping growers with knowledge about the direct relationship between farming decisions and environmental consequences, we foster a culture of accountability throughout our value chain. Partners who comprehend the scientific rationale behind sustainable practices are more likely to implement them consistently and adapt them thoughtfully to local conditions.

Our Agronomy Development & Extension Training (ADET) centers in Brazil, Japan and Zambia exemplify this philosophy. Rather than simply instructing growers on what to do, these centers explain why specific practices matter, demonstrating the measurable impacts of crop management choices, soil conservation techniques, curing barn efficiency improvements and agroforestry systems. This deeper understanding transforms environmental stewardship from a compliance exercise into a business advantage that growers can independently evaluate and advance.

This knowledge-based approach creates resilient change by ensuring that sustainable practices persist and evolve, even as market conditions and environmental challenges shift. By developing true environmental literacy among our partners, we're building a supply chain where sustainability becomes self-reinforcing through shared understanding and mutual accountability.

5.5 Incentives

Sustainability linked incentives for senior executives are in place within Japan Tobacco Inc.

The remuneration of Japan Tobacco Inc. directors, who also serve as executive officers, is composed of base salary, executive bonus, restricted stock remuneration plan and performance share unit plan (PSU). PSU is a performance-linked stock compensation system that aims to strengthen shared value with shareholders, to enhance company value over the mid- to long term and to commit to achieving business results over the mid-term. Japan Tobacco Inc. also has an ESG-related index on top of profit as KPIs for PSU, where it adopted its progress on initiatives to realize net-zero as ESG-related index, specifically target attainment rates to reduce GHG emissions.



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6. Financing the transition

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6.1 Internal carbon price

In 2022, we integrated an internal carbon price into the financial planning processes of our factories to bolster our decarbonization efforts.

The internal carbon price serves as an internal tool to steer decision-making by incorporating climate change impacts, risks, and opportunities into our strategic and financial considerations. This strategic tool has been pivotal in embedding climate considerations deeply within our decision-making frameworks, enabling us to assess the carbon impact of our actions, influence behavior and prioritize initiatives that align with our carbon neutral and net-zero goals.

The carbon price is applied across all our factories and manufacturing facilities. Designed to evolve with our needs and the external environment, it's reviewed annually to ensure continued relevance and effectiveness. Since its implementation, it has enabled us to identify a number of initiatives that are now deemed financially viable, with a positive Net Present Value (NPV), projected to yield carbon savings.

We regularly reassess the suitability of the current set price of carbon, including considering expanding its application to projects elsewhere in the business as well as to sourcing decisions. Further details on our carbon price and application can be found in our latest CDP disclosure.



6.2 Green loan

JTI's unwavering commitment to sustainability is exemplified by the establishment of our dedicated green loan in 2023, aimed at funding initiatives focused on greenhouse gas emission reductions.

Through the green loan facility, we've instituted robust internal governance and operational processes to ensure compliance with regulatory requirements outlined in the Green Loan Principles. Our operational teams, through internal engagement and continuous upskilling, are tasked with identifying and assessing suitable initiatives. These initiatives undergo a thorough review and approval process by our Executive Governance Committee. By assigning responsibilities at the operational level, we fortify our strategy, ensuring that our transition plan is developed from the ground up, considering the diverse nature of our operations and regions.

JTI has leveraged the green loan to finance the installation of solar panels in Poland, Turkey, Jordan and Brazil, as well as the utilization of biomass fuel in Malawi. New projects are being developed and scheduled for rollout going forward. These initiatives underpin our broader vision of a fair and inclusive transition to a low-carbon economy. We're guided by the principle of leaving no one behind, ensuring that lawful businesses prioritizing innovation and sustainability are afforded opportunities, incentives and access to capital.

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7. Industry collaboration - Sustainable Tobacco Program (STP)

JTI actively participates in the Sustainable Tobacco Program (STP) Steering Committee alongside seven other global manufacturers.

The STP is an impact-driven, risk-based initiative that brings together manufacturers, leaf merchants, and experts to address critical sustainability challenges that cannot be solved by any single company alone. Through collaborative efforts across eight key themes - Water, Human and Labor Rights, Livelihoods, Climate Change, Soil Health, Crop, Natural Habitats and Governance – we're working to improve environmental and social footprints throughout the tobacco supply chain.

Since joining in 2019, we've made significant progress in implementing the program across our operations. Participation in the STP is mandatory for all suppliers who provide leaf to JTI. They're required to submit regular self-assessments, with independent third-party assessments conducted where risks are identified. We have completed several focused in-country assessments and will continue to roll these out further.

This collaborative approach enables more effective risk management and continuous improvement in our supply chain due diligence, while promoting transparency across the industry. For more details about the STP process and methodology, please visit the **STP website**.



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8. Unlocking transition opportunities



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As a manufacturing business, waste reduction delivers multiple benefits across our value chain. Beyond reducing environmental hazards and greenhouse gas emissions that affect everyone from farmers to consumers, waste reduction creates economic efficiency by lowering handling and disposal costs.

Our comprehensive approach, which evolves continuously, considers waste impacts at every stage - from design phase and material procurement to post-consumer disposal. We apply the Reduce, Reuse, Recycle principle rigorously, improving yield, reprocessing tobacco waste (such as dust and stem) and reusing packaging materials like large cardboard boxes used in tobacco transport.

In 2022, we established a new sustainability governance model, focused on product stewardship, circularity, and waste. In 2023, we developed a new circularity framework and a set of targets regarding both packaging and product, including Reduced Risk Product (RRP) devices, to illustrate how our global circular economy ambition translates into JTI's reality and to help us turn sustainability commitments into real action. For more information, please refer to the **Circularity page of our website**.

We've defined a comprehensive set of targets and KPIs to drive progress against our waste strategy and unlock its full potential. Performance against these metrics, along with further details, is available in our latest **Sustainability Performance Overview** on our website.

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9. Complementary reports and achievements

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Reports and Disclosures

TCFD Report

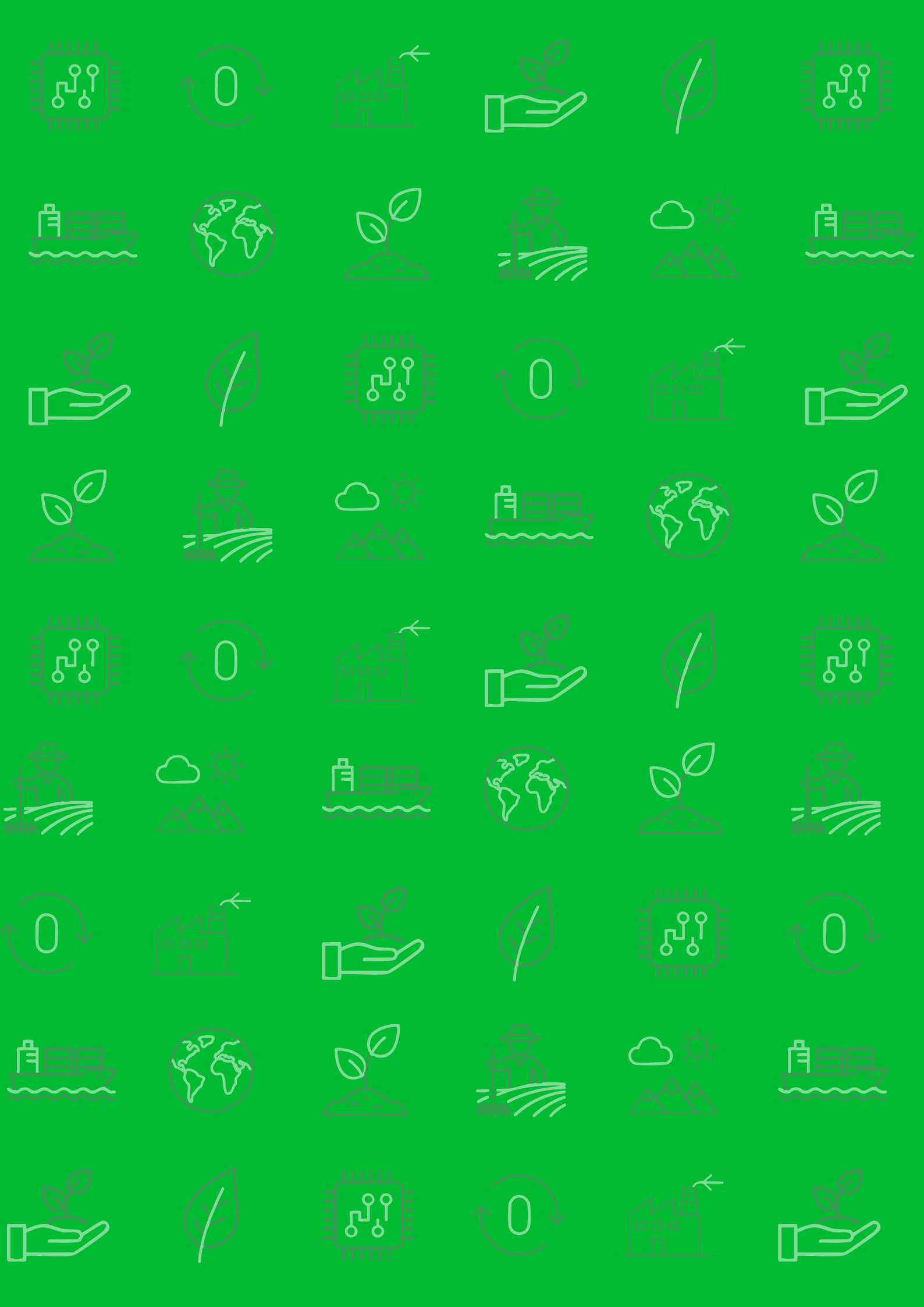
CDP Response

Japan Tobacco Inc. Integrated Report

DJSI

CIPS ethics register

Sustainability Performance Overview





Climate Transition Plan