



Japan Tobacco International TCFD Report



TCFD Report

Glossary of Terms

- Climate Scenario Analysis (CSA)
- Climate Transition Plan (CTP)
- Corporate Review Committee (CRC)
- Double Materiality Assessment (DMA)
- Enterprise Level Risk Management (ELRM)
- EU Regulation on Deforestation-free Products (EUDR)
- Chief Financial Officer (CFO)
- Good Agricultural Practices (GAP)
- Greenhouse gas (GHG) emissions
- Intergovernmental Panel on Climate Change (IPCC)
- Minimum Agronomic Standards (MAS)
- Reduced Risk Products (RRP)
- Science-Based Targets (SBT)
- Science-Based Targets Initiative (SBTi)
- Senior Vice President (SVP)
- Strategy Review Committee (SRC)
- Sustainability Advisory Forum (SAF)
- Sustainability Steering Committee (SSC)
- Taskforce on Climate-related Financial Disclosures (TCFD)
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Vertically integrated (VI)
- Vice President (VP)



TCFD Report

The JT Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2020. This report provides JTI's disclosures against each of the four TCFD recommendations. Annual updates relevant to specific climate-related targets and metrics are available in JTI's annual [Sustainability Performance Overview](#).

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Governance



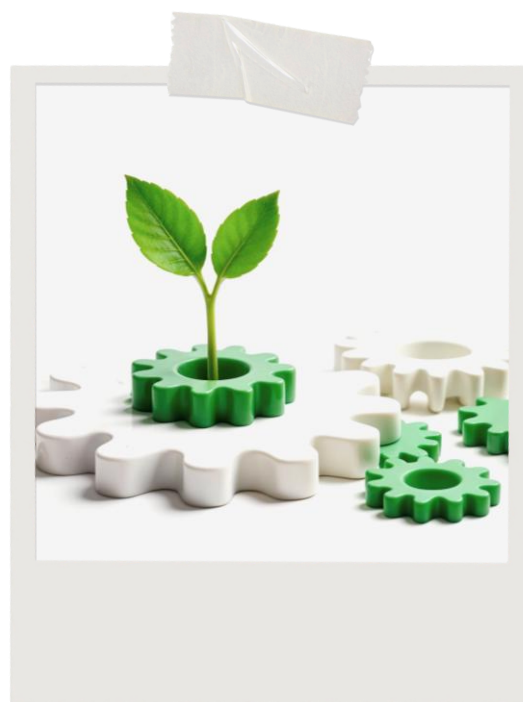
Governance

Board oversight of climate-related risks and opportunities

At JTI, tobacco is our core raw material and, as such, our business could be significantly exposed to adverse changes in the weather and climatic conditions. It is therefore critical that our board retains oversight of climate-related issues, to ensure strategic alignment, risk mitigation, and compliance with evolving regulatory requirements. Our CEO is a Japan Tobacco (JT) Inc. Board member. The JT Inc. Board is charged with the responsibility of guiding and approving the JT Group's climate-related targets and commitments. There is a close synergy between JTI and the JT Group at their respective executive levels allowing JTI to align our sustainability commitments and targets with those of the Group. Climate-related management activities and performance are reported to the Board, so that it can review and approve, amongst other things: Annual and Strategic Planning, the Annual Operating Plan, Group Sustainability Strategy and overall sustainability performance.

The JT Inc. Board oversight of climate-related risks and opportunities is facilitated through JTI ExCom

risk owners, in line with JTI's multi-disciplinary and organization-wide Enterprise Level Risk Management (ELRM) processes. Through the ERM process, climate change was identified as a principal risk, resulting in the assignment of an ExCom risk owner to oversee its management. The assigned ExCom risk owner maintains oversight over climate-related risks and opportunities as well as JTI's sustainability targets and decarbonization strategy. The principal climate change risk is reviewed frequently by the ExCom risk owner and presented to the ExCom more broadly on an annual basis. The strategy and plans to address the climate change principal risk are reviewed and reported to the Corporate Review Committee (CRC) twice a year with the risk exposure presented in the first half and the status of mitigation plans reviewed in the second half, and subsequently shared with JT Top Management, including the JT Group CEO. Climate expertise at the board-level is maintained by ExCom members.



Management's role in assessing and managing climate-related risks and opportunities

At its executive level, JTI has established several committees that play key roles in assessing and managing climate-related risks and opportunities.

Our CRC, chaired by JTI's CEO, takes key decisions at corporate level, including but not limited to ERM matters (e.g. approval of enterprise level risks, guidance on specific and material business topics etc.) and our sustainability strategy (e.g. signing off sustainability targets), following inputs from the management-level Sustainability Steering Committee (SSC).

Our SSC is chaired by the Chief Financial Officer (CFO) and provides strategic perspectives on topics related to sustainability. The SSC acts as a sounding board for sustainability topics, ensures transparent governance and clear accountability for sustainability within the organization, and ensures that we operate in alignment with our overall sustainability strategy relating to climate change. Developed in 2024 and launched in January 2025, JTI's revised emissions reduction targets were first approved by members of JTI's ExCom and then approved at JT Group level (see Metrics and Targets section). The SSC reviewed and aligned on both the 2024 emission reduction roadmaps and targets (see Metrics and Targets section and our Climate Transition Plan for more information).

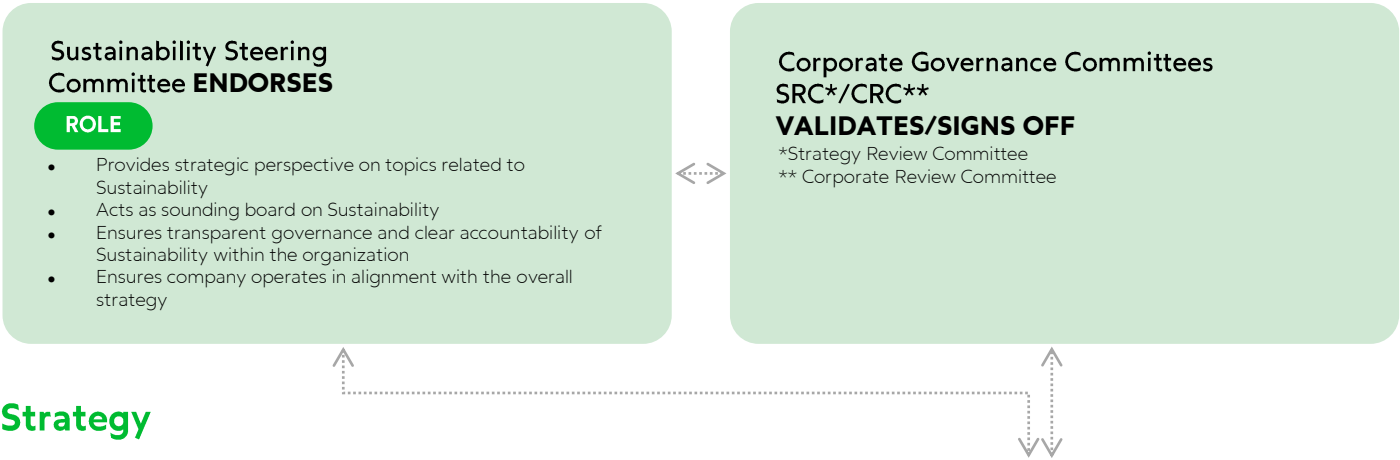
Our pillar-specific Operating Committees (Product,

People, Planet) are charged with overseeing the operationalization of our sustainability and climate strategy. They comprise Vice Presidents (VPs) from JTI's key functions. Our VPs work closely with our Corporate Sustainability function to ensure the alignment and coordination of sustainability efforts across diverse functions and geographies.

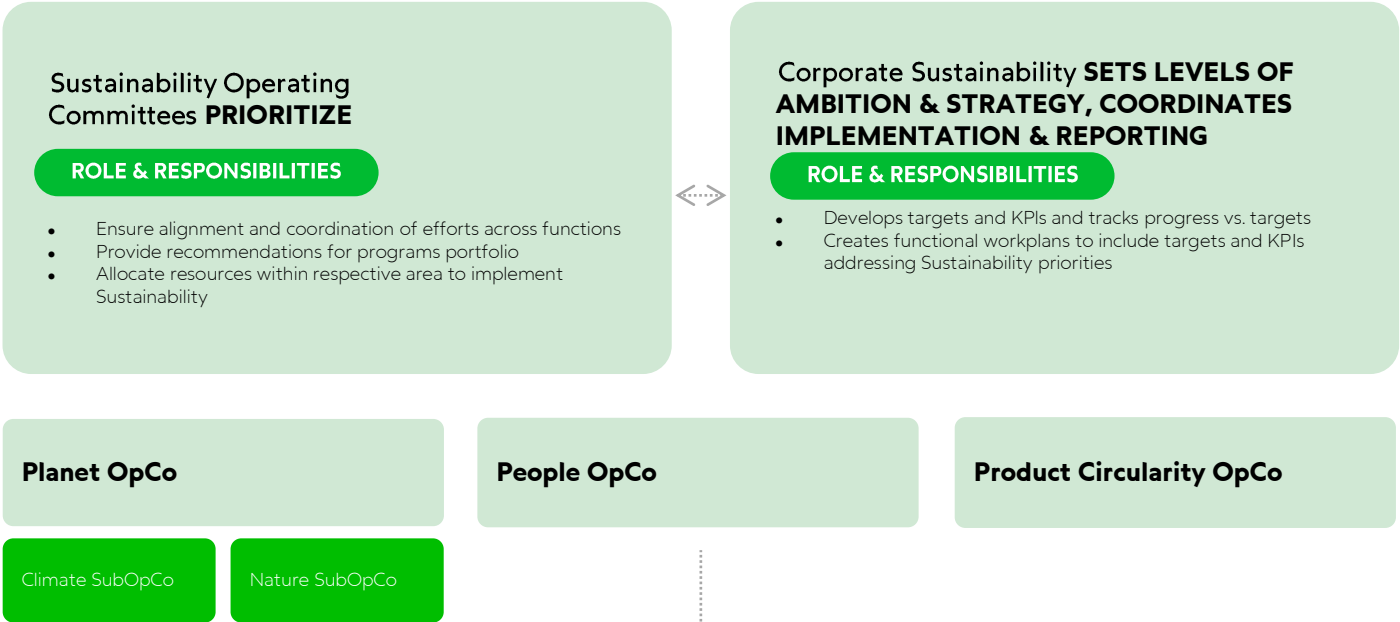
JTI's Corporate Sustainability function, led by the Corporate Sustainability VP, has overall responsibility for our climate program and reports to the CFO. The function sets strategy and direction for the business, establishes action plans to ensure that our sustainability priorities are translated into actionable work plans, coordinates setting of targets and KPIs, and is responsible for monitoring progress against our sustainability targets and reporting.

Climate-related updates from the executive-level committees are presented to the JT Group through the Group-level Sustainability Advisory Forum (SAF). The SAF acts as a forum for presentations on progress, strategic direction, and new plans, before key climate-related updates are presented to the CEO and Board. The SAF includes representation from JT Group Senior Vice Presidents (SVPs) and the heads of JT Group businesses (including JTI's CFO) and corporate functions. It typically meets three times a year.

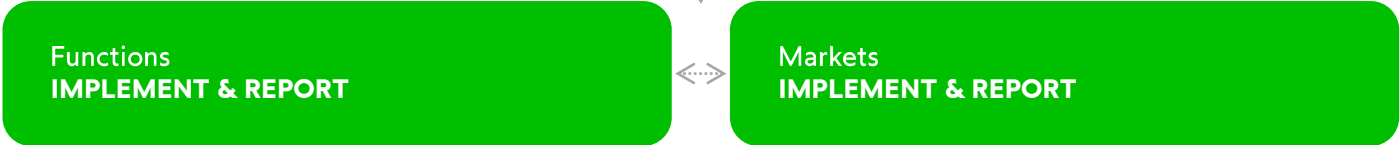
Oversight



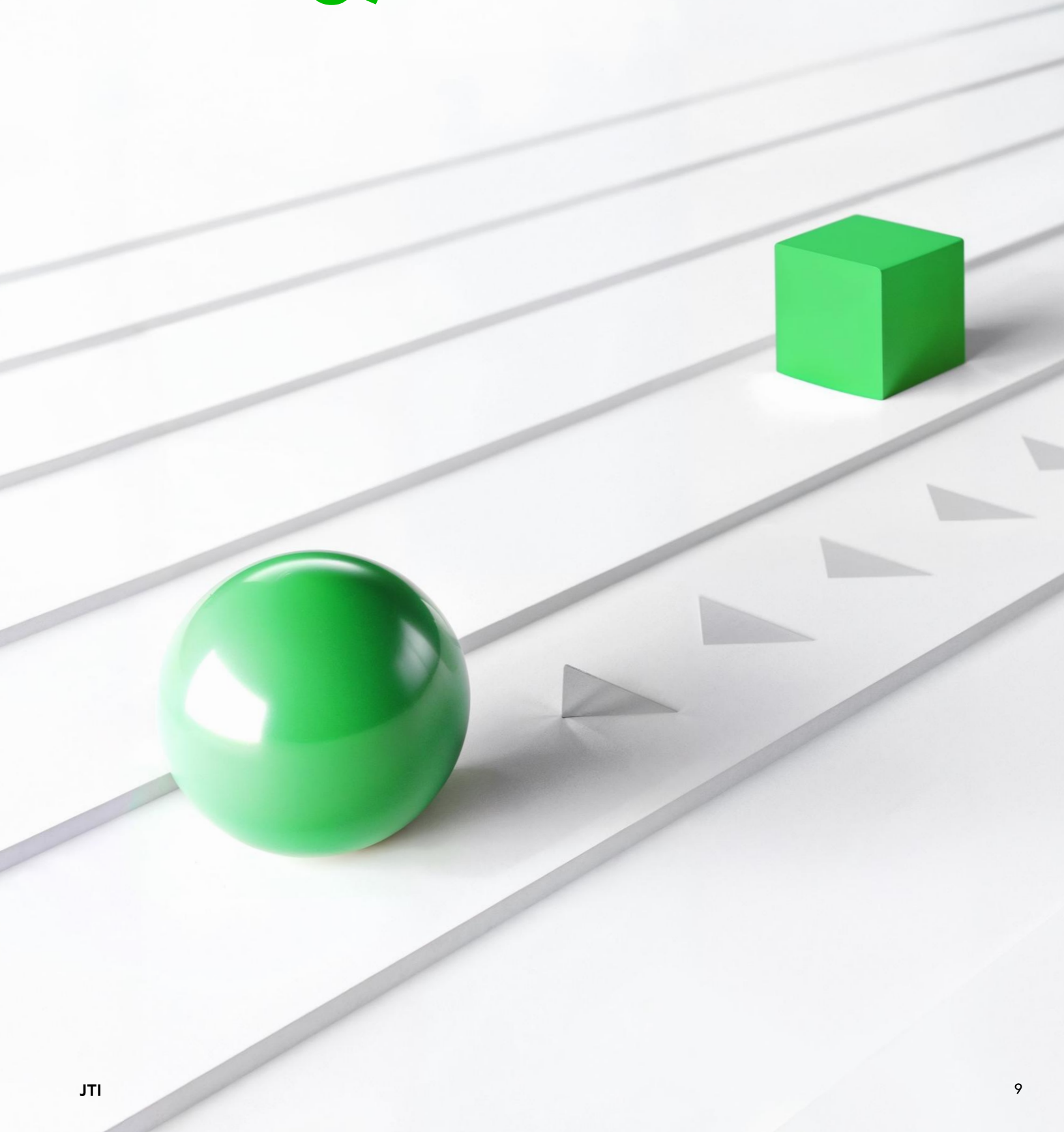
Strategy



Implementation



Strategy



Strategy

Identified climate-related risks and opportunities and potential financial impact

Starting in 2019, JTI initiated the use of Climate Scenario Analysis (CSA) as a tool to identify and assess the company's climate-related risks and opportunities. Our initial assessment started with a screening exercise to assess our exposure to climate-related risks and opportunities across our full value chain. In 2023, we revisited our initial CSA findings, refining our list of identified climate-related risks and

opportunities. We then launched a two-part CSA, beginning with a qualitative, followed by a quantitative assessment. As part of this exercise, we strengthened our approach to determining the financial materiality of climate-related risks and opportunities, in line with TCFD guidance and JTI's overall strategy. The assessment considered the following time horizons for the analysis:

Long-term

12 to 30 years, which is in line with JTI's long-term commitments (Net-Zero by 2050), which is aligned with climate change scenarios up to 2050 and with the Paris Agreement

Medium-term

4 to 11 years, which is in line with the JT Group Sustainability Targets (medium term targets are currently from 2019 to 2030)

Short-term

0 to 3 years, which is consistent with the business' three-year annual planning cycle

Three climate scenarios were considered, following best-practice guidance and in alignment with Article Two of the 2015 Paris Agreement¹:

- Rapid transition scenario ('+1.5°C scenario')
- Middle of the road scenario (SSP2-4.5, '+2°C scenario')
- High physical impact scenario (SSP5-8.5, '+4°C scenario').

¹ "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels."

Qualitative assessment:

We prioritized a range of climate-related risks and opportunities to take forward into a qualitative CSA. The prioritization focused on our exposure to climate-related risks and opportunities across the three main areas of our business: leaf production and processing; manufacturing; and markets. Countries with a combination of leaf production, manufacturing and market operations were considered to be high priority. For the prioritized topics, we performed a qualitative CSA, exploring the future potential change in the hazard / transition event under different climate scenarios and assessing the high-level potential impact to our business. The priority of each of the topics was ranked based on quantitative risk ratings, representing the estimated future magnitude of change for the 2030 and 2050 time horizons, along with the potential business impact rating, determined through discussions with various internal stakeholders. High priority topics were then presented to JTI's wider stakeholder groups. Through these sessions, we identified key climate risk hotspots to be assessed further in a quantitative CSA, to better understand the potential business impacts for JTI.

Quantitative assessment:

Leveraging the results of the qualitative assessment and prioritization sessions with our stakeholders, we prioritized four physical risks and two transition risks to be taken forward into an in-depth quantitative CSA. The tables below detail the parameters and results of the assessment. We prioritized the stated regions for the quantitative assessment. However, we consider our exposure to those risks and opportunities across all our global operations and plan to broaden the assessment in the future to assess additional geographies.



Climate-related risks: Table 1: Climate-related risks (i)

Risk category	Focus area	Geographies in focus	Physical hazard / transition event	Scenario	Time horizon	Potential business impacts
Physical risk	Tobacco leaf	Brazil, Malawi, Zambia	Heavy rain	SSP2-4.5 SSP5-8.5	Short-term Medium-term Long-term	Heavy rain can lead to damaged tobacco plants and potential decreases in tobacco yield. Our analysis modeled the relationship between heavy rainfall events and too high average rainfall on tobacco plant seedling production stage using a regression analysis, considering multiple heavy rainfall and yield indicators and the different growth periods of tobacco leaf plants. The analysis found that heavy rain could lead to moderate changes in average annual tobacco yield by 2030 in a +4°C scenario compared to the baseline period. By 2050, this could rise leading to more significant impacts on tobacco yield loss.
		Brazil, Malawi, Zambia	Drought		Short-term Medium-term Long-term	Drought conditions can lead to damaged tobacco plants and potential decreases in tobacco yield. We modeled the relationship of drought on tobacco plant seedling production stage using a regression analysis, considering multiple drought and yield indicators and the different growth periods of tobacco leaf plants. The impact of drought on tobacco yields under a +4°C scenario was found to be insignificant within the regions analyzed. However, the uncertainty is relatively high and varies by country. Historically, we have already experienced one off drought events that impacted our tobacco yield: in 2024 and 2025 significant drought events occurred in Zambia and Malawi which impacted our tobacco yield.
		Malawi, Zambia, Tanzania, Brazil	Pests and diseases	SSP2-4.5 SSP3-7.02	Long-term	Changing climatic conditions could increase suitability for pests and diseases / pathogens they transmit, with potential to influence crop health and lead to reductions in tobacco yields. Our analysis focused on the pest pea aphids, which are known carriers of Potato Virus Y (PVY), and Cucumber Mosaic Virus, both of which can affect tobacco yields. The findings from our analysis indicated that average suitability conditions for pea aphids are projected to change moderately by 2030 compared to the baseline period, leading to minimal potential impacts on annual tobacco yields. By 2050, impacts on average annual tobacco yields could be more significant. The results varied by region and included a degree of uncertainty.

	Employees	Bangladesh and Ethiopia	Heat stress	SSP2-4.5 SSP5-8.5	Medium-term Long-term	Increased heat stress in key production regions could lead to increased health and safety risks and decreased productivity among outdoor workers. Our assessment examined three key drivers of heat stress: rising temperatures, elevated humidity, and shifting wind patterns. The results of the analysis varied significantly by region. In Ethiopia, heat-related productivity losses could be expected to remain minimal in the medium to long-term. In contrast, Bangladesh could face higher heat stress risk in the long-term. By 2050, workers performing moderate physical labor could see a 16% increase in lost working days due to heat stress, compared to the baseline period.
Transition risk	All	Global	Enhanced/ expanding carbon pricing schemes	1.5°C 2.5°C 2.0°C	Short-term Medium-term Long-term	Enhanced / expanding carbon pricing schemes could result in increased operational costs, particularly under a rapid transition scenario (+1.5°C). JTI faces potential exposure to direct carbon costs through its Scope 1 and 2 emissions, and indirect carbon costs through its Scope 3 emissions. We modeled future exposure to carbon costs through Scope 1, 2, and 3 emissions considering: • three business sensitivity pathways: a business-as-usual, current climate targets, and updated climate targets pathway • carbon price projections from three International Energy Agency (IEA) climate scenario: Stated Policies Scenario (STEPS) (+2.5°C), Announced Policies Scenario (APS) (2.0°C), and the Net-Zero Emissions by 2050 (NZE)(1.5°C). Direct carbon costs could account for approximately 30% of our total estimated carbon-related costs, with potential to lead to increased operating expenditures through higher fuel prices and electricity bills. Indirect carbon costs represent the remaining ~70% of total carbon-related costs. The passthrough rate of indirect carbon-related costs from suppliers remains highly uncertain; however, they could manifest in the form of increased cost of goods sold to JTI.

Climate-related opportunities: Table 2: Climate-related opportunities (i)

Transition opportunity	Focus area	Geographies in scope	Scenarios used	Time horizons	Potential business impacts
Increased availability and leveled cost of on-sites renewable technologies	Manufacturing facilities	Taiwan Japan	1.5°C	Medium-term Long-term	The expansion of renewable energy technologies – such as on-site solar, decentralized modular geothermal energy, and other renewable technologies – in key manufacturing regions (Taiwan and Japan) between 2030 and 2050 in a rapid transition scenario (+1.5°C) could result in lower operational costs and reduced exposure to carbon costs. It could also support JTI's broader decarbonization efforts by reducing our Scope 1 and 2 emissions and driving progress toward our Sustainability Targets and emission reduction roadmap.
Increase in the supply of biofuels	Manufacturing facilities	Japan Poland Philippines Romania Taiwan	1.5°C	Medium-term Long-term	Increased supply of biomass and biogas (hereafter biofuels) in a rapid transition scenario (+1.5°C) could support the decarbonization of industrial processes that cannot be electrified, especially in developing economies. Use of biofuels within primary manufacturing could reduce our Scope 1 emissions, driving progress toward our Sustainability Targets and emission reduction roadmap, while also helping to protect against future fluctuations in natural gas prices through long-term contracts (on the assumption that biofuel supply is able to meet our energy demands). The scale of the opportunity is expected to vary depending on which biofuels we can source and lock-in to long-term supply contracts. However, there are limitations to a truly sustainable supply of biofuels which is dependent on a continuous supply of bioenergy feedstocks.



Resilience of JTI's strategy to climate-related risks and opportunities

The CSA work undertaken to date has allowed us to begin to stress-test the resilience of our business and strategy to key physical and transition risks under different climate scenarios.

JTI has broadly identified three focus areas to strengthen the resilience of our business to climate change: 1) meet our 2030 and 2050 JT Group-aligned Sustainability Targets through energy efficiency and renewable electricity initiatives, supplier engagement on climate action, and low-carbon logistics and mobility initiatives; 2) engage with suppliers to enhance climate mitigation and adaptation at farm level, whilst positively impacting on biodiversity, and 3) consider emissions impacts in annual and strategic planning for leaf and NTM sourcing.

Our business continuity planning also includes strategic mechanisms to ensure supply chain flexibility, including sourcing leaf from a mix of directly contracted growers and third-party leaf suppliers, having physically dispersed leaf inventory management and building twin capacity for critical manufacturing facilities. Climate change is considered an enterprise level risk, therefore we integrate climate-related risk responses into our Enterprise Level Risk Management (ELRM) approach, with mitigation and adaptation actions part of the three-year annual and strategic planning processes (see Risk Management section). An overview of the strategic actions within our three resilience focus areas is provided below.



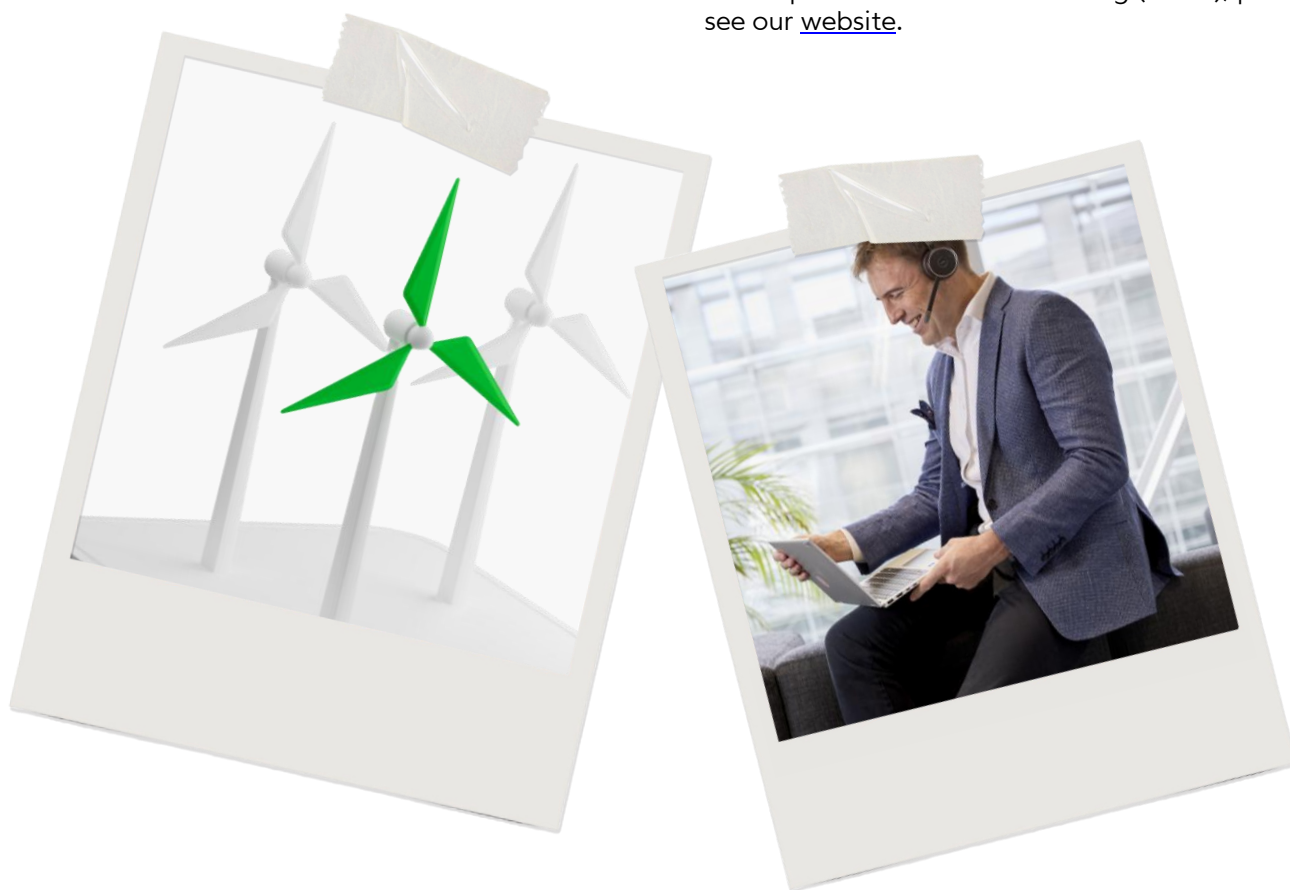
Meeting our 2030 and 2050 JT Group-aligned Sustainability Targets

Our measures taken to respond to expanding / enhanced carbon pricing schemes are reflected in the progress we make against our GHG reduction and wider environmental targets. Our Climate Transition Plan (CTP) outlines our forward-looking time-bound actions and financial planning that will guide progress toward our climate goals and ambitions and support alignment of our business model with a 1.5°C trajectory. The CTP focuses not only on decarbonization actions, but also on governance and financial planning, and potential impact on financial performance. We strive to comply with relevant and applicable regulations along our leaf supply chain, and we collaborate throughout our leaf and other purchased material supply chains to reduce Scope 3 emissions, thus addressing the risk of increased carbon pricing.

Engaging with partners for climate action

Reducing supply chain emissions is key to our climate strategy. We also collaborate with suppliers on sustainability challenges, including climate risk. We support tobacco growers with good agricultural practices, forestry management, and efficient curing methods. Engaging key suppliers via the CDP Supply Chain program also helps drive continual improvement.

We strive to build resilience throughout our tobacco leaf supply chain, at the farm-level and with third party leaf suppliers, by enabling growers to become more productive and efficient in the way they grow, harvest, and cure tobacco leaf. As part of this objective, JTI has established Good Agricultural Practices (GAP) for its directly contracted leaf growers, to promote more sustainable crop production. To learn more about how we are working with tobacco growers, including our approach to GAP, Minimum Agronomic Standards (MAS), and Agronomy Development & Extension Training (ADET), please see our [website](#).



Positively impacting biodiversity

JTI is making a positive impact on biodiversity through a multi-phase strategy across its global value chain. This includes mapping of our environmental pressures, improving traceability in supply chains, and developing location-specific biodiversity targets, aligned with frameworks like the Science Based Targets Network (SBTN) and the Taskforce on Nature-related Financial Disclosures (TNFD). Since 2024, we have been carrying out a global biodiversity impact assessment which evaluates biodiversity impacts and dependencies across our key sourcing regions. The outcome of this assessment guides the prioritization of biodiversity intervention areas across JTI's spheres of influence. With a detailed understanding of our biodiversity impact, we developed a long-term biodiversity strategy, guided by our newly established biodiversity targets.

Biodiversity is also a focus area in our Global Supply Chain Leaf Sustainability Framework. We see biodiversity as integral to sustainable tobacco production and we promote good agricultural practices and initiatives for its conservation and enhancement. These include soil conservation and good management practices, renewable wood production, water conservation, and natural forest protection and rehabilitation.

Integrating climate-related risks within JTI's occupational health and safety framework

We recognize that climate change presents emerging risks to worker health and safety, including through increased exposure to heat stress, poor air quality, and extreme weather events. To strengthen JTI's overall resilience to climate change and help safeguard the health and safety of our workforce, we have integrated climate-related risks into the company's occupational health and safety framework in alignment with International Labor Organization (ILO) guidelines. In line with this framework, relevant JTI locations are required to

undertake risk assessments focused on climate-related hazards and their potential impacts on workers and operations; implement appropriate control measures; and provide training to employees and contractors on climate-related hazards and preventive controls. We have also developed hazard-specific guidelines to support consistent implementation and encourage worker participation in the development and implementation of local measures.



Consider emissions impacts in annual and strategic planning for leaf and NTM sourcing

Twice a year, as part of our Annual & Strategic Planning (ASP) process and our Mid-Year Review (MYR) process, we revisit our 2030 emissions reduction roadmap to ensure we stay on track to achieve our reduction targets. Within these processes, we identify changes anticipated, both in relation to emissions drivers and our business operations that could impact our emissions footprint. Emissions drivers include factors such as fuel used for curing, land use change and fertilizer management. Potential changes in business operations include the volume of raw materials required and from where they will be sourced.

Risk Management



Processes for managing climate-related risks and integration into JTI's Enterprise Level Risk Management

Climate-related risk has been identified as one of our main enterprise level risks through JTI's Enterprise Level Risk Management (ERM) process. This encompasses both high-velocity natural catastrophe cases that could interrupt operations, and transitional risks and opportunities associated with the shift towards a low-carbon economy. In addition, climate-related risks are included in the JT Group's top risk factors, as outlined in the JT Group's [Integrated Report](#).

JTI has completed a Double Materiality Assessment (DMA) aligned with the ESRS (European Sustainability Reporting Standards) that also highlights climate change mitigation, adaptation, and energy as material topics for the business. Our ERM and Sustainability functions are working closely together to align and integrate the findings from both the DMA and CSA.

Climate-related risk, as is the case for all of JTI's enterprise level risks, has a Senior Vice President (SVP) assigned as the primary risk owner. The SVP primary risk owner is responsible for the overall management of the risk, under the sponsorship of the CEO. Based on the assessment of the size of the risk, considering risk exposure, trends and challenges (informed by the detailed CSAs described above), decisions on the appropriate risk management approach (i.e. whether to mitigate, transfer, accept, or control the risk) are taken. To date, JTI's response to climate-related risks has been a mix of these

actions: for example, transition climate-related risks are actively mitigated through our Science-Based Targets and Net-Zero strategy, and the energy efficiency and renewable energy initiatives supporting progress against these; whilst physical climate change risks also trigger an element of risk transfer via insurance policies for key sites. Climate-related risks are included in JTI's semi-annual ERM submissions to JT, including risk indicators and mitigation measures specific to the climate-related risks in question. In addition to climate-related risks, the wider Environment Social and Governance (ESG) spectrum is considered within JTI's ERM, and many Enterprise Level Risks integrate a range of ESG topics.

Materiality determinations with respect to climate-related risks are considered at two levels in JTI. At a high level, the topics of climate change mitigation, adaptation, and energy were confirmed as being material to the business during JTI's recently concluded DMA and considering both JTI's impact on climate change ('impact materiality'), as well as the financial materiality of climate change for the business. JTI then assesses the materiality of specific climate-related risks at a more granular level using scenario analysis. To date, materiality has been assessed considering JTI's exposure and vulnerability to each of the climate-related risks considered, together with existing mitigation measures. This informs JTI's assessment of potential business impacts under each climate scenario.

Risk Management



Processes for identifying and assessing climate-related risks

Climate-related risks and opportunities are identified and assessed using both a top-down and bottom-up approach. The top-down approach is described in the context of JTI's ERM processes (refer to: Processes for managing climate-related risks and integration into JTI's ERM below), whilst the more granular, bottom-up approach is described here on the basis of our detailed CSAs undertaken in line with TCFD guidance. Our CSAs take into consideration different future climate scenarios and consider implications for the business under different time horizons (see Strategy for further details). We follow a five step process to identify and assess climate-related risks:

1. Detailed scoping process to identify and prioritize physical and transition climate-related risks and opportunities across our business and value chain.
2. Prioritization of our most strategic locations on which to focus the analysis for different climate-related topics.
3. Selection and analysis of different climate scenarios (considering both a rapid transition, 1.5°C-aligned scenario as well as a high physical impact, 4°C-aligned scenario).

4. Assessment of climate-related risks and opportunities to JTI, including (for the most material risks) quantification of financial impacts.

5. Analysis of the implications on company strategy, considering existing and planned response (mitigation and adaptation) measures.

Key to this process is the engagement of stakeholders across JTI functions, including Corporate Sustainability, Enterprise Level Risk Management, Global Supply Chain (Leaf / Agronomy, Manufacturing and Logistics), and Corporate Health & Safety, to provide inputs on climate-related risks and opportunities under assessment.

By assessing both rapid transition and high physical risk scenarios, our climate change risk assessment process necessarily considers both emerging climate change regulatory requirements, as well as physical risks relating to changing climate conditions (refer to Strategy above).

Metrics & Targets



Metrics & Targets

Metrics

Metrics to measure and manage climate-related risks and opportunities

JTI has calculated GHG emissions across the full value chain on an annual basis since 2012. GHG emissions are calculated in line with the GHG Protocol methodology³, covering:

- Scope 1: direct GHG emissions from corporate activities, such as burning of fossil fuels at factories.
- Scope 2: indirect GHG emissions from consumption of purchased electricity, heat, or steam.
- Scope 3: other indirect emissions, including from the manufacture of products bought from other companies.

To support JTI's strategic planning in support of our Net-Zero target, JTI reviews its GHG emissions on an annual basis and uses forward-looking projections to ensure continued alignment with our targets. JTI's

annual Sustainability Performance Overview includes a detailed breakdown of our Scope 1, 2 and 3 emissions and progress towards targets, including a detailed description of our GHG emissions reporting methodology. Also included are details of JTI's performance towards other important climate-related metrics, including renewable electricity use, water withdrawals and discharge, and operational waste.

JTI's Scope 1 and 2 GHG emissions, together with critical Scope 3 emissions, energy data, renewable electricity, water withdrawal, water discharge and waste data are verified as part of the JT Group-wide verification ([more details here](#)).



³ [World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard \(2004 revised edition\)](#)
[Greenhouse Gas Protocol: Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#)

Internal Carbon Price (ICP) and Green Procurement Guidelines

As a key element of our effort to accelerate decarbonization within the business, we introduced an Internal Carbon Price (ICP) to our factories' financial planning process in 2022. We use the ICP internally to guide our decision making in relation to climate change impacts, risks and opportunities.

The implementation of the ICP has enabled us to fully embed climate considerations into our strategic and financial decision making. In turn, this enables us to consider the carbon impact of our decisions, change behaviors and prioritize activities that contribute to our overall carbon neutral and Net-Zero ambitions.

The ICP is applied consistently to all capital expenditure and energy sourcing decisions within our production facilities. A uniform price is used across all regions and geographies. It is designed to be evolutionary and is reviewed on an annual basis to ensure it remains fit for purpose. We set an initial price by considering mandatory carbon pricing, benchmarking peers and analyzing a portfolio of historical and future investment projects related to energy efficiency and renewable energy for our facilities. We chose these investments as they represent two of the core decarbonization levers identified to meet our emissions reduction targets. Carbon pricing is not separately disclosed in our financial statements. However, the investments enabled through our carbon price are included on an aggregated level. Carbon pricing is not separately disclosed in our financial statements. However, the investments enabled through our carbon price are included on an aggregated level. Further information on our ICP, including the price level, can be found in our CDP disclosure.

In 2023, our Global Indirect Procurement team implemented Green Procurement Guidelines for the business. The Green Procurement Guidelines provide markets with a transparent decision-making process for purchasing and leasing lower emission vehicles and procuring renewable electricity. For greener

vehicles, the guidelines provide recommendations, prerequisites and a total cost of ownership approach to determine the type(s) of vehicle (e.g. electric or hybrid) that should be procured within the market. For renewable electricity, the guidelines outline the renewable energy options that may be available to a market (Green Electricity Tariff and/or Energy Attribute Certificates) and the corporate threshold for the incremental cost that determines whether the renewable electricity solution should be implemented.





Remuneration policies

Currently, climate-related considerations are not factored into the remuneration of members of the administrative, management and supervisory bodies at JTI.

However, in JT Inc., there are incentives in place: JT’s Senior Executive bonus is linked to sustainability topics, while progress on initiatives to realize Net-Zero (specifically target attainment rates to reduce GHG emissions) is included as an ESG-related index linked to remuneration for the JT directors, who also serve as executive officers, as part of the performance share unit plan (PSU). More information on how climate-related considerations are incorporated into JT remuneration policies is available in the ‘Corporate Governance’ section of the [JT Group’s Integrated Report](#) (under ‘Components of executive remuneration’).

Targets

As a subsidiary of JT Inc., JTI’s sustainability targets support and, in some cases, mirror those set at Group level, including our climate targets and emissions reduction commitments which are embedded within JT Group’s SBTi*-validated near-term target for 2030, and long-term Net-Zero (2050) target (validated by the SBTi in 2025).

In 2024, we updated our targets to set the following Forest, Land, and Agriculture (FLAG) and non-FLAG targets:

Table 8: Climate targets (FLAG and non-FLAG)

Target scope	Target set (baseline year 2019)
NON-FLAG	Reduce non-FLAG emissions from our own operations 47% by 2030* and 90% by 2050. Reduce Scope 3 Category 1 non-FLAG emissions 28% by 2030 and all Categories 90% by 2050.
FLAG	Reduce Scope 3 Category 1 FLAG emissions 33.3% by 2030 and 72% by 2050.

*Residual Scope 1 & 2 emissions will be offset on an annual basis, thereafter, to achieve carbon neutrality.

To achieve Net-Zero GHG emissions across our entire value chain by 2050, JTI will need to eliminate the majority of emissions from across our value chain. To balance the remaining emissions, we will invest in projects that remove carbon from the atmosphere, such as large-scale tree planting programs. More information can be found in our [Climate Transition Plan](#).

Emission reduction initiatives are already well established in our own operations, which include:

- Improving energy efficiency
- Increasing the proportion of renewable energy that we use
- Prioritizing alternative fuels and vehicles

Efforts towards reducing emissions in our value chain include:

- Working with our growers to reduce emissions associated with tobacco growing and curing
- Engaging with our suppliers and working together to reduce emissions

- Monitoring external factors and innovations in technology

More information on our Net-Zero roadmap to 2050 and progress towards achieving climate-related aspirations in our operations and value chain can also be found in JTI's annual [Sustainability Performance Overview](#) and in our [Climate Transition Plan](#).

Next to our efforts around GHG emissions and tackling climate change, we have also set climate-related targets which reach beyond carbon and help to address not only our climate change transition risks, but also our physical climate change and nature-related risks. Those targets relate to water stewardship, enhanced product circularity and reduced material use and waste, enhanced biodiversity conservation, and sustainable agriculture and forestry. More information about these targets and our performance can be found in JTI's annual [Sustainability Performance Overview](#). Taken together, this combination of actions helps to address our climate and nature-related impacts, whilst building resilience to a changing climate.



Biodiversity

We recognize the vital importance of protection of forests and other natural resources in maintaining biodiversity, combating climate change, and sustaining livelihoods. JTI is dedicated to promoting biodiversity and preventing deforestation, thereby contributing to the health of our planet and the sustainability of our business and reducing our exposure to No Deforestation Regulations. Our approaches to biofuels, to eliminating deforestation and conversion of other natural ecosystems, and to safeguarding human rights in our supply chains, are set out in our annual Sustainability Performance Overview. Through our biodiversity impact assessment, we are evaluating our biodiversity impacts and dependencies across our value chain. The outcome of this assessment guides the prioritization of biodiversity intervention areas across JTI's spheres of influence. With a detailed understanding of our biodiversity impact, we are

developing a long-term biodiversity strategy and establishing new biodiversity targets.

We are working within our own operations and through our suppliers to support the protection of forests and natural ecosystems and will achieve our goals through the sustainable extraction of forest products in a way that enhances biomass and biodiversity in previously degraded or deforested natural forest areas. Further information on our ambitions for conserving nature in our operations and supply chain and our approach to biodiversity can be found on JTI's annual [Sustainability Performance Overview](#) and Sustainability pages on [our website](#).





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