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KT&G Environmental Management Policy



KT&G ENVIRONMENTAL MANAGEMENT POLICY

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KT&G Environmental Management Policy

Overview

Purpose

KT&G Co., Ltd. (hereinafter referred to as “KT&G”) implements environmental management with the goal of creating a better life together with society and a sustainable future. We have established the environmental management policy in order to uphold our commitment to eco-friendly management, fulfilling our social responsibility to the environment and promoting green impact in business operation. Further, we will strive to establish an environmental management system matching global standards in the areas of response to climate change, greenhouse gas emission, water and waste management, and product eco-friendliness.

Scope of Application

“KT&G Environmental Management Policy”(hereinafter referred to as “this policy”) applies to all members of KT&G and its affiliates, including domestic and overseas subsidiaries. Furthermore, KT&G engages stakeholders across the value chain that have business relationships with the company, such as customers, partners, distribution, and logistics, with the same level of compliance as our executives and employees, to comply with this policy. In addition, to maintain an integrated environmental management system, we have a due diligence process that assesses the environmental risks of acquisition and merger target companies and develops mitigation measures.

Roles and Responsibilities

The Sustainability Committee under the Board of Directors reviews strategies for the environmental sector and directions to deal with major issues, and manages progress. The executive ESG Management Council manages issues of environmental management, such as climate change, from a company-wide, integrated perspective. The ESG Management Office serves as a control tower and discusses implementation of strategic tasks, including greenhouse gas reduction, through a companywide task force which is also participated by Energy & Environment Department.

Environmental Management Principles

KT&G will faithfully implement and comply with the following for responsible environmental management;

- ① Strictly comply with the environmental laws and regulations of all countries where we do business.
- ② Understand the environmental impact of our business activities, set clear goals to minimize them, and establish implementation plans.
- ③ Set key indicators to continue to improve environmental management, monitor progress and transparently disclose performance on each indicator.
- ④ Reinforce internal capabilities to recognize key risks and opportunities climate change poses to our business operation and value chain, and make preemptive responses.
- ⑤ Strive to raise awareness of environmental management among the employees, executives and other stakeholders to promote environmental management by providing environmental education and sharing best practices of other companies.
- ⑥ Actively cooperate with leaf tobacco farmers and partners, and continue to provide all entities across our value chain with knowledge, best practices, and technologies necessary for environmental management, so as to minimize environmental impact of the value chain.

Implementation of Environmental Management Principles

KT&G examines the current status and systematically manages performances in line with internal policies and through an integrated system managing the environmental sectors across all business sites. Further, we strengthen monitoring of response to climate change, resource efficiency, and product eco-friendliness by regular inspections and third-party verification.

Response to Climate Change

KT&G supports the goals of the Paris Agreement and is actively working to keep the rise in global average temperature to well below 2°C above pre-industrial levels, and to limit it to 1.5°C. To achieve this, we set and implement Science-Based Targets(SBT) that are in line with international standards.

- ① **Carbon Neutrality** : KT&G carries out innovative improvement activities to achieve carbon neutrality, by minimizing greenhouse gas(GHG) emissions from business activities and maximizing opportunities to offset GHG emissions by engaging its value chain. **We adopt feasible and effective strategies to achieve Net Zero by 2045.**
- ② **Greenhouse Gas Inventory Management** : KT&G builds and manages GHG inventory for Scope 1, 2, and 3 to analyze environmental impact associated with GHG emissions across all business sites. We compile data and monitor our GHG emissions every year.
- ③ **Greenhouse Gas Reduction Target** : KT&G has established SBTi-based GHG reduction targets for emissions generated within its business sites and across the entire value chain by 2030, and systematically implements activities to achieve it. The key reduction targets are as follows.
 - GHG reduction targets by 2030
 - Scope 1+2 : 42% reduction compared to 2020 emissions
 - Scope 3 :25% reduction compared to 2022 emissions¹⁾
 - Achieve Net Zero for Scope 1+2+3 by 2045
- ④ **Activities to Reduce Energy Use and Greenhouse Gas Emission** : KT&G seeks ways to cut energy use by improving energy efficiency across all business sites, and implements GHG reduction activities tailored to each business site, such as rooftop solar power system.
- ⑤ **Sustainable Collaboration**: KT&G collaborates closely with stakeholders to realize climate change action. We actively communicate to engage all stakeholders to join us in our climate action goals, including strengthening our collaboration with external stakeholders.
 - We work with farmers and partners to help reduce greenhouse gas emissions, share strategies to respond to climate change, and provide technical assistance and training to reduce emissions.
 - We strengthen our collaboration with external stakeholders (governments, customers, communities, NGOs, etc.) to contribute to achieving our climate change action goals.

1) For Scope 3 emissions of Category 1, 3, 11

Resource Efficiency

- ① **Water management** : KT&G measures water withdrawal and discharge of its domestic and overseas manufacturing sites on a regular basis and manages the efficiency of facilities which require greater water use. We also periodically inspect and improve water facilities to make sure timely supply of quality water needed in business operation.
- ② **Water Use Reduction Target** : KT&G will reduce water withdrawal at its domestic and overseas manufacturing sites by 20% through 2030 and expand water recycling and use of alternative water sources, contributing to water resource circulation.
- ③ **Waste Management** : KT&G minimizes waste generated from business operation, and stores and treats waste by type in accordance with its management standards. We promote recycling and reuse of waste generated at our domestic and overseas manufacturing sites, and strive to achieve zero waste landfill.
- ④ **Waste Recycling Target** : KT&G aims to raise its waste recycling rate to 90% at domestic and overseas manufacturing sites by 2030 and contributes to resource circulation by expanding waste recycling and improving components and packaging materials.

Improvement of Product Eco-friendliness

- ① **Areas of Management**

KT&G has set four directions of management by considering environmental impact of our value chain: reduce resource use, improve resource circulation, minimize carbon emission, and manage product life cycle. We will clarify roles and responsibilities for environmental impact management along the steps of the value chain, and lay a foundation where all business departments cooperate to manage sustainable product design.
- ② **Directions of Management**

We will establish a product eco-friendliness management system by considering product sustainability from product development to disposal. We will push ahead with sustainable product design by engaging business departments and R&D organizations that lead product planning and development, and will improve product eco-friendliness as follows;

- 1) Reduction of resource use : Design products made of the minimum amount of raw materials and resources, to prevent waste of resources.
- 2) Eco-friendly materials: Strive to use certified eco-friendly materials, recycled/recyclable /renewable materials, biomass materials, and biodegradable materials including compostable ones.
- 3) Easy recycling: Design products easy to reuse, recycle or recover.
- 4) Product safety: Consider product safety for consumers as the first priority when we adopt eco-friendly materials and improve recyclability of packaging materials.

③ Product Eco-friendliness Target

We will use easy-to-recycle packaging materials in order to improve product eco-friendliness and consumer convenience in packaging recycling, and raise the ratio of recyclable packaging materials to 100% by 2025. Further, we will fulfill our social responsibility at the stage of product disposal by raising the material recycling rate of collected waste devices to at least 80% per unit (vs. weight) by 2025, and expand waste collection programs by improving consumer engagement.

Management of Eco-friendly Business Sites

- ① **Operation of Environmental Management Systems** : KT&G will continue to operate the environmental management system matching global standards and acquire/maintain the ISO14001 certification. We will make sure non-ISO certified business sites will also adopt environmental management to a level comparable to ISO14001.
- ② **Environmental Education** : KT&G strives to minimize the environmental impact of its business sites and process operations, by periodically providing environmental education programs for all employees, environment managers at its business sites, and partners.
- ③ **Expansion of Eco-friendly Procurement** : KT&G will advance the KT&G Policy for Sustainable Products, which is the standard for eco-friendly materials and products, and strive to promote eco-friendly procurement across the value chain.

In the event of revision, this policy will be posted on our corporate website and made available to any visitors. Moving forward, KT&G will continue to fulfill its social responsibility and pursue sustainable growth and ESG management, and make uppermost efforts to promote compliance with the environmental management principles.