

TOWARDS A NET-ZERO ECONOMY & CLIMATE RESILIENCE



CLIMATE TRANSITION PLAN
2024

πi

CONTENTS

Forewords	4
1. Our Climate Transition Plan	10
1.1 Rising to the climate challenge	13
1.2 Identifying what matters	15
1.3 Driven by JTI People	20
2. Understanding our emissions	24
2.1 Our emissions in our operations (Scope 1 & 2)	28
2.2 Our emissions in our value chain (Scope 3)	29
3. Our journey to net-zero	30
3.1 Meeting 2030 targets – JTI's vision	35
4. Building climate resilience	38
4.1 Risk assessment	40
4.2 Dependencies	42
4.3 Unlocking transition opportunities	45
5. JTI's strategic net-zero workstreams for emissions reductions	48
5.1 Reducing emissions in our operations (Scope 1 & 2)	51
5.1.1 Energy Efficiency	53
5.1.2 Renewable Energy	56
5.1.3 Green Mobility	59
5.2 Reducing emissions in our value chain (Scope 3)	61
5.2.1 Leaf Grower Programs	64
5.2.2 Non-Tobacco Material Procurement	67
5.2.3 Low Carbon Business Travel	69
5.2.4 Greener Logistics and Distribution	70
6. The role of carbon credits	72
7. Governance	76
7.1 Strengthening governance at JTI	79
7.2 Driving collaboration with JT Group	80
7.3 Steering JTI's Climate Transition Plan	81
7.4 Training and Culture	82
7.5 Incentives	83
8. Financing our transition	84
8.1 Internal Carbon Price	87
8.2 Green Loan	87
9. Strategic Engagement	88
9.1 Beyond emissions: empowering people and protecting nature	90
9.2 Partnering with suppliers to drive practice change	91
9.3 Zero deforestation of managed natural forests	93
9.4 Industry collaboration – Sustainable Tobacco Program (STP)	95
APPENDIX	96
Detailed data tables	98
Methodology & verification	101
Glossary	102

FOREWORDS



EDDY PIRARD

(PRESIDENT AND CHIEF EXECUTIVE OFFICER)

At JTI, we stand at a critical juncture as we confront the reality of climate change. Our inaugural Climate Transition Plan is a blueprint for transforming our business in a rapidly changing world.

Our company purpose is to 'Create fulfilling moments and create a better future'. This purpose 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 enhance 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.

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. At JTI, we are aligning our efforts with this science-based approach and the goals of the Paris Agreement.

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 biodiversity and water management issues. Among our various initiatives, our work with the LIFE institute¹ in Brazil stands out. This collaboration evaluates the biodiversity impacts of over

10,000 integrated growers, representing a significant step in applying biodiversity metrics at scale in our industry.

Energy sits at the core of our transition. The geopolitical and market volatilities affecting energy prices and availability are pushing us to rethink our approach fundamentally. By introducing an Internal Carbon Price and investing in renewable energy, we are not just reducing emissions – we are building resilience against future shocks and uncertainties.

Our efforts extend beyond direct operations. The transition of our vehicle fleet and our approach to business travel underscore the importance of collaboration in driving systemic change across the transport sector.

Perhaps our most significant challenge – and opportunity – lies in our relationships with tobacco growers and suppliers. Our Leaf Grower 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 isn't just about reducing our own emissions – it is about catalyzing change across entire

1. <https://lifeinstitute.org/life-institute/>

industries and communities. It requires us to balance short-term business needs with long-term sustainability goals, harmonize global standards with local realities, and 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.



VASSILIS VOVOS

(EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER)

As CFO of JTI, 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, and the EU Green Claims Directive are reshaping the regulatory landscape. At JTI, we are positioning ourselves to thrive in this new environment.

Central to our financial strategy is the integration of climate considerations into our decision-making processes. In 2022, we implemented an Internal Carbon Price of USD 80 per tCO₂e across all capital expenditures in our factories and manufacturing facilities worldwide. This tool has been transformative, enabling us to quantify climate-related risks and opportunities in financial terms. Since its implementation, the Internal Carbon Price has identified five initiatives with positive net present value that are projected to yield carbon savings of approximately 75,000 tCO₂e between 2023 and 2025.

To finance our transition, we secured a sustainability-linked loan of USD 100 million in 2023. We are currently identifying 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 are embedding sustainability criteria into our broader financial planning and risk management processes, including:

- Conducting climate scenario analyses 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. For instance, we use CDP Supply Chain to engage with our non-tobacco material suppliers. In 2023, we requested data from 78 suppliers via this program, achieving a 99% response rate for our climate change questionnaire. This engagement allows us to assess suppliers' climate strategies and identify those 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.

The transition to a low-carbon economy presents both challenges and opportunities. While it requires significant investment, it also opens up new avenues for innovation, efficiency, and value creation. By proactively managing this transition, we are positioning JTI to capitalize on the opportunities presented by the shift to a sustainable economy.

The road ahead will require careful financial stewardship, balancing short-term performance with long-term sustainability investments. We will navigate an evolving regulatory landscape and changing market dynamics. With our robust financial planning, innovative financing mechanisms, and commitment to transparency, we are well-positioned to create sustainable value for our shareholders and stakeholders alike.

Looking ahead, the financial implications of climate change will increasingly influence our strategic decisions across all business areas. As we progress on this journey, we remain committed to fiscal responsibility while driving sustainable growth. Our success in navigating this transition will be a key determinant of JTI's long-term value creation and competitiveness in a carbon-constrained world.



ANNA MARIA RUGARLI

(VICE PRESIDENT OF CORPORATE SUSTAINABILITY)

Climate change presents an unprecedented challenge for our industry, and at JTI, we are addressing this reality head-on. For nearly two decades, we have been integrating sustainability – encompassing environmental, social, and governance aspects – into our core business strategy.

Our inaugural Climate Transition Plan sets forth bold targets and details concrete steps to transform our business for a low-carbon and socially responsible future. Since 2012, we have refined our emissions calculation methodology across our entire value chain, giving us a clearer picture of our position and challenges.

We have made substantial progress, achieving a 19% decrease in Scope 1 and 2 emissions since 2019, largely due to a 40% reduction in emissions from electricity usage. By the end of 2023, 33% of our electricity came from renewable sources, putting us on track to reach 50% by 2025 – five years ahead of schedule.

Our greatest impact lies in our value chain, responsible for 1% of global greenhouse gas emissions. We aim to reduce emissions from tobacco leaf and non-tobacco materials by 28% by 2030, compared to 2019 levels, through innovative programs like our Leaf Grower initiatives.

Our vision extends beyond carbon reduction. We recognize that true sustainability requires a holistic approach that considers the interconnectedness of climate, nature, and people. Our 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. We have committed to achieving zero deforestation in our managed natural forests by 2030 and implementing water-efficient practices across our operations and supply chain.

Central to our strategy is a just transition. We have set targets to ensure a living income for our tobacco growers and to monitor 100% of farms in our direct supply chain for human rights compliance by 2025. Our Agronomy Development & Extension Training (ADET) centers empower farmers with sustainable practices that improve both livelihoods and environmental outcomes.

This plan is a living strategy, adaptable to evolving climate science, regulations, and stakeholder expectations. We encourage our stakeholders to engage with us as we work towards our goals. As we implement this plan, we will balance our responsibility to shareholders with our broader obligations to society and the environment.



1.

OUR CLIMATE TRANSITION PLAN





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.

This guiding principle shapes our commitment to both people and the planet. As a business deeply connected to natural resources, we recognize our responsibility to protect these resources to ensure the sustainability and longevity of our operations while safeguarding the environment for future generations.

The urgency of addressing climate change has never been more apparent. In 2016, the Paris Agreement set a clear directive: to limit global temperature rise to below 1.5°C, a goal critical to mitigating the most severe impacts of climate change. This international consensus highlights the need for both governments and businesses to take decisive action in reducing greenhouse gas emissions.

The Sixth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC)² underscores the widespread and intensifying impacts of climate change. Every region across the globe is experiencing climatic shifts, exacerbated by unsustainable energy practices, land use, and land-use changes. JTI understands the potential future risks that climate change poses to our workforce, supply chains, transportation networks, and operational facilities. Extreme weather events and changing climatic conditions can damage infrastructure, disrupt logistics, and

hinder our ability to operate efficiently. These disruptions could lead to increased operational costs, supply delays, and challenges in maintaining the high standards of production and service that we uphold.

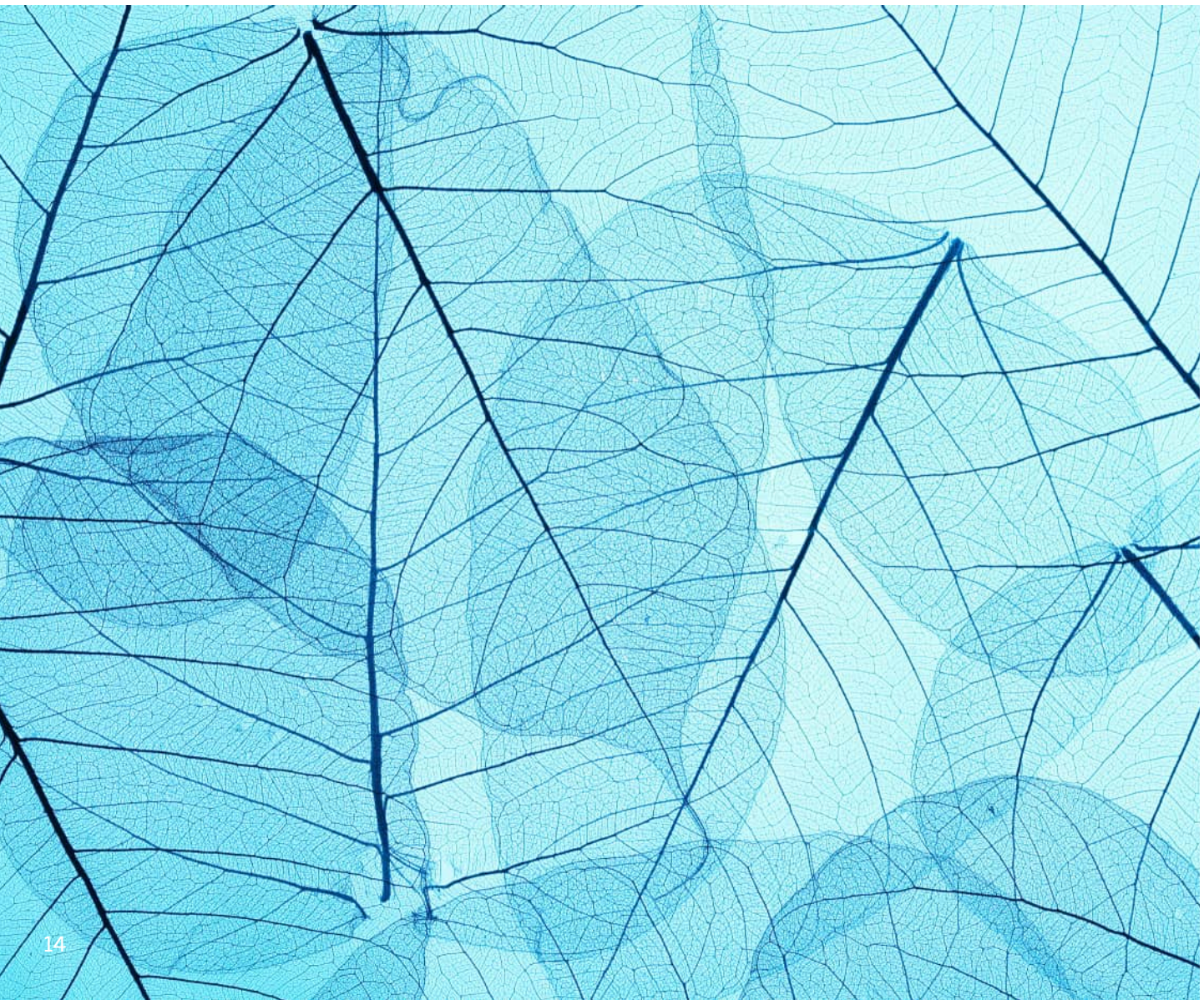
Furthermore, the IPCC report emphasizes that the current pace of emission reduction and adaptation to climate impacts is insufficient. There is an urgent need for companies to not only set ambitious targets but also implement concrete actions to achieve them. At JTI, we are rising to this challenge with a comprehensive plan that integrates sustainability into every facet of our business.

Given our reliance on agriculture, ecosystems, and natural resources, JTI is acutely aware of the vulnerabilities we face. Climate change could disrupt our supply chain by affecting the availability and quality of raw materials. Changing weather patterns, increased frequency of extreme weather events, and shifting agricultural zones can all have profound impacts on crop yields and compromised leaf quality. Additionally, the ecosystems that support our tobacco farms and operational sites are at risk, potentially affecting biodiversity and water resources critical to our processes.

2. https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

Recognizing the environmental impacts of tobacco cultivation, product manufacturing, and post-consumer waste management, we are accelerating our sustainability efforts. We are committed to reducing our environmental footprint by setting ambitious targets and implementing concrete actions. This includes enhancing our operational efficiency, reducing greenhouse gas emissions, and adopting sustainable practices across our supply chain.

Our commitment to sustainability is not only about compliance but about leading by example, identifying opportunities within the transition to a low-carbon economy, and fostering resilience. Through our dedicated efforts, we aspire to create a better future, ensuring that our business thrives while making a positive impact on the world around us.



1.2

IDENTIFYING WHAT MATTERS

JTI's complex, international business has many competing priorities. With over 46,000 employees, 94,000 suppliers, and operations in over 130 countries, our operations span diverse regulatory environments, cultures, and market demands.

To navigate these complexities effectively and sustainably, JTI undertook a comprehensive materiality assessment. This assessment is designed to identify and prioritize the areas where our efforts and resources can have the most significant long-term impact through our products and operations.

The materiality assessment involves engaging with a wide range of stakeholders, including employees, suppliers, and customers, to understand their perspectives and concerns. We analyze various factors such as environmental impact, social responsibility, economic performance, and regulatory requirements. By doing so, we ensure that our sustainability initiatives are aligned with both our business objectives and the expectations of our stakeholders.

FIGURE 1: JTI'S GLOBAL VALUE CHAIN



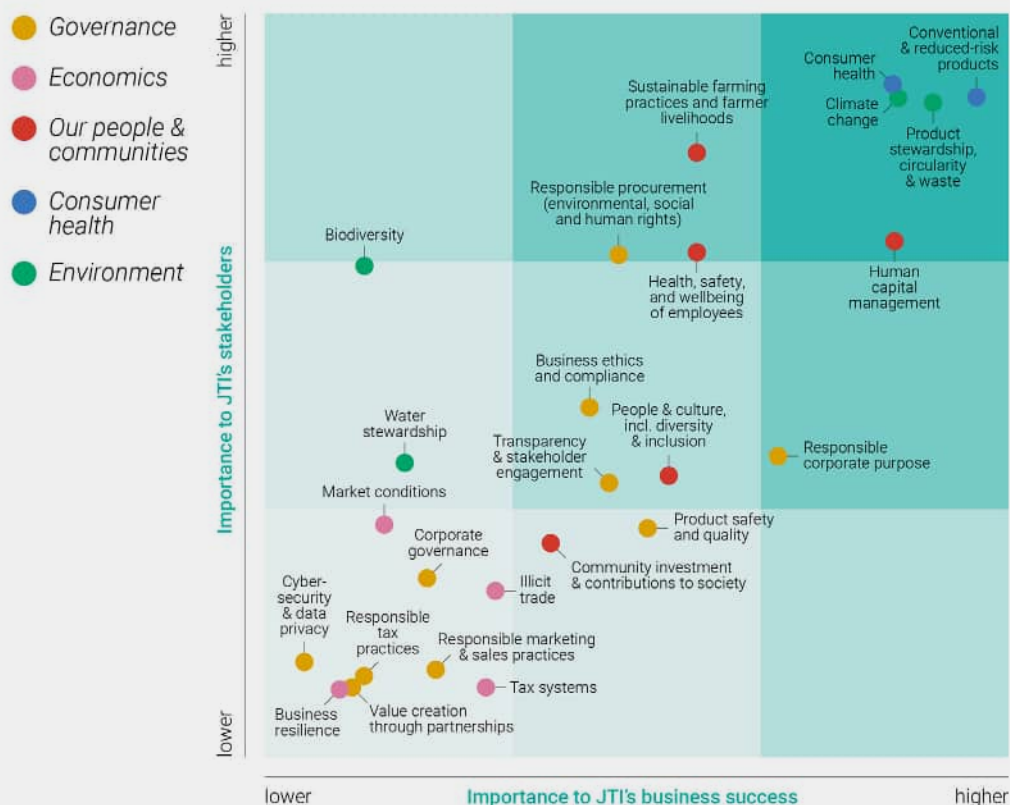
As part of this rigorous process, we engaged with over 150 stakeholders from both within and outside the organization, encompassing a diverse array of perspectives. Additionally, we gathered the insights and opinions of 450 employees, ensuring that our internal voices are equally represented in shaping our strategy. This collaborative effort helped guide our interactions and refine our focus areas.

We understand that the landscape of material issues is dynamic; what holds significance today may evolve or shift in the future. Therefore, we are committed to continuous engagement with our stakeholders. This ongoing dialogue allows us to stay attuned to emerging trends and concerns, ensuring that our sustainability initiatives remain relevant and impactful. By maintaining this proactive approach, we can adapt our strategies to address new challenges and opportunities as they arise, keeping our commitment to sustainable growth and responsible business practices at the forefront.

Through this comprehensive approach, JTI conducted an in-depth review utilizing workshops and interviews to gather valuable insights and identify our key material topics. Climate Change and Product Stewardship, Circularity and Waste emerged as two of the top five most critical areas for us. Recognizing the importance of these issues, we are proactively preparing for the incoming Corporate Sustainability Reporting Directive (CSRD) requirements by undertaking a double materiality assessment with the support of subject matter experts.

Organizations like JTI must not only consider how their activities across the entire value chain impact people and the environment, but also how sustainability issues and the environment can affect the company financially in the short-, medium-, and long term. This dual approach is what constitutes a double materiality assessment.

FIGURE 2: JTI'S MATERIALITY MATRIX



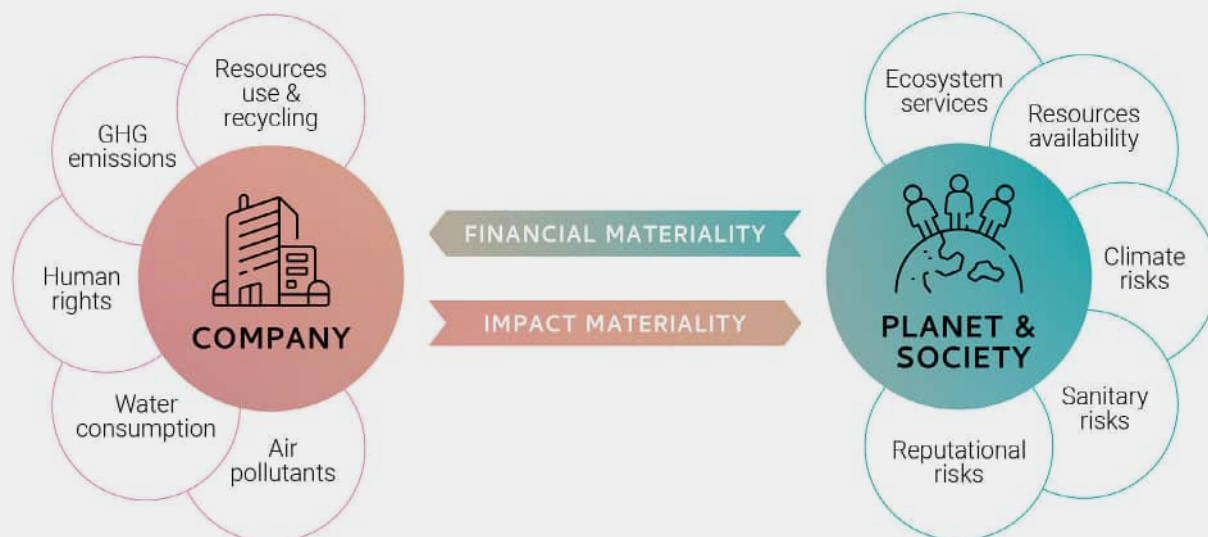


FIGURE 3: THE DUAL-LENS OF A DOUBLE MATERIALITY ASSESSMENT

By conducting a double materiality assessment, we aim to refine our strategies and ensure that our sustainability initiatives are both impactful and aligned with evolving regulations and stakeholder expectations. The results of the double materiality assessment will be shared once completed.

We are dedicated to keeping our stakeholders informed and engaged. Updates to our climate transition plan and other sustainability initiatives will be regularly provided in the dedicated sustainability section of our [website](#).

JTI'S SUSTAINABILITY IMPACT FRAMEWORK

Our Sustainability Impact Framework covers three key strategic sustainability pillars:

- Innovating PRODUCT
- Empowering PEOPLE
- Protecting PLANET

Each pillar is crucial in our transition to a low carbon economy, as well as in mitigating wider negative impacts. Within JTI's climate transition plan, the Protecting PLANET pillar will be the key focus.

Sustainable farming practices, product circularity, and grower livelihoods have been identified as material issues for the

business. While our actions are not limited to these areas, they form a significant part of our sustainability strategy to ensure that these areas are prioritized, embedded into actionable programs, and drive our strategies and functions across the business.

In addition to these core areas, JTI is committed to reducing the health impacts of our products and attracting and fostering talent within the organization. These efforts are detailed further in our [Six Core Principles](#) and our [Reduced-Risk Products](#) pages on our website.

In 2024, we reviewed the targets and Key Performance Indicators (KPIs) across the Sustainability Impact Framework to increase the ambition of those targets that have already been met and to add new targets for areas that have become more important, such as deforestation. Full details of the targets and KPIs can be found under [JTI's ESG Performance Data](#).



FIGURE 4: JTI'S SUSTAINABILITY IMPACT FRAMEWORK

MATERIALITY ASSESSMENT

Based on our materiality assessment, climate change has emerged as a critical issue for our business. Given the broad nature and definition of climate change, we assessed what climate topics were most material to the business. These critical areas are:

1. Reducing emissions
2. Protecting water
3. Reducing waste/product circularity
4. Preventing deforestation
5. Protecting biodiversity

Each of these five areas could significantly impact the longevity of our business. Due to our reliance on natural resources, the interconnection among these areas underscores a fundamental truth: our environment and the sustainability of our business are intrinsically linked. Each area is discussed within JTI's climate transition plan, reflecting our approach to integrating environmental priorities into our core business strategies.



DRIVEN BY JTI PEOPLE

PURPOSE OF THIS CLIMATE TRANSITION PLAN

Our inaugural climate transition plan consolidates 16 years of environmental, social, and governance activities.

It illustrates how our past actions have enhanced our overall performance and outlines the steps we plan to take to further mitigate climate change, manage and adapt to climate risks, and minimize impacts on local communities. Guided by our Sustainability Impact Framework pillars - PRODUCT, PEOPLE and PLANET, each pillar presents distinct challenges, opportunities, and strategic approaches. This holistic approach ensures that our efforts collectively enhance sustainability impact across all areas.

With numerous new regulations, such as the CSRD, the EU Deforestation Regulation and the EU Green Claims Directive, already in effect or imminent, the development of this plan provides a foundation for our compliance efforts. This plan articulates JTI's ambitious climate objectives and outlines clear commitments on how we will achieve our climate-related targets through data-driven and time-bound actions.

As this is our first climate transition plan, it outlines our strategic priorities and direction. However, it's important to recognize that as data expands and our understanding of climate-related topics—including natural ecosystems, just transition, and circular economy—continues to evolve, and as dependencies and macroeconomic trends shift, we will accordingly update this plan. We are committed to ensuring that our strategy remains responsive and relevant. Additionally, we will provide interim updates annually in other relevant publications, such as **JTI Group's Integrated Report** and through a dedicated section on our **website**.

OWN OPERATIONS



50%
by 2025



33%

reduction in withdrawal
by 2030 from 2019



Zero

factory waste to
landfill by 2030



47%

reduction by 2030 from 2019



Related initiatives



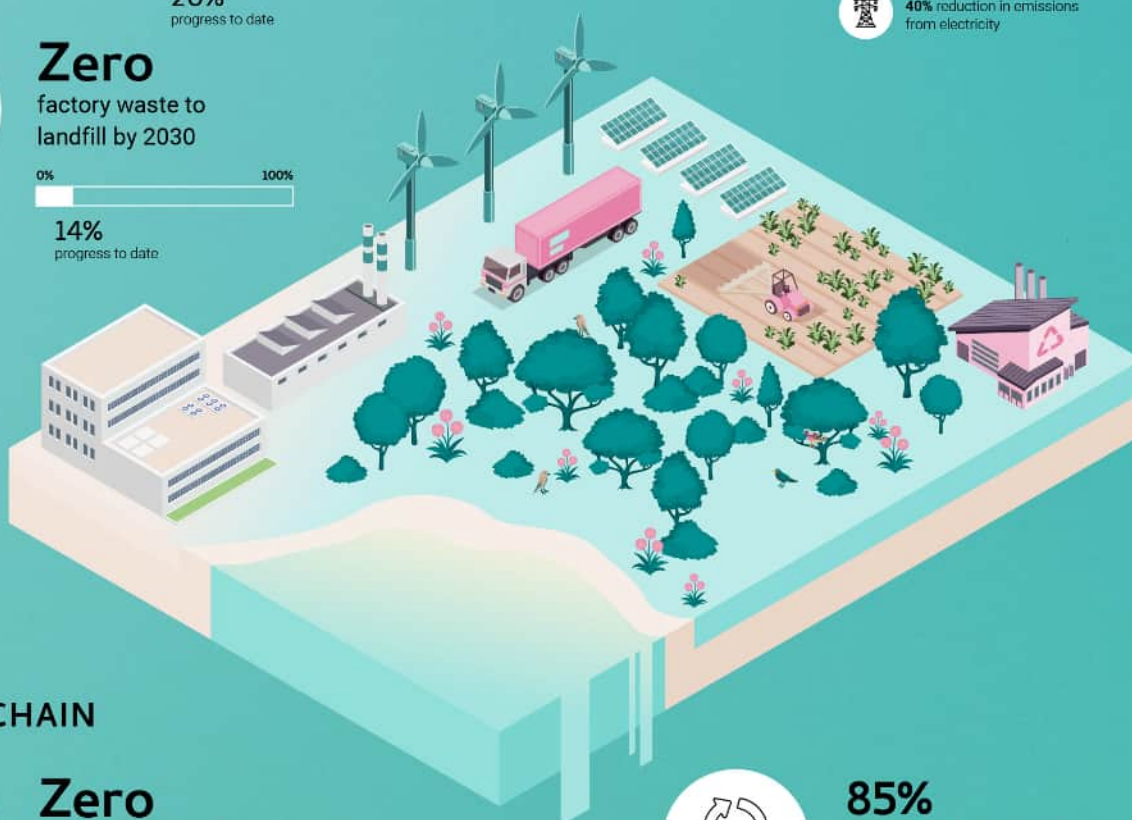
79% of factories have ISO50001 and/or 14001 certification



9% reduction in fleet emissions from 2019



40% reduction in emissions from electricity



VALUE CHAIN



Zero

deforestation and no conversion
of managed natural ecosystems
in our entire value chain by 2030

New target for 2023

Related initiatives



Biodiversity impact assessment and strategy



Established Nature Sub Operating Committee to undertake a biodiversity ambition, readiness and hotspot assessment



85%

recyclability by 2025



Related initiatives



New governance model established to support commitment



Recycled content will account for 20% of our packaging by 2025, currently at 19%.



28%

reduction in emissions from
purchased goods and services by 2030

3% increase to date

Related initiatives



90% of emissions calculated using supplier or product specific data



100% of key suppliers screened for ESG

COLLABORATIVE BLUEPRINT FOR ACCOUNTABILITY AND ACTION

Given the strategic nature of a climate transition plan, we engaged stakeholders from various functions across the business to ensure a holistic and coordinated approach to climate management. This comprehensive planning helps us identify potentially unintended consequences of emissions reduction decisions as part of our strategy development. Moreover, we collaborated with experts to collect and review relevant information on our internal processes and progress. This collaboration enhances the accuracy and transparency of our efforts, offering an additional layer of validation through third-party review.³

As highlighted in our materiality assessment, we conducted in-depth interviews with internal stakeholders who have direct oversight of decarbonisation activities, spanning both operational and strategic roles. This cross-functional engagement has been instrumental in understanding both current and planned investments, as well as anticipating the challenges and documenting the successes associated with our initiatives. This ensures that our climate transition plan acts as a strategic enabler within the business.

COMPLEMENTARY REPORTS

Although this climate transition plan is intended to be comprehensive and include all pertinent information to build an informed picture of our climate and sustainability strategy, several other sources of information support the details within this climate transition plan. These include (but are not limited to):

- **[JT Group's Integrated Report](#)**
- CDP Response (available on the **[JT website](#)**)
- JTI dedicated sustainability section on **[website](#)**

RECOGNITION AND ACCOLADES

Dow Jones: The JT Group is listed on the Tokyo Stock Exchange (2914). Since 2013, it has been included in the Dow Jones Asia Pacific Sustainability Index for its exceptional ESG performance, achieving this recognition for the 10th consecutive year. In the 2023 S&P Global Corporate Sustainability Assessment, the JT Group achieved an impressive score of 79/100.

CDP: As of 2023, JT Group has been included on the CDP's prestigious 'A-list' for both Climate Change and Water Security. This marks a notable achievement in our ongoing efforts, with JT Group earning this distinction for the sixth time in Climate Change and the fourth time in Water Security. JT Group is one of only 61 companies worldwide, and 22 in Japan, to earn this distinction.

CIPS Ethics Register: In 2022, JTI was included in the CIPS Ethics Register. This recognition highlights our proactive approach to safeguarding against unethical conduct in procurement and supply chain management.

3. The climate transition plan contains verified key data (see [Appendix](#) for details), but has not undergone full verification as a complete document.



INTEGRATING OUR CLIMATE TARGETS WITH EVOLVING DISCLOSURE FRAMEWORKS



Corporate Sustainability Reporting Directive (CSRD):

The CSRD is EU legislation that aims to enhance ESG reporting by making it more

transparent and consistent. It requires companies to have a climate transition plan but provides very little guidance on what such a plan should contain. The CSRD makes ESG reporting mandatory for almost 50,000 companies that operate directly or indirectly in the EU or are listed on EU regulated markets. The new legislation will become applicable for JTI for our 2025 financial year, with our first report due to be published in 2026.

EU's Deforestation Regulation (EUDR): This legislation aims to combat deforestation by requiring companies to ensure their supply chains are deforestation-free. It affects businesses importing or exporting specific commodities linked to deforestation. The law mandates due diligence processes and transparent reporting on forest-impact mitigation efforts. In response, JTI has established a Nature Sub Operating Committee to implement our nature strategy. We're committed to replacing wood from natural forests with renewable sources by 2030, achieving zero deforestation in our supply chain, and preventing natural ecosystem conversion. We're developing best practices with growers and partnering with institutions to integrate sustainable wood resource management.

EU's Green Claims Directive (GCD): The Directive on the Verifiability and Communication of Environmental Product Claims, commonly known as the Green Claims Directive, is new EU legislation aimed at ensuring that environmental claims and labels are credible, trustworthy, and verifiable. It requires companies to substantiate the voluntary green claims they make in business-consumer commercial practices using science-based and verifiable methods and to have accredited third-party verification on these claims/labels. By producing a credible climate transition plan built from robust, traceable data, we can have confidence that the claims made by the business can be validated, and there is a consistent action plan that is communicated across the group, ensuring an aligned direction of travel.



ISSB Standards: The International Sustainability Standards Board (ISSB) standards focus on enhancing the availability, consistency, and granularity

of climate and sustainability financial impact information. These standards specifically require companies to have a climate transition plan. The publication of this climate transition plan will help us align with these standards when they are endorsed.

2.

UNDERSTANDING OUR EMISSIONS



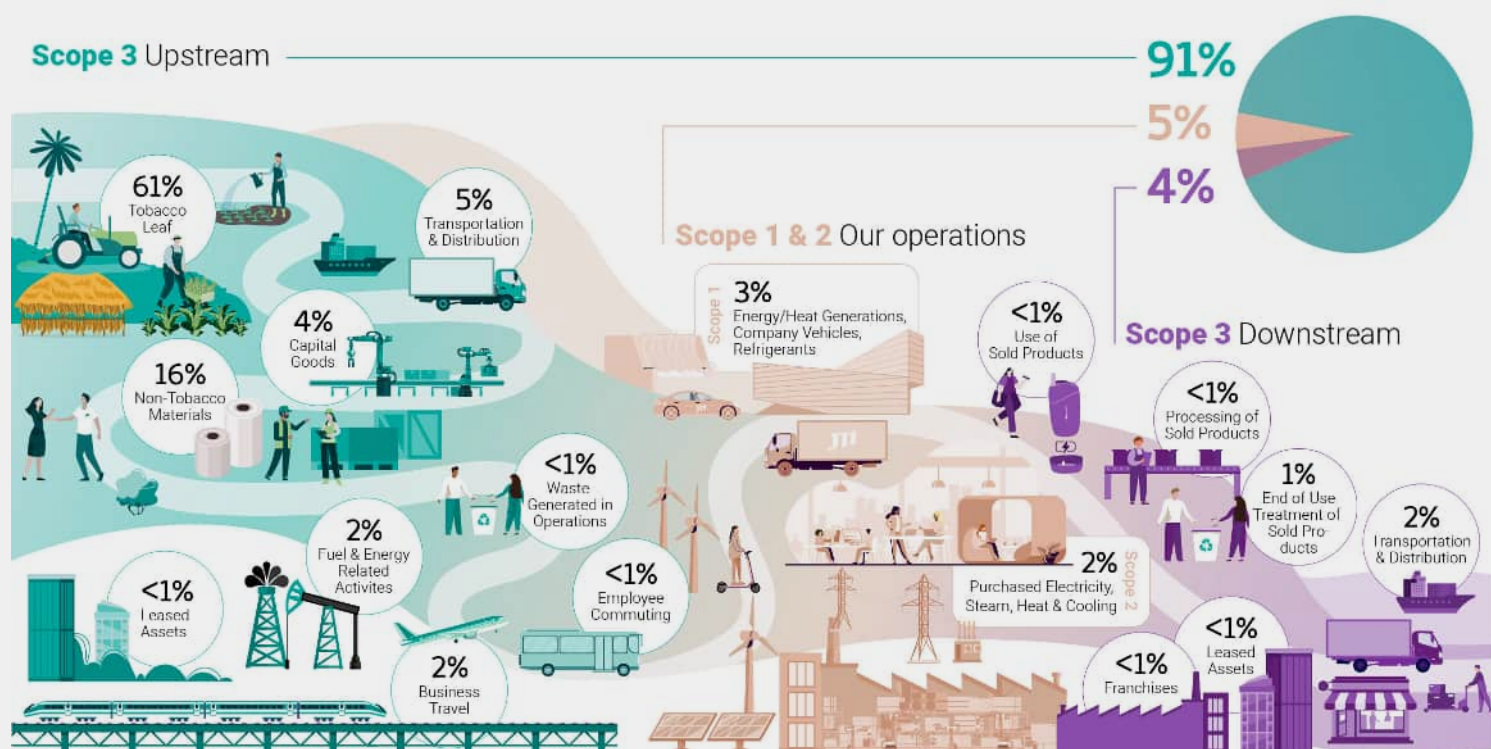
Since 2012, we have diligently calculated our emissions across the entire value chain, continually refining our approach and calculation methodology to align with the latest best practices. Over this time, we have significantly increased the use of primary data in our calculations across all Scopes of emissions. This has enabled us to build a clear picture of where we are and what we need to do to achieve our environmental and sustainability goals as a business.

In 2019, we set our science-based targets (SBTs), aligning with the then current global climate goals. In 2023, recognizing the urgent need for more aggressive reductions, we have updated these targets. Our revised near-term emission reduction targets for our direct operations, set for 2030, are now aligned with the critical 1.5°C trajectory. Over the past four years, we have made significant progress in reducing emissions from our direct operations and improving our understanding of our supply chain. By 2023, our value chain accounted for 95% of our total emissions. Within this, tobacco leaf and non-tobacco materials

represent the largest proportion of Scope 3 emissions, comprising approximately 78% of our total emissions.

Given the nature of supplier-related emissions, data quality is crucial. Accurate data collection, availability, and precision are essential for building a reliable view of emissions outside our direct control. Calculating Scope 3 emissions often involves models, estimates, and assumptions, which are regularly updated and refined. Further details on these approaches can be found in the [Appendix](#).

FIGURE 6: JTI'S TOTAL VALUE CHAIN EMISSIONS BY SCOPE



2.1

OUR EMISSIONS IN OUR OPERATIONS (SCOPE 1 & 2)

At the end of 2023, our Scope 1 and 2 emissions had decreased by 19% since 2019, driven primarily by a 40% reduction in emissions from our electricity usage. This reduction was achieved through a combination of energy efficiency measures and an increase in the proportion of renewable electricity that we use.

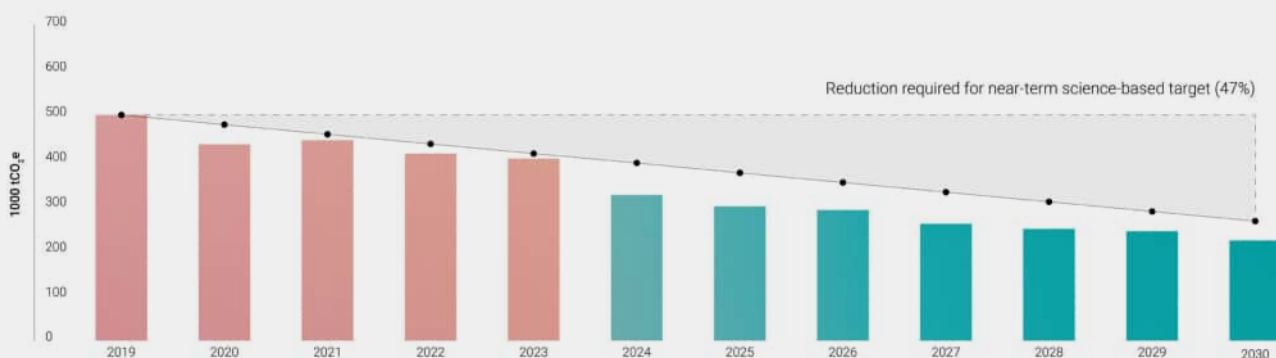
Scope 1 and 2 emissions originate from multiple sources: the energy used in our manufacturing facilities, warehouses, and offices, the fuel consumed by our vehicles, and the direct emissions from refrigerant losses from our climate control systems.

Although our Scope 1 and 2 emissions—those emissions directly controlled by JTI—are smaller compared to our value chain emissions, they are crucial as they represent areas where we can have immediate impact. We have established a separate emissions reduction target for these direct emissions to ensure

focused management and accountability. Over the years, we have built a robust dataset, that uses primary data where possible, allowing us to effectively plan and implement targeted management workstreams for these emissions.

We have SBTi-approved emission reduction targets which require us to reduce our Scope 1 and 2 emissions by 47% and our Scope 3 emissions by 28% by 2030. Our anticipated progress towards our near-term targets can be found in Figures 7 and 8.

FIGURE 7: SCOPE 1 & 2 EMISSIONS REDUCTIONS PERFORMANCE AND PROJECTIONS TO 2030



2.2

OUR EMISSIONS IN OUR VALUE CHAIN (SCOPE 3)

At the end of 2023, emissions associated with our purchased goods and services had increased by 4% compared to our 2019 baseline.

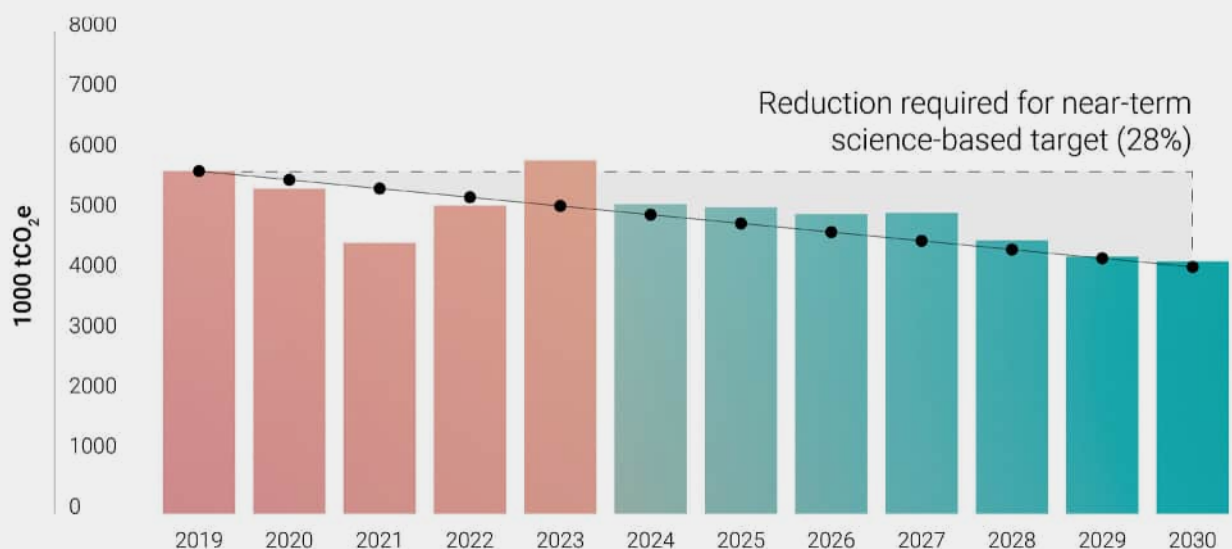
Our emissions profile is heavily influenced by the overall volume of tobacco that is processed and the countries from which we source leaf supplies. This leads to annual fluctuations that take place. Efforts to date have focused on improving data quality for material Scope 3 categories, which enables us to clearly identify where these emission increases have come from. The increase over the period was driven by two key factors: an overall increase in the volume of tobacco leaf and non-tobacco materials sourced for business continuity, and higher volumes of tobacco leaf being sourced from carbon-intensive origins.

To address these challenges, we have implemented a comprehensive strategy focusing on multiple areas. This includes enhancing the quality of our emissions

data, particularly for material Scope 3 categories, as well as targeted initiatives in our leaf and non-tobacco materials supply chains.

This improved data clarity allows us to pinpoint the specific sources of emissions increases and tailor our strategic workstreams accordingly. Our commitment to reliable data is complemented by a robust internal governance structure, which includes operational workstreams dedicated to reducing emissions within our tobacco leaf and non-tobacco material supply chains. Detailed information about our strategic workstreams and progress in these areas can be found in the **Reducing emissions in our value chain (Scope 3)** section of this plan.

FIGURE 8: SCOPE 3 EMISSIONS REDUCTIONS PERFORMANCE AND PROJECTIONS TO 2030



3.

OUR JOURNEY TO NET-ZERO



In response to the global imperative towards achieving net-zero emissions, the importance of aligning with a 1.5°C trajectory has become increasingly clear.

Our parent company, JT Group, has set ambitious targets that are validated by the Science Based Targets initiative (SBTi) and reflect the latest in climate science. At JTI, we have established our own targets, fully aligned with those of JT Group, to actively contribute to the Group's objectives and broader economic decarbonization efforts.

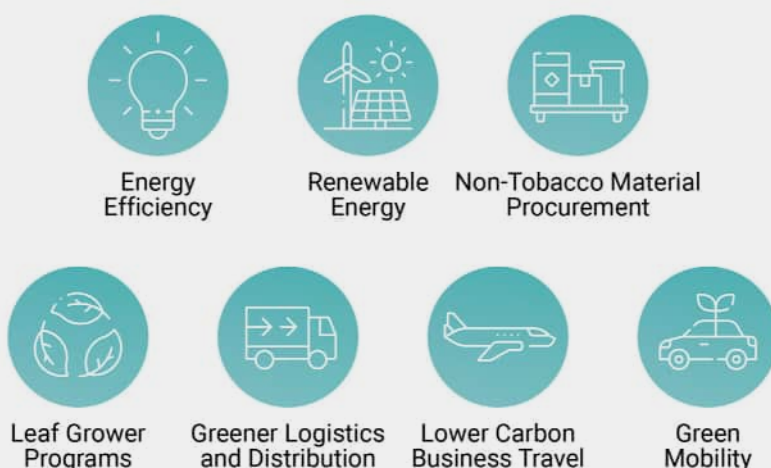
While our targets are ambitious, we have developed a clear focus and detailed roadmap to achieve our near-term targets. This plan outlines our strategy to meet near-term reduction targets, recognizing that reaching net-zero by 2050 is equally crucial. Although 25 years may seem ample in climate science terms, it poses a significant challenge for traditional business planning timelines. This requires a proactive and adaptive approach to ensure progress.

We have reviewed our operations and emission hotspots and developed a net-zero roadmap to 2050. This roadmap includes interim targets to better align with internal strategic planning cycles, prioritize early action, and reduce emissions in line with SBTi best practice guidance.

By 2030, we aim to reduce emissions in our operations by 47% compared with 2019 as well as reduce emissions associated with tobacco leaf and non-tobacco materials by 28%.

This roadmap will be updated over time to accommodate macro impact factors, improved data quality, advancements in technology, and changes in legislation. Nonetheless, it currently represents the most accurate information based on available data.

FIGURE 9: JTI'S STRATEGIC NET-ZERO WORKSTREAMS



To effectively operationalize our emission reduction efforts, we have established seven strategic net-zero workstreams that span our direct and extended business operations, including our suppliers and growers. Each workstream has a designated lead who is responsible for managing emissions in these areas. Detailed information about these efforts and the governance structure supporting them can be found in the **Governance** section of this plan.

In 2024, we conducted a thorough reassessment of our emissions trajectory, aiming to pinpoint precisely how each workstream contributes to our 2030 goals. We engaged with each workstream to evaluate current initiatives and those planned, providing a comprehensive view of our projected emissions reductions. This collaborative process involved colleagues from various sectors of the business, including manufacturing, distribution, procurement, and market representatives, to develop actionable strategies that will help us achieve our 2030 target.

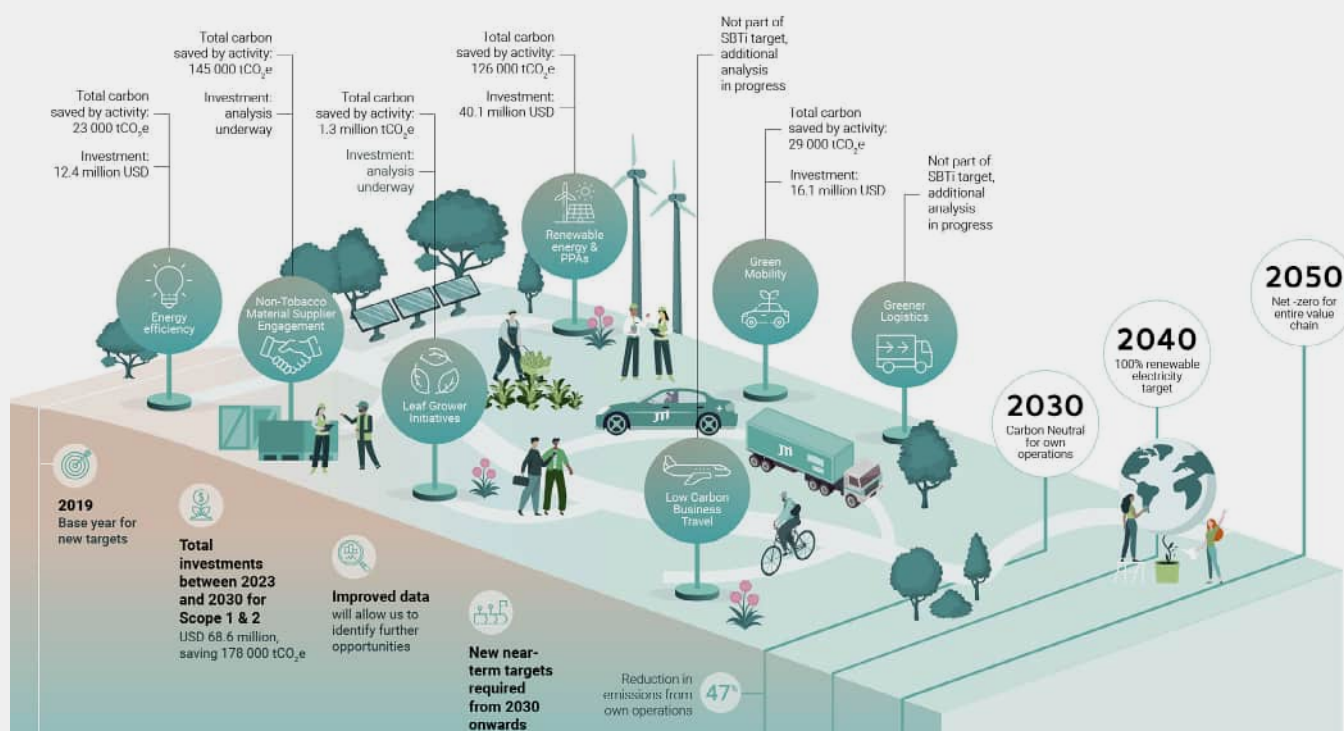
SBTi'S NET-ZERO DEFINITION AS OUTLINED IN THE CORPORATE NET-ZERO STANDARD

To reach a state of net-zero at the corporate level, companies must deeply reduce emissions and counterbalance the impact of any emissions that remain. The SBTi Corporate Net-Zero Standard defines corporate net-zero as:

- Reducing scope 1, 2, and 3 emissions to zero or a residual level consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways; and
- Permanently neutralizing any residual emissions at the net-zero target year and any GHG emissions released into the atmosphere thereafter.

To contribute to societal net-zero goals, companies are strongly encouraged to go further than their science-based abatement targets to mitigate emissions beyond their value chains (known as "beyond value chain mitigation - BVCM").

FIGURE 10: JTI'S JOURNEY TO NET-ZERO GREENHOUSE GAS EMISSIONS



DIFFERENCE BETWEEN CARBON NEUTRAL AND NET-ZERO

We have set both carbon neutral and net-zero targets, and it is important to clarify the differences in our ambition and objectives with these targets.

Net-zero: Defined by the Intergovernmental Panel on Climate Change (IPCC), is the point at which anthropogenic emissions of greenhouse gases (GHGs) to the atmosphere are balanced by anthropogenic removals over a specified period. This means there should be no net increase in emissions. To achieve net-zero, a company must significantly reduce its emissions by a prescribed, globally agreed amount. Any remaining residual emissions must then be offset through the purchase of carbon removal credits (e.g., afforestation and reforestation, soil carbon sequestration, direct air capture and storage, etc.).

Carbon neutrality: Achieved by meeting an emissions reduction target combined with offsets but includes a broader range of carbon credits such as avoidance credits (e.g., renewable energy projects, energy efficiency improvements such as cookstove projects, deforestation prevention programs, etc.).

Both approaches involve reducing emissions and offsetting residual emissions, but carbon neutrality doesn't prescribe a specific reduction path and is less strict about the reporting boundary, encouraging but not requiring the inclusion of Scope 3 emissions.

While the concepts of carbon neutrality and net-zero share similarities, our approach embraces both to ensure comprehensive climate action. We have set a carbon neutral target to achieve rapid emission reductions in the short term by leveraging carbon credits. Utilizing carbon credits not only helps to finance critical carbon projects globally but also supports the advancement of Sustainable Development Goals (SDGs), particularly those related to environmental sustainability and economic equality.

Simultaneously, our net-zero target commits us to reducing our absolute emissions by 90% by 2050, in alignment with global climate science and SBTi guidance. This dual-target strategy allows us to address immediate environmental impacts while building a sustainable path to long-term decarbonization.

Our modeling incorporates the future strategy of the business, carefully aligning growth plans with our sustainability objectives. This strategic alignment ensures that our expansion does not compromise our progress towards our overarching sustainability ambitions. By integrating sustainability into our growth strategy, we reinforce our commitment to achieving these goals without sacrificing operational or financial performance.

We are actively extending this plan to our longer-term targets. Continuous updates on our progress and strategy updates will be available on our website and in future reviews of this plan.

3.1

MEETING 2030 TARGETS – JTI'S VISION

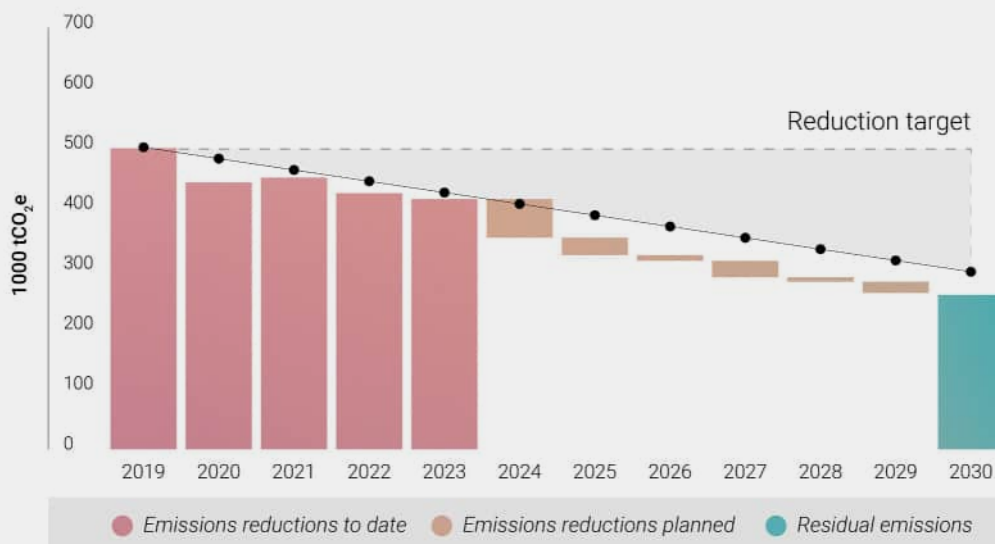
OUR OPERATIONS (SCOPE 1 & 2)

In 2023, JTI recorded total Scope 1 and 2 emissions of approximately 396,000 tCO₂e. This represents a 19% emission reduction compared to our 2019 baseline. To meet our 2030 target of a 47% reduction from 2019 levels, we need to reduce our emissions to a total of 260,000 tCO₂e. Our current progress puts us on a trajectory that will allow us to comfortably reach and potentially exceed our 2030 target.

These emissions encompass our energy consumption in buildings and our fleet, as well as direct emissions from refrigerant losses. A significant amount of emissions savings will be driven by our Global Supply Chain, which includes our manufacturing facilities and warehouses. We plan to achieve these reductions through a series of strategic measures:

- Implementing energy efficiency measures
- Transitioning from thermal energy sources to electric solutions
- Increasing the use of renewable energy sources

FIGURE 11: SCOPE 1 & 2 2030 EMISSIONS REDUCTION TRAJECTORY



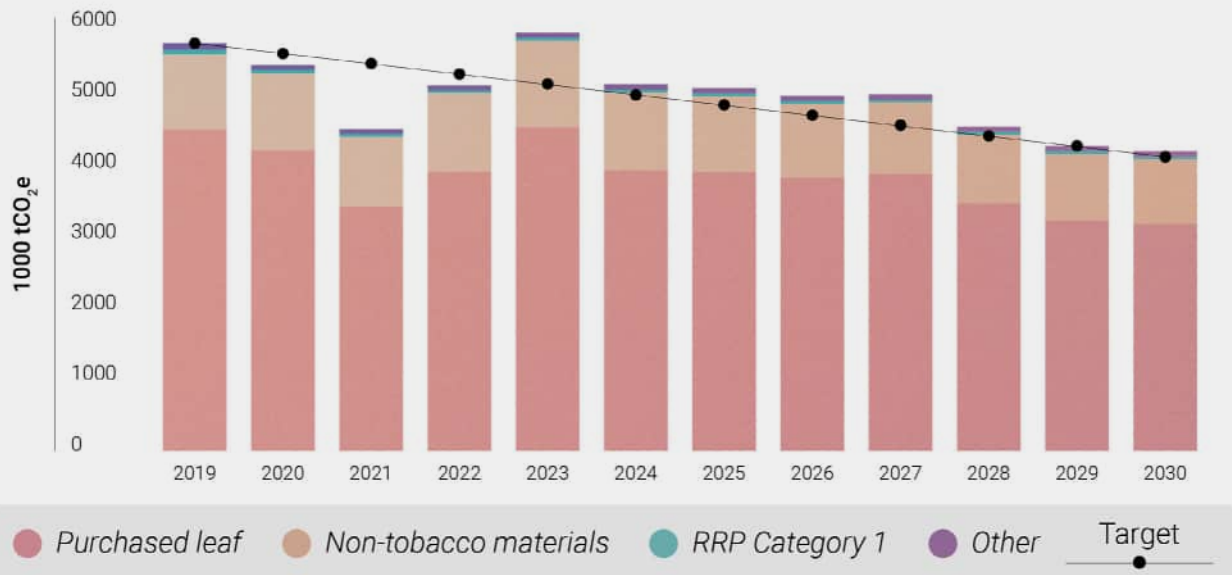


FIGURE 12: SCOPE 3 2030 EMISSIONS REDUCTION TRAJECTORY

Further information can be found in the dedicated **Reducing emissions in our operations (Scope 1 & 2)** section of this plan. Additionally, we will realize savings across our vehicle fleet through actions that were rolled out in our Green Mobility Program.

As of 2023, we are ahead of our target forecast for reductions. To ensure that we remain on the right trajectory, we have updated our assessment of the decarbonization levers available to us up to 2030. The results of this analysis have allowed us to develop action plans for each area of the business, enabling us to reach our 2030 Scope 1 and 2 targets.

The outputs from our decarbonization lever analysis are being used to further refine the investment required to realize these plans. Supported by our Internal Carbon Price, the total estimated investment to achieve and potentially exceed our target is projected to be USD 68.6 million. Detailed information on how and where this capital will be deployed is outlined in the **Financing our transition** section.

OUR VALUE CHAIN (SCOPE 3)

In 2023, our Scope 3 emissions amounted to approximately 7 million tCO₂e, with 78% of these emissions stemming from our purchased goods and services—this is the boundary we have set for our Science-Based Targets (SBTs).

We are committed to reducing our Scope 3 emissions by 28% by 2030, compared to our 2019 baseline, requiring a reduction of approximately 1.6 million tCO₂e in the coming years.

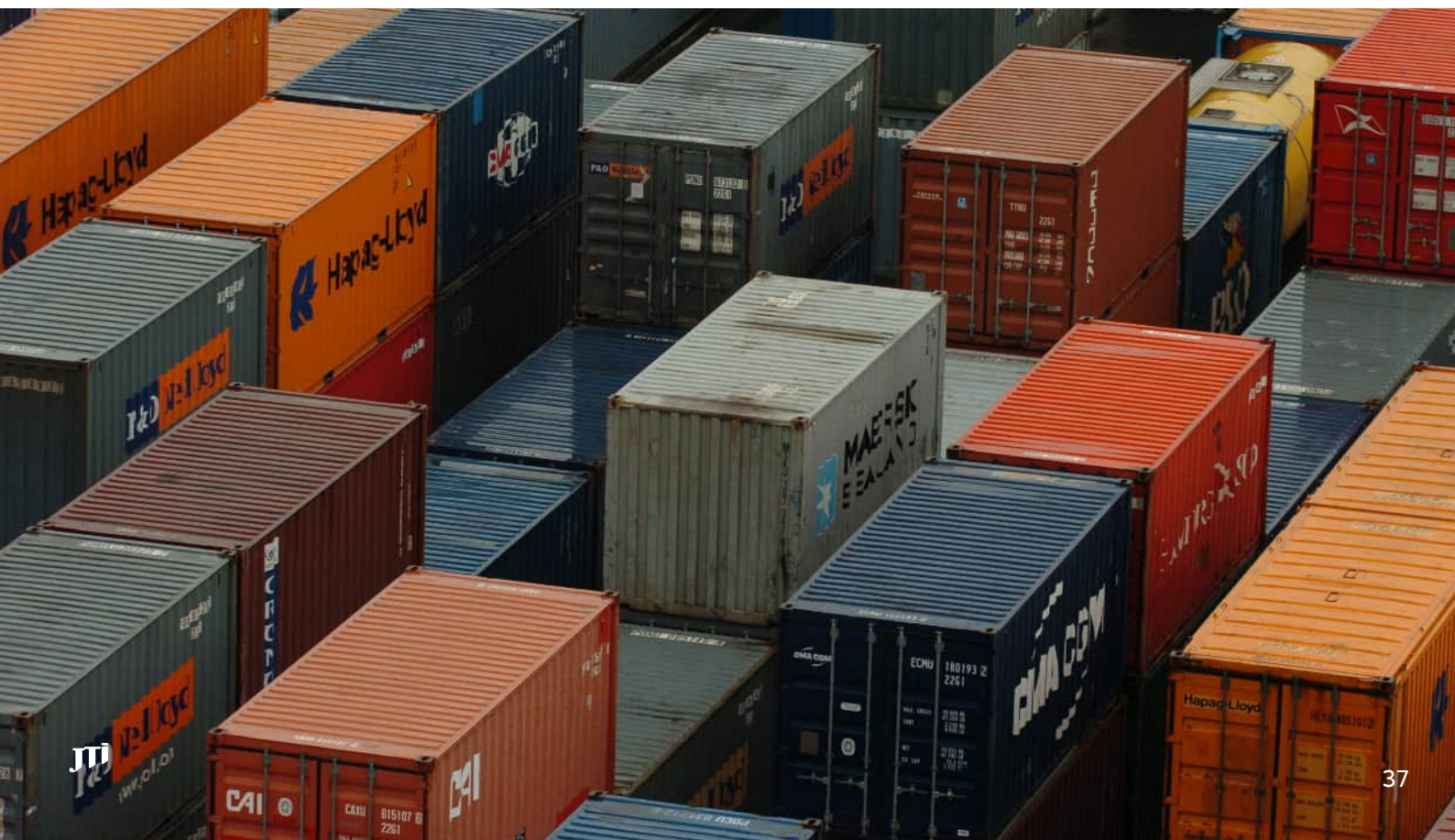
Our supply chain is complex and diverse, involving numerous suppliers who each require specific approaches from our procurement teams. Mirroring the strategic planning applied to our Scope 1 and 2 emissions, we have engaged closely with our tobacco leaf and non-tobacco procurement teams to understand and mitigate the carbon impact of our activities through 2030.

For our tobacco leaf supply chain, achieving our 2030 and longer-term net-zero targets focuses on engaging with growers and suppliers in carbon-intensive regions. This includes improving the curing efficiency of barns within our vertically integrated supply chain and working with non-vertically integrated suppliers to transition to lower fuel alternatives and enhance efficiencies.

In our non-tobacco procurement, we are committed to working with suppliers to set and achieve SBT-aligned goals. This comprehensive approach ensures that each segment of our supply chain effectively contributes to our overall emissions reduction strategy.

Based on our current initiatives, we will be 2% away from meeting our 2030 goal of reducing emissions by 28% compared to our 2019 baseline.

We are actively identifying and refining additional actions to close this gap by 2030. Further details on our strategic workstreams can be found in the **Reducing emissions in our value chain (Scope 3)** section of this plan. As our strategy and roadmap evolve, we will provide updates on our **website**.



4.

BUILDING CLIMATE RESILIENCE

RISK ASSESSMENT

Our business is intrinsically linked to natural resources, making it crucial to understand how changing climatic conditions can affect our operations and procurement.

From the tobacco leaf and paper we purchase, to our logistics routes to market, climate change impacts, including extreme weather events and long-term environmental shifts, have the potential to significantly disrupt our business. The increasing frequency and severity of these events pose a serious threat to our supply chain, highlighting the importance of proactive climate risk management.

To better understand the risks and opportunities that climate change presents, we have undertaken a comprehensive climate scenario analysis (CSA). This analysis helps us identify and assess the impact and materiality of relevant climate risks. In 2019, we conducted quantitative CSA across both high and low carbon scenarios, which led us to identify two key climate-related risks:

1. Potential cost increases due to governments raising carbon taxes to further reduce greenhouse gas emissions.
2. The impact on tobacco leaf growing due to changes in environmental conditions.⁴

Following the initial CSA, we conducted country-based analyses, assessing physical risk hazards across tobacco leaf sourcing, manufacturing, and the markets in which we operate and sell. We engaged with locations considered high risk for climate hazards to start understanding the perceived impact and magnitude of the risk, as well as mitigation measures

in place and potential future actions. Further details of the assumptions and parameters of the CSA can be found in the **Methodology** section of this plan and in our latest **Task Force on Climate-related Financial Disclosures (TCFD) report**.

The prioritization of risks was based on JTI's perceived vulnerability to the risk/opportunity, the business criticality of operations, historical experience with hazards, and expert opinions on the potential degree of change in various climate change scenarios. We assessed how the magnitude of these 35 identified hazards would change under 'best' and 'worst' case carbon scenarios (1.5°C and 4°C, respectively) across three-time horizons (current, 2030, and 2050). Qualitative risk ratings were used to highlight the most significant risks.

In line with best practices, JTI commits to conducting climate scenario analysis every three years. In 2023, we revisited our approach to better understand and assess climate risks under different global warming scenarios. In Phase 1, we screened a range of physical and transition climate change hazards and events that could impact the business across the value chain. This comprehensive screening resulted in a long list of climate risks and opportunities, which was then shortlisted and prioritized in Phase 2 for further assessment through a 'hotspot' (high-level) climate scenario analysis.

4. https://jti.metro.net/indicators/planet/climate_action/multi_climate_action

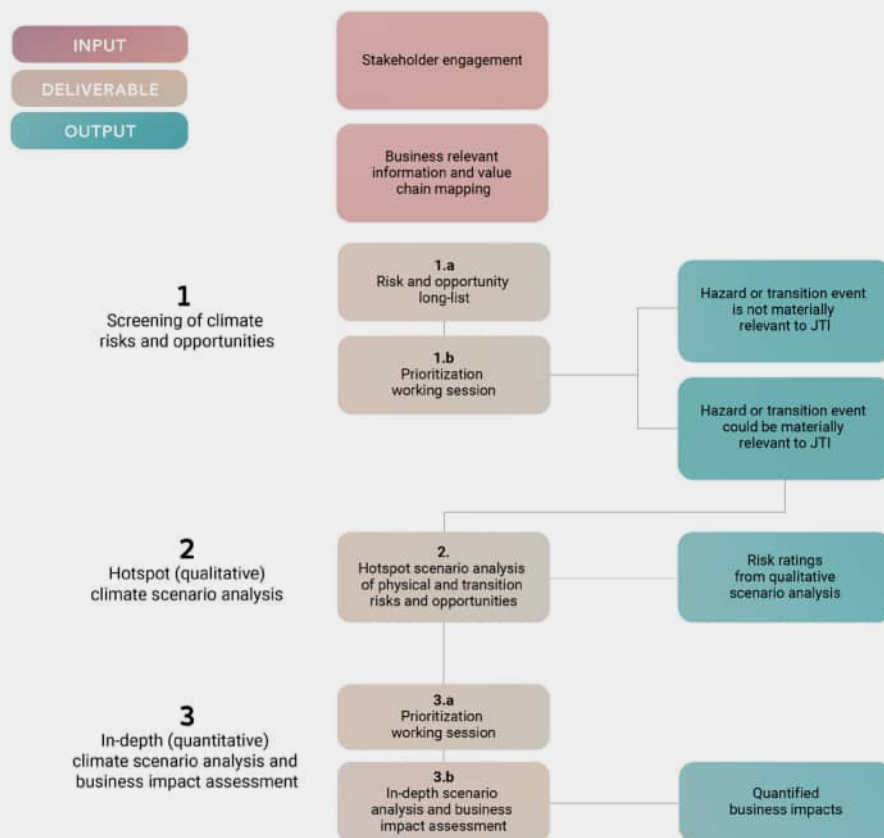


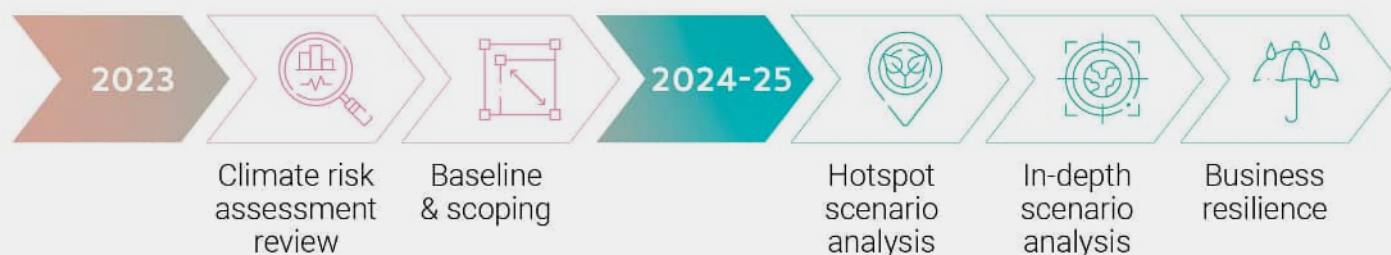
FIGURE 13: JTI'S CLIMATE SCENARIO ANALYSIS (CSA)

In the last stage, Phase 3, JTI has prioritized six topics identified as most potentially material from the hotspot scenario analysis and based on stakeholders' perceptions of the business's vulnerability to different physical hazards and transition events. Following this prioritization, we will conduct an in-depth climate scenario analysis to explore not only the changing exposure to these risks and opportunities

in future scenarios but also the potential business and financial impacts, given specific vulnerabilities.

Subsequent workstreams will delve deeper into current and future resilience measures to mitigate the impact of climate risks and/or capitalize on climate change opportunities, and thereby support further integration of climate risks into JTI's corporate risk management governance and processes.

FIGURE 14: JTI'S ROADMAP TO CLIMATE RESILIENCE



DEPENDENCIES

BIODIVERSITY

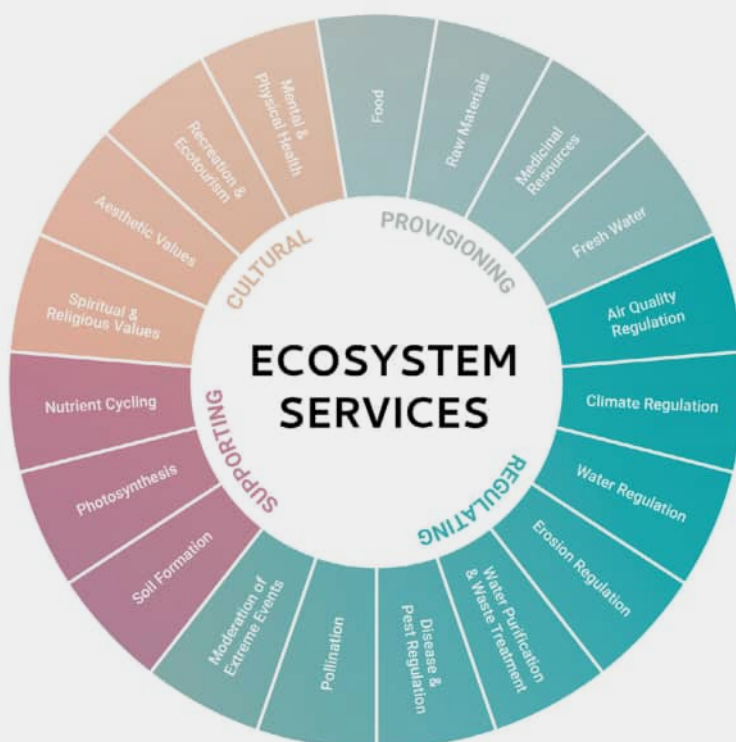
At JTI, our approach to biodiversity conservation begins with a deep understanding of how our business activities can both impact and be influenced by biodiversity and ecosystem services. The most significant impact occurs within our direct tobacco leaf supply chain, which is the primary focus of our conservation efforts.

With the ongoing loss of biodiversity, the delicate balance of ecosystems is increasingly disturbed, impacting the essential services they provide. This disruption poses a critical issue across all sectors, as 50% of global GDP⁵ is moderately or highly dependent on these ecosystem services. This challenge is even more pronounced in the agricultural sector, which not only depends on but also has a unique potential to positively influence biodiversity through regenerative practices.

JT Group is currently updating its emissions reduction targets to align with the latest SBTi Forest, Land, and Agricultural GHG (FLAG) Guidance. Recognizing the intrinsic link between our operations and biodiversity, as well as the requirements set forth by the FLAG guidance, we have initiated the development of our nature strategy. JT Group has issued a **Biodiversity Statement** which outlines the Group's commitments to minimizing impact and the strategic steps it will take to achieve this. To align with the Group commitments, JTI has established a Nature Sub Operating Committee and is collaborating with subject matter experts to undertake a biodiversity ambition, readiness, and hotspot assessment.

These efforts are designed to help us better understand our current and future capacity to adapt, assess, and manage our impact on biodiversity, identify

FIGURE 15: BIODIVERSITY AND ECOSYSTEM SERVICES



5. <https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/>

biodiversity hotspots in our operations and value chain, and prioritize more granular assessments to strengthen and enhance our strategy.

While the integration of nature into our core governance structures is an ongoing process, we have actively assessed biodiversity for many years. In Brazil, we have partnered with the LIFE institute,⁶ founded in 2009 to support businesses in integrating biodiversity conservation into their models by adopting the LIFE Methodology for business and biodiversity. This methodology enables a clear and objective analysis of impacts (positive and negative), risks, and opportunities in a business's relationship with biodiversity. It also supports evidence-based environmental investment decisions.

For six years, we have employed the LIFE Methodology to evaluate our direct impacts, including those of over 10,000 integrated growers. JTI Brazil showcased our efforts as a LIFE partner at the UN Biodiversity Conference, COP15, in Montreal in December 2022. Our initiative was recognized as the sole case involving such a large group of suppliers collectively applying biodiversity metrics. We aim to be the first company in this sector and in agribusiness to achieve LIFE Certification.⁷

WATER

Water is an essential resource utilized throughout our value chain - from the cultivation and processing of our primary raw materials to the manufacturing of our products and daily usage at JTI sites globally.

Despite tobacco crops predominantly relying on rainfall and the processing and manufacturing phases not being water-intensive, responsible water management remains a core focus due to its potential impact on local communities. Issues such as poor water quality, drought, and flooding can significantly affect both these communities and our operations. That's why we are committed to continually enhancing our understanding and mitigation of both current and future

The SBTi FLAG Guidance offers a common, robust, science-based understanding on how much and how quickly a company needs to cut its land-related emissions in line with the Paris Agreement's goal to limit global warming to 1.5°C.

The official SBTi FLAG guidance has strict requires for companies to:

- 1. Set near-term FLAG science-based targets:** 5-10 year emission reduction targets in line with limiting warming to 1.5°C.
- 2. Account for removals in near-term FLAG science-based targets:** Biogenic CO₂ removals include things like restoring natural ecosystems, improving forest management practices, deploying silvopasture, and enhancing soil carbon sequestration on pasture and farmland.
- 3. Set long-term FLAG science-based targets:** Companies with significant activities in the land and agriculture sectors will reduce at least 72% of emissions by no later than 2050. They should use the SBTi Corporate Net-Zero Standard to set long-term FLAG science-based targets.
- 4. Zero deforestation targets must be set for no later than 2025.**
- 5. Set science-based targets for fossil emissions:** Businesses with land-based emissions are required to set FLAG science-based targets AND energy/industry science-based targets, since all companies produce fossil emissions.

water-related risks, particularly those exacerbated by climate change.

Between 2014-2020, we conducted our initial round of water risk assessments at our factories, evaluating factors such as water availability, quality, legislative changes, and potential impacts from natural disasters like floods, droughts, and future water stress. The assessments led to the development of action plans aimed at reducing risks and improving overall water management and security.

6. <https://lifeinstituteglobal.org/life-institute/>

7. <https://lifeinstituteglobal.org/life-certification/>

Originally, we set a target to reduce water withdrawal by 15% by 2030 compared to a 2015 baseline. Due to the dedication of our teams at our manufacturing facilities we achieved this target 7 years ahead of schedule. This success was due to a combination of water efficiency initiatives, process improvements, and sourcing changes at sites with higher water intensity.⁸ Our efforts encompassed various aspects of our operations, from installing waterless toilets and efficient faucets to implementing new fire extinguishing systems. We also focused on improving humidification processes, enhancing wastewater treatment methods, and optimizing manufacturing processes to reduce water usage.

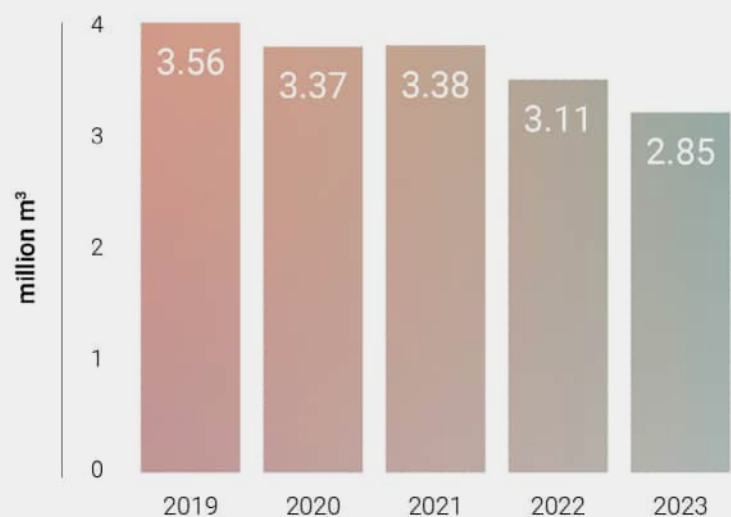
In 2023, we reassessed our water usage and set new, more ambitious targets:

By 2030:

- **Reduce water withdrawal in our own operations by 33%**
- **Ensure 100% of JTI's eligible production facilities are certified against the Alliance for Water Stewardship standard⁹**

Additionally, we conducted a comprehensive study to examine water usage across our supply chain. As part of this work, we assessed the water intensity of tobacco leaf across various regions of origin, analyzing supply and production processes in three key stages: leaf growing, leaf processing, and finalised goods production. This study confirmed that over 90% of water used in the leaf growing stage is sourced from rainfall, highlighting the low water intensity of our operations. Furthermore, we achieved a 20% reduction in water abstraction across all stages compared to 2021, with a 6% reduction in the growing stage and an 18% reduction in the production stage. We use these findings to further inform our water reduction and efficiency strategy.

FIGURE 16: JTI'S WATER CONSUMPTION REDUCTION FROM BASELINE



8. https://jti.metro.net/indicators/planet/water_stewardship/multi_water_stewardship

9. <https://a4ws.org/the-aws-standard-2-0/>

4.3

UNLOCKING TRANSITION OPPORTUNITIES

WASTE MANAGEMENT AND PRODUCT CIRCULARITY

As a manufacturing business, waste is a part of daily operations. Waste reduction is important to our business for a number of reasons. First and foremost, reducing waste means reducing the global hazards to human health that waste streams and associated greenhouse gas emissions can cause – something that affects everybody, from the farmer who grows our crops to the consumer who buys our products. Waste reduction also makes economic sense: generating less waste costs less because there is less to handle and dispose of. Which is why we consider waste impacts at each stage of our value chain, from purchasing materials and services to post consumer waste.

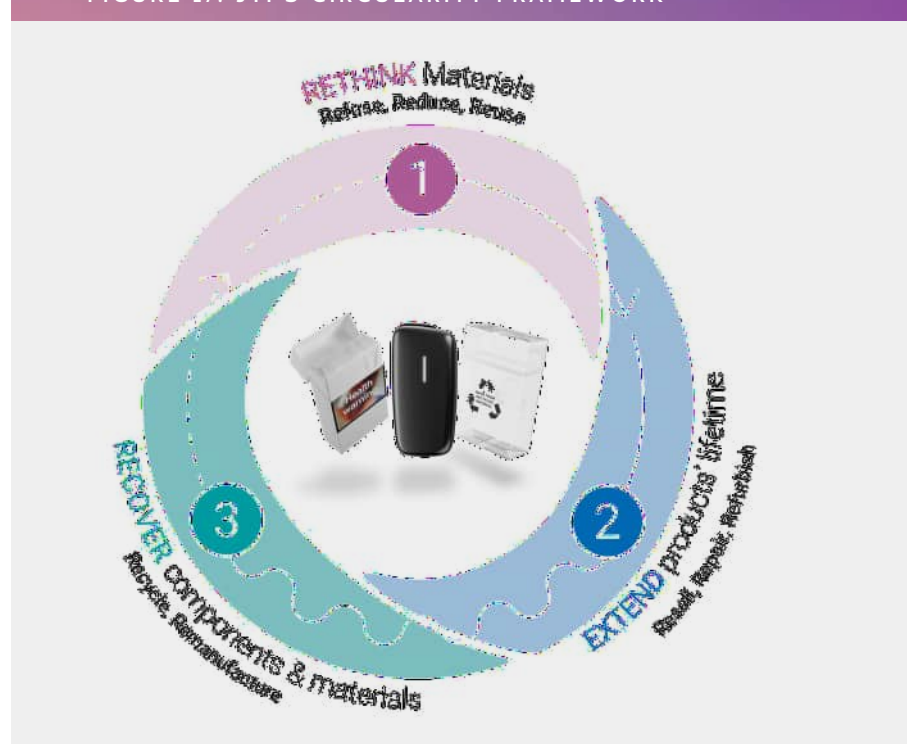
In 2022, we introduced a new sustainability governance model focusing on Product Stewardship, Circularity and Waste. This model aims to manage the safety, environmental, and social impacts of our products and their packaging at all stages of their life cycle, and to avoid waste through product circularity or reduce it by operating an effective waste management system.

INTERNAL WASTE REDUCTION

We apply a “Reduce, Reuse, Recycle” approach to waste management. We are constantly searching for ways to reduce material usage, eliminate unnecessary packaging, and increase the recycled content of our packaging. However, our approach to product and packaging waste management goes beyond simply modifying and standardizing our products and packaging materials; we embed circular design principles into our research and development processes from the beginning. For more information, please refer to the **PRODUCT- Circularity** section of our website

Due to the significant global impact that waste can have and to reduce the risk from potentially incoming legislation

FIGURE 17: JTI'S CIRCULARITY FRAMEWORK



(such as UK's Packaging Extended Producer Responsibility (EPR) and the EU Green Claims Directive (GCD)), we have set several commitments to reduce waste and increase product circularity:

By 2025

- **Reduce packaging and achieve 85% recyclability by 2025, rising to 100% by 2030**
- **Ensure recycled content accounts for 20% of our packaging**

By 2030:

- **Zero factory waste to landfill**

In support of these targets, in 2023 we undertook analysis to understand target feasibility and impact of current planned initiatives towards our long-term goals.

CONSUMER WASTE MANAGEMENT

Managing consumer waste is equally important. We aim to minimize post-consumption waste and ensure that our products and packaging are disposed of correctly to serve as resources in new material production.

We run consumer awareness and cigarette butt collection campaigns for our combustible products to increase awareness of the environmental issues caused by litter. To both educate consumers on how to dispose of consumables responsibly and create a better future by endeavoring to reduce waste in the environment, we've been involved in the "Pick up litter and you will love your city" campaign in Japan, which we run in collaboration with over 5,000 organizations, including local governments, NGOs, volunteer groups, and local citizens. Around 2 million people in Japan have joined us to take part in the more than 2,800 litter-picking events we've organized since the launch of this initiative in 2004. The idea is to change participants' mindsets to "I will not throw anything away", through their experience of picking up litter.

Although combustible products make up most of the company product portfolio, our reduced risk products (RRPs) are growing. We are taking the opportunity to consider consumer behavior from the get-go. In 2019, as our RRP portfolio grew its market share, we published company-wide internal guidelines for RRP waste management and recycling. These guidelines help markets determine and implement appropriate initiatives to encourage consumers to recycle or dispose of our RRP products safely.

In Japan, we launched a program in 2019 to collect used Ploom devices, capsules and cartridges via convenient collection boxes at around 300 shops in Tokyo. In 2020, this program was extended to include additional tobacco players and it was launched throughout Japan in 2021. Since then, approximately 1,200 collection points have been established in all 47 prefectures.

For more information on post-consumer waste and anti-littering please refer to the **PRODUCT - Waste** section of our website.



5.

JTI'S STRATEGIC NET-ZERO WORKSTREAMS FOR EMISSIONS REDUCTIONS





The global consensus on climate change underscores the urgent need for rapid and immediate emission reductions.

Recognizing this, while our Scope 3 emissions represent the largest portion of our total emissions footprint, we have also placed a high priority on reducing our Scope 1 and 2 emissions. These are the areas over which we have direct control and where we can affect significant reductions swiftly. This focus is why we have committed to becoming carbon neutral by 2030, thereby significantly contributing to the short-term emission reductions needed to prevent catastrophic climate change.

Emissions from our direct business operations primarily arise from the manufacture of our products, the transportation of goods, and the procurement of materials. Within our purchased goods and services, the largest emission sources are associated with tobacco leaf that we purchase - due to emissions from the curing process and fertilizer use during cultivation - and other materials required for manufacturing our product.

We have established dedicated workstreams specifically focused on addressing these emissions. However, our strategy extends beyond these specific areas. We have identified additional business areas that can contribute to our broader decarbonization efforts. This comprehensive approach is encapsulated in the seven strategic net-zero workstreams outlined in this plan. To ensure that we remain on target, we will continue to review and adjust our strategy annually, adapting our actions to meet our ambitious emission reduction goals.

5.1

REDUCING EMISSIONS IN OUR OPERATIONS (SCOPE 1 & 2)

In 2023, our Scope 1 and 2 emissions totalled 396,000 tCO₂e, representing 5% of our total carbon footprint, including emissions across our value chain.

Of these, 66% were Scope 1 emissions, predominantly from operational activities, while the remaining 34% were Scope 2, attributed to energy consumption. Notably, 83% of our total energy consumption was used in our buildings, including manufacturing facilities, warehouses, and offices, with the remaining 17% attributed to our vehicle fleet. The majority of our Scope 1 and 2 emissions (74%, 294,000 tCO₂e) originate from our manufacturing facilities due to the energy-intensive production processes. These include tobacco leaf threshing and processing, operation of other manufacturing machinery, and maintenance of climate-controlled production environments.

Our strategy to reduce Scope 1 and 2 emissions is twofold: improving energy efficiency across our operations and increasing the proportion of renewable energy that we use. We are committed to transitioning to 50% renewable electricity by 2025 and achieving 100% by 2040. Despite the complexities and challenges of navigating renewable energy markets and securing reliable supplies, these steps are crucial for meeting our environmental targets.

Enhancing energy efficiency requires innovative solutions, as reductions will come from process improvements, behavioral changes, and technological advancements. Our approach involves utilizing management systems to reduce energy consumption, electrifying processes where possible, and switching to renewable energy sources.

We have committed to reducing our Scope 1 and 2 emissions by 47% by 2030 compared to 2019 levels. In 2023, we reviewed our previous Scope 1 and 2 emissions roadmaps to reassess the carbon impact and the associated investments required for the available decarbonization levers. The results of this reassessment indicate that, based on our current and planned investments through 2030, we are on track to exceed our target, achieving an estimated 56% reduction in emissions.

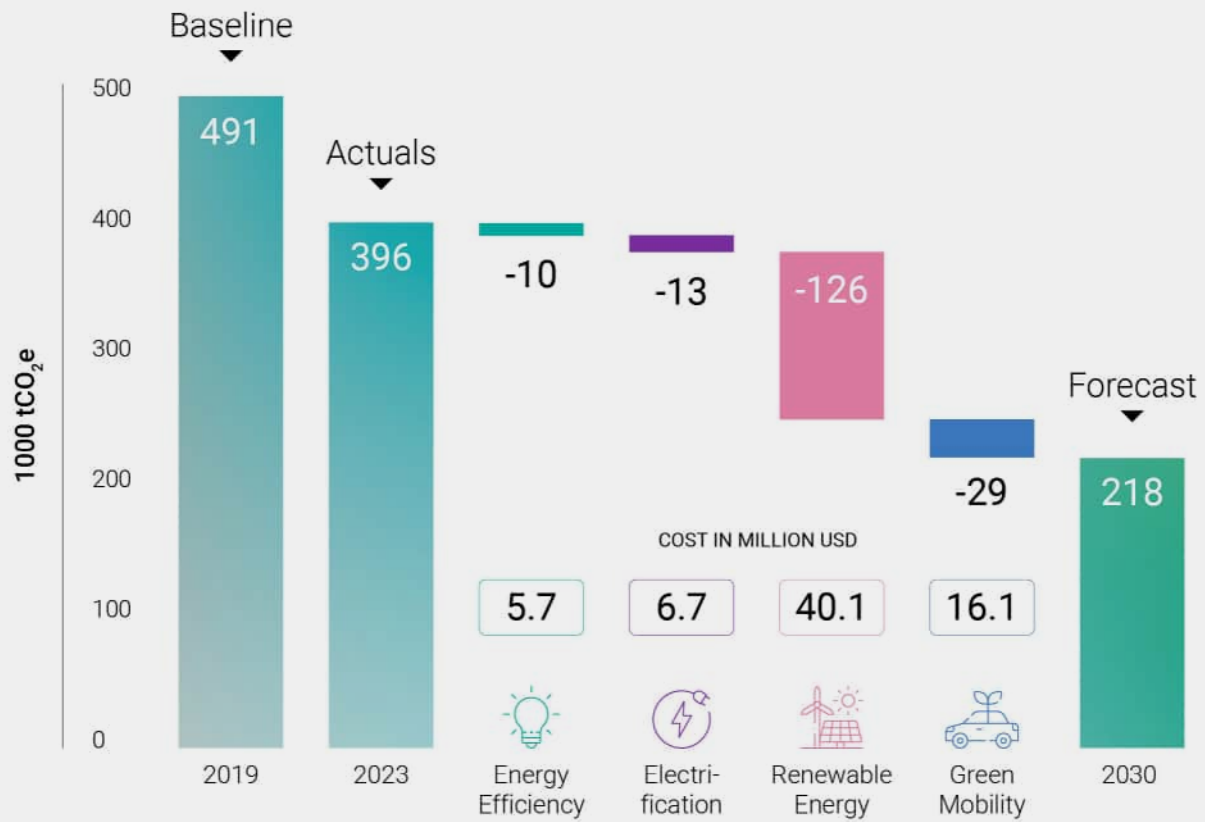
In the following sections, we will explore each workstream of our strategy in greater detail, outlining the specific measures and initiatives we are implementing to achieve our emission reduction goals.

In our climate transition plan, we recognize that achieving our goals across various workstreams depends on a range of external and internal factors. These dependencies can impact our ability to implement planned initiatives and reach our targets.

For each workstream, we have identified key dependencies that may affect our progress. These could include geopolitical factors, market conditions, technological advancements, regulatory changes, or shifts in organizational culture.

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.

FIGURE 18: JTI'S INVESTMENT ACTIVITIES FOR SCOPE 1 & 2 FROM 2023 TO 2030



Between 2024 and 2030, we expect to invest in various activities to reduce our carbon footprint:
 Energy Efficiency: USD \$5.7 million, aiming for a carbon saving of 2%* in Scope 1 and 2 emissions.
 Electrification: USD \$6.7 million, projected to achieve a carbon saving of 3%*.
 Switch to Renewable Energy: USD \$40.1 million with anticipated savings of 32%*.
 Green Mobility: USD \$16.1 million, resulting in a carbon saving of 7%*.
 *Compared with 2030 emissions.

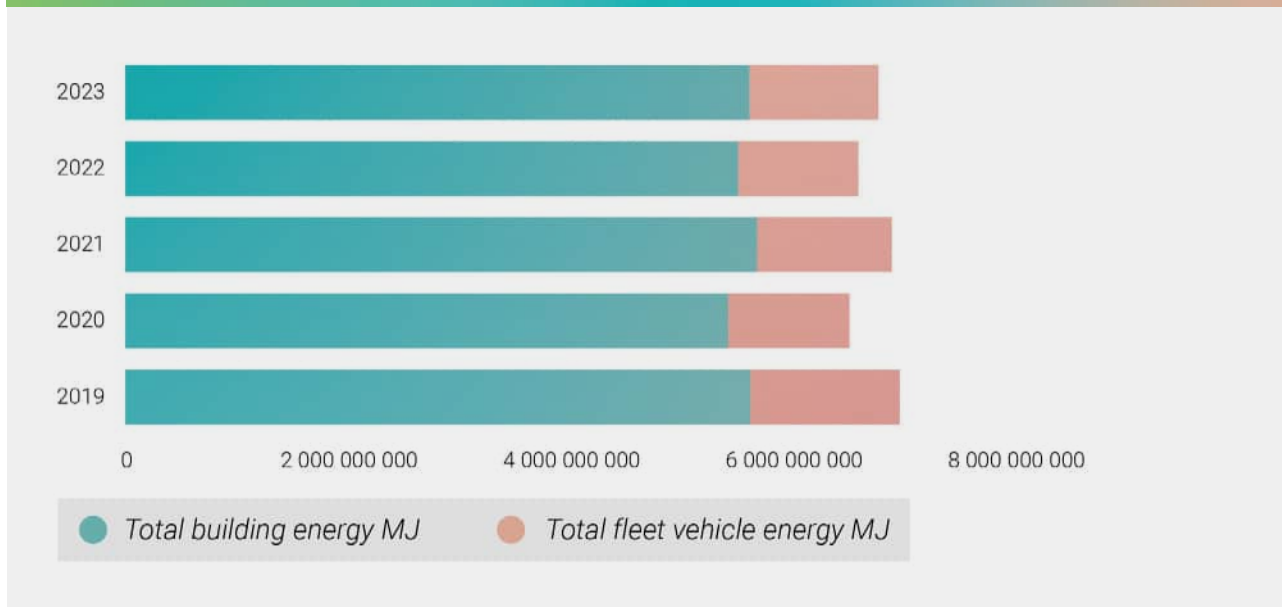
5.1.1

ENERGY EFFICIENCY

PROGRESS TO DATE

Transitioning to renewable energy is a key component of our net-zero strategy. However, it is equally important from both environmental and cost perspectives to reduce energy consumption wherever possible. In 2023, we used a total of 1,900,000 MWh of energy, with 40% of this being electricity and the remainder consisting of natural gas, steam, and other energy sources used in our manufacturing processes. Since 2019, we have successfully reduced our energy consumption by over 55,000 MWh, marking a 3% reduction.

FIGURE 19: ENERGY CONSUMPTION BREAKDOWN: 2019 TO 2023.



To achieve our energy reduction goals, our factories, warehouses, and offices have implemented several measures. These include installing energy-efficient lighting such as LED systems, improving operational controls, and maximizing the use of natural light. Specifically, our factories are enhancing the efficiency of air conditioning, compressed air, and steam and hot water systems. The majority of our factories have implemented energy management systems certified against the ISO 50001 management systems standard, supporting them in managing and improving energy consumption. By the end of 2023, 79% of our factories and threshing sites had gained their accreditation.

We are also developing Energy Daily Management Systems (DMS) as part of our approach to Integrated Work Systems (IWS). We piloted successfully DMS at our Jordan factory and we are now deploying across multiple manufacturing sites. These systems act as decision support tools, aiding in the monitoring and control of energy distribution. This provides our factory managers with informed decision-making capabilities regarding energy use. We plan to continue rolling out these systems across additional sites to gain further real-time data insights.

Due to the international nature of our operations, information sharing across the business is key to fostering internal

collaboration and ensuring progress towards our targets. To support this, we established our Environment Opportunities Scheme in 2015. This initiative serves as a knowledge-sharing platform, enabling our factories to develop concrete action plans for decarbonization. Since its inception, we have invested USD 2.3 million across 274 projects, saving over 8,000 tCO₂e in our factories and warehouses. These projects have demonstrated quick wins, with an average payback period of just three months.

The projects have focused on reusing waste heat, minimizing energy consumption in producing compressed air, designing buildings for energy efficiency, and harnessing Combined Heat and Power (CHP) technology. This process is supported by our Global Supply Chain Environmental Sustainability Director who engages with all sites to provide knowledge on energy management, facilitate the use of the Environment Opportunities Scheme, and offer practical support on reviewing PPAs (Power Purchase Agreements) and assessing the suitability of biofuel use.

TARGET

In 2023, we reassessed our roadmap to ensure that the actions we have in place enable us to achieve our near-term 2030 target. We engaged all relevant functions to ensure that actions are planned beyond our traditional strategic planning cycle of three years. This gives us confidence that we will achieve our near-term targets and positions us strongly to achieve our longer-term goals.

Overall energy efficiency and process electrification will contribute to a saving of just under 23,000 tCO₂e by 2030, accounting for a 6% reduction in Scope 1 and 2 emissions. We have strategically allocated USD 12.4 million towards energy efficiency improvements, balancing environmental responsibility with our overall business objectives. Our energy efficiency initiatives will focus on further rolling out Energy Daily Management Systems (DMS) and optimizing CHP system utilization.

COMBINED HEAT AND POWER (CHP)

A Combined Heat and Power (CHP) plant is a type of power generation facility that simultaneously produces both electricity and useful heat energy from a single fuel source. 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.

In countries where there are limited possibilities to move to lower-carbon electricity, CHP systems provide an effective solution for reducing emissions. 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 have done at our Trier factory in 2024.

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 CO₂e in 2023 compared with 2021, equivalent to approximately 2,750 tons of CO₂e annually.

OUR PLAN TO ACHIEVE OUR TARGET

- In 2024 we are implementing energy efficiency projects, across 41 countries which are estimated to avoid 12,000 tCO₂e and will cost USD 4.6 million.
- In 2025, we plan to implement DMS at five of our manufacturing sites. This is expected to avoid approximately 770 tCO₂e with an estimated investment of USD 150,000.
- Between 2026-2027, we plan to continue the roll out of DMS across other sites and electrify processes at our manufacturing sites. The investment required for this is estimated to be USD 5.4 million and provide a carbon saving of approximately 6,000 tCO₂e.
- From 2028 to 2030, we plan to invest a further USD 2.2 million, which is expected to result in savings of approximately 4,000 tCO₂e.

To support our factories to identify new areas of energy efficiency we are also undertaking carbon neutral site assessments with expert third parties at greenfield and our highest emitting sites, including our sites in Dar Es Salaam and Torbali. We will continue to work on our longer-term net-zero by 2050 plan, and updates will be available on our [website](#) and in subsequent climate transition plans.

DEPENDENCIES

- Geopolitical instability could prohibit us from investing or accessing certain areas of operation to implement energy saving initiatives.
- The uncertainty and fluctuation in global energy prices could impact the acceptability of future investments. We have begun to mitigate this by introducing an Internal Carbon Price and by frequently reviewing our action plan to ensure it aligns to current macro-economic and market conditions.
- To achieve our longer-term targets, we will need to shift our planning culture away from traditional business values to more holistic decision-making that considers not just emissions but also wider nature and social impacts. The introduction of our Internal Carbon Price has made a significant impact to our strategic decision-making, but this could be impacted by our evolving understanding of climate scenario analysis and biodiversity impacts.



5.1.2

RENEWABLE ENERGY

Renewable energy is a fundamental part of the global transition to net-zero. We plan to use a combination of on and offsite renewables, Power Purchase Agreements (PPAs), green tariffs and biofuels to achieve our target.

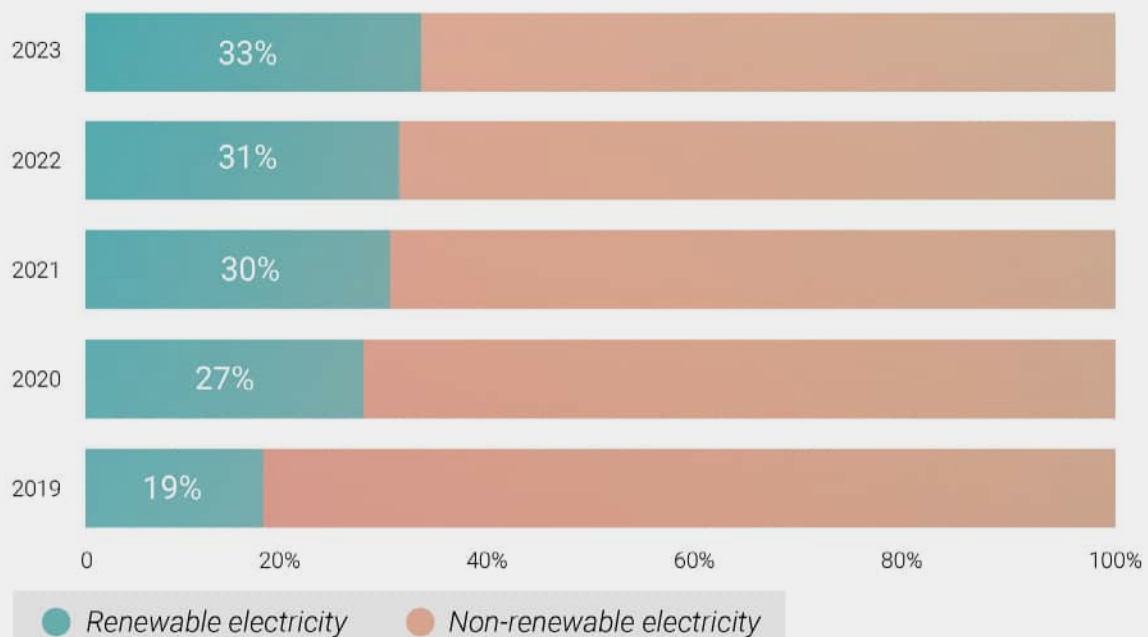
PROGRESS TO DATE

In 2023, we used 743,000 MWh of electricity, with 33% coming from renewable energy. This resulted in a 40% reduction in emissions from electricity since our 2019 baseline. Overall, renewable energy accounted for 13% of our total energy consumption in 2023.

TARGET

Based on the completion of on-site renewables installations and increased PPA agreements in 2024, we anticipate achieving our target of 50% of electricity from renewable sources by 2025 ahead of schedule.

FIGURE 20: RENEWABLE VS. NON-RENEWABLE ELECTRICITY CONSUMPTION: 2019-2023



Our factories have been leveraging the security and savings that on-site renewables provide. Solar power installations have been completed in our locations in Jordan, the Philippines, Poland, Spain, Tanzania and Turkey in various configurations.

OUR PLAN TO ACHIEVE OUR TARGET

Our current projections indicate that we are on track to meet in 2024 our 2025 50% renewable electricity target. However, this achievement does not signify the end of our efforts. We have a comprehensive and costed action plan extending to 2030 to ensure we reach our overall renewable energy target. This plan is modelled to account for global grid greening and business growth projections and focuses on enhancing our coordination of PPAs and energy attribute certificates/green energy tariffs, increasing onsite solar PV installations, and utilizing bio and low-carbon fuels.

Our factories have detailed plans to transition to renewable energy. Between 2024 and 2025, we plan to transition our facilities in Japan and Bangladesh and our site in Spain via PPAs. Between 2026-2028 we plan to increase our PPAs to cover sites in Jordan, Taiwan, Poland, as well as transition our manufacturing site in Canada away from fossil fuels to biogas. We also have plans to invest in solar PV at sites in Taiwan and Turkey. This transition is anticipated to avoid 126,000 tCO₂e, thereby reducing our 2023 emissions by 32% by 2030. From 2024-2030 we anticipate that the transition to renewable energy will cost USD 40.1 million

SOLAR INVESTMENT IN THE PHILIPPINES

In the Philippines, we have implemented a solar energy investment model – a system installed and operated without any upfront costs to us. This has been achieved by expanding the existing roof-mounted photovoltaic system under a PPA, whereby a third-party company owns and operates the solar panels, and we pay a fixed rate for the electricity generated by the panels. This is particularly beneficial as electricity prices in Southeast Asia are among the highest in the world, and most of the power plants in the Philippines are reliant on fossil fuel from coal, which produces high carbon emissions. Our Philippines factory has a solar energy capacity of 8MW, representing a reduction in CO₂e of approximately 15%, or 6,887 tons a year.

FIRST TOBACCO FACTORY TO USE DIRECT SOLAR STEAM IN JORDAN

Our tobacco factory in Jordan achieved a significant milestone by being the first in the industry to utilize direct solar steam. This initiative, which won the World Bank's Environmental Stewardship Award, includes a rooftop-mounted collector, steam storage, and a steam-driven absorption chiller that provides the facility with energy for heating and cooling. The system covers 20% of the plant's annual steam consumption.

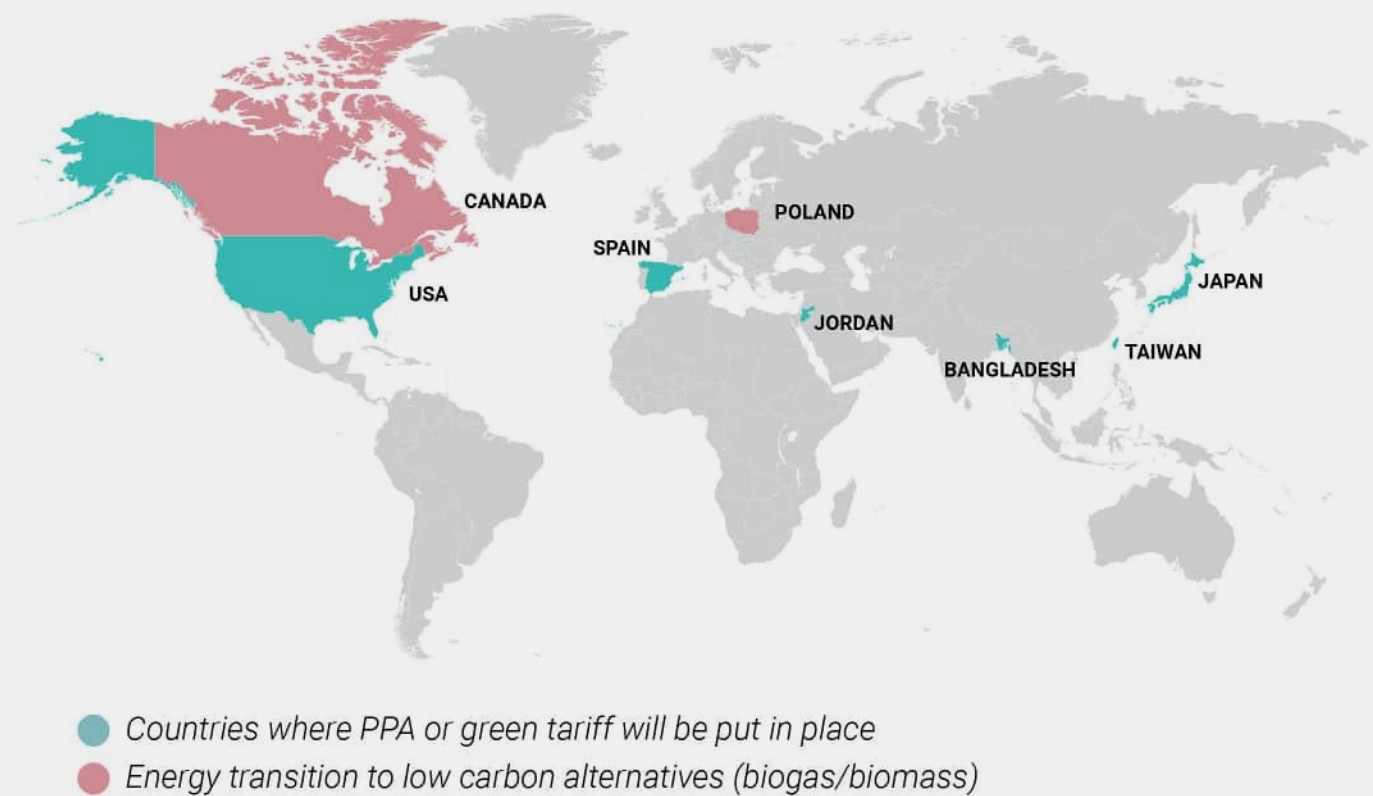


FIGURE 21: REGIONAL STRATEGIES FOR RENEWABLE ENERGY ADOPTION IN JTI GLOBAL OPERATIONS

DEPENDENCIES

- Continuation of reporting frameworks such as the GHG Protocol or SBTi to allow use of Energy Attribute Certificates for renewable energy.
- Suitability of site building fabric for on-site renewable installations.
- Availability of sustainably sourced biofuels in local jurisdictions.
- Continued global investment in renewable energy and national and corporation level to support the ongoing transition of national electricity grids in line with projections.

5.1.3

GREEN MOBILITY

OUR PROGRESS TO DATE

In 2023, emissions from the use of JTI-owned vehicles (cars, motorbikes, and trucks) were 73,000 tCO₂e, accounting for 18% of our total Scope 1 and 2 emissions. 93% of these emissions are generated by the cars used within our sales operations.

TARGET

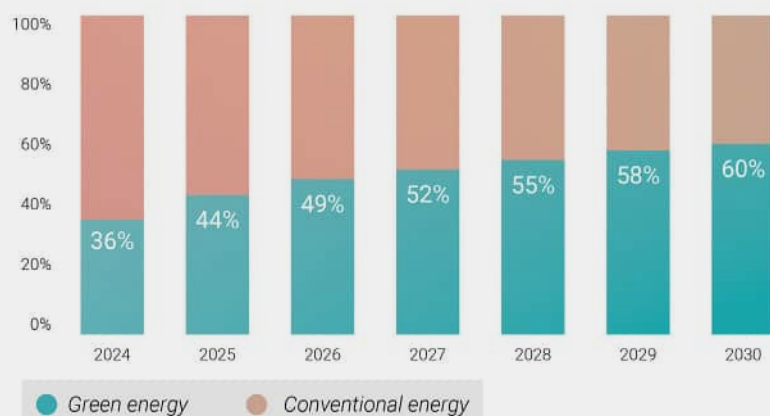
By 2030, we aim to reduce emissions from cars used for business travel by 47%. By 2023 we have reduced these emissions by 9%.

In 2021, we launched our Green Mobility Program to help decarbonize our sales car fleet. As part of this, we launched the Green Mobility Handbook to provide guidance to JTI markets to transition to greener mobility practices, contributing to our overall near- and long-term emission reduction targets.

To help us effectively manage these emissions we have clear roles and responsibilities defined at corporate, regional and market levels, allowing for effective implementation of our strategies. Corporate-level leads oversee the program, while Regional Presidents and Regional People & Culture Coordinators are accountable for results and improvements within their regions. Operational markets have a Single Point of Contact (SPoC) responsible for the local deployment of the program and ensuring compliance with guidelines.

The Green Mobility Program categorises markets into tiers based on infrastructure and vehicle availability, with corresponding actions outlined for each tier. These actions include car fleet upgrades, charging infrastructure installations, eco-driving training, route optimisation, vehicle maintenance, and promoting a green culture. Our operations in UK, Ireland, Iberia and Romania have already purchased electric vehicles (EVs).

FIGURE 22: COMPANY-OWNED CARS BY ENERGY TYPE
(PROJECTED BASED ON CONSTANT FLEET SIZE)



OUR PLAN TO ACHIEVE OUR TARGET

We have established KPIs to measure our progress, focusing on fleet emissions per kilometer, the 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 have implemented dedicated communication campaigns, invested in infrastructure, and deployed eco-driving training to promote behavioral change and reduce emissions. We have also been supporting employees to install charging points at home to help facilitate the transition.

For the vehicles that JTI directly owns and operates (classified as Scope 1 emissions), we plan for 60% of our cars to be low emission by 2030. Using our Green Mobility Framework Assessment, we have developed a detailed plan for the rollout of low emission company-owned cars, which is illustrated in Figure 22. Achieving this would contribute to a reduction of 29,00 tCO₂e, a 47% decrease in emissions from company vehicles. The estimated investment required to transition 60% of our car fleet to low emission cars by 2030 is USD 16.1 million.

DEPENDENCIES

- The availability of suitable vehicle types can impact our ability to transition our fleet globally.
- The availability of vehicles that meet JTI's safety rating requirements as this is crucial for ensuring the safety and reliability of our fleet.
- The suitability of electric charging infrastructure in local operational environment could impact the speed at which we are able to transition our fleet globally.
- The availability of skilled technicians to maintain our fleet could affect our ability to transition or the cost of maintenance after transition.
- Wider Scope 3 emission reductions from other business travel will be dependent on our ability to emote positive choice change with employees.

5.2

REDUCING EMISSIONS IN OUR VALUE CHAIN (SCOPE 3)

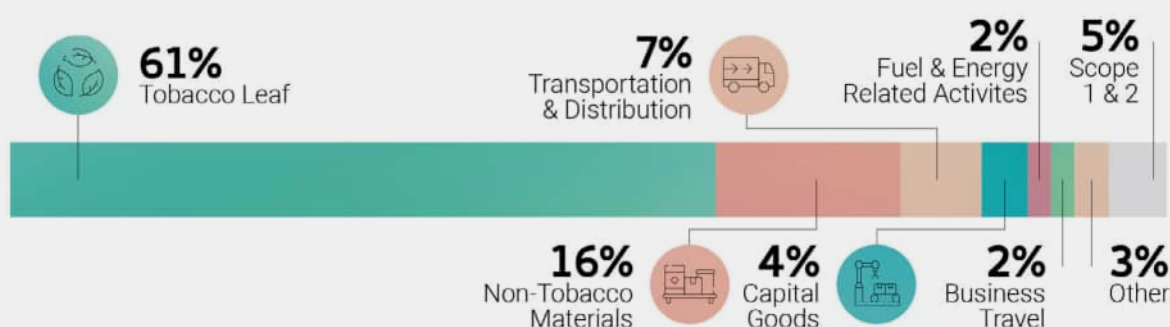
Our value chain (Scope 3) emissions account for 95% of total emissions. Purchased goods and services is the largest contributor in our value chain and so forms the boundary of our near-term Scope 3 emissions reduction target.

We have conducted internal modeling on action plans to achieve our 2030 target and have identified four key action areas for reducing our Scope 3 emissions. Each area is unique and is developing its own action plan to 2030 and beyond. Our Scope 3 target primarily focuses on purchased goods and services, as this is our most material category. We aim to reduce emissions from tobacco leaf and non-tobacco materials by 28% by 2030, compared to 2019 levels. While these two categories constitute the majority of our Scope 3 emissions, achieving our long-term net-zero ambition requires focusing on other areas of our value chain that we can influence. Therefore, we are also addressing emissions from internal business travel and our logistics network.

ACCOUNTABILITY AND OUR SUPPLY CHAIN

Our supply chain accounts for the largest part of our total emissions and is the most complex area for emissions management, as we rely on partners within our supply chain to effect change. We source a wide range of materials, including tobacco leaf, filters, packaging, Reduced Risk Products (RRPs), and machinery.

FIGURE 23: JTI'S COMPLETE EMISSION PROFILE



Each area of procurement has its unique requirements and considerations, so we have dedicated teams for each of our key procurement areas:

- 1. Global Supply Chain Non-Tobacco Materials** This includes our capital projects and non-tobacco material procurement, non-tobacco materials such as packaging, filters, and manufacturing machinery.
- 2. Leaf procurement:** Focuses on sourcing tobacco leaf.
- 3. Reduced Risk Products (RRPs):** Coordinates the sourcing and purchase of devices and consumables.
- 4. Indirect procurement:** Covers all other procurement needs.

To manage our emissions associated with the goods and services that we procure, we employ various methods including internal standards and guidelines, supply chain screening and risk management, agricultural labor practices, leaf supply chain due diligence assessments, and direct engagement with growers and suppliers. In June 2020, we established a Sustainable Procurement Team within our Global Supply Chain function to spearhead sustainability-related initiatives, support activities focused on environmental, social, and corporate governance (ESG) issues, and collaborate closely with suppliers on sustainability topics.

Despite the differences in supply chains for the various materials we use, over the past year, the non-leaf supply chains of our tobacco business have collaborated to optimize procurement activities and begin aligning on ESG principles across teams. In 2023, we agreed on an initial Responsible Procurement Framework. Throughout 2024 and 2025, we will continue to refine this framework to further enhance knowledge sharing and foster a more aligned approach to responsible procurement across the business.

SUPPLIER ONBOARDING AND ENGAGEMENT

With people, operations, and a supply chain that span the globe, we recognise the importance of acting responsibly. Our ESG criteria are embedded into our **Supplier Standards**, outlining the expectations that our suppliers are required to comply with. We have an ESG supplier screening program overseen by senior management and implemented by our procurement teams.

As part of this program, all key suppliers must undergo a detailed qualification and selection process, including screening and onboarding. This process allows us to learn more about the supplier, understand gaps relative to our standards and ESG requirements, and identify potential risks related to compliance, human rights, environmental impact, and health and safety before entering into commercial agreements. If risks are identified, we offer support and collaborate on mitigating these risks and making necessary improvements.

Within our Global Supply Chain Procurement, we consider ESG performance as part of the scorecard for suppliers representing 50% of our spend. For these suppliers, ESG performance results are integrated into their annual performance evaluations. We conduct annual reviews of existing suppliers to assess risk and impact, implementing improvement plans where remediation is required. This practice is currently being developed and implemented across our procurement teams.

By 2021, we had screened 100% of our key suppliers. Where potential supply chain risks were identified, we collaborate with the supplier to establish an action plan and monitor progress on extreme and high risks.

The largest portion of emissions within our supply chain come from the purchasing of tobacco leaf and the other materials used to manufacture our products. We have, therefore, two dedicated net-zero workstream established to address these emissions, our Leaf Grower Programs and Supplier Engagement focused on our Non-Tobacco Materials.



5.2.1

LEAF GROWER PROGRAMS

Tobacco leaf sourcing is a key part of our supply chain and a critical component of our future business growth. We work closely with our directly contracted growers and third-party leaf merchants to enhance security of supply and ensure the provenance of the leaf.

This collaborative approach gives us greater flexibility when responding to changing market requirements.¹⁰ Tobacco leaf sourcing accounts for 78% of emissions from all purchased goods and services, and approximately 61% of our total emissions across all Scopes.

We purchase half of our planned tobacco leaf requirements from directly contracted growers and the other half from third-party leaf merchants, encompassing over 340,000 growers in total. The direct contracting model allows us to maintain verifiable provenance and traceability of leaf supply. In most cases, our third-party leaf merchants source the tobacco leaf directly from contracted growers. This means that there is a direct contract between the leaf merchants and the growers, and that they receive advice on crop management and good labor practices from the leaf merchants.

In some countries, leaf can be sourced in a different way, at auction (India for example). This can make it challenging to determine the provenance of the leaf and implement our Agricultural Labor Practices. In these cases, we work with the leaf merchants and other stakeholders to find a way to implement a robust and relevant supply chain due diligence process. Although we source leaf from more than 28 countries, the vast majority still comes from four key global suppliers, with whom we work closely to ensure good practices.

Unlike in our non-tobacco material procurement, we are dealing with a higher count of much smaller suppliers, which can be as small as a single smallholder grower. Several other factors are more relevant to our leaf supply chain, such as human and workers' rights, cultural differences across regions that can influence the success or validity of identified decarbonization levers, and the complexity of the interdependencies on emission reduction activities, including changing physical climate and social impacts.

As with any planning, it is essential to understand the starting point. We have been working for over seven years to build a comprehensive picture of the emissions hotspots within our leaf supply chain. Since 2015, we have conducted Life Cycle Assessments (LCAs) across our vertically integrated leaf supply chain to identify emission hotspots and engage with growers to highlight potential reduction opportunities. In 2019 and 2022, we extended LCAs to our third-party (non-integrated) suppliers. This effort has provided us with a clearer understanding of our emission hotspots, enabling us to focus our engagement efforts in the most effective locations and operations. From this, we have identified several decarbonization levers and have been actively engaging with suppliers on these. We will continue to update our leaf LCAs annually to ensure that we are using the best available data.

10. https://jti.metrio.net/indicators/people/supply_chain_due_diligence_in_farming_communities/multi_supply_chain_due_diligence_in_farming_communities

Through our relationships with growers and suppliers, we have a clear understanding of our leaf supply chain because we measure not only emissions but also other fundamental metrics and parameters (environment, social, governance). This means we know how to implement a due diligence process and address prioritized sources of emissions and respond accordingly.

Our comprehensive Life Cycle Assessments (LCAs) have enabled us to identify our emission hotspots, across our leaf types. These assessments cover our three main leaf types (Flue-Cured Virginia (FCV), Burley (BLY) and Oriental (ORT)). We assessed emission intensity of tobacco leaf origin and of the different growing and processing stages of our tobacco leaf production and have clearly identified areas where actions can be implemented to reduce emissions. In 2023, Flue-cured Virginia (FCV) was identified as the most emission intensive leaf type due to the energy used in the leaf curing process.

In line with the updated SBTi guidance on Forest, Land, and Agricultural GHG (FLAG) emissions, we rebaselined and updated our LCAs in 2023 across our three main leaf types to incorporate FLAG emissions. The work for our integrated suppliers is complete, and the LCAs for our third-party suppliers are expected to be finalized by the end of 2024. We will continue to work on expanding our LCAs to our non-vertically integrated projects throughout 2024. Once this work is complete, we will have a robust set of baseline data to create roadmaps and action plans for emission reductions within the next few years.

To date, we have implemented several initiatives, including increasing the efficiency of our barns and furnaces used in curing tobacco, switching our farming practices to reduce or eliminate tillage, and using fertilizers more efficiently. To support our understanding of the impacts and options for fertilizer usage, we have developed a fertilizer tool that helps to model the impacts that changing the type or volume of fertilizer applied could have on our emissions profiles.

Using the results of the updated LCA, which includes FLAG emissions, we will engage with the different leaf origins to share the findings, upskill stakeholders on their significance, and discuss ideas and challenges for tackling the various emission areas. This engagement will include rolling out our fertilizer assessment tool and disseminating knowledge to our growers. Through these engagements, we can develop different scenarios for emissions reduction and determine the best support strategies for these activities.

We will continue to update our LCA work regularly and investigate alternative options or process changes that could reduce emissions or their impact on nature. We will also build local knowledge within our third-party suppliers to understand cultural and political barriers to action plans, as we have done with our vertically integrated growers.

In 2025, we will begin to link the CSA (Climate Scenario Analysis) and LCA work to understand how the changing physical climate could impact elements of the tobacco leaf lifecycle. For instance, we might gain insights into how drought or decreased rainfall could affect crops and potentially increase emissions due to the need for more fertilizers to maintain yields.

In addition to engaging with our growers, we will further embed knowledge of the various emission reduction levers within our strategic and leadership teams. This will ensure a better understanding of the relationship between business continuity decisions and the impact on overall emissions in this category.

We plan to provide updates on our progress on our website and in the next detailed climate transition plan. This ongoing work and regular updates will ensure we have a robust set of baseline data to create and refine roadmaps and action plans for emission reductions within the next few years.

DEPENDENCIES

- **Embedding environmental trade-offs into business continuity planning:** It is essential to continue improving data quality and upskilling relevant teams to ensure environmental considerations are integrated into business continuity planning. This includes balancing short-term business needs with long-term sustainability goals.
- **Grower capacity and capability:** The success of regenerative agricultural practices heavily depends on growers' ability to implement them. As part of our engagement efforts, we support growers in building their knowledge and provide them with tools that streamline processes and enhance their capacity to adopt new practices. This support is crucial for achieving our sustainability ambitions.
- **Industry-aligned regenerative agriculture principles:** There is a need for a shared understanding within the industry of suitable and best practice regenerative agriculture principles. Establishing clear guidelines and methodologies for accurately monitoring progress is essential for consistency and effectiveness.
- **Regulatory environment:** A regulatory framework that encourages and supports sustainability initiatives is vital as regulatory support can help drive industry-wide changes and ensure compliance with environmental standards. This support could be in the form of supportive policies and incentives or could take a more punitive approach and issue fines and sanctions to encourage behaviour change and transition.
- **Updates to the GHG Protocol:** The Greenhouse Gas (GHG) Protocol must evolve to account for FLAG savings and impacts. This would provide a more accurate representation of emissions reductions and environmental impacts within these sectors.
- **Local culture and practices:** Understanding local cultures and practices, such as nomadic lifestyles and traditional agricultural methods, is crucial. These cultural factors can significantly influence the feasibility and effectiveness of different sustainability initiatives. Our engagement work focuses on these local differences to tailor action plans effectively for each leaf type and region.

5.2.2

NON-TOBACCO MATERIAL PROCUREMENT

While leaf procurement accounts for most of our Scope 3 emissions, we also purchase non-tobacco materials (NTM) such as paper, filters and packaging.

For each of these areas, it is essential to consider not just emissions but also the impacts of waste and how materials can contribute to a circular economy. Further details can be found in the Product Stewardship, Circularity and Waste section of this plan.

When we first began calculating our emissions for purchased goods in 2012, we used spend data as a proxy in the absence of supplier-specific data. Since then, we have been investing resource to understand these emissions further and begin to build a primary data supply. Given the vast number of suppliers in our supply chain, this work is ongoing, but substantial progress has been made. In 2020 we started to use ecoinvent emission factors that allowed us to switch from using spend data to product specific data. Across this time we have also worked on obtaining supplier specific emissions data from key suppliers. By the end of 2023 just under 90% of our NTM emissions are calculated using global average product or supplier specific data, rather than spend.

We use CDP Supply Chain to engage with our suppliers. In 2023, we requested data from 78 suppliers via the CDP Supply Chain program, of which 47 were non-tobacco material (NTM) suppliers. We achieved a 99% response rate for our climate change questionnaire and a 87% response rate for our water questionnaire. This engagement has been a valuable tool to establish the suppliers with the highest emissions intensity.

Following this assessment, we identified the 10 NTM suppliers with the highest emissions intensity and engaged with them directly to collect primary data. We received data from all 10 suppliers, but after an internal credibility review, we could only reliably use 5 of the supplier data sets. As a result, in 2023, just under a third of our total NTM emissions came from supplier-specific data.

Additionally, we have used the CDP Supply Chain data to review each supplier's climate strategy to assess their ambitions, plans, and progress towards targets in place.

In 2024, we plan to continue engagement to improve data quality of the 25 suppliers we have already engaged, and to extend the coverage of our NTM supplier engagement to encompass 77% of emissions, estimated to include a total of 25 suppliers. To support these efforts, the business has invested in increasing the resources within our team to expedite the process. We are currently assessing and collecting supplier-specific emission data. Once this process is completed, we will have sufficient visibility of our risks and hotspots to develop a consistent approach to data collection and create an emission reduction glide path with a detailed action plan to 2030. While this assessment is underway, we continue to engage with the suppliers from whom we have collected data, to understand the reliability of the data provided and build strong relationships for future collaboration. We will also continue

to engage via the CDP Supply Chain, engaging with other industry peers, and hopefully reducing the reporting burden on our suppliers.

As well as collecting data from suppliers, we also provide training, sharing the lessons learned from our own Scope 1 and 2 emission reduction journey. In 2025, we plan to host a webinar with our key suppliers to exchange information and set expectations for our Scope 3 emission reduction strategy and supplier contributions.

- **Collaborative industry voice:** There may be a need for a collaborative industry approach, especially for niche machinery and material suppliers. This collective voice can help in setting industry standards and driving broader compliance and innovation. We will explore this further in the section **Industry collaboration: Sustainable Tobacco Program (SPT)**.

DEPENDENCIES:

- **Reliability of supplier data:** The accuracy and consistency of data provided by suppliers are crucial. Reliable data is necessary to track progress towards emission reduction targets and to ensure that suppliers are independently taking actions aligned with JTI and JT Group targets.
- **Supply chain management variability:** Different procurement areas have unique management challenges. Aligning on requirements and facilitating ease of information sharing across diverse supply chain segments is essential to maintain coherence in our sustainability efforts.
- **Company-wide understanding:** It is imperative that all levels of the company understand the impact of purchasing decisions on our overall emissions profile. This awareness ensures that sustainability considerations are integrated into procurement decisions.
- **Automation of information exchange:** As our management approach matures, automating the exchange of information will be necessary to streamline processes and enhance efficiency in data collection and analysis.

5.2.3

LOW CARBON BUSINESS TRAVEL

As a global organization, business travel is integral to our day-to-day operations.

While business travel emissions are not currently part of our emissions reduction target, addressing these emissions is crucial for achieving our long-term net-zero goal.

Although business travel accounts for only 2% of our total 2023 footprint, it is an area where we can directly influence employee behavior through engagement and policy. Since 2019, we have reduced our business travel emissions by 3%.

The COVID-19 pandemic accelerated our adoption of online meetings, which helps us avoid travel-related emissions. However, some business travel remains essential. Currently, reporting and reduction of business travel emissions are primarily focused on air travel, but we plan to expand our efforts to include rail travel.

To better manage these emissions, we are 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. This improved data aims to empower colleagues to consider the carbon impact of their travel decisions and inform our company's business travel policy.

By embedding business travel emissions into our strategy now, we are taking proactive steps to influence behaviors and policies that will contribute to our overall sustainability goals.

DEPENDENCIES

- Our ability to influence cultural change within our employees will significantly impact our ability to reduce emissions in this area. Internally, we have established the Travel and Events (T&E) Program to support this effort.
- The continued decarbonization of the transport sector is essential for reducing our emissions. This includes the ongoing decarbonization of the air and rail industries.

5.2.4

GREENER LOGISTICS AND DISTRIBUTION

Similar to business travel, emissions from the upstream and downstream transportation of products and materials are relatively small, accounting for approximately 5% (upstream and downstream) of our total emissions.

Unlike business travel, limiting the movement of materials and goods is not practical. Therefore, we need to consider how to reduce the carbon footprint associated with our logistics network. This could involve transitioning to low-carbon alternatives to traditional fuels or converting to fully electric vehicles.

Route optimization and proper supply chain management, which limit the number of time-critical shipments and therefore reduce the amount of air freight, have been embedded within our processes for many years. However, there are many other areas where JTI can influence these emissions. To make a significant impact on emissions reduction, our teams need to be equipped with robust data to make informed decisions.

Our current focus is on improving data quality and frequency. Frequent access to carbon intensity information will allow for better consideration of carbon impact in logistics decisions. This approach enables the logistics team to take ownership of JTI's international logistics decarbonization efforts.

- **Improved availability of alternative fuels and EVs:** The success of our logistics decarbonization depends heavily on the widespread availability of alternative fuels and electric vehicles, particularly heavy-duty vehicles. Additionally, there must be an extensive and reliable network of recharging infrastructure to support these vehicles.
- **Geographical differences in fuel types or technology availability:** Different regions may have varying levels of access to alternative fuels and advanced technologies. These geographical disparities can impact the uniform implementation of our logistics decarbonization strategy and require tailored solutions to address region-specific challenges.
- **Geopolitical stability:** Stable geopolitical conditions are essential to maintain traditional sea or road logistics routes without disruptions. Political instability can lead to delays, increased costs, and logistical challenges that could hinder our decarbonization efforts.
- **Accelerated decarbonization of the transport sector:** This involves the rapid development of infrastructure and advanced equipment necessary to support low-carbon logistics operations. Ensuring that the transportation industry evolves quickly enough to meet decarbonization goals is critical for our logistics strategy.



6.

THE ROLE OF CARBON CREDITS

THE ROLE OF CARBON CREDITS

In our journey to net-zero, we have outlined the distinction between net-zero and carbon neutral targets. Achieving these goals will require the use of carbon offsets.

As part of our long-term strategic planning, we have started to develop our carbon offsetting strategy to help future-proof both access to supply and cost management. While emission reduction remains our primary focus, it is important to consider offsetting as prices for carbon credits could significantly increase by 2050. Therefore, it is crucial to understand the strategic implications, associated costs, and significance in reducing future operational spend risks and securing supply before 2050.

In 2023, we began developing our offsetting strategy with the support of third party subject matter experts. The strategy is expected to be finalized and signed off by early 2025. We aim to secure all our carbon credit requirements for our carbon neutral operations 2030 and net-zero 2050 objectives and beyond. Given the high demand for credits in the Voluntary Carbon Market (VCM), it is essential for JTI to strategize our approach today.

As part of this workstream, JTI has collaborated with key stakeholders from across the business and considered best practices for carbon credit sourcing.





Considerations include:

The most appropriate type of carbon credit to be used at each stage of our journey (i.e., carbon removals vs. carbon avoidance/reduction) in alignment with the requirements defined by the SBTi Corporate Net-Zero Standard and BVCM Guidelines.

- The specific project types within each credit type (e.g., afforestation, forest protection, mangroves).
- The most effective timelines for investment to maximize the impact of our credit purchases.
- Different types of procurement approaches designed to prolong our investment into projects and enhance our impact throughout.
- Alignment to the United Nations' Sustainable Development Goals (SDGs), particularly those already supported by JTI in its wider sustainability objectives.
- Adherence to highest standards of certification and verification, ensuring the integrity and quality of the carbon credits.
- Ensuring effective due diligence has been completed on any projects JTI invests in or purchases credits from.

7.

GOVERNANCE

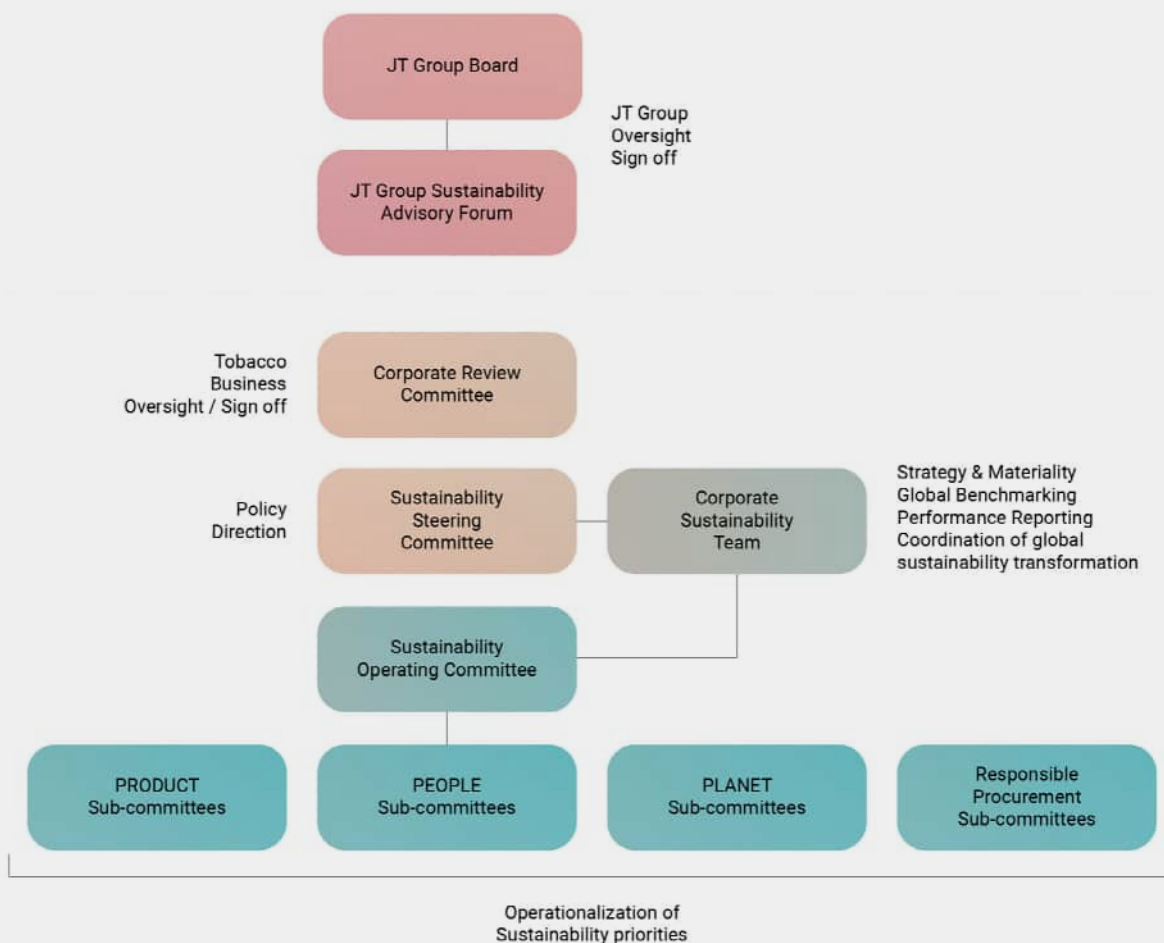
Transitioning to a low-carbon world requires internal change driven from both the top down and the bottom up.

Integrating climate change into all aspects of our operations requires robust policies and processes to effectively assess and respond to climate impacts. Establishing the right structure for decision-making and driving change is crucial for achieving our goals.

Our governance structure for addressing social and environmental topics is well-established. Recently, we have broadened this framework to encompass more comprehensive environmental

governance, with a particular focus on nature, biodiversity, and deforestation. While these areas have been competently managed by operational teams for several years, the introduction of this enhanced structure ensures that they receive the heightened attention and strategic oversight they require.

FIGURE 24: JTI'S GOVERNANCE



7.1

OPERATIONALIZING GOVERNANCE AT JTI

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

ExCom members maintain direct involvement in climate governance through their roles on the Sustainability Steering Committee. This ensures that senior leadership is not only actively engaged but also fully accountable for the company's sustainability performance.

Chaired by the CFO, the Sustainability Steering Committee provides a 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 convenes quarterly, focusing on key environmental matters and weaving climate considerations into

the broader strategic and operational decision-making processes of the company.

The governance mechanisms extend beyond these periodic meetings, incorporating climate considerations into various operational processes and functions. This includes the integration of climate-related issues into the annual budget reviews, oversight of major capital expenditures, management of employee incentives, and strategy development. Additionally, the committee oversees the development and monitoring of climate transition plans, scenario analysis, target setting, progress monitoring, and comprehensive risk management.

DRIVING COLLABORATION WITH JT GROUP

JT Group, the parent company of JTI, places a strategic priority on the governance of climate-related issues, underscoring its commitment to sustainability and corporate responsibility.

The board plays a pivotal role, with the Chief Sustainability Officer (CSO) directly managing climate matters and reporting to the Representative Director and Executive Vice President of JT Group, who holds the ultimate responsibility for the group's sustainability strategies.

JTI and JT Group facilitate ongoing dialogue through the Sustainability Advisory Forum (SAF), which meets every four months. Key figures, including JTI's CFO and the Vice President of Corporate Sustainability, meet with JT Group's CSO to discuss environmental strategy, progress towards targets, and future strategic directions. This forum ensures that both JTI and JT Group are aligned in their environmental efforts and commitments.

The board of JT Group fully recognizes the critical importance of climate-related issues for the company and its stakeholders. This recognition has led to the delegation of these responsibilities to a dedicated senior role, notably the Chief Sustainability Officer (CSO). The CSO is not only tasked with managing climate-related issues but also oversees broader

sustainability efforts across the company.

In recent years, the CSO has played a pivotal role in revising JT Group's environmental strategy. This included the establishment of updated environmental plans that incorporate science-based greenhouse gas (GHG) reduction targets, which have been validated by the SBTi. This demonstrates JT Group's proactive approach to meeting international climate goals.

Moreover, in December 2020, JT Group formally endorsed the recommendations of the TCFD, affirming our commitment to transparency and disclosure regarding climate-related risks and opportunities.

7.3

OPERATIONALIZING JTI'S CLIMATE TRANSITION PLAN

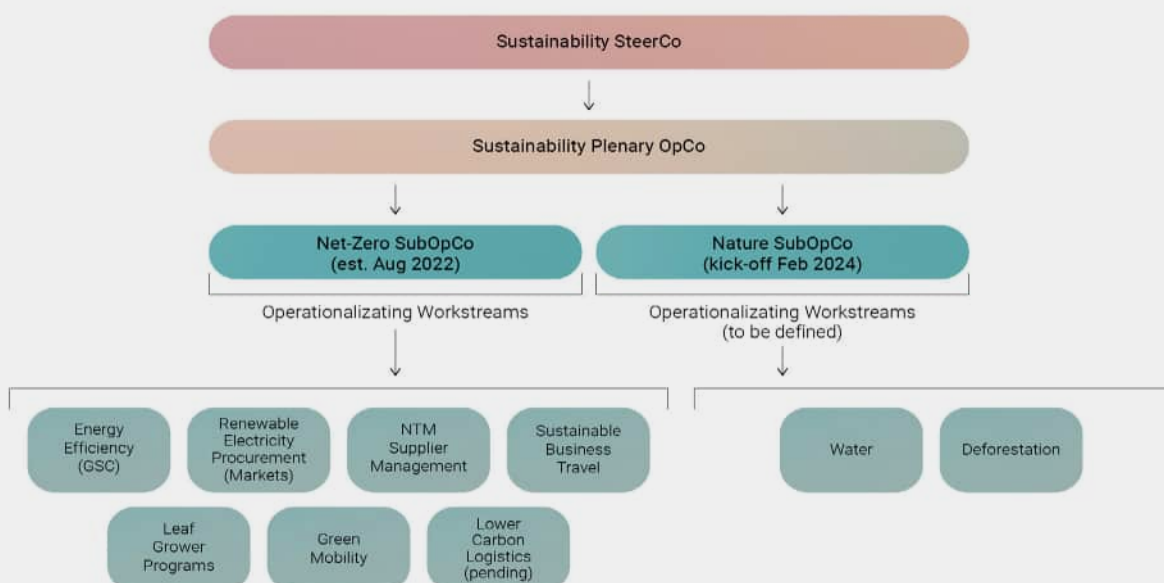
To drive the effective implementation of our plan and strategic net-zero workstreams, the Sustainability Operating Committee, comprising Vice Presidents from key functions, collaborates closely with Corporate Sustainability.

This collaboration is essential for integrating sustainability deeply into the operational workflows across the organization. It facilitates the setting of precise targets and KPIs as well as the systematic monitoring of performance to ensure these goals are met effectively.

In addition to the Sustainability Operating Committee, we have established specialized subcommittees, such as the Net-Zero Sub Operating Committee and the Nature Sub Operating Committee.

These subcommittees focus on operationalizing specific workstreams related to achieving net-zero emissions and enhancing nature conservation efforts. They play a vital role in driving forward our sustainability agenda and ensuring that climate-related considerations are fully integrated into the company's operations and decision-making processes.

FIGURE 25: SUSTAINABILITY GOVERNANCE AND PLANET PILLAR



TRAINING AND CULTURE

At JTI, we recognize that the success of our transition hinges on the active participation and awareness of all employees.¹¹

It is imperative that both our leadership and workforce are fully equipped with the necessary skills and knowledge to implement our sustainability initiatives effectively. We depend on their actions to meet our targets and are committed to upskilling our staff to support our low-carbon business model.

A robust, targeted, and evolving training plan is a key element of JTI's journey towards net-zero. Understanding that skill and capability requirements vary across different roles, we are developing a tailored training approach that caters to various levels of seniority and operational responsibilities. While specific team members require detailed sustainability-related upskilling, the broader workforce benefits from comprehensive climate education to actively contribute to our transition.

Our Executive Committee (ExCom), responsible for strategic decisions, receives training on climate and sustainability issues to ensure well-informed leadership. Training is facilitated through the Sustainability Steering Committee, which is chaired by the CFO and includes bespoke sessions led by both internal and external climate experts.

This structured approach to training ensures that all strategic decisions, particularly those related to crucial targets such as electricity usage and climate impact, are made with a thorough understanding of their implications. For instance, recent targets concerning electricity and climate were rigorously reviewed and approved through a collaborative process involving the Sustainability Operating Committee and the Sustainability Steering Committee.

At each stage of this process, relevant stakeholders received targeted training designed to enhance their decision-making capabilities. This ensures that all decisions are informed by the latest sustainability insights and best practices, enabling our leadership to contribute effectively to our sustainability goals.

Sustainability and the transition to a low-carbon economy are responsibilities shared across all levels of JTI. While top-down governance ensures strategic planning and budgeting incorporate these issues, the true success of our climate transition plan depends on the engagement of colleagues at every level. Educating and empowering all employees is critical for our success.

Our Corporate Sustainability Upskilling pillar is at the heart of cultivating a culture of sustainability and collaboration throughout the company. This initiative guarantees that every employee, regardless of their role, has access to the necessary tools, information, and training designed to enhance their sustainability capabilities. We are currently channeling dedicated resources to roll out this sustainability training pillar, which is scheduled to be operational by the end of 2024.

As part of our commitment to sustainability training, we have 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. The ultimate goal is to fully integrate sustainability considerations into our procurement practices, ensuring

11. https://jti.metrio.net/indicators/planet/our_approach_to_environment/multi_our_approach_to_environment

that our supply chain decisions align with our broader sustainability objectives.

In addition to our internal education campaigns, which are pivotal in ensuring the successful adoption of our climate transition plan by all employees, our educational initiatives reach beyond our direct staff. We actively collaborate with both integrated and non-integrated leaf suppliers, providing them with training on sustainable farming practices and effective emissions management. This broader educational effort not only

enhances our direct impact but also ensures that our entire supply chain moves towards more sustainable practices. More information on this can be found in the **Beyond emissions: empowering people and protecting nature** section of our plan.

7.5

INCENTIVES

JT Group have a robust incentive system in place that aligns with broader sustainability objectives, reflecting our group-wide commitment to integrating these crucial considerations into our overall strategy.

The remuneration for JT Group directors, who also serve as executive officers, consists of several components: base salary, executive bonus, a restricted stock remuneration plan, and a performance share unit (PSU) plan. The PSU plan is a performance-linked stock compensation system designed to align executives' interests with those of shareholders, enhance company value over the mid to long term, and ensure commitment to achieving mid-term business results.

Starting in the performance evaluation period of 2022, JT Group has introduced an ESG-related index in addition to profit as KPIs for the PSU. This index specifically tracks progress on initiatives to realize

net-zero goals, particularly focusing on target attainment rates for reducing GHG emissions. This inclusion of ESG-related metrics underscores the Group's dedication to sustainable development and climate action, reinforcing the importance of environmental stewardship in its executive compensation structure.

At JTI, sustainability performance is integrated into our overall business objectives and key performance indicators. We hold our leadership and teams accountable for delivering on our sustainability commitments through our existing performance management and evaluation processes.

8.

FINANCING OUR TRANSITION



8.1

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, set at USD 80 per tCO₂e in 2022, is uniformly applied across our factories and manufacturing facilities worldwide. Designed to evolve with our needs and the external environment, the Internal Carbon Price is reviewed annually to ensure its continued relevance and effectiveness. Since its implementation, it has identified five initiatives that are now deemed financially viable, with a positive net present value (NPV), projected to yield carbon savings of approximately 75,000 tCO₂e between 2023 and 2025.

8.2

GREEN LOAN

To support the continuation of our investment in climate mitigation, we have been working hard to secure green finance.

In 2023, we secured a sustainability-linked loan that will provide us with USD 100 million to help support our sustainability activities. With this loan secured at the tail end of the year, we have established internal governance and operational processes for fund drawdown and verification of fund usage.

We are currently identifying initiatives across the business that meet the requirements agreed in the principles of the green financing agreement, covering renewable energy, energy efficiency, green buildings, clean transport and the preservation of flora and natural landscapes.

9.

STRATEGIC ENGAGEMENT

BEYOND EMISSIONS: EMPOWERING PEOPLE AND PROTECTING NATURE

For climate change management to be effective, we cannot focus solely on emissions.

The decisions we make and the actions we take to reduce emissions could inadvertently impact nature, workforces, or local communities. It is crucial that our emission reduction and climate adaptation strategies consider these potential unintended consequences. Additionally, we rely on the people in our supply chain to support our Scope 3 emissions reduction goals. Therefore, our decisions must also account for wider social elements to ensure we are upskilling and empowering individuals and positively supporting local communities.

COMMITMENT TO A JUST TRANSITION

JTI is dedicated to the principle of a Just Transition, which ensures that our move towards a sustainable future is fair and inclusive. Our Sustainability Impact Framework, supported by the PEOPLE and PLANET pillars, has long integrated regenerative farming practices like crop rotation and the planting of 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.

OUR TARGETS TO SUPPORT A JUST TRANSITION

We have established several targets to support a just transition within our farming communities:

- **Living income for growers:** We are committed to ensuring that all our tobacco growers can earn a living income. By 2025, we plan to implement our Living Income Calculator across all our direct tobacco leaf supply chain origins, ensuring that our growers are compensated fairly for their labor and investment.
- **Human rights monitoring:** By 2025, we will monitor 100% of farms in our direct tobacco leaf supply chain origins for human rights compliance, including child labor. We will also annually disclose related KPIs, as well as prevention and remediation actions.

At JTI, our decision-making process is meticulously crafted to assess and respond to a spectrum of impacts, extending beyond environmental effects to encompass the well-being of our workforce and the broader communities where we operate. Central to this approach is our commitment to fully engage our supply chain partners in reducing Scope 3 emissions. This collaboration is pivotal, ensuring that our transition to a low-carbon economy is equitable and grounded in just practices.

9.2

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 across our vertically integrated suppliers.

These services include crop inputs aimed at increasing 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 continually seek to enhance our understanding and methods of tobacco farming and share these insights with our growers. Significant investments have been made in this regard, including the establishment of Agronomy Development & Extension Training (ADET) facilities in Brazil and Zambia. These sites function as model tobacco farms where applied research and development are conducted on various topics to ensure sustainable, viable, and profitable tobacco farming that complies with environmental requirements and regulations.

Both locations offer relevant, applied research and development activities, including trials on crop management,

soil fertility, curing barn efficiency, production cost savings, mechanization, and agroforestry. Validated trial outcomes are passed on to growers through our extension service. ADET also facilitates training and extension services to promote optimal grower productivity, quality, and leaf production integrity. Additionally, we partner with leading international academic institutions to develop innovative tobacco production methods.

The ADET facilities have developed two key standards that our suppliers are expected to follow:

1. **Good Agricultural Practices:** All of our leaf growers are expected to adhere to Good Agricultural Practices, which aims to produce a customized quality crop while protecting, sustaining, or enhancing soil, water, air, and animal and plant life.
2. **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

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.

Mulching: 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.

Reservoirs for seedling production: Establishing reservoirs ensures a reliable 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, thereby increasing the 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. 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 Target 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 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.

throughout the crop cycle. Contracted large-scale commercial growers do not require dedicated extension services from us.

Our commitment to good farming practices extends beyond tobacco. We encourage growers to use seasonal crop rotations, such as growing complementary crops like maize, groundnuts, or soya on the same land in alternate seasons. This practice benefits growers by providing extra income, improving food security, and promoting soil conservation.

9.3

ZERO DEFORESTATION OF MANAGED NATURAL FORESTS

Wood plays a crucial role in our business, not only as a structural and energy resource for curing tobacco but also as a significant element in global climate mitigation efforts.

Forests are essential for carbon sequestration, biodiversity conservation, and soil erosion control. Recognizing this, we prioritize responsible and sustainable management of this vital resource to ensure a continuous supply of renewable wood, while actively working to conserve and rehabilitate forests.

Wood is a key resource for our growers, used both to build barns for curing tobacco leaves and as an energy source in the curing process. Recognizing its importance, we are committed to ensuring that renewable wood resources are available and that forestry practices across our business are sustainable and responsible.

In 2023, we further developed our sustainability governance structure by introducing a Nature Sub Operating Committee under our Plenary Operating Committee. This committee holds devolved responsibility for implementing and managing our nature strategy. We have assigned a dedicated lead for deforestation and are exploring suitable leads for water and nature within the business. As part of our strategy development and to align with upcoming regulatory requirements, we have set four key targets to tackle deforestation within our operations and supply chain.

DEFORESTATION COMMITMENTS

1. By 2030, we will replace all wood from natural forests used in the tobacco curing process of our directly contracted growers with renewable fuel sources.
2. 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.
3. Zero deforestation of managed natural forests in our entire supply chain by 2030.
4. 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.

Preventing deforestation requires collaboration with our growers. We are developing best practices with our growers to implement suitable practices for their regions. Internally, we follow a due diligence approach to identify and prioritize wood use, management, and conservation challenges, and develop appropriate responses. Sustainable forestry is central to the work at our ADET centers. Our in-house agroforestry experts ensure best practices wherever our business impacts wood supplies and



forestry. We also partner with institutions like the Federal University of Santa Maria in Brazil to further integrate sustainable wood resource management in small-scale tobacco farming.

Through our ADET centers, we have developed Minimum Forestry Standards (MFS) – a set of specifications and guidelines that our growers must follow. This ensures growers in countries that use wood for tobacco curing can establish and manage quality, productive woodlots with a reduced environmental impact.

Our integrated and holistic approach not only focuses on wood production but also 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.
- Achieving consistent standards for forest-risk commodities is essential for creating a level playing field globally. While some markets may benefit from stringent regulations

that enforce sustainable practices, other markets may operate under less rigorous standards. This disparity can undermine efforts to manage deforestation-free supply chains effectively. JTI will continue to advocate for the adoption of uniform best practices and standards to ensure global consensus and effectiveness in managing forest-risk commodities.

- Global standardized processes for assessing, monitoring, and certifying deforestation activities are unfortunately still inconsistent and uncertain. This inconsistency can lead to challenges in verifying and maintaining deforestation-free supply chains. JTI will work to address these inconsistencies by supporting the development of reliable, consistent methods for deforestation assessment and certification. This will involve collaborating with industry bodies, NGOs, and other stakeholders to enhance the reliability of deforestation monitoring and certification systems.

9.4

INDUSTRY COLLABORATION – SUSTAINABLE TOBACCO PROGRAM (STP)

Our international tobacco business is one of seven global manufacturers participating in the Sustainable Tobacco Program (STP) Steering Committee.

The STP is a risk-based program that focuses on mapping and addressing sustainability topics and priorities. It is a collaborative initiative aimed at enabling continuous improvement in supply chain due diligence. The program is impact-driven, with the goal of improving the sector's environmental and social footprints, contributing towards meeting the SDGs, and facilitating transparent communication of responsible practices across the supply chain.

Since 2019, we have collaborated with other manufacturers, leaf merchants, external experts, and various organizations and service providers to further develop the STP. Participants work together on eight themes: Water, Human and Labor Rights, Livelihoods, Climate Change, Soil Health, Crop, Natural Habitats, and Governance. The development phase of the program was completed in June 2021, and full implementation is ongoing.

All our leaf merchants and vertically integrated origins are expected to submit STP self-assessments covering the eight themes for each crop season.

Where risks are identified, independent service providers (assessors/auditors) are selected for each country through a separate bidding process to conduct in-country assessments (IDAs). The assessments are carried out following a standard and a methodology of a recognized industry platform of STP. In 2023, three focused IDAs, were completed. Three more are ongoing with an aim to be completed in 2024.

For all the completed assessments, leaf merchants shared priority-focused, corrective and time-bound action plans. The action plans based on the assessments are a requirement of the STP process, that aims for a 100% of leaf merchants (with substantial actual/potential negative impacts) to prepare a corrective action/improvement plan, that is monitored through the STP. So far, no leaf merchants were terminated.

The company One Peterson supports the program in the role of the STP Secretariat. Among other tasks, they are performing continuous risk assessment data substantiation. This enables smart use of data and supports the dialogue to improve JTI's supply chain due diligence process and global view of industry collaboration.

APPENDIX

1.

DETAILED DATA TABLES

1.1 DETAILED EMISSIONS BREAKDOWN YEAR ON YEAR, BASELINE TO YEAR TO DATE

Reference	Disclosure	Data points	2019	2020	2021	2022	2023
GHG emissions (tons CO ₂ e)	Scope 1	Direct emissions total (Variable EF)	259 525	240 923	261 029	251 966	262 255
	Scope 2	Indirect Emissions total (Variable EF)	223 578	186 259	175 328	155 192	133 981
	Scope 3	Purchased Goods & Services (Variable EF)	5 590 047	5 303 064	4 418 462	5 029 485	5 764 825
		Processing of Sold Products (Variable EF)	1 156	1 755	1 743	3 114	2 124
		Use of Sold Products	27 155	21 274	17 987	25 276	41 937
		End-of-Life Treatment of Sold Products (Variable EF)	65 030	76 080	77 465	91 660	108 956
		Downstream Leased Assets	73	75	80	91	97
		Licensees (Variable EF)	4 046	4 795	4 949	6 551	11 395
		Capital Goods (Fixed EF)	265 260	239 970	208 847	194 881	268 941
		Fuel and Energy related activities not included in Scope 1 or 2 (Variable EF)	113 107	109 339	120 732	114 111	111 615
		Transportation & Distribution (Upstream) (Variable EF)	356 812	328 592	346 611	425 260	382 094
		Waste Generated in Operations (Variable EF)	12 403	8 727	8 079	6 546	6 927
		Business Travel (Variable EF)	120 938	18 429	4 637	31 076	116 728
		Employee Commuting (Variable EF)	35 637	32 518	28 877	32 644	21 976
		Upstream Leased Assets	700	665	426	630	685
		Transportation & Distribution (Downstream) (Variable EF)	142 440	136 044	141 253	140 846	146 861

1.2 WATER DATA BASELINE YEAR TO DATE

Reference	Disclosure	Data points	2015	2016	2017	2018	2019	2020	2021	2022	2023
Water	Water withdrawal by source (1000 m³)	Brackish surface water/ seawater	0	0	0	0	0	0	0	0	0
		Fresh surface water	0	0	0	0	0	0	0	0	0
		Groundwater	1 818	1 801	1 647	1 649	1 833	1 679	1 752	1 556	1 390
		Municipal supply	2 127	1 993	1 996	1 919	1 687	1 666	1 605	1 558	1 464
		Produced/process water	0	0	0	0	0	0	0	0	0
		Rainwater	59	60	66	58	41	31	29	1	0
		Wastewater from another organization	0	0	0	0	0	0	0	0	0
		Total water withdrawal	4 004	3 853	3 709	3 626	3 561	3 376	3 387	3 115	2 855
	Water discharge by destination (1000 m³)	Fresh surface water	352	343	369	340	441	382	363	361	372
		Brackish surface water/ seawater	0	0	3	18	19	6	6	0	16
		Groundwater	1	2	1	0	8	12	12	6	5
		Municipal supply	2 209	2 074	1 875	1 894	1 741	1 776	1 802	1 755	1 451
		Wastewater for another organization	0	0	0	0	0	0	0	0	0
		Total wastewater discharged	2 562	2 418	2 248	2 252	2 209	2 176	2 183	2 122	1 844

1.3 WASTE DATA

Reference	Disclosure	Data points	2015	2016	2017	2018	2019	2020	2021	2022	2023
Waste	Waste generation (1000 tons)	Incinerated with heat recovery	15	14	13	13	13	9	8	7	7
		Incinerated without heat recovery	2	1	1	1	1	2	1	1	1
		Landfilled	17	17	17	18	16	17	15	12	11
		Recycled including waste composted	56	55	55	55	57	52	54	52	53
		Total waste generated	90	88	86	87	87	80	78	72	73
	Waste handling (1000 tons)	KPI waste recycled	51	49	49	48	46	43	44	43	43
		Waste disposed	19	18	18	19	17	19	16	13	12
		Waste reused	20	20	20	21	23	31	33	31	37

1.4 PLANET METRICS AND TARGETS

Priority	Impact area	Target/aspiration	Metrics	Our progress to date			Narrative
				2021	2022	2023	
Tackling climate change	Emissions reduction <i>Net Zero</i>	Achieve Net-Zero greenhouse gas emissions across our entire value chain by 2050.		-			This is our overarching longer-term commitment, supported by our carbon neutral commitment and emissions reduction targets.
	Emissions reduction <i>Carbon Neutral</i>	Be carbon neutral for our own operations by 2030.		-			This is our overarching near-term commitment in relation to our own operations, supported by our emissions reduction targets.
	Emissions reduction <i>Carbon Neutral</i>	By 2030, we will reduce emissions from our own operations by 47% and emissions associated with leaf and non-tobacco materials by 28%, against a 2019 base year.	GHG emissions Scope 1 & 2.	-11%	-17%	-19%	Since 2019, we have reduced Greenhouse Gas emissions from our own operations (Scope 1&2) by 19%.
			GHG emissions Scope 3 Cat. 1.	-21%	-10%	3%	Since 2019, emissions associated with leaf and non-tobacco materials (Scope 3 Category 1) have increased by 3%.
		50% renewable electricity by 2025 and 100% by 2040.	% of renewable electricity.	30%	31%	33%	In 2023, the proportion of renewable electricity used by JTI was 32.6%.

Priority	Impact area	Target/aspiration	Metrics	Our progress to date			Narrative
				2021	2022	2023	
Conserving nature	Protecting water	Reduce water withdrawal in our own operations by 33% by 2030 against a 2019 base year.	Water withdrawal.	-5%	-13%	-20%	Since 2019, we have reduced water withdrawal by 20% in relation to our own operations.
		100% of JTI's eligible production facilities* will be certified against the Alliance for Water Stewardship standard by 2030. *Some production facilities not eligible due to AWS restrictions in certain jurisdictions.	% of eligible production facilities certified against the Alliance for Water Stewardship standard.	-			First sites to be certified in 2025.
	Reducing operational waste	Zero factory waste to landfill by 2030.	Percentage of total factory waste sent to landfill.	15%	13%	14%	The proportion of factory waste landfilled has been relatively stable over the last three years.
	Enhancing biodiversity <i>No deforestation</i>	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.		-			Monitoring - data will be available in 2025.
				-			Monitoring - data will be available in 2025.
	Enhancing biodiversity <i>No conversion</i>	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.		-			Monitoring - data will be available in 2025.
	Forestry	We will replace all wood from natural forests used in the tobacco curing process of our directly contracted growers with renewable fuel sources by 2030.	Barn efficiency index (kg wood/kg tobacco).	10.3	9.2	7.9	Based on our 2023 tree planting activities in Tanzania, Zambia and Brazil, we estimate 103% renewable wood supply in crop year (CY) 2030, based on actual tree planting captured with the Agroforestry App in CY2023 (Nov 2022-Feb 2023).
			Percentage of renewable wood used in tobacco curing.	No data	11.0%	18.0%	
			Tree planting (million trees).	9	10.0	10.5	
			Wood production index.	81.0	98.0	103.0	
	Sustainable Agriculture	100% of our directly-contracted growers will have adopted JTI's Good Agricultural Practices (GAP) Protocol by 2030.		84%	100%	100%	
		Complete the elimination of Criterion 1 Highly Hazardous Pesticides (HHPs) from our direct tobacco leaf supply chain in 2024 and eliminate the use of all HHPs by 2040.		-	-	-	0 tobacco purchased with HHPs Criterion 1 detection above standard limit in 2023.

1.5 GOVERNANCE METRICS & TARGETS

Priority	Impact area	Target/aspiration	Metrics	Our progress to date			Narrative
				2021	2022	2023	
Responsible procurement	Supplier screening	We will screen all key suppliers against environmental, social and governance criteria by 2023.	% of suppliers screened against ESG criteria.	100%	100%	100%	
Tobacco leaf supply chain	Agricultural Labor Practices	We will implement our Agricultural Labor Practices (ALP) program in all sourcing countries by 2025.	% of directly contracted growers covered by ALP.	84%	100%	100%	In 2023, 98.57% of our supplying entities reported against ALP, which is improvement vs 94% in 2022. 100% of our directly contracted growers remain covered by ALP and 99.99% of our leaf merchants' growers (excludes India and China). 89.10% of our volumes were covered by ALP vs 83% in 2022.
			% of third-party growers covered by ALP (excludes India and China).	97%	98%	99.9%	
			% supplying entities reporting.	97%	94%	98.5%	
			% volumes covered by ALP.	79%	83%	89%	

METHODOLOGY & VERIFICATION

- Our basis of reporting outlines the scope of our sustainability targets, the way we define them, and how we calculate and consolidate progress data against these targets. This includes additional information on our carbon footprint, products and packaging, renewable energy, water and waste, supplier screening and Agricultural Labor Practices. Additional details can be found on our [website](#).
- **Assurance Statement**
- **Sustainability Strategy of Tobacco Business**
- Our Climate Scenario Analysis (CSA) assessed two carbon scenarios: 1) Low Carbon (RCP2.6), and 2) High Carbon (RCP8.5) across three distinct time horizons: current day, 2030 and 2050. Further details of the process and results of our CSA can be found in our Group [TCFD report](#).

GLOSSARY

- Key suppliers are:
 - Suppliers with a planned or actual annual spend of more than USD 500,000
 - Companies involved in our Know Your Supplier (KYS) program
 - Third-party leaf merchants
 - Intermediaries
 - Contract manufacturer and licensees
- **1.5°C** – The temperature refers a pathway concerning the increase in the average global surface temperature above pre-industrial levels. The Intergovernmental Panel on Climate Change (IPCC) identify it as the point at which significant adverse climate impacts start occurring. Moreover, 1.5°C corresponds to the threshold identified in the Paris Agreement, aimed at not being surpassed.
- **Carbon neutral** – A state in which the total CO₂ emissions produced are equal to the amount sequestered from the atmosphere or offset via alternative methods.
- **Carbon offset** – Carbon offsetting is a method to counterbalance the greenhouse gases (GHGs) released into the atmosphere from human activities. It involves investing in projects that either prevent emissions from occurring or remove GHGs already present in the atmosphere. These projects can include renewable energy initiatives, reforestation efforts, methane capture projects, and energy efficiency improvements.
- **CDP** – The Carbon Disclosure Project is a non-for-profit organization that runs a global disclosure system. It engages with companies, cities, states, and regions, encouraging them to disclose their environmental impacts, particularly related to climate change, water security, and deforestation.
- **Decarbonisation** – The approach for reducing and eliminating CO₂ emissions associated with transport, electricity and transport.
- **Ecoinvent** – A widely used database and methodology for life cycle assessment (LCA). It provides comprehensive data on the environmental impacts associated with various products and processes throughout their entire life cycle, from raw material extraction to production, use, and disposal. Providing high quality environmental data ensures interested parties can make informed sustainability decisions.
- **GHG** – Greenhouse gas (GHG) emissions are a group of gasses released into the atmosphere which have an ability to trap heat, thus contributing to climate change through increases in global surface temperatures. These gases include carbon dioxide, methane, nitrous oxide and sulphur hexafluoride.
- **Internal Carbon Price** – An internal carbon price is a financial tool used by companies to account for the cost of emitting CO₂ or other greenhouse gases (GHGs) within their own operations or investment decisions. It involves setting an internal price on carbon emissions, typically through a shadow or hypothetical price, which reflects the potential future costs of carbon emissions or the company's commitment to reducing its carbon footprint.
- **IPCC** – The Intergovernmental Panel on Climate Change are a scientific body that are tasked with assessing the scientific research related to climate change, its impacts, and potential adaptation and mitigation strategies. Composed of thousands of volunteer scientists globally, they produce comprehensive assessment reports on various aspects of climate change. These reports serve as a crucial foundation for policymakers and governments to make informed decisions regarding climate policy and action.
- **Just transition** – A just transition refers to the process of shifting to a more sustainable and low-carbon economy in a way that is fair and equitable for all stakeholders, particularly workers and communities that may be affected by the transition away from fossil fuels and other high-carbon industries.
- **LCA** – A Life Cycle Assessment (LCA) is a methodology used to calculate the environmental impacts associated with a product during all stages of its life cycle. It includes the raw material extraction through to production, use and disposal.
- **Low carbon economy** – A low carbon economy minimises greenhouse gas emissions by transitioning to cleaner practices and technologies, promoting sustainable development while combating climate change.
- **Low carbon transition** – The shift from high-carbon to low-carbon energy sources and practices. It involves transitioning away from fossil fuels and other carbon-intensive activities towards

cleaner alternatives such as renewable energy, energy efficiency measures, and sustainable transportation options.

- **Nature Based Solutions** – Nature-based solutions (NBS) are approaches to address environmental and societal challenges through protecting and utilising nature. Providing solutions harnessing the power of ecosystems and biodiversity ensure sustainable and cost-effective solutions for various climate related issues.
- **Net-zero** – Net-Zero refers to achieving a balance between the anthropogenic greenhouse gas (GHG) emissions produced and the amount removed from the atmosphere. It is typically considered as a long-term target which involves first minimizing emissions and then compensating for any remaining emissions with removals. Such targets are set within the boundaries of climate science and are often referred to as “Science-Based Targets”.
- **Paris Agreement** - The Paris Agreement is an international treaty, signed by 196 parties, under the United Nations Framework Convention on Climate Change (UNFCCC). It aims to tackle climate change by restricting global warming to well below 2°C above pre-industrial levels, with continued efforts to limit the temperature increase to 1.5°C.
- **Physical risk** - The potential harm, damage, or disruption to assets, infrastructure, ecosystems, and communities due to the direct impacts of climate-related hazards. For example, extreme temperatures, droughts and sea level rise.
- **Regenerative agriculture** - Regenerative agriculture is a farming method that focuses on improving soil health, biodiversity, and carbon sequestration. It involves practices like minimal tillage, cover cropping, and crop rotation to restore ecosystems and promote sustainability.
- **Residual emissions** - These refer to the remaining GHG emissions which persist following efforts to reduce or mitigate existing emissions. Residual emissions are ones which cannot be eliminated or avoided entirely, despite sustainable implementation strategies such as energy efficiency improvements and renewable energy adoption.
- **SBTi** - The Science Based Targets initiative provides a scientific basis for organizations to reduce their GHG emissions through setting short- and long-term targets grounded in climate science. It assesses and approves the targets, ensuring they adhere to the necessary criteria.
- **Scope 1 - 3** – Scopes 1, 2 and 3 are a way to categorise carbon emissions into varying levels of direct and indirect sources. Scope 1 emissions encompass all direct emissions that are controlled. These include emissions associated with on-site boilers, vehicles or furnaces. Scope 2 emissions are indirect emissions associated with the generation of electricity, heat or steam. These sources are purchased externally but are related to the organizational energy consumption. Scope 3 emissions are all other indirect emissions that are related to an organization's activities. Not controlled or owned, scope 3 emissions are related to activities upstream and downstream. These include purchased and capital goods, business travel and waste.
- **TCFD** - The TCFD, or Task Force on Climate-related Financial Disclosures, is a framework that helps organizations disclose how climate change may impact their finances. It provides guidelines for reporting on risks and opportunities related to climate change, aiding investors and stakeholders in making informed decisions.
- **Transition risk** - The financial and economic risks that arise from the process of transitioning to a low-carbon economy. These risks stem from changes in policy, regulation, technology, market dynamics, and societal preferences aimed at reducing greenhouse gas (GHG) emissions and mitigating climate change.
- **UK's Packaging Extended Producer Responsibility (EPR)** - The UK's updated Packaging Extended Producer Responsibility (EPR) regulations significantly increase the responsibility of organizations for the recovery and recycling costs of their packaging. Effective from 2023 with full implementation by 2027, these regulations aim to shift the financial burden of managing packaging waste from taxpayers to producers, promoting a more circular economy. Organizations will need to report on their packaging use, pay fees, and purchase Packaging Waste Recovery Notes (PRNs). The introduction of variable fees incentivizes the use of recyclable materials to enhance sustainability. The system is designed to align with similar European models, imposing full costs of recycling on UK brand owners and importers, while also covering awareness and local council expenses.

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