



KT&G

2025 CDP Corporate Questionnaire 2025

Word version

Important: this export excludes unanswered questions

This document is an export of your organization's CDP questionnaire response. It contains all data points for questions that are answered or in progress. There may be questions or data points that you have been requested to provide, which are missing from this document because they are currently unanswered. Please note that it is your responsibility to verify that your questionnaire response is complete prior to submission. CDP will not be liable for any failure to do so.

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▪

Contents

C1. Introduction.....	8
(1.1) In which language are you submitting your response?	8
(1.2) Select the currency used for all financial information disclosed throughout your response.	8
(1.3) Provide an overview and introduction to your organization.	8
(1.4) State the end date of the year for which you are reporting data. For emissions data, indicate whether you will be providing emissions data for past reporting years. .	9
(1.4.1) What is your organization's annual revenue for the reporting period?	9
(1.5) Provide details on your reporting boundary.....	9
(1.6) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?	9
(1.7) Select the countries/areas in which you operate.	11
(1.11) Are greenhouse gas emissions and/or water-related impacts from the production, processing/manufacturing, distribution activities or the consumption of your products relevant to your current CDP disclosure?.....	12
(1.22) Provide details on the commodities that you produce and/or source.	13
(1.23) Which of the following agricultural commodities that your organization produces and/or sources are the most significant to your business by revenue?	15
(1.24) Has your organization mapped its value chain?.....	19
(1.24.1) Have you mapped where in your direct operations or elsewhere in your value chain plastics are produced, commercialized, used, and/or disposed of?.....	20
(1.24.2) Which commodities has your organization mapped in your upstream value chain (i.e., supply chain)?	21
C2. Identification, assessment, and management of dependencies, impacts, risks, and opportunities	23
(2.1) How does your organization define short-, medium-, and long-term time horizons in relation to the identification, assessment, and management of your environmental dependencies, impacts, risks, and opportunities?	23
(2.2) Does your organization have a process for identifying, assessing, and managing environmental dependencies and/or impacts?	24
(2.2.1) Does your organization have a process for identifying, assessing, and managing environmental risks and/or opportunities?.....	25
(2.2.2) Provide details of your organization's process for identifying, assessing, and managing environmental dependencies, impacts, risks, and/or opportunities.	25
(2.2.7) Are the interconnections between environmental dependencies, impacts, risks and/or opportunities assessed?	39
(2.3) Have you identified priority locations across your value chain?	39
(2.4) How does your organization define substantive effects on your organization?	41
(2.5) Does your organization identify and classify potential water pollutants associated with its activities that could have a detrimental impact on water ecosystems or human health?.....	44
(2.5.1) Describe how your organization minimizes the adverse impacts of potential water pollutants on water ecosystems or human health associated with your activities.	44
C3. Disclosure of risks and opportunities	48
(3.1) Have you identified any environmental risks which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?	48
(3.1.1) Provide details of the environmental risks identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.	48

(3.1.2) Provide the amount and proportion of your financial metrics from the reporting year that are vulnerable to the substantive effects of environmental risks.....	73
(3.2) Within each river basin, how many facilities are exposed to substantive effects of water-related risks, and what percentage of your total number of facilities does this represent?	77
(3.3) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?.....	79
(3.5) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?	79
(3.5.1) Select the carbon pricing regulation(s) which impact your operations.	79
(3.5.2) Provide details of each Emissions Trading Scheme (ETS) your organization is regulated by.	79
(3.5.4) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?	81
(3.6) Have you identified any environmental opportunities which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?	81
(3.6.1) Provide details of the environmental opportunities identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.	82
(3.6.2) Provide the amount and proportion of your financial metrics in the reporting year that are aligned with the substantive effects of environmental opportunities. .	101

C4. Governance 105

(4.1) Does your organization have a board of directors or an equivalent governing body?	105
(4.1.1) Is there board-level oversight of environmental issues within your organization?	106
(4.1.2) Identify the positions (do not include any names) of the individuals or committees on the board with accountability for environmental issues and provide details of the board's oversight of environmental issues.	106
(4.2) Does your organization's board have competency on environmental issues?	112
(4.3) Is there management-level responsibility for environmental issues within your organization?	114
(4.3.1) Provide the highest senior management-level positions or committees with responsibility for environmental issues (do not include the names of individuals). ..	115
(4.5) Do you provide monetary incentives for the management of environmental issues, including the attainment of targets?	121
(4.5.1) Provide further details on the monetary incentives provided for the management of environmental issues (do not include the names of individuals).....	123
(4.6) Does your organization have an environmental policy that addresses environmental issues?	127
(4.6.1) Provide details of your environmental policies.....	127
(4.10) Are you a signatory or member of any environmental collaborative frameworks or initiatives?.....	132
(4.11) In the reporting year, did your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may (positively or negatively) impact the environment?	134
(4.11.2) Provide details of your indirect engagement on policy, law, or regulation that may (positively or negatively) impact the environment through trade associations or other intermediary organizations or individuals in the reporting year.....	135
(4.12) Have you published information about your organization's response to environmental issues for this reporting year in places other than your CDP response?	140
(4.12.1) Provide details on the information published about your organization's response to environmental issues for this reporting year in places other than your CDP response. Please attach the publication.	140

C5. Business strategy 145

(5.1) Does your organization use scenario analysis to identify environmental outcomes?.....	145
(5.1.1) Provide details of the scenarios used in your organization's scenario analysis.	146
(5.1.2) Provide details of the outcomes of your organization's scenario analysis.	157

(5.2) Does your organization's strategy include a climate transition plan?	160
(5.3) Have environmental risks and opportunities affected your strategy and/or financial planning?	163
(5.3.1) Describe where and how environmental risks and opportunities have affected your strategy.	163
(5.3.2) Describe where and how environmental risks and opportunities have affected your financial planning.	169
(5.4) In your organization's financial accounting, do you identify spending/revenue that is aligned with your organization's climate transition?	171
(5.4.1) Quantify the amount and percentage share of your spending/revenue that is aligned with your organization's climate transition.....	171
(5.4.2) Quantify the percentage share of your spending/revenue that was associated with eligible and aligned activities under the sustainable finance taxonomy in the reporting year.	173
(5.4.3) Provide any additional contextual and/or verification/assurance information relevant to your organization's taxonomy alignment.	176
(5.9) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?	177
(5.10) Does your organization use an internal price on environmental externalities?	178
(5.10.1) Provide details of your organization's internal price on carbon.	178
(5.10.2) Provide details of your organization's internal price on water.....	181
(5.11) Do you engage with your value chain on environmental issues?	183
(5.11.1) Does your organization assess and classify suppliers according to their dependencies and/or impacts on the environment?.....	184
(5.11.2) Does your organization prioritize which suppliers to engage with on environmental issues?	188
(5.11.5) Do your suppliers have to meet environmental requirements as part of your organization's purchasing process?	189
(5.11.6) Provide details of the environmental requirements that suppliers have to meet as part of your organization's purchasing process, and the compliance measures in place.	190
(5.11.7) Provide further details of your organization's supplier engagement on environmental issues.....	195
(5.11.8) Provide details of any environmental smallholder engagement activity	201
(5.11.9) Provide details of any environmental engagement activity with other stakeholders in the value chain.	203

C6. Environmental Performance - Consolidation Approach 209

(6.1) Provide details on your chosen consolidation approach for the calculation of environmental performance data.	209
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C7. Environmental performance - Climate Change..... 212

(7.1) Is this your first year of reporting emissions data to CDP?	212
(7.1.1) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?	212
(7.1.2) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?	212
(7.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.	213
(7.3) Describe your organization's approach to reporting Scope 2 emissions.	213
(7.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1, Scope 2 or Scope 3 emissions that are within your selected reporting boundary which are not included in your disclosure?	213
(7.5) Provide your base year and base year emissions.....	213
(7.6) What were your organization's gross global Scope 1 emissions in metric tons CO ₂ e?	223
(7.7) What were your organization's gross global Scope 2 emissions in metric tons CO ₂ e?	223

(7.8) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.	224
(7.9) Indicate the verification/assurance status that applies to your reported emissions.	236
(7.9.1) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.	237
(7.9.2) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.	241
(7.9.3) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.	245
(7.10) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?	247
(7.10.1) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.	247
(7.10.2) Are your emissions performance calculations in 7.10 and 7.10.1 based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?	253
(7.13) Is biogenic carbon pertaining to your direct operations relevant to your current CDP climate change disclosure?	253
(7.14) Do you calculate greenhouse gas emissions for each agricultural commodity reported as significant to your business?	254
(7.15) Does your organization break down its Scope 1 emissions by greenhouse gas type?	256
(7.15.1) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used global warming potential (GWP).	256
(7.16) Break down your total gross global Scope 1 and 2 emissions by country/area.	259
(7.17) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.	260
(7.17.2) Break down your total gross global Scope 1 emissions by business facility.	260
(7.18) Do you include emissions pertaining to your business activity(ies) in your direct operations as part of your global gross Scope 1 figure?	268
(7.18.2) Report the Scope 1 emissions pertaining to your business activity(ies) and explain any exclusions. If applicable, disaggregate your agricultural/forestry by GHG emissions category.	268
(7.20) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.	269
(7.20.2) Break down your total gross global Scope 2 emissions by business facility.	269
(7.22) Break down your gross Scope 1 and Scope 2 emissions between your consolidated accounting group and other entities included in your response.	276
(7.23) Is your organization able to break down your emissions data for any of the subsidiaries included in your CDP response?	277
(7.23.1) Break down your gross Scope 1 and Scope 2 emissions by subsidiary.	277
(7.29) What percentage of your total operational spend in the reporting year was on energy?	282
(7.30) Select which energy-related activities your organization has undertaken.	282
(7.30.1) Report your organization's energy consumption totals (excluding feedstocks) in MWh.	283
(7.30.6) Select the applications of your organization's consumption of fuel.	286
(7.30.7) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.	287
(7.30.9) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.	294
(7.30.14) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero or near-zero emission factor in the market-based Scope 2 figure reported in 7.7.	296
(7.30.16) Provide a breakdown by country/area of your electricity/heat/steam/cooling consumption in the reporting year.	302
(7.45) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO ₂ e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.	305
(7.52) Provide any additional climate-related metrics relevant to your business.	306
(7.53) Did you have an emissions target that was active in the reporting year?	307
(7.53.1) Provide details of your absolute emissions targets and progress made against those targets.	307
(7.54) Did you have any other climate-related targets that were active in the reporting year?	317

(7.54.1) Provide details of your targets to increase or maintain low-carbon energy consumption or production.....	317
(7.54.3) Provide details of your net-zero target(s).	320
(7.55) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.....	323
(7.55.1) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.	323
(7.55.2) Provide details on the initiatives implemented in the reporting year in the table below.	324
(7.55.3) What methods do you use to drive investment in emissions reduction activities?	333
(7.68) Do you encourage your suppliers to undertake any agricultural or forest management practices with climate change mitigation and/or adaptation benefits?	333
(7.68.1) Specify which agricultural or forest management practices with climate change mitigation and/or adaptation benefits you encourage your suppliers to undertake and describe your role in the implementation of each practice.	333
(7.68.2) Do you collect information from your suppliers about the outcomes of any implemented agricultural/forest management practices you have encouraged?	336
(7.70) Do you know if any of the management practices mentioned in 7.68.1 that were implemented by your suppliers have other impacts besides climate change mitigation/adaptation?	336
(7.70.1) Provide details of those management practices implemented by your suppliers that have other impacts besides climate change mitigation/adaptation.	336
(7.74) Do you classify any of your existing goods and/or services as low-carbon products?	337
(7.79) Has your organization retired any project-based carbon credits within the reporting year?	338

C8. Environmental performance - Forests..... 339

(8.1) Are there any exclusions from your disclosure of forests-related data?	339
(8.1.1) Provide details on these exclusions.	339
(8.2) Provide a breakdown of your disclosure volume per commodity.	340
(8.5) Provide details on the origins of your sourced volumes.....	341
(8.7) Did your organization have a no-deforestation or no-conversion target, or any other targets for sustainable production/ sourcing of your disclosed commodities, active in the reporting year?	371
(8.7.1) Provide details on your no-deforestation or no-conversion target that was active during the reporting year.	372
(8.7.2) Provide details of other targets related to your commodities, including any which contribute to your no-deforestation or no-conversion target, and progress made against them.	373
(8.8) Indicate if your organization has a traceability system to determine the origins of your sourced volumes and provide details of the methods and tools used.	375
(8.8.1) Provide details of the point to which your organization can trace its sourced volumes.	376
(8.9) Provide details of your organization's assessment of the deforestation-free (DF) or deforestation- and conversion-free (DCF) status of its disclosed commodities.	377
(8.9.1) Provide details of third-party certification schemes used to determine the deforestation-free (DF) or deforestation- and conversion-free (DCF) status of the disclosure volume, since specified cutoff date.....	378
(8.9.2) Provide details of third-party certification schemes not providing full DF/DCF assurance.....	379
(8.10) Indicate whether you have monitored or estimated the deforestation and conversion of other natural ecosystems footprint for your disclosed commodities.	380
(8.10.1) Provide details on the monitoring or estimating of your deforestation and conversion footprint.	381
(8.11) For volumes not assessed and determined as deforestation- and conversion-free (DCF), indicate if you have taken actions in the reporting year to increase production or sourcing of DCF volumes.	382
(8.11.1) Provide details of actions taken in the reporting year to assess and increase production/sourcing of deforestation- and conversion-free (DCF) volumes.	382

(8.14) Indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards, and provide details. .	383
(8.15) Do you engage in landscape (including jurisdictional) initiatives to progress shared sustainable land use goals?	384
(8.15.1) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.	385
(8.15.2) Provide details of your engagement with landscape/jurisdictional initiatives to sustainable land use during the reporting year.	386
(8.15.3) For each of your disclosed commodities, provide details on the disclosure volume from each of the landscapes/jurisdictions you engage in.....	389
(8.16) Do you participate in any other external activities to support the implementation of policies and commitments related to deforestation, ecosystem conversion, or human rights issues in commodity value chains?	390
(8.16.1) Provide details of the external activities to support the implementation of your policies and commitments related to deforestation, ecosystem conversion, or human rights issues in commodity value chains	390
(8.17) Is your organization supporting or implementing project(s) focused on ecosystem restoration and long-term protection?	391
(8.17.1) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).	391

C9. Environmental performance - Water security..... 395

(9.1) Are there any exclusions from your disclosure of water-related data?	395
(9.1.1) Provide details on these exclusions.	395
(9.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?	396
(9.2.2) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, how do they compare to the previous reporting year, and how are they forecasted to change?	403
(9.2.4) Indicate whether water is withdrawn from areas with water stress, provide the volume, how it compares with the previous reporting year, and how it is forecasted to change.	407
(9.2.6) What proportion of the sourced agricultural commodities that are significant to your organization originate from areas with water stress?	409
(9.2.7) Provide total water withdrawal data by source.	410
(9.2.8) Provide total water discharge data by destination.	413
(9.2.9) Within your direct operations, indicate the highest level(s) to which you treat your discharge.....	416
(9.2.10) Provide details of your organization's emissions of nitrates, phosphates, pesticides, and other priority substances to water in the reporting year.	420
(9.3) In your direct operations and upstream value chain, what is the number of facilities where you have identified substantive water-related dependencies, impacts, risks, and opportunities?	421
(9.3.1) For each facility referenced in 9.3, provide coordinates, water accounting data, and a comparison with the previous reporting year.	422
(9.3.2) For the facilities in your direct operations referenced in 9.3.1, what proportion of water accounting data has been third party verified?	429
(9.5) Provide a figure for your organization's total water withdrawal efficiency.	432
(9.9) Provide water intensity information for each of the agricultural commodities significant to your organization that you source.	432
(9.13) Do any of your products contain substances classified as hazardous by a regulatory authority?.....	434
(9.14) Do you classify any of your current products and/or services as low water impact?	435
(9.15) Do you have any water-related targets?	435
(9.15.1) Indicate whether you have targets relating to water pollution, water withdrawals, WASH, or other water-related categories.	436
(9.15.2) Provide details of your water-related targets and the progress made.	436

C10. Environmental performance - Plastics 443

(10.1) Do you have plastics-related targets, and if so what type?	443
(10.2) Indicate whether your organization engages in the following activities.....	443
(10.5) Provide the total weight of plastic packaging sold and/or used and indicate the raw material content.....	446
(10.5.1) Indicate the circularity potential of the plastic packaging you sold and/or used.	447

C11. Environmental performance - Biodiversity 448

(11.2) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?	448
(11.3) Does your organization use biodiversity indicators to monitor performance across its activities?	448
(11.4) Does your organization have activities located in or near to areas important for biodiversity in the reporting year?	449
(11.4.1) Provide details of your organization's activities in the reporting year located in or near to areas important for biodiversity.....	451

C13. Further information & sign off 453

(13.1) Indicate if any environmental information included in your CDP response (not already reported in 7.9.1/2/3, 8.9.1/2/3/4, and 9.3.2) is verified and/or assured by a third party?	453
(13.1.1) Which data points within your CDP response are verified and/or assured by a third party, and which standards were used?	453
(13.2) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.	470
(13.3) Provide the following information for the person that has signed off (approved) your CDP response.....	470
(13.4) Please indicate your consent for CDP to share contact details with the Pacific Institute to support content for its Water Action Hub website.	471

C1. Introduction

(1.1) In which language are you submitting your response?

Select from:

☒ English

(1.2) Select the currency used for all financial information disclosed throughout your response.

Select from:

☒ KRW

(1.3) Provide an overview and introduction to your organization.

(1.3.2) Organization type

Select from:

☒ Publicly traded organization

(1.3.3) Description of organization

KT&G, a global company headquartered in South Korea, continues to achieve steady growth through a diverse range of businesses, including tobacco, health functional foods, cosmetics, biopharmaceuticals, and real estate. Listed on the Korea Exchange's main market, KT&G recorded total sales of KRW 5.9088 trillion in 2024, with 66.1% of its revenue coming from tobacco, 22.0% from health functional foods, and 11.9% from cosmetics, real estate, and other sectors. KT&G actively practices sustainable management and creates social value based on its management philosophy of being an 'Exemplary Company,' a 'Progressive Company,' and an 'Inclusive Company.' These values drive our efforts to strengthen sustainability and promote various social initiatives, playing a crucial role in fulfilling our environmental responsibilities, including the development of eco-friendly products, resource conservation, and energy efficiency improvements. Currently, KT&G's tobacco division has expanded into over 148 countries, establishing a strong presence in the global market based on high-quality products and robust distribution and marketing capabilities. KT&G Group operates production facilities in Russia, China, Indonesia, and other countries, effectively responding to the growing global demand. KT&G takes an active and strategic approach to climate change and greenhouse gas emissions. We are deeply aware of the interaction between our business operations and their environmental impact, and we aim to manage these in a responsible and sustainable manner. Continuously evolving and innovating to keep pace with market changes, KT&G pursues global excellence through its efforts to realize sustainability and social value. These efforts provide us with a competitive edge and further strengthen our position as a global leader in each market we operate in.

[Fixed row]

(1.4) State the end date of the year for which you are reporting data. For emissions data, indicate whether you will be providing emissions data for past reporting years.

	End date of reporting year	Alignment of this reporting period with your financial reporting period	Indicate if you are providing emissions data for past reporting years
	12/30/2024	Select from: ☒ Yes	Select from: ☒ No

[Fixed row]

(1.4.1) What is your organization’s annual revenue for the reporting period?

5908792000000

(1.5) Provide details on your reporting boundary.

	Is your reporting boundary for your CDP disclosure the same as that used in your financial statements?
	Select from: ☒ Yes

[Fixed row]

(1.6) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.)?

ISIN code - bond

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ No

ISIN code - equity

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ Yes

(1.6.2) Provide your unique identifier

KR7033780008

CUSIP number

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ No

Ticker symbol

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ No

SEDOL code

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ No

LEI number

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ No

D-U-N-S number

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ No

Other unique identifier

(1.6.1) Does your organization use this unique identifier?

Select from:

☒ No

[Add row]

(1.7) Select the countries/areas in which you operate.

Select all that apply

☒ China

☒ Indonesia

☒ Republic of Korea

☒ Russian Federation

☒ Turkey

(1.11) Are greenhouse gas emissions and/or water-related impacts from the production, processing/manufacturing, distribution activities or the consumption of your products relevant to your current CDP disclosure?

Production

(1.11.1) Relevance of emissions and/or water-related impacts

Select from:

☒ Value chain (excluding own land)

(1.11.2) Primary reason emissions and/or water-related impacts from this activity are not relevant

Select from:

☒ Do not own/manage land

(1.11.3) Explain why emissions and/or water-related impacts from this activity are not relevant

KT&G does not own tobacco farms or land used for cultivating tobacco leaves. However, since it purchases all domestically produced tobacco leaves each year for product manufacturing, farmers who operate tobacco farms are recognized as important partners in KT&G's value chain. Accordingly, KT&G carries out various support activities aimed at mutual growth with tobacco farmers, focusing on improving economic and social stability as well as enhancing productivity. In particular, KT&G participates in the Sustainable Tobacco Program (STP) to ensure a stable supply of high-quality tobacco leaves grown on a foundation of sustainable agriculture. Additionally, when calculating Scope 3 emissions, KT&G includes the tobacco cultivation and drying processes in its management.

Processing/ Manufacturing

(1.11.1) Relevance of emissions and/or water-related impacts

Select from:

☒ Direct operations

Distribution

(1.11.1) Relevance of emissions and/or water-related impacts

Select from:

- ☒ Both direct operations and upstream/downstream value chain

Consumption

(1.11.1) Relevance of emissions and/or water-related impacts

Select from:

- ☒ Yes

[Fixed row]

(1.22) Provide details on the commodities that you produce and/or source.

Timber products

(1.22.1) Produced and/or sourced

Select from:

- ☒ Sourced

(1.22.2) Commodity value chain stage

Select all that apply

- ☒ Retailing

(1.22.4) Indicate if you are providing the total commodity volume that is produced and/or sourced

Select from:

- ☒ Yes, we are providing the total volume

(1.22.5) Total commodity volume (metric tons)

69586.2

(1.22.8) Did you convert the total commodity volume from another unit to metric tons?

Select from:

☒ Yes

(1.22.9) Original unit

Select all that apply

☒ Kilogram

(1.22.10) Provide details of the methods, conversion factors used and the total commodity volume in the original unit

The total Timber products usage is 69,586,199 kg. Since 1 metric ton equals 1,000 kg, we divided this figure by 1,000 and converted it to approximately 69,586.2 metric tons

(1.22.11) Form of commodity

Select all that apply

☒ Paper

☒ Primary packaging

☒ Secondary packaging

(1.22.12) % of procurement spend

Select from:

☒ 11-20%

(1.22.13) % of revenue dependent on commodity

Select from:

☒ 100%

(1.22.14) In the questionnaire setup did you indicate that you are disclosing on this commodity?

Select from:

☒ Yes, disclosing

(1.22.15) Is this commodity considered significant to your business in terms of revenue?

Select from:

☒ Yes

(1.22.19) Please explain

Due to the nature of KT&G's business, timber-based products such as paper are used for the main raw materials of tobacco products (e.g., filters, packaging materials, and tipping paper), and for packaging materials of nutraceuticals, pharmaceuticals and cosmetic products.

[Fixed row]

(1.23) Which of the following agricultural commodities that your organization produces and/or sources are the most significant to your business by revenue?

Cotton

(1.23.1) Produced and/or sourced

Select from:

☒ No

Dairy & egg products

(1.23.1) Produced and/or sourced

Select from:

☒ No

Fish and seafood from aquaculture

(1.23.1) Produced and/or sourced

Select from:

☒ No

Fruit

(1.23.1) Produced and/or sourced

Select from:

☒ No

Maize/corn

(1.23.1) Produced and/or sourced

Select from:

☒ No

Nuts

(1.23.1) Produced and/or sourced

Select from:

☒ No

Other grain (e.g., barley, oats)

(1.23.1) Produced and/or sourced

Select from:

☒ No

Other oilseeds (e.g. rapeseed oil)

(1.23.1) Produced and/or sourced

Select from:

☒ No

Poultry & hog

(1.23.1) Produced and/or sourced

Select from:

☒ No

Rice

(1.23.1) Produced and/or sourced

Select from:

☒ No

Sugar

(1.23.1) Produced and/or sourced

Select from:

☒ No

Tea

(1.23.1) Produced and/or sourced

Select from:

☒ No

Tobacco

(1.23.1) Produced and/or sourced

Select from:

☒ Sourced

(1.23.2) % of revenue dependent on this agricultural commodity

Select from:

☒ 61-70%

(1.23.3) Is this commodity considered significant to your business in terms of revenue?

Select from:

☒ Yes

(1.23.4) Please explain

In 2024, KT&G's revenue from tobacco, which includes cigarettes and heat-not-burn (HNB) business, accounted for 66.1%. For Korean tobacco leaf, KT&G purchases all domestic production, while overseas cigarette tobacco is purchased from countries such as the United States and Brazil

Vegetable

(1.23.1) Produced and/or sourced

Select from:

☒ No

Wheat

(1.23.1) Produced and/or sourced

Select from:

☒ No

Other commodity

(1.23.1) Produced and/or sourced

Select from:

☒ Sourced

(1.23.2) % of revenue dependent on this agricultural commodity

Select from:

☒ 21-30%

(1.23.3) Is this commodity considered significant to your business in terms of revenue?

Select from:

☒ Yes

(1.23.4) Please explain

Ginseng is the primary raw material used in the health function business division of KT&G. For red ginseng, KT&G purchases domestic Korean ginseng and supports quality management as well as mutual growth by contracting with local ginseng farms for cultivation to ensure the production of high-quality raw materials.

[Fixed row]

(1.24) Has your organization mapped its value chain?

(1.24.1) Value chain mapped

Select from:

☒ Yes, we have mapped or are currently in the process of mapping our value chain

(1.24.2) Value chain stages covered in mapping

Select all that apply

☒ Upstream value chain

☒ Downstream value chain

(1.24.3) Highest supplier tier mapped

Select from:

☒ Tier 3 suppliers

(1.24.4) Highest supplier tier known but not mapped

Select from:

☒ All supplier tiers known have been mapped

(1.24.6) Smallholder inclusion in mapping

Select from:

☒ Smallholders relevant and included

(1.24.7) Description of mapping process and coverage

KT&G defines significant suppliers by comprehensively considering financial, ESG, quality management, delivery quality, level of cooperation, and international certifications. Suppliers in the manufacturing sector where quality management is critical, as well as those with an annual purchasing volume exceeding KRW 100 million, are classified as significant. As of 2024, significant suppliers, which account for 96.3% of total procurement spend, are managed separately by manufacturer and service provider categories. In addition, tier 2 and tier 3 suppliers that handle waste, chemicals, and other environmental issues are included in the supply chain scope based on their materiality and transaction volume. To ensure expertise, objectivity, and reliability of assessments, KT&G collaborates with a third-party organization comprised of ESG specialists in each field to conduct supplier ESG evaluations. In 2024, we performed on-site audits through the third party for suppliers identified as having potential risks, based on evaluation results and legal risk factors. The findings of these audits are provided as individual reports, enabling suppliers to establish improvement plans and mitigate identified risks. KT&G also includes small-scale farms involved in tobacco leaf and ginseng cultivation within the scope of supply chain management. The company purchases the entire domestic tobacco leaf crop annually and engages in contract farming with ginseng growers to ensure quality control and promote shared growth. In this way, KT&G's supply chain mapping encompasses not only tier 1 suppliers but also non-tier 1 suppliers and farms, and is carried out based on both qualitative and quantitative assessments of ESG risks.

[Fixed row]

(1.24.1) Have you mapped where in your direct operations or elsewhere in your value chain plastics are produced, commercialized, used, and/or disposed of?

	Plastics mapping	Value chain stages covered in mapping
	<i>Select from:</i> ☒ Yes, we have mapped or are currently in the process of mapping plastics in our value chain	<i>Select all that apply</i> ☒ Upstream value chain ☒ Downstream value chain

[Fixed row]

(1.24.2) Which commodities has your organization mapped in your upstream value chain (i.e., supply chain)?

Timber products

(1.24.2.1) Value chain mapped for this sourced commodity

Select from:

☒ Yes

(1.24.2.2) Highest supplier tier mapped for this sourced commodity

Select from:

☒ Tier 1 suppliers

(1.24.2.3) % of tier 1 suppliers mapped

Select from:

☒ 100%

(1.24.2.7) Highest supplier tier known but not mapped for this sourced commodity

Select from:

☒ All supplier tiers known have been mapped for this sourced commodity

[Fixed row]

C2. Identification, assessment, and management of dependencies, impacts, risks, and opportunities

(2.1) How does your organization define short-, medium-, and long-term time horizons in relation to the identification, assessment, and management of your environmental dependencies, impacts, risks, and opportunities?

Short-term

(2.1.1) From (years)

0

(2.1.3) To (years)

1

(2.1.4) How this time horizon is linked to strategic and/or financial planning

A short-term time horizon of one year is used by the company to identify, assess, and manage immediate environmental dependencies, impacts, risks, and opportunities. Strategic and financial planning within this period primarily focuses on operational goals and short-term performance for the year. Through short-term planning, KT&G manages rapidly changing market conditions and immediate environmental risks, ensuring stable business operations.

Medium-term

(2.1.1) From (years)

1

(2.1.3) To (years)

5

(2.1.4) How this time horizon is linked to strategic and/or financial planning

The mid-term time horizon focuses on identifying, assessing, and managing environmental dependencies, impacts, risks, and opportunities over a longer period. KT&G establishes business plans (three years) and mid- to long-term visions (five years) through mid-term planning. This time horizon is used for strategic decision-making concerning the company’s main business portfolio, considering market cycles and product research and development timelines. During this period, climate-related risks and opportunities are managed by analyzing external trends and diagnosing internal conditions.

Long-term

(2.1.1) From (years)

5

(2.1.2) Is your long-term time horizon open ended?

Select from:

☒ Yes

(2.1.4) How this time horizon is linked to strategic and/or financial planning

The long-term time horizon is centered on ensuring the company’s sustainable growth while identifying, assessing, and managing long-term environmental dependencies, impacts, risks, and opportunities. Long-term plans include strategies to address long-term market changes, large-scale projects, and innovative research and development. Additionally, KT&G conducts climate change scenario analysis and diagnostics to respond to long-term changes and uncertainties caused by climate change, laying the foundation for sustainable management.

[Fixed row]

(2.2) Does your organization have a process for identifying, assessing, and managing environmental dependencies and/or impacts?

	Process in place	Dependencies and/or impacts evaluated in this process
	Select from:	Select from:

	Process in place	Dependencies and/or impacts evaluated in this process
	☒ Yes	☒ Both dependencies and impacts

[Fixed row]

(2.2.1) Does your organization have a process for identifying, assessing, and managing environmental risks and/or opportunities?

	Process in place	Risks and/or opportunities evaluated in this process	Is this process informed by the dependencies and/or impacts process?
	Select from: ☒ Yes	Select from: ☒ Both risks and opportunities	Select from: ☒ Yes

[Fixed row]

(2.2.2) Provide details of your organization's process for identifying, assessing, and managing environmental dependencies, impacts, risks, and/or opportunities.

Row 1

(2.2.2.1) Environmental issue

Select all that apply

☒ Climate change

(2.2.2.2) Indicate which of dependencies, impacts, risks, and opportunities are covered by the process for this

environmental issue

Select all that apply

- ☒ Dependencies
- ☒ Impacts
- ☒ Risks
- ☒ Opportunities

(2.2.2.3) Value chain stages covered

Select all that apply

- ☒ Direct operations
- ☒ Upstream value chain
- ☒ Downstream value chain

(2.2.2.4) Coverage

Select from:

- ☒ Full

(2.2.2.5) Supplier tiers covered

Select all that apply

- ☒ Tier 1 suppliers
- ☒ Tier 2 suppliers
- ☒ Tier 3 suppliers

(2.2.2.7) Type of assessment

Select from:

- ☒ Qualitative and quantitative

(2.2.2.8) Frequency of assessment

Select from:

☒ Annually

(2.2.2.9) Time horizons covered

Select all that apply

☒ Short-term

☒ Medium-term

☒ Long-term

(2.2.2.10) Integration of risk management process

Select from:

☒ Integrated into multi-disciplinary organization-wide risk management process

(2.2.2.11) Location-specificity used

Select all that apply

☒ Site-specific

☒ Local

☒ Sub-national

☒ National

(2.2.2.12) Tools and methods used

Commercially/publicly available tools

☒ Other commercially/publicly available tools, please specify :S&P, Climanomics

Enterprise Risk Management

☒ Enterprise Risk Management

International methodologies and standards

☒ IPCC Climate Change Projections

☒ ISO 14001 Environmental Management Standard

☒ Life Cycle Assessment

Other

☒ Desk-based research

☒ External consultants

☒ Materiality assessment

☒ Partner and stakeholder consultation/analysis

☒ Scenario analysis

(2.2.2.13) Risk types and criteria considered

Acute physical

☒ Cyclones, hurricanes, typhoons

☒ Flood (coastal, fluvial, pluvial, ground water)

☒ Heat waves

☒ Heavy precipitation (rain, hail, snow/ice)

☒ Wildfires

Chronic physical

☒ Changing precipitation patterns and types (rain, hail, snow/ice)

☒ Changing temperature (air, freshwater, marine water)

☒ Sea level rise

☒ Water stress

Policy

☒ Carbon pricing mechanisms

☒ Changes to national legislation

Market

☒ Availability and/or increased cost of raw materials

☒ Changing customer behavior

☒ Uncertainty in the market signals

Reputation

☒ Increased partner and stakeholder concern and partner and stakeholder negative feedback

☒ Stigmatization of sector

Technology

☒ Transition to lower emissions technology and products

☒ Transition to water intensive, low carbon energy sources

☒ Unsuccessful investment in new technologies

Liability

☒ Exposure to litigation

☒ Non-compliance with regulations

(2.2.2.14) Partners and stakeholders considered

Select all that apply

☒ Customers

☒ Employees

☒ Investors

☒ Local communities

☒ Suppliers

(2.2.2.15) Has this process changed since the previous reporting year?

Select from:

☒ No

(2.2.2.16) Further details of process

[Assessment Method] KT&G identifies and assesses climate-related dependencies, impacts, risks, and opportunities across the entire value chain by utilizing climate scenario analysis. Since 2024, we have quantified both the likelihood and magnitude of each factor to determine materiality and to estimate the financial impacts of

transition risks (policy and legal, market, and reputation), physical risks (acute and chronic), and opportunities (products and services, resource efficiency, and resilience) over the short, medium, and long term. In parallel, we incorporate qualitative assessments by integrating input from external experts—including investment analysts, professors, and consultants—together with internal stakeholders to enhance the objectivity and depth of the analysis. Key data sources are supplemented with external climate scenario datasets from S&P/Climanomics, the IEA, and the IPCC. [Integration with Enterprise Risk Management] KT&G integrates climate risk and opportunity assessment into its enterprise risk management (ERM) framework. Recognizing the unique characteristics of climate-related issues—such as long-term uncertainty, regulatory change, and reputational risks—we apply a double materiality approach to evaluate both financial and non-financial impacts. Internally, we combine financial impact and likelihood assessments from scenario analysis with external stakeholder surveys that evaluate social and environmental impacts and stakeholder concerns. This process produces issue-specific materiality scores that are used to set priorities. The results are incorporated into the decision-making of the Board Audit Committee and executive management, and their reliability is reinforced through independent third-party assurance. KT&G reviews risk factors at least twice a year and monitors both financial and non-financial risks through its internal control system. The Audit Division, under the supervision of the Audit Committee, independently audits ESG issues, including climate risks, and reports the results to the Audit Committee and management. Improvement plans must be submitted within one month, and their implementation status is regularly tracked, with a consolidated report provided annually. [Monitoring] The ESG Management Department continuously monitors the validity of climate-related risks and opportunities, reflecting changes in climate and energy policy, greenhouse gas emissions trends, and carbon prices. Key performance indicators (KPIs) are linked to management and compensation systems to evaluate the level of strategy execution and target achievement. Results are periodically reported to the Sustainability Management Committee and executive management, including the CEO, ensuring that climate risk and opportunity management is systematically embedded in ESG oversight and decision-making processes.

Row 2

(2.2.2.1) Environmental issue

Select all that apply

☒ Water

(2.2.2.2) Indicate which of dependencies, impacts, risks, and opportunities are covered by the process for this environmental issue

Select all that apply

☒ Dependencies

☒ Impacts

☒ Risks

☒ Opportunities

(2.2.2.3) Value chain stages covered

Select all that apply

- ☒ Direct operations
- ☒ Upstream value chain

(2.2.2.4) Coverage

Select from:

- ☒ Full

(2.2.2.5) Supplier tiers covered

Select all that apply

- ☒ Tier 1 suppliers
- ☒ Tier 2 suppliers
- ☒ Tier 3 suppliers

(2.2.2.7) Type of assessment

Select from:

- ☒ Qualitative and quantitative

(2.2.2.8) Frequency of assessment

Select from:

- ☒ Annually

(2.2.2.9) Time horizons covered

Select all that apply

- ☒ Short-term
- ☒ Medium-term
- ☒ Long-term

(2.2.2.10) Integration of risk management process

Select from:

- ☒ Integrated into multi-disciplinary organization-wide risk management process

(2.2.2.11) Location-specificity used

Select all that apply

- ☒ Site-specific
- ☒ Local
- ☒ Sub-national
- ☒ National

(2.2.2.12) Tools and methods used

Commercially/publicly available tools

- ☒ WRI Aqueduct

Enterprise Risk Management

- ☒ Internal company methods

International methodologies and standards

- ☒ Alliance for Water Stewardship Standard
- ☒ ISO 14001 Environmental Management Standard

Databases

- ☒ Regional government databases

Other

- ☒ Scenario analysis

(2.2.2.13) Risk types and criteria considered

Acute physical

- ☒ Cyclones, hurricanes, typhoons

- ☑ Flood (coastal, fluvial, pluvial, ground water)
- ☑ Heavy precipitation (rain, hail, snow/ice)
- ☑ Pollution incident

Chronic physical

- ☑ Water stress
- ☑ Declining water quality
- ☑ Poorly managed sanitation
- ☑ Water quality at a basin/catchment level
- ☑ Water availability at a basin/catchment level
- ☑ Changing precipitation patterns and types (rain, hail, snow/ice)

Policy

- ☑ Changes to national legislation
- ☑ Increased pricing of water
- ☑ Mandatory water efficiency, conservation, recycling, or process standards
- ☑ Regulation of discharge quality/volumes

Market

- ☑ Availability and/or increased cost of raw materials
- ☑ Inadequate access to water, sanitation, and hygiene services (WASH)

Reputation

- ☑ Stakeholder conflicts concerning water resources at a basin/catchment level

Technology

- ☑ Limited access to drought-resistant crop varieties

Liability

- ☑ Non-compliance with regulations

(2.2.2.14) Partners and stakeholders considered

Select all that apply

- ☒ Customers
- ☒ Employees
- ☒ Investors
- ☒ Local communities
- ☒ Suppliers

(2.2.2.15) Has this process changed since the previous reporting year?

Select from:

- ☒ No

(2.2.2.16) Further details of process

KT&G conducts water-related risk assessments for its business sites and suppliers. All nine domestic and overseas business sites are conducting such assessments, and water-related risk assessments are conducted for partners that account for about 90% of purchasing costs. We are analyzing water risk using the WRI Aqueduct Tool, a publicly available and authoritative tool, and conducting water risk analysis for our manufacturing plants, overseas leaf tobacco farms, and domestic key ingredient partners. In 2024, we analyzed baseline water stress and baseline water depletion indicators separately to determine water stress areas, and identified our operations in Turkiye, Indonesia, Daejeon as water stress areas. We also systematically identify, evaluate, and manage the environmental impacts of our business through the ISO14001 certification system. In accordance with the Energy and Environment Business Guidelines, we apply internal management standards that are higher than the law. In the case of the Daejeon plant, we are implementing stricter standards than the law, such as applying an 80% standard compared to the law. The results of the WRI water risk analysis, climate change scenario analysis, and water-related risk assessment identified as VOCs are reflected in the company's management strategy. We have included water resource management as a core element of the company's ESG management strategy and environmental management policy, and have established related goals and detailed improvement tasks. The water resource tasks set by KT&G, such as reducing water withdrawal, improving water efficiency, and improving wastewater quality, are included in the ESG Management Strategy and Environmental Management Policy.

Row 3

(2.2.2.1) Environmental issue

Select all that apply

- ☒ Forests
- ☒ Biodiversity

(2.2.2.2) Indicate which of dependencies, impacts, risks, and opportunities are covered by the process for this

environmental issue

Select all that apply

- ☒ Dependencies
- ☒ Impacts
- ☒ Risks
- ☒ Opportunities

(2.2.2.3) Value chain stages covered

Select all that apply

- ☒ Direct operations
- ☒ Upstream value chain
- ☒ Downstream value chain

(2.2.2.4) Coverage

Select from:

- ☒ Full

(2.2.2.5) Supplier tiers covered

Select all that apply

- ☒ Tier 1 suppliers
- ☒ Tier 2 suppliers
- ☒ Tier 3 suppliers

(2.2.2.7) Type of assessment

Select from:

- ☒ Qualitative and quantitative

(2.2.2.8) Frequency of assessment

Select from:

☒ Annually

(2.2.2.9) Time horizons covered

Select all that apply

☒ Short-term

☒ Medium-term

☒ Long-term

(2.2.2.10) Integration of risk management process

Select from:

☒ Integrated into multi-disciplinary organization-wide risk management process

(2.2.2.11) Location-specificity used

Select all that apply

☒ Site-specific

☒ Local

☒ Sub-national

☒ National

(2.2.2.12) Tools and methods used

Commercially/publicly available tools

☒ Encore tool

☒ LEAP (Locate, Evaluate, Assess and Prepare) approach, TNFD

☒ TNFD – Taskforce on Nature-related Financial Disclosures

☒ WWF Biodiversity Risk Filter

☒ Other commercially/publicly available tools, please specify :SBTN, Materiality Screening Tool, S&P Sustainable1

Databases

- ☑ Nation-specific databases, tools, or standards

Other

- ☑ External consultants
- ☑ Materiality assessment
- ☑ Scenario analysis

(2.2.2.13) Risk types and criteria considered

Acute physical

- ☑ Flood (coastal, fluvial, pluvial, ground water)

Chronic physical

- ☑ Change in land-use
- ☑ Water stress

Policy

- ☑ Uncertainty and/or conflicts involving land tenure rights and water rights

Market

- ☑ Availability and/or increased cost of certified sustainable material

Reputation

- ☑ Stakeholder conflicts concerning water resources at a basin/catchment level

Technology

- ☑ Data access/availability or monitoring systems

Liability

- ☑ Non-compliance with regulations

(2.2.2.14) Partners and stakeholders considered

Select all that apply

- ☒ Customers
- ☒ Employees
- ☒ Investors
- ☒ Local communities
- ☒ Suppliers

(2.2.2.15) Has this process changed since the previous reporting year?

Select from:

- ☒ Yes

(2.2.2.16) Further details of process

KT&G has established a natural capital management process to identify, assess, and effectively manage natural capital-related risks and opportunities across the entire value chain. This process is structured in four stages based on the LEAP framework recommended by the TNFD. [Locate & Evaluate] As KT&G's core business is tobacco manufacturing while also operating subsidiaries in health functional foods, pharmaceuticals, and cosmetics, its points of interaction with natural capital have expanded across the entire business portfolio. Accordingly, we extended the scope of assessment beyond headquarters, sales offices, factories, and subsidiary-adjacent areas to include upstream value chain actors such as domestic and overseas farms where tobacco and ginseng are cultivated, as well as suppliers. In total, 147 sites were reviewed for natural capital dependencies and impacts. We performed a quantitative analysis of natural capital dependencies and impacts across business activities using external data sources and analytical tools such as ENCORE, WWF Risk Filter, and S&P Global Sustainable1. This analysis identified medium-to-high levels of dependency on key ecosystem services such as plant materials, groundwater and surface water, soil quality, climate regulation, and pest control, while also revealing key ecological impact drivers such as pollution, deforestation, and disturbance of protected or conserved areas. [Assess] Building on the identified dependencies and impacts, KT&G evaluates forest-related physical risks (acute and chronic), transition risks (policy, market, and reputation), and opportunities (resource efficiency, products, and services) using both qualitative and quantitative approaches. We assess risk drivers, points of occurrence along the value chain, and financial impact types. In 2024, KT&G introduced scenario analysis in line with TNFD recommendations, defining environmental, regulatory, economic, social, and technological factors and assessing how each scenario could affect products, markets, supply chains, and regulatory environments. The results of this analysis were used to determine the strategic prioritization of responses by considering both the likelihood of occurrence and the magnitude of financial impacts of the identified risks and opportunities. [Prepare] KT&G manages natural capital and biodiversity impacts based on the SBTN AR3T framework, which sets objectives to Avoid future impacts, Reduce current impacts, Restore & Regenerate ecosystems, and Transform systems. Through this framework, KT&G simultaneously works to mitigate forest-related risks and create sustainable opportunities. [Integration with Enterprise Risk Management] KT&G has newly incorporated natural capital and biodiversity into its enterprise risk portfolio as key non-financial risk categories and has established a management system that covers not only its own operations but the entire value chain. This system follows a stepwise process of identification, assessment, response, monitoring, and feedback, enabling KT&G to systematically mitigate and continuously improve the management of natural capital-related risks.

[Add row]

(2.2.7) Are the interconnections between environmental dependencies, impacts, risks and/or opportunities assessed?

(2.2.7.1) Interconnections between environmental dependencies, impacts, risks and/or opportunities assessed

Select from:

☒ Yes

(2.2.7.2) Description of how interconnections are assessed

By analyzing the interconnections between environmental dependencies, impacts, risks, and opportunities, companies can better recognize how these factors influence one another. This interconnections analysis helps businesses gain a clearer understanding of the complex effects that environmental factors have on their operations, supporting strategic decision-making. KT&G has identified environmental risks and opportunities based on scenario analysis and assessed environmental dependencies and impacts through the TNFD's LEAP (Locate, Evaluate, Assess, Prepare) Approach. Additionally, KT&G has identified water-stressed areas through WRI's water risk analysis and evaluated water availability in its operational regions. These findings are disclosed in accordance with the ISSB S2 standards.

[Interconnections Analysis] 1. Data Integration and Interaction Modeling The first step in interconnections analysis is integrating various data sets (e.g., production, economic, social, and environmental indicators). Analytical tools or simulation models are used to model the interconnections between these factors. For example, an increase in carbon emissions could heighten climate-related risks, leading to increased operating costs and regulatory risks for the company. 2. Scenario Analysis Once interaction modeling is complete, various scenarios are established to evaluate how the interconnections between elements will play out. For instance, water shortages driven by climate change can be simulated to assess their impact on industries, or the effect of stricter carbon regulations on energy costs can be analyzed. Scenario analysis helps predict potential risks and opportunities, guiding the development of strategies to prepare for them. [Analysis Process and Examples] 1. Environmental dependency analysis assesses how reliant a company is on natural resources. For example, KT&G acknowledges that the supply chain for its key raw materials, tobacco leaves and ginseng, could be affected by climate change. Changes in weather patterns could impact the growing season of tobacco, directly influencing raw material production and costs. Ginseng, which thrives in cooler climates, may also face shifts in cultivation regions and yield variability due to climate change. By assessing these dependencies, companies can create strategies to ensure the stability of raw material procurement. 2. Environmental impact assessment examines how a company's activities affect the environment. KT&G uses water for processes like cooling and cleaning during manufacturing. Both the Daejeon plant and the Türkiye plant are located in water-stressed regions. If water availability in these regions worsens, production could slow or stop, negatively impacting productivity and profitability.

[Fixed row]

(2.3) Have you identified priority locations across your value chain?

(2.3.1) Identification of priority locations

Select from:

☒ Yes, we have identified priority locations

(2.3.2) Value chain stages where priority locations have been identified

Select all that apply

- ☒ Direct operations
- ☒ Upstream value chain
- ☒ Downstream value chain

(2.3.3) Types of priority locations identified

Sensitive locations

- ☒ Areas important for biodiversity
- ☒ Areas of limited water availability, flooding, and/or poor quality of water

Locations with substantive dependencies, impacts, risks, and/or opportunities

- ☒ Locations with substantive dependencies, impacts, risks, and/or opportunities relating to forests
- ☒ Locations with substantive dependencies, impacts, risks, and/or opportunities relating to water
- ☒ Locations with substantive dependencies, impacts, risks, and/or opportunities relating to biodiversity

(2.3.4) Description of process to identify priority locations

KT&G follows the LEAP Approach, as recommended by the Taskforce on Nature-related Financial Disclosures (TNFD), to identify, assess, and analyze the importance of the company's dependencies, impacts, risks, and opportunities related to nature. The LEAP Approach is a methodology for identifying, evaluating, managing, and disclosing natural capital issues. It includes a comprehensive process that aligns with the TNFD recommendations for setting the scope of natural capital (Locate), reviewing dependencies and impact levels (Evaluate), conducting risk and opportunity assessments (Assess), and preparing disclosures and responses (Prepare) based on key nature-related issues. 1. Locate: Scope of business model and value chain KT&G has identified key touchpoints for diagnosing dependencies and impacts on natural ecosystems affected by the business activities of KT&G and its affiliates. This includes the company headquarters, sales corporations, factories, and adjacent areas under both KT&G and consolidated subsidiaries. Furthermore, KT&G expanded the scope to include the upstream stages of the value chain, such as major domestic and international farms producing raw materials for tobacco and ginseng, as well as selected suppliers, encompassing a total of 147 sites. These locations were evaluated for their level of dependence on and impact on natural capital. 2. Evaluate: Screening and prioritization of natural capital dependencies and impacts on key assets In the Evaluate phase, the company assessed the relative significance of how business activities depend on and affect natural capital. KT&G utilized global tools such as ENCORE (Exploring Natural Capital Opportunities, Risks, and Exposure) and the Science Based Targets for Nature (SBTN) Materiality Screening Tool to identify factors that need to be prioritized for evaluation. In addition, KT&G collaborated with the World Wide Fund for Nature's (WWF) Risk Filter Suite Tool and external experts from S&P Global Sustainable1 to quantitatively diagnose the level of dependence on and impact of natural capital at the 147 major asset locations. This process helped prioritize the natural capital factors that the company relies on or significantly affects through its business operations and activities. Further detailed information can be found in the 2024 KT&G Report on pages 118–124. KT&G uses the WRI Aqueduct Tool to conduct

comprehensive water risk analysis, which provides results across 13 indicators in three categories: physical risk quantity, physical risk quality, and regulatory and reputational risk. KT&G performs this analysis annually, covering all domestic and overseas manufacturing sites, overseas leaf tobacco farms, and domestic partners for core ingredients. Based on the results, KT&G identifies regions with high overall water risk and prioritizes specific indicators, such as regions with high Water Stress, which measures regional water availability.

(2.3.5) Will you be disclosing a list/spatial map of priority locations?

Select from:

☒ No, we have a list/geospatial map of priority locations, but we will not be disclosing it

[Fixed row]

(2.4) How does your organization define substantive effects on your organization?

Risks

(2.4.1) Type of definition

Select all that apply

☒ Qualitative

☒ Quantitative

(2.4.2) Indicator used to define substantive effect

Select from:

☒ Revenue

(2.4.3) Change to indicator

Select from:

☒ % decrease

(2.4.4) % change to indicator

Select from:

(2.4.6) Metrics considered in definition

Select all that apply

- ☑ Frequency of effect occurring
- ☑ Time horizon over which the effect occurs
- ☑ Likelihood of effect occurring

(2.4.7) Application of definition

KT&G has established a process to assess the 'substantive effect' of key issues that impact both stakeholders and the company. Through this process, the company thoroughly examines the significance of the influence that each issue may have and prioritizes them accordingly. To accurately evaluate the significance of these issues, KT&G annually conducts a double materiality assessment that considers both the social and environmental impacts, as well as the financial risks and opportunities associated with each issue. The concept of double materiality encompasses not only the effects of corporate activities on external environmental and social factors but also the financial impacts that external sustainability factors may have on the company's growth, performance, and risks. Based on this materiality assessment, KT&G has classified climate change response activities as a core issue. The company evaluates the potential financial impact and likelihood of climate change risks affecting the business. KT&G remains aware of the potential effects of key identified issues. When such issues present clear impacts or require preemptive action, the company recognizes them as having a substantive effect and responds accordingly. Through this process, KT&G systematically identifies, classifies, and manages risks. The results of these ESG issue evaluations are approved by the Sustainability Management Committee, a subcommittee of the Board of Directors. As part of the materiality assessment for financial impacts, KT&G identifies major risks that could have financial or strategic implications, using a threshold set at approximately 1% of the company's revenue. By conducting such detailed and systematic evaluations and management, KT&G continuously enhances operational efficiency and generates corporate value.

Opportunities

(2.4.1) Type of definition

Select all that apply

- ☑ Qualitative
- ☑ Quantitative

(2.4.2) Indicator used to define substantive effect

Select from:

☒ Revenue

(2.4.3) Change to indicator

Select from:

☒ % increase

(2.4.4) % change to indicator

Select from:

☒ 1-10

(2.4.6) Metrics considered in definition

Select all that apply

☒ Frequency of effect occurring

☒ Time horizon over which the effect occurs

☒ Likelihood of effect occurring

(2.4.7) Application of definition

KT&G has established a process to assess the "substantive effect" of key issues that impact both stakeholders and the company. Through this process, the company thoroughly examines the significance of the influence that each issue may have and prioritizes them accordingly. To accurately evaluate the significance of these issues, KT&G annually conducts a double materiality assessment that considers both the social and environmental impacts, as well as the financial risks and opportunities associated with each issue. The concept of double materiality encompasses not only the effects of corporate activities on external environmental and social factors but also the financial impacts that external sustainability factors may have on the company's growth, performance, and risks. Based on this materiality assessment, KT&G has classified climate change response activities as a core issue. The company evaluates the potential financial impact and likelihood of climate change risks affecting the business. KT&G remains aware of the potential effects of key identified issues. When such issues present clear impacts or require preemptive action, the company recognizes them as having a substantive effect and responds accordingly. Through this process, KT&G systematically identifies, classifies, and manages risks. The results of these ESG issue evaluations are approved by the Sustainability Management Committee, a subcommittee of the Board of Directors. As part of the materiality assessment for financial impacts, KT&G identifies major risks that could have financial or strategic implications, using a threshold set at approximately 1% of the company's revenue. By conducting such detailed and systematic evaluations and management, KT&G continuously enhances operational efficiency and generates corporate value.

[Add row]

(2.5) Does your organization identify and classify potential water pollutants associated with its activities that could have a detrimental impact on water ecosystems or human health?

(2.5.1) Identification and classification of potential water pollutants

Select from:

☒ Yes, we identify and classify our potential water pollutants

(2.5.2) How potential water pollutants are identified and classified

KT&G recognizes the importance of managing potential water pollutants generated in the cigarette production process, and wastewater generated at its plants is legally treated in accordance with relevant laws. We also apply stringent internal standards. For example, at the Daejeon plant, we implement strict internal water quality management standards, such as applying 80% of the legal level as the benchmark. Compliance with water pollution standards is evaluated through the ISO 14001 system, and water quality tests are conducted covering 20 indicators, including pH and BOD. KT&G continuously maintains and renews its ISO 14001 certification. The Indonesia and Turkiye plants obtained certification in 2024, and the Russia plant successfully obtained certification in April 2025. There is a potential for water pollution from fertilizers and pesticides used in the cultivation of leaf tobacco. Through the Korea Tobacco Grower Organization, we apply strict agricultural standards to our farmers and supply only designated types of fertilizers for each crop each year. In addition, KT&G has joined the global leaf tobacco initiative, the Sustainable Tobacco Program (STP), and is strengthening the management of leaf tobacco farmers through supplier risk assessments that incorporate water pollution factors in accordance with the initiative's policies.

[Fixed row]

(2.5.1) Describe how your organization minimizes the adverse impacts of potential water pollutants on water ecosystems or human health associated with your activities.

Row 1

(2.5.1.1) Water pollutant category

Select from:

☒ Inorganic pollutants

(2.5.1.2) Description of water pollutant and potential impacts

As a raw material, leaf tobacco is essential in production of KT&G's major product, cigarettes. In the process of cultivating leaf tobacco, inorganic fertilizers that belong to inorganic pollutants may be used. If inorganic fertilizers are abused, they can adversely affect the soil around the farms, causing accumulation of salts and acidification of the soil. In addition, water in contact with inorganic pollutants such as potassium chloride and lime carbonate can flow into adjacent river basins and contaminate water sources. Contaminated water sources have potentially negative impacts not only on nature, but also on human health, including the agricultural population.

(2.5.1.3) Value chain stage

Select all that apply

☒ Upstream value chain

(2.5.1.4) Actions and procedures to minimize adverse impacts

Select all that apply

☒ Requirement for suppliers to comply with regulatory requirements

(2.5.1.5) Please explain

Through the Korea Tobacco Growers Association (KTGO), KT&G applies strict agricultural standards to domestic tobacco farmers, and in consideration of the potential impacts of water pollution, supplies all leaf tobacco farms with designated types of fertilizers for each crop type. In addition, in accordance with STP standards, we verify and manage whether only suitable compound fertilizers and by-product fertilizers are used, while prohibiting the use of commercially available general compound fertilizers and livestock manure. To measure the use of non-compliant fertilizers by leaf tobacco farmers, KT&G collects data each year on the types and amounts of fertilizers used on farms and evaluates whether the fertilizers collected are in compliance with regulations.

Row 2

(2.5.1.1) Water pollutant category

Select from:

☒ Pesticides

(2.5.1.2) Description of water pollutant and potential impacts

As a raw material, leaf tobacco is essential in production of KT&G's major product, cigarettes. During the process of cultivating leaf tobacco, pesticides are used to eliminate pests that hinder the growth of the crop. The pesticides containing harmful ingredients, such as perfluorinated compounds, can cause serious health problems such as cancer, thyroid disease, kidney dysfunction, and autoimmune diseases in people living near agricultural areas, not only confined to soil

contamination. In particular, perfluorinated compounds do not degrade naturally forever, so they can have long-term adverse effects.

(2.5.1.3) Value chain stage

Select all that apply

☒ Upstream value chain

(2.5.1.4) Actions and procedures to minimize adverse impacts

Select all that apply

☒ Requirement for suppliers to comply with regulatory requirements

(2.5.1.5) Please explain

Through the Korea Tobacco Growers Association (KTGO), KT&G applies strict standards for pesticide use to domestic tobacco farmers in order to prevent potential adverse environmental impacts, such as water pollution caused by hazardous chemicals contained in pesticides. Each year, we supply low-toxicity pesticides and KTGO-approved crop protection agents (CPAs) to all tobacco farms, and we also manage the disposal of pesticide packaging materials to ensure that pesticide residues do not cause soil contamination. We use the list of pesticides and fungicides specified in the Sustainable Tobacco Program (STP) as a reference, and this list is updated annually. To prevent adverse environmental impacts from pesticides, KT&G manages to ensure that only pesticides that meet usage standards during leaf tobacco production are applied, and evaluates whether the pesticides used are in compliance with KTGO and STP regulations.

Row 3

(2.5.1.1) Water pollutant category

Select from:

☒ Other physical pollutants

(2.5.1.2) Description of water pollutant and potential impacts

KT&G manufacturing sites produce cigarettes from leaf tobacco as the raw material, and wastewater is generated from the production process. The wastewater contains a lot of organic or suspended solids. If the pollutants flow into the neighboring river basin without proper treatment, water sources will be contaminated, which leads to adverse impact on the aquatic ecosystem including plants, fish, and amphibians living in the watershed.

(2.5.1.3) Value chain stage

Select all that apply

☒ Direct operations

(2.5.1.4) Actions and procedures to minimize adverse impacts

Select all that apply

☒ Beyond compliance with regulatory requirements

(2.5.1.5) Please explain

To prevent potential water pollution from wastewater, KT&G strictly complies with the legal water quality standards in each country where its manufacturing sites are located. We continuously monitor relevant laws and amendments that must be observed in the tobacco business, while applying internal management standards that are stricter than the law, taking into account the specific conditions of each country or region. At the Daejeon plant, for example, we implement stricter internal water quality management standards, such as applying a benchmark at 80% of the national legal level. We also evaluate compliance with water pollution-related standards through global management systems such as ISO 14001, and conduct water quality tests covering about 20 indicators, including pH, BOD, and COD. Currently, all domestic manufacturing sites that have obtained ISO 14001 certification continue to maintain and renew their certifications.

[Add row]

C3. Disclosure of risks and opportunities

(3.1) Have you identified any environmental risks which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?

	Environmental risks identified
Climate change	Select from: ☒ Yes, both in direct operations and upstream/downstream value chain
Forests	Select from: ☒ Yes, both in direct operations and upstream/downstream value chain
Water	Select from: ☒ Yes, both in direct operations and upstream/downstream value chain
Plastics	Select from: ☒ Yes, both in direct operations and upstream/downstream value chain

[Fixed row]

(3.1.1) Provide details of the environmental risks identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.

Climate change

(3.1.1.1) Risk identifier

Select from:

☒ Risk1

(3.1.1.3) Risk types and primary environmental risk driver

Policy

- ☒ Carbon pricing mechanisms

(3.1.1.4) Value chain stage where the risk occurs

Select from:

- ☒ Direct operations

(3.1.1.6) Country/area where the risk occurs

Select all that apply

- ☒ Republic of Korea

(3.1.1.9) Organization-specific description of risk

KT&G is subject to the Korean Emissions Trading System (K-ETS) and manages its greenhouse gas emissions within the annual allowances allocated by the government. As of 2024, the company reports activity data from 224 facilities across 129 domestic sites. This process requires substantial human resources and time for data collection and verification. The carbon credit price in Korea is characterized by high volatility and uncertainty, and price pressures are expected to intensify in the future as the government continues to tighten the overall ETS cap in line with its carbon neutrality roadmap. For example, under transition-risk-intensive assumptions such as the IEA NZE 2050 Scenario, the carbon price is projected to reach approximately USD 140/tCO₂ by 2030. This could directly impose significant cost burdens on energy-intensive equipment at KT&G's domestic manufacturing plants—such as boilers, dryers, and generators at sites including Daejeon and Yeongju plants. KT&G also operates major overseas business hubs in the tobacco industry. Because tobacco manufacturing involves energy consumption across raw material procurement, production, distribution, and export stages, rising carbon prices could lead to higher transport unit costs, resulting in increased global logistics and freight expenses. Such carbon pricing schemes have the potential to increase both direct and indirect operating costs, thereby creating material financial risks for the company.

(3.1.1.11) Primary financial effect of the risk

Select from:

- ☒ Increased indirect [operating] costs

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☒ Medium-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☒ Very likely

(3.1.1.14) Magnitude

Select from:

☒ Medium-high

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

REC/Greenhouse Gas Emission Allowance Purchase and Use As a company subject to Korea's Emissions Trading Scheme (K-ETS), KT&G is required to calculate its greenhouse gas emissions annually. Companies subject to the emissions trading scheme receive a portion of their allowances for free, and if they exceed the allocated emissions, they must purchase additional allowances on the trading market. KT&G purchases Renewable Energy Certificates (RECs) and emission allowances to fulfill its obligations for any excess emissions beyond the allocated allowances for the year. The related expenses are reflected in the income statement under utility expenses, included in both the cost of goods sold and selling, general, and administrative expenses. Additionally, KT&G reasonably estimates the purchase costs for the emission allowances expected to be required when the free allocation is exceeded and recognizes a greenhouse gas provision liability. If the cost of emission allowances increases or the ratio of paid allocations rises, this may result in an increase in liabilities on future balance sheets, higher cost of goods sold and expenses in the income statement, and cash outflows from operating activities in the cash flow statement.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☒ Yes

(3.1.1.21) Anticipated financial effect figure in the medium-term – minimum (currency)

18900000000

(3.1.1.22) Anticipated financial effect figure in the medium-term – maximum (currency)

43200000000

(3.1.1.25) Explanation of financial effect figure

*Based on the 2024 average KRW–USD exchange rate of 1,363 KRW/USD, the estimated financial impacts are as follows. Minimum Financial Impact Projected greenhouse gas emissions for the mid-term (2026-2029) (385,701 tCO₂eq) * Carbon allowance price forecast for the same period under the IEA STEPS scenario (converted based on the average KRW-USD exchange rate in 2024) = 18.9 billion KRW Maximum Financial Impact Projected greenhouse gas emissions for the mid-term (2026-2029) (385,701 tCO₂eq) * Carbon allowance price forecast for the same period under the IEA NZE scenario (converted based on the average KRW-USD exchange rate in 2024) = 43.2 billion KRW*

(3.1.1.26) Primary response to risk

Infrastructure, technology and spending

☒ Increase environment-related capital expenditure

(3.1.1.27) Cost of response to risk

13460000000

(3.1.1.28) Explanation of cost calculation

To mitigate transition risks arising from the introduction of carbon pricing mechanisms, KT&G has established the following medium-term (2026–2029) capital investment plans for GHG reduction facilities and the expansion of renewable energy. (1). Projected Investment Amount for Expanding High-Efficiency Carbon Equipment (2026-2029) = 8.30 billion KRW (2) Projected Investment Amount for Expanding Solar Energy Equipment (2026-2029) = 5.16 billion KRW Cost calculation: (1)+(2) = 13.46 billion

(3.1.1.29) Description of response

KT&G is implementing investments in both GHG reduction facilities and the expansion of renewable energy capacity to mitigate transition risks arising from the introduction of carbon pricing mechanisms. To transition to a low-carbon system, the company is promoting process improvements by replacing and installing major equipment, such as air-conditioning and ventilation systems, with high-efficiency units. In addition, solar power generation facilities are being expanded at domestic sites. During the current reporting period, solar facilities were installed at KT&G's Gwangju Plant and KGC's Buyeo Plant, and the company plans to expand total capacity to 10.5 MWp by 2025. At overseas sites, KT&G is laying the foundation for medium- to long-term emissions reductions through the purchase of RECs and I-RECs and by entering into long-term PPA contracts. Expenditures incurred during the facility expansion process are recorded as acquisitions or repairs of property, plant, and equipment, and the assets are subsequently reflected in the income statement through depreciation. However, rising carbon credit prices, significant upfront investment costs, and the efficiency limits of the facilities may restrict the level of cost savings, and provisions are recognized for any excess emissions.

These factors represent residual risks that could increase liabilities and operating costs going forward. These measures have resulted in energy cost savings, a reduction in cost of goods sold, and improvements in operating profit. In 2024, through the installation of solar power generation facilities at the Yeongju and Gimcheon plants and the replacement of boilers and refrigeration units with high-efficiency equipment, approximately 8,801 tons of GHG emissions were reduced. These efforts form part of KT&G's collective reduction initiatives under the Korean Emissions Trading System and are also recognized as low-carbon transition measures aligned with the goals of the Paris Agreement.

Forests

(3.1.1.1) Risk identifier

Select from:

☒ Risk4

(3.1.1.2) Commodity

Select all that apply

☒ Not applicable

(3.1.1.3) Risk types and primary environmental risk driver

Reputation

☒ Increased partner and stakeholder concern or negative partner and stakeholder feedback

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☒ Direct operations

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☒ Republic of Korea

(3.1.1.9) Organization-specific description of risk

KT&G needs to address concerns and feedback from partners and stakeholders related to natural capital. Some business sites, partners, and cultivation areas are located near protected areas or key biodiversity regions, potentially acting as risk factors. It is estimated that approximately 6% of KT&G's key supply chain is located near these protected areas. We plan to conduct further investigations on this 6% area, and if risks are identified through these investigations, the following natural capital-related risks may arise. - Increased possibility of operational suspension or restrictions for business sites and partners located near natural areas. - Rising costs due to the adoption of technologies and the addition of personnel to identify value chains located near protected areas. - The need to establish transition plans and response strategies for assets in the value chain that are adjacent to protected areas. - Concerns about a decline in social reputation, corporate value, and increased instability in business operations as a result. If KT&G does not prepare response measures for these natural capital risks, it could negatively affect the company's sustainable management, lead to deteriorating relationships with partners and stakeholders, and result in a long-term decline in corporate value.

(3.1.1.11) Primary financial effect of the risk

Select from:

- ☒ Decrease in shareholder value

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

- ☒ Medium-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

- ☒ Likely

(3.1.1.14) Magnitude

Select from:

- ☒ Medium-high

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

KT&G needs to prepare for the possibility of increased concerns or negative feedback from partners and stakeholders regarding natural capital in the future. The operations of business sites and partners located near protected areas could be a major cause of these concerns, potentially leading to operational restrictions or suspensions. If such situations arise, revenue losses due to production disruptions may occur, and the reduction in sales during the suspension period can be estimated based on the proportion of assets located near protected areas that contribute to total sales. Additionally, extra costs for recovery efforts or securing

alternative cultivation areas may arise. To address the concerns of partners and stakeholders, KT&G may need to consider adopting additional technologies and allocating more personnel to better identify and manage assets within the value chain that are located near protected areas. For example, the implementation of GIS systems or biodiversity monitoring technologies may be required, and there may be a need to engage additional staff or seek assistance from external experts. These response measures may entail additional costs. Furthermore, to meet the demands and expectations of partners and stakeholders, KT&G may need to review transition plans that adjust or relocate operations near protected areas. If securing new cultivation areas or relocating existing parts of the value chain becomes necessary, transition costs may be incurred. These measures would contribute to long-term risk management and maintaining stakeholder trust. Lastly, if concerns related to natural capital risks are not adequately addressed, the company's social reputation could suffer. This could affect not only partners and stakeholders but also investor confidence, potentially leading to a decline in stock prices or market capitalization.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☒ Yes

(3.1.1.21) Anticipated financial effect figure in the medium-term – minimum (currency)

1121900000000

(3.1.1.22) Anticipated financial effect figure in the medium-term – maximum (currency)

1121900000000

(3.1.1.25) Explanation of financial effect figure

As of December 30, 2024, KT&G's market capitalization was reported to be approximately 112.19 trillion KRW. Based on this, we can estimate the potential financial opportunities resulting from enhanced corporate reputation and trust through the strengthening of natural capital protection and eco-friendly strategies. For example, if positive evaluations from partners and stakeholders contribute to improving the company's reputation, and as a result, the stock price increases by the materiality threshold (1%), KT&G's market capitalization could rise by approximately 1,121.90 billion KRW. While the actual financial impact may vary depending on the company's operational strategies, market response, and overall stock market conditions, this serves as an important reference point, indicating the potential financial opportunities that could be realized through environmental protection activities and the strengthening of sustainability efforts.

(3.1.1.26) Primary response to risk

Compliance, monitoring and targets

☒ Establish organization-wide targets

(3.1.1.27) Cost of response to risk

400000000

(3.1.1.28) Explanation of cost calculation

KT&G has estimated the costs involved in achieving its goal of halting deforestation and land conversion in protected areas by 2030, focusing on consultation and project implementation expenses. Consultation Costs: These costs cover professional consulting and research needed to set goals and design strategies. They include analyzing the overlap between supply chain locations and protected areas, as well as developing risk assessments and management plans. = Approximately 100,000,000 KRW Project Implementation Costs: These costs involve on-site inspections in high-risk areas, reviewing new contracted farms, and implementing preventive measures. Expenses include inspections, monitoring systems, personnel, and technology. = Approximately 300,000,000 KRW Total Cost: Consultation + Implementation = Approximately 400,000,000 KRW

(3.1.1.29) Description of response

KT&G has set a goal to halt deforestation and land conversion in protected areas (Deforestation and Conversion Free) by 2030. The company aims to stop deforestation in natural forests and halt cultivation in protected areas by 2030 for domestic and international farms cultivating tobacco and ginseng. This includes stopping the procurement of tobacco, ginseng, timber used for tobacco curing, and paper and pulp used for packaging from natural forests and protected areas. To achieve this goal, KT&G plans to regularly monitor the overlap between key product supply chains and protected areas, and to implement various preventive measures, such as conducting on-site inspections in high-risk areas. For example, during the contract review process for new farms, the company will consider whether there is an overlap with protected areas, ensuring that risks of natural capital loss do not arise. Furthermore, KT&G is committed to identifying factors within its value chain and surrounding communities that may cause damage to protected areas, and will strive to create a Net Positive Impact on forests and soil by restoring any damaged areas.

Water

(3.1.1.1) Risk identifier

Select from:

☒ Risk5

(3.1.1.3) Risk types and primary environmental risk driver

Chronic physical

☒ Water stress

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☒ Direct operations

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☒ Turkey

(3.1.1.7) River basin where the risk occurs

Select all that apply

☒ Other, please specify :Gediz

(3.1.1.9) Organization-specific description of risk

The Turkiye plant was identified as a water-stressed area in the WRI water risk analysis, with the highest baseline water stress index among all KT&G manufacturing sites, both domestic and international. Water stress measures the ratio of available water to withdrawals in a catchment, with higher values indicating greater competition among water users.

(3.1.1.11) Primary financial effect of the risk

Select from:

☒ Increased indirect [operating] costs

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☒ Medium-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☒ Likely

(3.1.1.14) Magnitude

Select from:

☒ Medium-low

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

The Turkiye plant was identified as a water-stressed location by WRI's water risk analysis, with the highest baseline water stress index among all KT&G domestic and international manufacturing operations. Water stress measures the ratio of available water to water withdrawals in a catchment, with higher values indicating greater competition among water users. Given the country's national manufacturing capabilities and geographical advantages, Turkiye's position in the global supply chain market is likely to continue to strengthen in the future, with a range of global manufacturers expected to enter the country. The resulting establishment of new manufacturing plants and increased water withdrawals in the catchments of Turkiye's factories will lead to a higher baseline water stress index. Increased water demand in the catchment in the face of insufficient water resources is likely to lead to instability in water management and operations at KT&G's Turkiye plant, including higher water tariffs, which in turn poses a risk to KT&G's production stability.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☒ Yes

(3.1.1.21) Anticipated financial effect figure in the medium-term – minimum (currency)

35000000

(3.1.1.22) Anticipated financial effect figure in the medium-term – maximum (currency)

35000000

(3.1.1.25) Explanation of financial effect figure

As of 2024, the total water withdrawal at the Turkiye facility is 22,564 tons, with a water supply price of 577 KRW/ton. It was assumed that future increases in production volume at the Turkiye facility would be proportional to increases in water withdrawal. The financial impact was considered for the mid-term year 2026, two years after the reporting year. - Potential financial impact (min/max equal): 2024 water withdrawal volume × Expected increase in water withdrawal volume due to production growth (200%) × Water supply price

(3.1.1.26) Primary response to risk

Infrastructure, technology and spending

☒ Adopt water efficiency, water reuse, recycling and conservation practices

(3.1.1.27) Cost of response to risk

99000000

(3.1.1.28) Explanation of cost calculation

KT&G is expanding infrastructure investments for water reuse and recycling processes to prepare for the high water stress risk at its Turkiye factory. To this end, we have strengthened the infrastructure for recycling alternative water resources such as rainwater and reclaimed water. The risk response costs are the expenses for installing and maintaining this rainwater/reclaimed water infrastructure, with specific details as follows. [Risk Response Costs: Total 99,000,000 KRW] - Rainwater/reclaimed water Reuse Infrastructure Installation/Maintenance Costs: 99,000,000 KRW (1) Rainwater/reclaimed water Drainage System Installation: 35,000,000 KRW (2) Rainwater/reclaimed water drainage pipe maintenance: 32,000,000 KRW (3) Rainwater/reclaimed water manhole installation: 20,000,000 KRW (4) Rainwater/reclaimed water tank maintenance: 12,000,000 KRW

(3.1.1.29) Description of response

KT&G is promoting activities to improve water use efficiency, water reuse, and water conservation at its Turkiye plant to proactively respond to the risk of water stress and the business impact of increased water withdrawals. The Turkiye plant has set a mid- to long-term goal of reducing water withdrawal by 20% by 2030, and has conducted a feasibility study on utilizing reclaimed water with the aim of substantially reducing water dependence. Based on this, we plan to make infrastructure investments. In the short term, we are identifying improvement tasks to reduce water consumption. We have installed infrastructure related to alternative water resources (rainwater, gray water) and implemented water-saving activities such as reusing the concentrated water discharged from the RO system after treatment. We also plan to identify additional reduction tasks by referring to the 'Water Saving Best Practice Casebook', which summarizes water-saving best practices that have been verified in domestic factories. In the long term, we plan to acquire the International Water Resources (AWS) certification to upgrade our water management system based on global standards.

Plastics

(3.1.1.1) Risk identifier

Select from:

☒ Risk8

(3.1.1.3) Risk types and primary environmental risk driver

Market

- ☒ Lack of availability and/or increased cost of recycled or renewable content

(3.1.1.4) Value chain stage where the risk occurs

Select from:

- ☒ Direct operations

(3.1.1.6) Country/area where the risk occurs

Select all that apply

- ☒ Republic of Korea

(3.1.1.9) Organization-specific description of risk

The reliance on plastic materials poses significant challenges in terms of the availability and cost of recycled or renewable content. As global demand for sustainable packaging solutions increases, the supply of recycled plastics often fails to keep pace with demand, leading to rising costs. Additionally, changes in global recycling infrastructure and regulations exacerbate these issues, potentially causing fluctuations in the availability of high-quality recycled plastics.

(3.1.1.11) Primary financial effect of the risk

Select from:

- ☒ Increased production costs

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

- ☒ Medium-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☒ Likely

(3.1.1.14) Magnitude

Select from:

☒ Medium

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

The production costs of renewable plastic alternatives, such as non-plastic and biodegradable materials, remain higher than those of conventional plastics. As the industry shifts toward more sustainable options, companies face the dual challenge of securing a stable supply of these alternative materials while managing rising procurement costs. This financial pressure could impact our operating margins and product pricing.

(3.1.1.26) Primary response to risk

Infrastructure, technology and spending

☒ Increase investment in R&D

(3.1.1.29) Description of response

Since 2013, KT&G has been conducting R&D on alternative materials, such as non-plastic, biodegradable substances, and thus confirmed the feasibility of using lyocell fibers, known for their excellent biodegradability, in cigarette filters. In February 2023, KT&G signed an agreement with KOLON Industries for “the joint development of eco-friendly lyocell fiber cigarette filters.” Additionally, we have secured intellectual property rights through patent registration and continue our research and development efforts to achieve quality similar to that of existing filters and to advance towards commercialization. We are also concurrently pursuing the development and evaluation of using paper filters for eco-friendly products.

Climate change

(3.1.1.1) Risk identifier

Select from:

☒ Risk2

(3.1.1.3) Risk types and primary environmental risk driver

Chronic physical

☒ Changing temperature (air, freshwater, marine water)

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☒ Upstream value chain

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☒ India

☒ Brazil

☒ Malawi

☒ Uganda

☒ Indonesia

☒ Republic of Korea

☒ United Republic of Tanzania

(3.1.1.9) Organization-specific description of risk

KT&G's primary raw material, leaf tobacco, is highly exposed to physical climate risks, including heat waves and droughts. Such events disrupt cultivation cycles and growth patterns, reducing yields and quality and thereby intensifying cost pressures. As leaf tobacco requires more than a year of curing and aging prior to use in manufacturing, fluctuations in harvest volume and price represent a critical risk to mid- to long-term cost management. Major sourcing countries such as Brazil, Uganda, and Indonesia are among the regions most vulnerable to climate change. Severe droughts and other extreme weather events in these areas are likely to increase procurement cost volatility. Given that leaf tobacco accounts for approximately 40% of KT&G's total production cost, this vulnerability poses a material threat to the company's overall financial stability. In addition, rising temperatures and shifting precipitation patterns accelerate the spread of pests and crop diseases, further reducing productivity and quality, and potentially jeopardizing farmer livelihoods and long-term supply chain resilience. Heat stress also creates health and safety risks for farm and factory workers, while extreme weather events such as heat waves and typhoons can disrupt logistics networks and damage critical infrastructure, compounding operational and supply chain risks.

(3.1.1.11) Primary financial effect of the risk

Select from:

☒ Increased direct costs

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☒ Long-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☒ Likely

(3.1.1.14) Magnitude

Select from:

☒ Medium-high

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Abnormal temperatures caused by climate change can directly affect the productivity of key tobacco-growing regions such as Brazil, Uganda, and Indonesia, and under the SSP8.5 scenario (4.0°C temperature rise), these countries are expected to be exposed to high levels of risk. As a result, there is a high likelihood of increased volatility in the procurement costs of imported tobacco leaves over the long term. Such changes are likely to lead to increased raw material procurement costs, raising the overall production cost burden and ultimately reducing operating profit. In addition, lower crop yields could result in decreased product output, leading to a decline in sales revenue, while outbreaks of plant diseases or invasive species at the farm level could incur additional costs for pest control and farmer support. Furthermore, fluctuations in inventory value due to potential supply disruptions and increased investment for the development of new sourcing regions and farmer support could lead to changes in the company's asset structure. Moreover, rising tobacco leaf purchase prices and investments in developing alternative sourcing regions could increase cash outflows associated with operating and investing activities. In summary, supply chain instability for key raw materials caused by abnormal temperatures represents a risk that could have negative long-term impacts across the company's financial performance, including higher production costs, lower revenue, additional expenses, changes in asset structure, and increased cash outflows.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☒ Yes

(3.1.1.23) Anticipated financial effect figure in the long-term – minimum (currency)

279200000000

(3.1.1.24) Anticipated financial effect figure in the long-term – maximum (currency)

337500000000

(3.1.1.25) Explanation of financial effect figure

Over the past 10 years, the average annual tobacco leaf purchase amount has been approximately 300 billion KRW. Due to various factors driven by climate change, such as changes in tobacco leaf production and supply chains, or other factors, the price of tobacco leaves may increase. These factors could affect the procurement process and potentially lead to an overall increase in costs. Considering the financial impact of fluctuations in tobacco leaf prices, the potential financial impact on the average annual tobacco leaf purchase amount over the past 10 years was set at a minimum of 3% and a maximum of 30%. The financial impact was assessed based on this range. (1) Minimum financial impact = Estimated tobacco leaf purchase cost with a 3% price increase (converted based on 2024 figures) = 279.2 billion KRW
(2) Maximum financial impact = Estimated tobacco leaf purchase cost with a 30% price increase (converted based on 2024 figures) = 337.5 billion KRW

(3.1.1.26) Primary response to risk

Engagement

☒ Engage in multi-stakeholder initiatives

(3.1.1.27) Cost of response to risk

446922000000

(3.1.1.28) Explanation of cost calculation

(1) Support for Tobacco Leaf Farmers KT&G contributes to the "Tobacco Production Stabilization Fund" to support the economic stability and productivity of tobacco leaf farmers, aiming to stabilize the tobacco production base. From 2002 to 2024, KT&G has contributed a cumulative total of 446.6 billion KRW. (2) Introduction and Operation of STP KT&G promotes sustainable agriculture for tobacco farmers through the STP, a platform developed with global tobacco manufacturers and 3rd-party agencies. The STP aims to enhance environmental and social responsibility, promote sustainable tobacco production, and reduce negative impacts during cultivation. KT&G purchases all domestic tobacco leaves and began implementing STP for foreign leaves in 2022, sourcing from GAPC-certified farmers. By 2024, 100% of KT&G's foreign tobacco leaves were from STP-affiliated suppliers. The annual cost of participating in STP is about 320 million KRW. Cost calculation: (1) + (2) = 446.92 billion KRW

(3.1.1.29) Description of response

KT&G participates in the Sustainable Tobacco Program (STP) alongside global tobacco manufacturers to mitigate potential declines in agricultural productivity and raw material supply instability caused by climate change–related abnormal weather conditions. Through this program, the company regularly conducts country-level risk assessments, supplier self-assessments, and third-party In-Depth Assessments (IDAs), and establishes and supports supplier-specific improvement plans based on the assessment results. In 2024, KT&G procured 100% of its imported leaf tobacco from STP member suppliers and, as of April 2025, completed on-site IDAs for 16 suppliers across eight countries. Key findings from these assessments included insufficient progress in afforestation activities and deficiencies in resource and crop protection management, for which KT&G developed concrete corrective action plans. In 2023, KT&G developed the “Domestic Leaf Tobacco STP Monitoring Index Handbook,” contributing to the sustainable production of domestic leaf tobacco based on core management indicators across governance, environment, and human rights and labor domains. In collaboration with external research institutes and technical advisors, KT&G is also creating initiatives aimed at achieving substantial long-term reductions in carbon emissions. Starting in 2024, the monitoring scope was expanded to include 904 domestic farms, and targeted training was provided with a focus on areas identified as insufficient in the previous year’s evaluations, including “KT&G Ongoing Training” and group training for growers organized by the Korea Leaf Tobacco Growers’ Cooperative. Going forward, KT&G plans to further expand these STP-based global collaboration and domestic farm support activities to minimize the risks of agricultural productivity loss and raw material supply instability driven by climate change, while strengthening the overall sustainability of its supply chain.

Climate change

(3.1.1.1) Risk identifier

Select from:

☒ Risk3

(3.1.1.3) Risk types and primary environmental risk driver

Chronic physical

☒ Changing precipitation patterns and types (rain, hail, snow/ice)

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☒ Upstream value chain

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☒ Brazil

(3.1.1.9) Organization-specific description of risk

The Super El Niño, which began in 2023, is one of the strongest El Niños in history, causing heavy rainfall and high temperatures in Brazil, a major tobacco leaf-producing country. The average temperature in South America in 2023 was the highest on record, and the state of Rio Grande do Sul, where tobacco leaf production takes place, experienced severe flooding in Porto Alegre. The ENSO (El Niño-Southern Oscillation) phenomenon has persisted for hundreds of years, but its intensity is increasing due to climate change. There is a possibility of even stronger El Niño or La Niña events in the future, which will have a direct impact on South America and Southeast Asia, key tobacco leaf supply regions for KT&G. The risks associated with unprecedented ENSO events need to be continuously monitored.

(3.1.1.11) Primary financial effect of the risk

Select from:

☒ Disruption in upstream value chain

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☒ Medium-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☒ Likely

(3.1.1.14) Magnitude

Select from:

☒ Medium-high

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Due to heavy rainfall in Brazil, leaf tobacco production dropped by more than 20%, a decline attributed to the effects of a super El Niño event. If ENSO-related climate

variability continues to intensify, similar production declines exceeding 20% could recur in KT&G's major leaf tobacco sourcing countries. This would lead to higher procurement prices and an increase in the cost of goods sold, temporarily reducing gross profit margins. Because leaf tobacco requires more than a year of curing and aging before being used in manufacturing, such production shocks can also result in higher inventory levels and increased working capital needs in the short term, putting pressure on operating cash flow. In the medium to long term, accelerating climate change — including further changes in rainfall patterns — may require additional investment to secure alternative sourcing regions and strengthen supply chain resilience. This would lead to higher capital expenditures, an expansion of property, plant, and equipment, and increased cash outflows from investing activities. Over time, these accumulating cost pressures could weigh on the overall cost structure, drive up financing cash outflows, and ultimately put pressure on corporate liquidity.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☒ Yes

(3.1.1.21) Anticipated financial effect figure in the medium-term – minimum (currency)

36800000000

(3.1.1.22) Anticipated financial effect figure in the medium-term – maximum (currency)

46500000000

(3.1.1.25) Explanation of financial effect figure

As of 2024, the additional cost of purchasing foreign tobacco leaves in the event of a 3% and 30% price increase (historically, tobacco leaf prices have fluctuated between 1-3% on the low end and up to 30% on the high end) is as follows. In this process, we factored in the procurement share of Brazilian leaf tobacco, which is highly affected by ENSO (El Niño–Southern Oscillation) climate events, to derive a cost increase estimate that reflects KT&G's actual risk exposure: i) Minimum financial impact = Additional tobacco leaf purchase cost with a 3% price increase (converted based on 2024 figures) * Percentage of leaf tobacco sourced from countries affected by the ENSO phenomenon (%) = 36.8 billion KRW ii) Maximum financial impact = Additional tobacco leaf purchase cost with a 30% price increase (converted based on 2024 figures) * Percentage of leaf tobacco sourced from countries affected by the ENSO phenomenon (%) = 46.5 billion KRW

(3.1.1.26) Primary response to risk

Engagement

☒ Engage with suppliers

(3.1.1.27) Cost of response to risk

(3.1.1.28) Explanation of cost calculation

(1) Supplier Engagement KT&G is working closely with suppliers to reduce climate risks across its supply chain, incurring various costs such as consulting fees, engagement operations, human resources, and resource reallocation. In 2024, approximately 478 million KRW was incurred for supply chain assessments, consulting support, and renewable energy adoption support, which has been accounted for as supply chain climate risk management costs. (2) STP Introduction and Operation KT&G sources tobacco leaves globally, including domestically, and participates in the Sustainable Tobacco Program (STP) to promote sustainable agriculture and maintain a responsible supply chain. In 2024, KT&G's participation cost for the STP amounted to approximately KRW 322 million, which has been recognized as management expenses. Cost calculation: (1) + (2) = 800 million KRW

(3.1.1.29) Description of response

KT&G is strengthening supplier engagement to address climate change risks, centering its efforts on the Green Impact Alliance, a collaborative platform with partner companies. In the short term, KT&G provides training and consulting aligned with international standards, while in the long term it pursues joint R&D and development collaborations to enhance and improve ESG capabilities with its partners. The company also requires major partners, including leaf tobacco suppliers, to complete ESG self-assessments, submit relevant data, undergo on-site audits, and implement improvement feedback. Climate- and environment-related risks are regularly managed based on this collaboration and feedback with suppliers. To support these efforts, KT&G operates a dedicated organization and works with external experts to strengthen expertise and objectivity. In Korea, the company conducted monitoring and training for 904 domestic leaf tobacco farms in 2024, while overseas it carried out In-Depth Assessments (IDAs) and collaborative improvement activities with 16 suppliers across eight countries through participation in the Sustainable Tobacco Program (STP). Nevertheless, certain regions continue to face residual risks due to factors such as climate change–driven yield fluctuations and varying regulatory response capabilities, which may lead to potential supply disruptions and cost increases. KT&G mitigates these risks by supporting supplier improvement activities and capacity building through engagement, thereby enhancing supply chain climate resilience, reducing the risk of production disruptions, and securing a stable raw material procurement base. KT&G's supplier engagement strategy extends beyond individual company-level efforts, expanding into global collaboration through collective action initiatives such as the STP and the Green Impact Alliance. These initiatives also contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

Water

(3.1.1.1) Risk identifier

Select from:

☒ Risk6

(3.1.1.3) Risk types and primary environmental risk driver

Chronic physical

☒ Water stress

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☒ Upstream value chain

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☒ India

(3.1.1.7) River basin where the risk occurs

Select all that apply

☒ Ganges - Brahmaputra

(3.1.1.9) Organization-specific description of risk

India is one of KT&G's top international tobacco sourcing countries. According to the WRI water risk analysis, a total of seven of KT&G's international tobacco sourcing countries are in water-stressed regions, with India identified as the largest tobacco sourcing country. India's water stress index is High. Water stress measures the ratio of available water to water withdrawals in a catchment, with higher values indicating greater competition among water users.

(3.1.1.11) Primary financial effect of the risk

Select from:

☒ Increased direct costs

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☒ Medium-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☒ Unlikely

(3.1.1.14) Magnitude

Select from:

☒ Medium-high

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

One of the key success factors of KT&G's tobacco business is the availability of high-quality tobacco from its supply chain. India is a high proportion of tobacco sourcing and has been identified as having a extremely high water stress index, which means that farmers & manufacturers can compete for water resources in the same catchment. Given India's importance in the tobacco supply chain, any disruption to KT&G's supply of leaf tobacco due to water risk could pose a procurement risk. Urgent supply substitution could impact the availability and price of raw materials, which could result in increased production/operating costs and adversely affect our business. The potential financial impact was calculated based on the assumption that KT&G would need to urgently procure substitute leaf tobacco from alternative sources to replace supply from India. Two scenarios were considered depending on the severity of water stress: one in which 10% of India's supply volume would need to be substituted, and another in which 20% would need to be substituted. In addition, given the current "Extremely High" level of the water stress index, there is a possibility of exposure to water risk within the next one to three years. Accordingly, the time horizon was set to two years, in alignment with KT&G's medium-term planning cycle. From 2020 to 2024, the leaf tobacco market experienced continuous price increases due to a combination of reduced production and increased demand. However, as the preference for leaf tobacco cultivation continued to rise, supply and demand reached a balance. As a result, prices are expected to stabilize starting in 2025, and this market outlook has been reflected in the projected procurement cost for 2026. Additionally, while freight and import tariffs may increase depending on the geographical location of alternative sources, the opposite scenario is also possible. Therefore, this factor was excluded from the calculation.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☒ Yes

(3.1.1.21) Anticipated financial effect figure in the medium-term – minimum (currency)

6265000000

(3.1.1.22) Anticipated financial effect figure in the medium-term – maximum (currency)

12531000000

(3.1.1.25) Explanation of financial effect figure

**Procurement costs are confidential, so exact figures cannot be disclosed; therefore, values within $\pm 20\%$ of the cost have been arbitrarily reflected. - Potential financial impact (minimum): 2026 projected average overseas tobacco leaf procurement cost (per kg) x 10% of India's 2024 procurement volume - Potential financial impact (maximum): 2026 projected average overseas tobacco leaf procurement cost (per kg) x 20% of India's 2024 procurement volume*

(3.1.1.26) Primary response to risk

Diversification

☒ Increase supplier diversification

(3.1.1.27) Cost of response to risk

446780000000

(3.1.1.28) Explanation of cost calculation

(1) Support for Tobacco Leaf Farmers - KT&G contributes to the "Tobacco Production Stabilization Fund" to support the economic stability and productivity of tobacco leaf farmers, aiming to stabilize the tobacco production base. From 2002 to 2024, KT&G has contributed a cumulative total of 446.6 billion KRW. (2) Introduction and Operation of STP - KT&G promotes sustainable agriculture for tobacco farmers through the STP, a platform developed with global tobacco manufacturers and 3rd-party agencies. The STP aims to enhance environmental and social responsibility, promote sustainable tobacco production, and reduce negative impacts during cultivation. KT&G purchases all domestic tobacco leaves and began implementing STP for foreign leaves in 2022, sourcing from GAPC-certified farmers. By 2024, 99.4% of KT&G's foreign tobacco leaves were from STP-affiliated suppliers. The annual cost of participating in STP is about 180 million KRW. [Risk Response Costs: (1)+(2)=446.78 billion KRW]

(3.1.1.29) Description of response

KT&G is actively addressing climate change & Water risks and promoting a sustainable supply chain through collaboration with stakeholders, including tobacco farmers, while fostering sustainable agricultural practices. Sustainable Agriculture and Support for Farmers - KT&G works closely with tobacco farmers to implement sustainable practices like soil conservation and water efficiency improvements, ensuring a steady supply of raw materials while mitigating climate risks. The company also provides economic and social support to farmers, enhancing productivity and contributing to a more resilient supply chain. Sustainable Tobacco Program (STP) - In partnership with global tobacco manufacturers, KT&G operates the Sustainable Tobacco Program (STP) to reduce environmental and social risks in tobacco farming. By 2024, 100% of KT&G's international tobacco supply was sourced from STP-compliant suppliers, strengthening the company's sustainable agriculture practices. Diversification of Tobacco Leaf Sources - To address potential climate impacts, KT&G is exploring the diversification of tobacco import sources. The

company is assessing regions less affected by ENSO (El Niño and La Niña) phenomena, considering the climate and tobacco characteristics of various regions, and focusing on inland areas in South America and Southeast Asia with lower flood risks. Climate Risk Countermeasures - KT&G is reviewing strategies to address climate risks like heavy rainfall in tobacco-growing regions. This includes conducting climate research, developing contingency guidelines, and working with farmers to improve irrigation and drainage systems, thereby enhancing resilience to climate change.

Water

(3.1.1.1) Risk identifier

Select from:

☒ Risk7

(3.1.1.3) Risk types and primary environmental risk driver

Acute physical

☒ Flooding (coastal, fluvial, pluvial, groundwater)

(3.1.1.4) Value chain stage where the risk occurs

Select from:

☒ Direct operations

(3.1.1.6) Country/area where the risk occurs

Select all that apply

☒ Indonesia

(3.1.1.7) River basin where the risk occurs

Select all that apply

☒ Other, please specify :Cisadane

(3.1.1.9) Organization-specific description of risk

The area where the Indonesia plant is located is prone to flooding, which has caused damage in the past, including flooding in 2023, and accounts for a high proportion of KT&G's overseas manufacturing operations.

(3.1.1.11) Primary financial effect of the risk

Select from:

☒ Disruption in production capacity

(3.1.1.12) Time horizon over which the risk is anticipated to have a substantive effect on the organization

Select all that apply

☒ Short-term

(3.1.1.13) Likelihood of the risk having an effect within the anticipated time horizon

Select from:

☒ Likely

(3.1.1.14) Magnitude

Select from:

☒ Medium-low

(3.1.1.16) Anticipated effect of the risk on the financial position, financial performance and cash flows of the organization in the selected future time horizons

Acute physical hazards such as flooding not only cause direct damage to the Indonesia factory, but also result in increased operating costs due to delays in the production of tobacco products, difficulties in the logistics and transportation of finished products, and supply chain disruptions. In other words, flooding negatively affects the tobacco business operations of the Indonesia manufacturing site, and the resulting increase in direct and indirect costs translates into lower sales revenue.

(3.1.1.17) Are you able to quantify the financial effect of the risk?

Select from:

☒ No

(3.1.1.26) Primary response to risk

Policies and plans

☒ Develop flood emergency plans

(3.1.1.27) Cost of response to risk

0

(3.1.1.28) Explanation of cost calculation

We haven't estimated the cost of responding risk.

(3.1.1.29) Description of response

KT&G plans to prevent or mitigate the negative effects of an actual flood event by establishing flood contingency plans for sites exposed to flood risk at its manufacturing sites in Indonesia. Specifically, we will conduct "emergency response consulting" in advance to minimize the damage caused by sudden production interruptions and purchase "flood damage insurance". We will also continue to install related infrastructure such as flood barriers and maintain equipment to ensure it functions properly. Furthermore, since all water-related risks can be mitigated through systematic water resource management, we plan to acquire AWS certification, a global standard-based water resource management system, over the medium to long term.

[Add row]

(3.1.2) Provide the amount and proportion of your financial metrics from the reporting year that are vulnerable to the substantive effects of environmental risks.

Climate change

(3.1.2.1) Financial metric

Select from:

☒ Revenue

(3.1.2.2) Amount of financial metric vulnerable to transition risks for this environmental issue (unit currency as selected in

1.2)

3704548000000

(3.1.2.3) % of total financial metric vulnerable to transition risks for this environmental issue

Select from:

☒ 61-70%

(3.1.2.4) Amount of financial metric vulnerable to physical risks for this environmental issue (unit currency as selected in 1.2)

46180000000

(3.1.2.5) % of total financial metric vulnerable to physical risks for this environmental issue

Select from:

☒ Less than 1%

(3.1.2.7) Explanation of financial figures

Business Activities Vulnerable to Transition Risk – Revenue from Domestic K-ETS Covered Sites Although KT&G's carbon emissions intensity is not high compared to other industries, certain facilities within its domestic tobacco manufacturing operations are subject to the Korean Emissions Trading System (K-ETS). As a result, there is a potential for direct cost exposure in the event of regulatory changes or fluctuations in carbon allowance prices. This vulnerability assessment was calculated based on the revenue share of business sites covered by the emissions trading scheme and was used as an indicator of the extent to which policy changes could have a financial impact. The assessment incorporated key assumptions such as the government's strengthened 2030 national GHG reduction target and the gradual increase in carbon allowance prices, reflecting that the potential cost exposure relative to revenue may expand over the medium to long term. Business Activities Vulnerable to Physical Risk – Revenue from Turkish Operations KT&G conducted a quantitative assessment of physical climate risk levels for its major business sites using the S&P Climonomics® analytics tool. The results confirmed that, among overseas operations, Turkey exhibits relatively high physical risk exposure. The vulnerability assessment was performed by combining the physical risk index under climate scenarios provided by Climonomics® (e.g., high-risk pathway SSP8.5) with the revenue share of the relevant business sites. This approach quantified the potential financial impact that a given site could experience in the event of climate shocks, incorporating assumptions that such shocks may lead to production disruptions and cost increases in the short term and to revenue declines in the longer term.

Forests

(3.1.2.1) Financial metric

Select from:

☒ Assets

(3.1.2.2) Amount of financial metric vulnerable to transition risks for this environmental issue (unit currency as selected in 1.2)

0

(3.1.2.3) % of total financial metric vulnerable to transition risks for this environmental issue

Select from:

☒ Less than 1%

(3.1.2.4) Amount of financial metric vulnerable to physical risks for this environmental issue (unit currency as selected in 1.2)

0

(3.1.2.5) % of total financial metric vulnerable to physical risks for this environmental issue

Select from:

☒ Less than 1%

(3.1.2.7) Explanation of financial figures

KT&G has selected 147 sites, including its business locations, key upstream suppliers, and major tobacco and ginseng farms, as significant environmental assets. Using S&P Sustainable1's specialized tool, the company analyzed the proximity of these assets to areas where the conservation of ecosystems and natural capital is critical. The analysis revealed that approximately 94% of the area of key tobacco and ginseng farms within KT&G's operations and upstream supply chain are not located in areas that require high levels of environmental protection. In particular, it was confirmed that none of KT&G's business locations are adjacent to regions where ecosystem conservation is a priority. Going forward, KT&G plans to closely monitor the approximately 6% of its value chain that is estimated to be adjacent to protected or key biodiversity areas. The company will also reassess local regulations and implement response measures to mitigate any negative impacts

Water

(3.1.2.1) Financial metric

Select from:

☒ Revenue

(3.1.2.2) Amount of financial metric vulnerable to transition risks for this environmental issue (unit currency as selected in 1.2)

0

(3.1.2.3) % of total financial metric vulnerable to transition risks for this environmental issue

Select from:

☒ Less than 1%

(3.1.2.4) Amount of financial metric vulnerable to physical risks for this environmental issue (unit currency as selected in 1.2)

550600000000

(3.1.2.5) % of total financial metric vulnerable to physical risks for this environmental issue

Select from:

☒ 11-20%

(3.1.2.7) Explanation of financial figures

[Business activities vulnerable to transition risk] KT&G's water sector is not significantly affected by transition risk compared to the climate change (carbon emissions) sector. [Business Activities Vulnerable to Physical Risks] Based on the climate change scenario analysis and WRI water risk analysis, out of KT&G's nine operations, the Turkiye and Indonesia operations were identified as vulnerable to water physical risk. Revenue from these two operations has the potential to be adversely affected by physical risk in the future.

[Add row]

(3.2) Within each river basin, how many facilities are exposed to substantive effects of water-related risks, and what percentage of your total number of facilities does this represent?

Row 1

(3.2.1) Country/Area & River basin

Indonesia

☒ Other, please specify :Cisadane

(3.2.2) Value chain stages where facilities at risk have been identified in this river basin

Select all that apply

☒ Direct operations

(3.2.3) Number of facilities within direct operations exposed to water-related risk in this river basin

1

(3.2.4) % of your organization's total facilities within direct operations exposed to water-related risk in this river basin

Select from:

☒ 1-25%

(3.2.10) % organization's total global revenue that could be affected

Select from:

☒ 11-20%

(3.2.11) Please explain

According to the WRI water risk analysis, our Indonesian operations have a medium to high water risk, with a water quality risk of 4.54, classified as Extremely High. The share of revenue based on production in our Indonesia operations that could be affected by water risks is approximately 13%.

Row 2

(3.2.1) Country/Area & River basin

Turkey

☒ Other, please specify :Gediz River

(3.2.2) Value chain stages where facilities at risk have been identified in this river basin

Select all that apply

☒ Direct operations

(3.2.3) Number of facilities within direct operations exposed to water-related risk in this river basin

1

(3.2.4) % of your organization's total facilities within direct operations exposed to water-related risk in this river basin

Select from:

☒ 1-25%

(3.2.10) % organization's total global revenue that could be affected

Select from:

☒ 1-10%

(3.2.11) Please explain

According to the WRI water risk analysis, the water risk for our Turkiye operations is medium to high, and in particular, the water stress index is 4.31, classified as Extremely High. The percentage of sales based on production at our Turkiye operations that could be impacted in the event of a water risk event is approximately 1%.
[Add row]

(3.3) In the reporting year, was your organization subject to any fines, enforcement orders, and/or other penalties for water-related regulatory violations?

	Water-related regulatory violations	Comment
	Select from: ☒ No	-

[Fixed row]

(3.5) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

Select from:

☒ Yes

(3.5.1) Select the carbon pricing regulation(s) which impact your operations.

Select all that apply

☒ Korea ETS

(3.5.2) Provide details of each Emissions Trading Scheme (ETS) your organization is regulated by.

Korea ETS

(3.5.2.1) % of Scope 1 emissions covered by the ETS

43.35

(3.5.2.2) % of Scope 2 emissions covered by the ETS

65.31

(3.5.2.3) Period start date

12/31/2023

(3.5.2.4) Period end date

12/30/2024

(3.5.2.5) Allowances allocated

103566

(3.5.2.6) Allowances purchased

544

(3.5.2.7) Verified Scope 1 emissions in metric tons CO2e

29621

(3.5.2.8) Verified Scope 2 emissions in metric tons CO2e

74510

(3.5.2.9) Details of ownership

Select from:

☒ Facilities we own and operate

(3.5.2.10) Comment

KT&G is a company subject to the Korean Emissions Trading Scheme (K-ETS) for emissions allowances. This applies to Scope 1 and 2 emissions from domestic operations, while greenhouse gas emissions from overseas operations are not covered by the emissions trading scheme. The reported figures for Scope 1 and 2 emissions are based on domestic emissions, but emissions from overseas operations have also been verified and reported.

[Fixed row]

(3.5.4) What is your strategy for complying with the systems you are regulated by or anticipate being regulated by?

KT&G is a company subject to the "Greenhouse Gas Emissions Trading Scheme" in South Korea. The emissions trading scheme encourages voluntary reduction efforts and technological development by allowing market participants to adjust their greenhouse gas emissions and minimize costs. However, emissions allowance prices are volatile and difficult to predict due to market mechanisms, which can pose a risk factor for future investments. In response, KT&G is conducting a mid- to long-term analysis of its allocated emissions allowances and implementing an internal carbon pricing system, along with company-wide energy reduction activities. According to KT&G's internal analysis of the emissions trading market, it is expected that the number of free allowances allocated to the company will decrease in the future, and the price of emissions allowances will likely rise. As a result, KT&G is managing its energy consumption and greenhouse gas emissions across the organization. To address the potential carbon cost risks posed by the emissions trading scheme in the long term, the company has introduced an internal carbon pricing system. This internal carbon price is set at KRW 50,000 per ton of CO₂, a level higher than the historical peak price of allowances, ensuring that potential carbon costs are considered in investment decision-making processes. Additionally, KT&G has established a process to adjust the internal carbon price appropriately in the event of a rise in emissions trading prices. Moreover, KT&G is pursuing initiatives to minimize environmental impacts by managing environmental indicators such as greenhouse gases, water usage, and waste. The company is continuously working to reduce greenhouse gas emissions, focusing on the development and application of energy-saving technologies and the expansion of renewable energy. In 2023, we enhanced our energy management system by introducing FEMS (Factory Energy Management System), and plan to expand this to all factories by 2026. In 2024, we established a 5.0MWp solar power generation facility across our Daejeon, Yeongju, and Gimcheon factories, creating a process to directly utilize self-generated renewable energy for factory operations. Furthermore, by 2025, we will install solar power generation facilities totaling 10.5MWp across five domestic factories to increase the proportion of renewable energy used. We will also strive to accelerate greenhouse gas emission reductions by concluding Power Purchase Agreements (PPAs). Furthermore, KT&G has established a 2045 net-zero strategy and roadmap that encompasses the entire group, aiming to reduce future greenhouse gas emissions in line with the Science Based Targets initiative (SBTi). Through these efforts, KT&G seeks to minimize the impact of emissions allowances and systematically manage the risks that may arise from the emissions trading scheme.

(3.6) Have you identified any environmental opportunities which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future?

	Environmental opportunities identified
Climate change	Select from: ☒ Yes, we have identified opportunities, and some/all are being realized
Forests	Select from: ☒ Yes, we have identified opportunities, and some/all are being realized
Water	Select from:

	Environmental opportunities identified
	☒ Yes, we have identified opportunities, and some/all are being realized

[Fixed row]

(3.6.1) Provide details of the environmental opportunities identified which have had a substantive effect on your organization in the reporting year, or are anticipated to have a substantive effect on your organization in the future.

Climate change

(3.6.1.1) Opportunity identifier

Select from:

☒ Opp1

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Resilience

☒ Improved resilience to future regulatory changes

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☒ Direct operations

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☒ Republic of Korea

(3.6.1.8) Organization specific description

KT&G is working toward achieving carbon neutrality (Net Zero) by 2045, establishing a foundation not only to mitigate climate risks but also to create new business opportunities. The company has developed an enterprise-wide GHG reduction plan and is actively expanding the use of renewable energy. At its Daejeon plant, KT&G has implemented a Factory Energy Management System (FEMS) to enhance energy efficiency and plans to roll out the system across all sites by 2026. In addition, KT&G is applying renewable energy procurement methods tailored to each region's regulatory environment and power market conditions—utilizing long-term PPAs in Korea and I-RECs and green energy sourcing overseas—to ensure both power supply stability and cost savings. Furthermore, through climate scenario analysis, KT&G identifies and assesses medium- to long-term risks such as the introduction of carbon pricing and transforms transition risks, including potential cost increases from carbon pricing, into opportunity management strategies through energy efficiency improvements and expanded investment in renewable energy. In 2024, KT&G received approval of its reduction targets from the Science Based Targets initiative (SBTi), validating the international credibility of its strategy and strengthening the company's resilience and long-term growth foundation despite climate-related uncertainties.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

☒ Reduced indirect (operating) costs

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

☒ Medium-term

(3.6.1.11) Likelihood of the opportunity having an effect within the anticipated time horizon

Select from:

☒ Very likely (90–100%)

(3.6.1.12) Magnitude

Select from:

☒ Medium-high

(3.6.1.14) Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

The expansion of renewable energy use and the transition to a low-carbon economy are expected to have positive effects on KT&G's financial position, financial

performance, and cash flows. This opportunity primarily manifests as resource efficiency, delivering financial benefits through multiple channels, including energy cost savings, potential new revenue generation, and optimization of the cost of capital. First, reductions in legacy energy consumption achieved through renewable energy substitution and high-efficiency equipment replacements enable lower energy procurement costs. As a result, utilities expense on the income statement declines, generating operating cost savings and improving the efficiency of the company's energy cost structure. KT&G is pursuing a combined approach that includes REC purchases, direct PPAs, and on-site solar installation to secure a stable energy supply. This strategy mitigates expenditure risk from energy price volatility and is expected to strengthen cash flow stability. In addition, while initial investments in renewable energy facilities and high-efficiency equipment are recognized as property, plant, and equipment on the balance sheet, over the long term these investments reduce maintenance and operating costs through improved efficiency. The resulting savings are expected to offset depreciation expense on the income statement and further enhance cash flow.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☒ Yes

(3.6.1.19) Anticipated financial effect figure in the medium-term - minimum (currency)

11730000000

(3.6.1.20) Anticipated financial effect figure in the medium-term - maximum (currency)

11730000000

(3.6.1.23) Explanation of financial effect figures

As part of the development of KT&G's 2030 net-zero roadmap, the financial impact was calculated as follows: A. Projected investment costs for renewable energy transition (solar installations, REC purchases, PPAs) for 2026–2029: 9.89 billion KRW B. Projected investment costs for high-efficiency equipment for 2026–2029: 8.30 billion KRW C. Projected benefits from energy savings and emissions reductions for 2026–2029: 29.92 billion KRW $C - (A + B) = \text{KRW } 11.73 \text{ billion}$

(3.6.1.24) Cost to realize opportunity

18190000000

(3.6.1.25) Explanation of cost calculation

Expected Investment Costs Calculated During the Process of Establishing the 2030 Net Zero Roadmap (1) Expected investment from 2026 to 2029 in solar energy facility installations and high-efficiency equipment: KRW 13.46 billion (2) Expected expenditure from 2026 to 2029 for REC purchases and PPA contracts: KRW 4.73 billion Cost Calculation: $(1) + (2) = \text{KRW } 18.19 \text{ billion}$

(3.6.1.26) Strategy to realize opportunity

KT&G is progressively implementing renewable energy adoption—including solar installations, power purchase agreements (PPAs), and renewable energy certificate (REC) purchases—along with high-efficiency equipment upgrades to achieve its mid- to long-term greenhouse gas (GHG) reduction targets. Each initiative presents a significant opportunity to reduce emissions while also entailing potential risks in the form of upfront capital expenditures and additional operating costs. Accordingly, KT&G prioritizes projects based on a comprehensive set of criteria, including cost-benefit analysis, expected GHG reduction potential, and investment payback periods, to ensure a rational and balanced allocation of resources. In April and October 2024, KT&G issued green bonds totaling approximately KRW 170 billion, allocating the proceeds to renewable energy facility construction and eco-friendly building projects. The company has also introduced an internal carbon pricing mechanism, applying a shadow carbon price to investment decisions to account for potential future carbon costs. This approach serves as a benchmark for economic feasibility analysis and incentivizes projects that shorten the payback period of climate-related investments. Furthermore, KT&G conducts marginal abatement cost curve (MACC) analysis to prioritize implementation of the most cost-effective abatement measures first, followed by sequential application of measures with larger reduction potential over the medium to long term. To enhance execution capacity, KT&G has reinforced its climate response organization by hiring additional climate-change specialists since 2023. These dedicated professionals are responsible for planning, implementing, and monitoring GHG reduction initiatives, thereby strengthening the company's climate action capabilities. Through these investments and systematic decision-making processes, KT&G is minimizing environmental risks while securing the practical implementation capacity necessary to deliver on its net-zero roadmap.

Forests

(3.6.1.1) Opportunity identifier

Select from:

☒ Opp6

(3.6.1.2) Commodity

Select all that apply

☒ Not applicable

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Reputational capital

☒ Other reputational capital opportunity, please specify :Positive reputational impact from environmentally friendly products.

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☒ Direct operations

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☒ Republic of Korea

(3.6.1.8) Organization specific description

KT&G regards tightening environmental regulations and rising demand for sustainable products as opportunities and has adopted a strategy to minimize environmental impacts at the earliest stages of product development, with the goals of protecting natural capital and strengthening ESG leadership. In Korea, KT&G has completed the full conversion of aluminum foil inner liners in cigarette packaging to 100% paper and applied mono-material packaging to enhance recyclability, directly linking these actions to the mitigation of cost and reputational risks associated with plastics regulations. In addition, the lyocell filter, co-developed with Kolon Industries, achieves over 90% biodegradability, reducing ecosystem impacts across use and disposal while ensuring product safety and quality. Furthermore, through LCA-based environmental performance analysis, KT&G applies carbon-reduction solutions from the design stage, thereby scientifically validating each product's environmental attributes. These activities not only support regulatory risk management but also create reputational opportunities through sustainable product innovation and the delivery of ESG performance. These efforts both mitigate natural-capital-related reputational risks and create reputational upside by advancing sustainable product innovation and strengthening eco-friendly brand value.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

☒ Increased access to capital

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

☒ Medium-term

(3.6.1.11) Likelihood of the opportunity having an effect within the anticipated time horizon

Select from:

☒ Likely (66–100%)

(3.6.1.12) Magnitude

Select from:

☒ Medium-high

(3.6.1.14) Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

KT&G's reputation improvement and eco-friendly product development strategy are expected to have a positive impact on the company's financial condition, financial performance, and cash flow from a mid-term perspective between 2026 and 2029. During this period, improved reputation will increase accessibility to capital, allowing the company to secure more favorable conditions when raising funds, which in turn could lead to a rise in stock prices and strengthened financial stability. Additionally, the increasing demand for eco-friendly products between 2026 and 2029, compared to the short term, is likely to boost sales, contributing to improved operating cash flow. At the same time, enhanced environmental risk management will reduce cash outflows by lowering regulatory compliance costs, fines, and expenses related to managing risks. These factors will significantly contribute to improving KT&G's mid-term financial performance and cash flow.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☒ Yes

(3.6.1.19) Anticipated financial effect figure in the medium-term - minimum (currency)

1121900000000

(3.6.1.20) Anticipated financial effect figure in the medium-term - maximum (currency)

1121900000000

(3.6.1.23) Explanation of financial effect figures

KT&G's market capitalization as of December 30, 2024, was reported to be approximately 112.1937 trillion won. Based on this, strengthening natural capital protection and eco-friendly strategies could yield positive financial opportunities stemming from enhanced corporate reputation and trust. For example, assuming positive evaluations from partners and stakeholders contribute to the company's reputation, leading to a 1% increase in stock price (the materiality threshold), KT&G's market capitalization could rise by approximately KRW 1.1219 trillion. While these positive financial impacts may vary depending on the company's operational strategy, market reactions, and overall stock market conditions, they serve as important reference points, demonstrating the potential to realize financial opportunities through environmental protection activities and enhanced sustainability.

(3.6.1.24) Cost to realize opportunity

(3.6.1.25) Explanation of cost calculation

2024 Investment Cost for Biodegradable and Low-Carbon New Material R&D Facilities = 6.65 billion won In 2024, KT&G invested approximately 6.65 billion won in establishing a Lyocell-TOW mass production verification facility as part of its efforts to commercialize eco-friendly, low-carbon materials. This facility was introduced to advance the commercialization of Lyocell-based biodegradable filters developed in collaboration with Kolon Industries.

(3.6.1.26) Strategy to realize opportunity

KT&G has introduced an eco-design system and LCA-based decision-making from the initial stages of product planning and development to simultaneously achieve natural capital conservation and climate change response. This enables the management of the full-process environmental footprint of key products and the derivation of improvement measures. KT&G is accelerating the expansion of its sustainable product portfolio through initiatives such as developing biodegradable filters, transitioning packaging materials and enhancing recyclability, strengthening R&D capabilities for low-carbon and eco-friendly materials and securing related patents, commercializing products through quality improvement activities, and promoting joint development of eco-friendly materials and technologies via supply chain partnerships. By pursuing activities aimed at realizing opportunities related to natural capital, we can simultaneously generate concrete environmental outcomes—such as reducing carbon emissions, enhancing biodegradability, and contributing to the circular economy—while also capitalizing on opportunities like increased demand for eco-friendly products and improved reputation. KT&G prioritizes areas with significant environmental impact and high stakeholder expectations based on LCA results and TNFD-based assessments. We then concentrate R&D and commercialization investments in these areas to maximize the effectiveness of opportunity realization.

Water

(3.6.1.1) Opportunity identifier

Select from:

☒ Opp4

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Resource efficiency

☒ Reduced water usage and consumption

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

- ☒ Direct operations

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

- ☒ Republic of Korea

(3.6.1.6) River basin where the opportunity occurs

Select all that apply

- ☒ Han-Gang (Han River)
- ☒ Nakdong

(3.6.1.8) Organization specific description

The internal water use reduction goal is closely connected to KT&G's main water management goal, which is the reduction of water withdrawal at manufacturing sites. The linkage of the two goals creates a virtuous cycle. First, the reduction of internal water use naturally leads to the reduction of water withdrawal. In addition, the clear setting of water withdrawal reduction targets establishes a more efficient water use system to achieve planned manufacturing output under limited water conditions. This chain of virtuous effects contributes to mitigating water stress at KT&G's manufacturing sites located in potentially water-stressed areas.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

- ☒ Reduced indirect (operating) costs

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

- ☒ Medium-term

(3.6.1.11) Likelihood of the opportunity having an effect within the anticipated time horizon

Select from:

- ☒ Likely (66–100%)

(3.6.1.12) Magnitude

Select from:

☒ Medium

(3.6.1.14) Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

KT&G has set water resource targets to reduce internal water use at its manufacturing sites by improving efficiency in the use of water, which is an essential resource for production given the characteristics of tobacco products. A reduction in water use naturally leads to a reduction in water withdrawal, which in turn lowers not only water bills but also wastewater treatment operating costs for discharge. This goes beyond simply reducing water costs and represents an important opportunity to decrease the overall water dependency of the tobacco business.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☒ Yes

(3.6.1.19) Anticipated financial effect figure in the medium-term - minimum (currency)

112000000

(3.6.1.20) Anticipated financial effect figure in the medium-term - maximum (currency)

112000000

(3.6.1.23) Explanation of financial effect figures

The estimated financial impact was calculated by applying the average water rate unit cost at KT&G manufacturing sites to the projected water reuse volume. - Potential financial impact (minimum/maximum equal): Projected water reuse volume at KT&G manufacturing sites × Average water rate at KT&G manufacturing sites

(3.6.1.24) Cost to realize opportunity

113000000

(3.6.1.25) Explanation of cost calculation

KT&G establishes an annual environmental budget to strengthen water resource management, including the expansion of water reuse, and implements target-related activities in line with its annual financial plan. The specific expenditures for expanding water reuse in 2024 are as follows: [Opportunity Realization Cost: KRW 113,000,000] - Installation of RO facilities for treated effluent reuse: KRW 71,000,000 - Installation of treated wastewater reuse facilities: KRW 36,000,000 - Installation of piping to supply cooling tower reuse water: KRW 6,000,000

(3.6.1.26) Strategy to realize opportunity

KT&G is continuously identifying and implementing improvement initiatives to expand water reuse through investment in reuse facilities. Going forward, to reduce not only process water but also sanitary water, the company plans to introduce bathhouse water treatment devices at manufacturing plants with bathhouses—starting with the Daejeon Plant, followed by Yeongju and Gwangju.

Climate change

(3.6.1.1) Opportunity identifier

Select from:

☒ Opp2

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Energy source

☒ Use of renewable energy sources

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☒ Direct operations

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☒ Republic of Korea

(3.6.1.8) Organization specific description

KT&G is working towards achieving its RE100 goal (80% or more transition) by 2030 and promoting the transition to renewable energy to reduce GHG emissions, thereby strengthening its resilience to regulatory changes and pursuing the realization of indirect operational cost savings resulting from the expansion of renewable energy usage. To achieve this, KT&G combines the purchase of Renewable Energy Certificates (RECs) with long-term Power Purchase Agreements (PPAs). Domestically, the company has expanded PPAs and introduced a Factory Energy Management System (FEMS) at the Daejeon plant to enhance energy management efficiency. Internationally, KT&G applies approaches tailored to each market's structure and regulations, such as I-RECs for its plants in Indonesia and Türkiye and local green energy procurement for its operations in Russia. As a result, the company's renewable energy usage ratio increased from 0.1% in 2020 to 15.5% in 2024. Furthermore, KT&G operates a phased implementation strategy that prioritizes the deployment of the most cost-effective options among various renewable energy transition measures, including solar installations, PPAs, and RECs. This renewable energy expansion strategy mitigates the cost increase risks associated with carbon pricing reported in question 3.1.1, while simultaneously strengthening regulatory compliance capacity, reducing energy costs, and enhancing market competitiveness.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

- ☒ Reduced indirect (operating) costs

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

- ☒ Medium-term

(3.6.1.11) Likelihood of the opportunity having an effect within the anticipated time horizon

Select from:

- ☒ Very likely (90–100%)

(3.6.1.12) Magnitude

Select from:

- ☒ Medium-high

(3.6.1.14) Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

KT&G expects to achieve multiple positive impacts on the organization's financial position, financial performance, and cash flow by reaching an 80% renewable energy usage rate across its business sites by 2030. Energy savings through renewable energy transition and high-efficiency equipment replacement KT&G is

establishing a stable energy supply system through purchasing Renewable Energy Certificates (RECs), entering into Direct Power Purchase Agreements (PPAs), and investing in solar power facilities. This is expected to streamline the energy cost structure. These activities can mitigate expenditure risks associated with energy price volatility and contribute to enhancing cash flow stability. Furthermore, by utilizing internally generated renewable energy from solar facilities and PPAs and selling surplus power, KT&G can secure new revenue streams and enhance financial flexibility to respond to changes in the power market structure. Additionally, investments in renewable energy facilities and high-efficiency equipment can lead to long-term benefits through improved facility efficiency and reduced maintenance and operating costs.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☒ Yes

(3.6.1.19) Anticipated financial effect figure in the medium-term - minimum (currency)

10170000000

(3.6.1.20) Anticipated financial effect figure in the medium-term - maximum (currency)

10170000000

(3.6.1.23) Explanation of financial effect figures

Financial Impact Calculation Based on the Mid- to Long-Term Renewable Energy Procurement Plan (2026–2029) (1) Estimated investment amount for domestic and international solar facility installations (2026–2029): KRW 5.16 billion (2) Estimated expenditure for PPA contracts (2026–2029): KRW 4.23 billion (3) Renewable energy procurement through overseas i-RECs (2026–2029): KRW 0.50 billion (4) Investment benefits from energy savings through (1)–(3): KRW 20.06 billion Net financial benefit = (4) – {(1) + (2) + (3)} = KRW 10.17 billion

(3.6.1.24) Cost to realize opportunity

9890000000

(3.6.1.25) Explanation of cost calculation

Financial Impact Calculation Based on the Mid- to Long-Term Renewable Energy Procurement Plan (2026–2029) (1) Estimated investment amount for solar facility installations (domestic and international) from 2026 to 2029: KRW 5.16 billion (2) Estimated expenditure for direct and indirect PPA contracts from 2026 to 2029: KRW 4.23 billion (3) Renewable energy procurement amount through overseas i-RECs: KRW 0.50 billion Cost Calculation: (1) + (2) + (3) = KRW 9.89 billion

(3.6.1.26) Strategy to realize opportunity

KT&G is pursuing a diversified renewable energy transition strategy with the goal of achieving an 80% renewable energy usage rate by 2030. The company conducts a comprehensive analysis of both the economic feasibility and environmental benefits of available procurement options and selects the most cost-effective solutions relative to their emissions reduction impact. Multiple instruments are considered—including the installation of solar power generation facilities, execution of power purchase agreements (PPAs), and purchase of renewable energy certificates (RECs)—and the most efficient combination is prioritized. Each initiative is formalized through an investment proposal and incorporated into the company's annual implementation plan, enabling phased execution with a high degree of rigor and transparency. In addition, KT&G evaluates the feasibility and effectiveness of this opportunity through its climate-related risk and opportunity assessment process. As a result, renewable energy procurement opportunities have been identified as a medium-magnitude opportunity factor. Based on this outcome, renewable energy initiatives have been assigned priority status relative to other opportunities and are continuously monitored throughout the investment and implementation process to ensure alignment with the company's mid- to long-term net-zero roadmap. Through this systematic assessment and decision-making process, KT&G is minimizing environmental risks while ensuring the stable and sustainable realization of its energy transition. These actions strengthen the company's long-term climate resilience and expand the financial opportunities associated with achieving its decarbonization targets.

Climate change

(3.6.1.1) Opportunity identifier

Select from:

☒ Opp3

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Markets

☒ Increased availability of products with reduced environmental impact [other than certified products]

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☒ Downstream value chain

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☒ Republic of Korea

(3.6.1.8) Organization specific description

KT&G recognizes climate change as an opportunity and is strengthening its regulatory compliance and market competitiveness by driving innovation in eco-friendly products and materials. As a result of conducting research on non-plastic and biodegradable materials since 2013, it developed Lyocell filters, secured joint development and patents with Kolon Industries, and this serves as an opportunity to respond to strengthened plastic use regulations and waste management demands. Domestically, the company has completed the 100% transition of cigarette packaging aluminum inner liners to paper materials and is considering expanding this to overseas production. It is mitigating the risk of strengthened recycling regulations through the application of single-material packaging. Furthermore, through LCA-based design, we analyze the environmental impact of each product and apply carbon reduction solutions. Reducing carbon emissions at the product stage leads to the long-term effect of lowering exposure to carbon pricing costs, contributing to reduced regulatory expenses and enhanced financial stability.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

☒ Reduced direct costs

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

☒ The opportunity has already had a substantive effect on our organization in the reporting year

(3.6.1.12) Magnitude

Select from:

☒ Medium-high

(3.6.1.13) Effect of the opportunity on the financial position, financial performance and cash flows of the organization in the reporting period

KT&G's sustainable product innovation and resource efficiency strategy had a concrete positive impact on the organization's financial position, financial performance, and cash flow during the reporting year. Through eco-friendly product development, the company achieved optimized packaging, reduced resource usage, and lowered carbon emissions, resulting in confirmed operational cost savings that contributed to improved financial soundness. First, resource efficiency measures such as packaging material lightweighting and transition to single materials led to reduced energy costs. Concurrently, the application of eco-friendly materials and optimized production processes improved the cost structure per unit product, contributing to the stabilization of financial performance. Second, facility upgrades and eco-friendly technology investments for sustainable product innovation provided cash flow improvement effects in the long term by reducing depreciation expenses and maintenance/operating costs through enhanced facility efficiency. Third, KT&G is transforming the growing consumer preference for eco-friendly and low-carbon products into an opportunity to enhance corporate reputation and expand market share through next-generation product development and sustainable packaging

innovations. In particular, it is strengthening technological competitiveness by researching and securing patents for new materials capable of carbon reduction. Based on this, it is generating additional revenue through new product launches and licensing. This strategy can lead to improved gross profit margins on the income statement and expanded non-operating income, while contributing to the development of new business areas and enhanced global competitiveness in the medium to long term.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☒ Yes

(3.6.1.16) Financial effect figure in the reporting year (currency)

245000000

(3.6.1.23) Explanation of financial effect figures

(1) Annual Savings from Optimizing Product Packaging Usage: 190,000,000 KRW The weight of the inner frame used in the packaging of cigarette and stick products was reduced by approximately 8% compared to the previous standard, improving resource efficiency. This reduction minimized paper usage without affecting product quality and resulted in cost savings of approximately KRW 190 million based on 2024 sales volumes. (2) Removal of Unnecessary Packaging: 55,000,000 KRW For chargers (adapters), protective film had previously been applied to prevent surface scratches. As this material does not affect product functionality, the protective film has been completely removed. (1) + (2) = 245,000,000 KRW

(3.6.1.24) Cost to realize opportunity

0

(3.6.1.25) Explanation of cost calculation

As part of its sustainable product policy, KT&G has eliminated certain product packaging components and reduced overall packaging material usage. These measures did not require the introduction of new materials or process changes, but were implemented as part of routine management activities aimed at improving resource efficiency and reducing environmental impacts. Consequently, no additional expenditures were incurred, and the associated costs were considered to have been absorbed into regular business operations, resulting in a final calculated cost of KRW 0.

(3.6.1.26) Strategy to realize opportunity

Product Environmental Impact Reduction Activities KT&G is identifying key environmental issues for its major products through Life Cycle Assessment (LCA) and exploring various ways to reduce the environmental impact. For the main issues identified for each product, the company first determines whether carbon emission

reduction solutions discovered during the internal development stage exist and whether they are being implemented. If these solutions are in place, the environmental improvement effects compared to previous methods are analyzed.

Water

(3.6.1.1) Opportunity identifier

Select from:

☒ Opp5

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Resilience

☒ Increased upstream value chain resilience

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☒ Upstream value chain

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☒ Republic of Korea

(3.6.1.6) River basin where the opportunity occurs

Select all that apply

☒ Han-Gang (Han River)

☒ Naktong

(3.6.1.8) Organization specific description

Securing a stable supply of quality leaf tobacco is a highly critical factor for KT&G's tobacco business. Therefore, enhancing the resilience of the supply chain

contributes to supporting the continuous and stable growth of KT&G's tobacco business.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

☒ Reduced direct costs

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

☒ Long-term

(3.6.1.11) Likelihood of the opportunity having an effect within the anticipated time horizon

Select from:

☒ More likely than not (50–100%)

(3.6.1.12) Magnitude

Select from:

☒ Medium

(3.6.1.14) Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

The future financial impact of enhancing the resilience of the supply chain is difficult to reasonably estimate at this time, as it depends on future business conditions and unforeseen climate change events.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☒ No

(3.6.1.24) Cost to realize opportunity

(3.6.1.25) Explanation of cost calculation

We haven't estimated the cost of realizing the opportunity.

(3.6.1.26) Strategy to realize opportunity

KT&G procures leaf tobacco from multiple countries and regions to enhance supply chain resilience. In addition, the company annually forecasts global fertilizer prices, other related raw material prices, and climate change conditions, and adjusts the proportion of each importing country accordingly to expand supplier diversity.

Water

(3.6.1.1) Opportunity identifier

Select from:

☒ Opp7

(3.6.1.3) Opportunity type and primary environmental opportunity driver

Resilience

☒ Improved resilience to future regulatory changes

(3.6.1.4) Value chain stage where the opportunity occurs

Select from:

☒ Direct operations

(3.6.1.5) Country/area where the opportunity occurs

Select all that apply

☒ Republic of Korea

(3.6.1.6) River basin where the opportunity occurs

Select all that apply

- ☒ Han-Gang (Han River)
- ☒ Nakdong

(3.6.1.8) Organization specific description

Accurately predicting ESG-related regulatory changes in the tobacco industry—such as water withdrawal limits for each manufacturing site, water quality regulations, and carbon emissions regulations—and responding flexibly across the organization to such changes are highly critical factors for KT&G's tobacco business.

(3.6.1.9) Primary financial effect of the opportunity

Select from:

- ☒ Increased revenues through access to new and emerging markets

(3.6.1.10) Time horizon over which the opportunity is anticipated to have a substantive effect on the organization

Select all that apply

- ☒ Long-term

(3.6.1.11) Likelihood of the opportunity having an effect within the anticipated time horizon

Select from:

- ☒ More likely than not (50–100%)

(3.6.1.12) Magnitude

Select from:

- ☒ Medium

(3.6.1.14) Anticipated effect of the opportunity on the financial position, financial performance and cash flows of the organization in the selected future time horizons

The financial impact of enhancing resilience to regulatory changes is difficult to reasonably estimate at this time, as it is challenging to accurately predict future global regulatory trends as well as the changes in climate and water resources that form the basis for such regulations.

(3.6.1.15) Are you able to quantify the financial effects of the opportunity?

Select from:

☒ No

(3.6.1.24) Cost to realize opportunity

0

(3.6.1.25) Explanation of cost calculation

We haven't estimated the cost of realizing the opportunity.

(3.6.1.26) Strategy to realize opportunity

KT&G has developed a separate guidance document that compiles ESG-related regulations, including water-related laws and policies. This document is continuously updated to ensure it remains in the latest version, and the company continues to pay close attention to identifying new markets that may emerge from future regulatory changes.

[Add row]

(3.6.2) Provide the amount and proportion of your financial metrics in the reporting year that are aligned with the substantive effects of environmental opportunities.

Climate change

(3.6.2.1) Financial metric

Select from:

☒ OPEX

(3.6.2.2) Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

19000000

(3.6.2.3) % of total financial metric aligned with opportunities for this environmental issue

Select from:

☒ Less than 1%

(3.6.2.4) Explanation of financial figures

KT&G has classified business activities that are eligible and aligned with the EU Taxonomy as assets and business activities corresponding to climate-related opportunities. Operating expenses related to the installation, maintenance, and repair of renewable energy technologies The figures are classified according to the EU Taxonomy, with operating expenses related to the installation, maintenance, and repair of renewable energy technologies categorized as Taxonomy-aligned operating expenditures (OPEX). This accounts for 0.02% of KT&G's total operating expenses of KRW 14.6 billion. Further details can be found in CDP responses 5.4.2 and 5.4.3.

Forests

(3.6.2.1) Financial metric

Select from:

☒ OPEX

(3.6.2.2) Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

41000000

(3.6.2.3) % of total financial metric aligned with opportunities for this environmental issue

Select from:

☒ Less than 1%

(3.6.2.4) Explanation of financial figures

KT&G has classified business activities that fall under eligible activities or environmentally non-sustainable activities under the EU Taxonomy as assets and business activities corresponding to climate-related opportunities. Operating expenditures related to forestry conservation activities The figures are classified according to the EU Taxonomy. These activities have been identified as eligible activities under the criteria for climate change mitigation and climate change adaptation, but have been categorized as environmentally non-sustainable activities. The amount represents KRW 41 million, or 0.05% of KT&G's total operating expenditures of KRW

88,647 million. Further details can be found in CDP responses 5.4.1 and 5.4.3.

Water

(3.6.2.1) Financial metric

Select from:

☒ OPEX

(3.6.2.2) Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

50217120

(3.6.2.3) % of total financial metric aligned with opportunities for this environmental issue

Select from:

☒ 1-10%

(3.6.2.4) Explanation of financial figures

The financial benefits of increased water recovery and reuse apply to both domestic and overseas manufacturing sites. In 2024, KT&G reused a total of 58,392 tons of water across its four domestic plants with wastewater treatment facilities (Daejeon, Yeongju, Gwangju, and Gimcheon) and its overseas plants in Indonesia and Turkiye. The financial figure was calculated by multiplying the volume of water reused by the average water rate.

Climate change

(3.6.2.1) Financial metric

Select from:

☒ CAPEX

(3.6.2.2) Amount of financial metric aligned with opportunities for this environmental issue (unit currency as selected in 1.2)

(3.6.2.3) % of total financial metric aligned with opportunities for this environmental issue

Select from:

☒ 1-10%

(3.6.2.4) Explanation of financial figures

KT&G has classified business activities that are eligible and aligned with the EU Taxonomy as assets and business activities corresponding to climate-related opportunities. Capital expenditures related to electricity generation using solar photovoltaic technology The figures are classified according to the EU Taxonomy, with capital expenditures for the installation of in-house solar power generation facilities categorized as Taxonomy-aligned activities. This represents 1.20% of KT&G's total capital expenditures of KRW 767,537 million. Further details can be found in CDP responses 5.4.1 and 5.4.3.
[Add row]

C4. Governance

(4.1) Does your organization have a board of directors or an equivalent governing body?

(4.1.1) Board of directors or equivalent governing body

Select from:

☒ Yes

(4.1.2) Frequency with which the board or equivalent meets

Select from:

☒ Half-yearly

(4.1.3) Types of directors your board or equivalent is comprised of

Select all that apply

☒ Executive directors or equivalent

☒ Independent non-executive directors or equivalent

(4.1.4) Board diversity and inclusion policy

Select from:

☒ Yes, and it is publicly available

(4.1.5) Briefly describe what the policy covers

KT&G's board diversity policy applies the following criteria to all board members: 1. The Board of Directors shall take into account diversity of backgrounds such as education, age, nationality, gender, religion, place of birth, or position in its composition and shall not represent the interests of any particular group. 2. The Board of Directors shall be composed of directors with sufficient field experience or expertise in relevant fields, such as economy, management, law, finance, manufacturing, information technology, and new growth fields, necessary to fulfill their duties as independent directors or auditors of companies or investment institutions. 3. The Board of Directors shall meet regularly or on an ad hoc basis to ensure that the diversity of the Board is captured and complemented by the free expression of ideas among the independent directors. 4. The Board shall conduct periodic evaluations to monitor the convergence of the diverse work experience, expertise, etc., of the

independent directors.

(4.1.6) Attach the policy (optional)

KTnG_Board_Independence_Diversity_Policy.pdf

[Fixed row]

(4.1.1) Is there board-level oversight of environmental issues within your organization?

	Board-level oversight of this environmental issue
Climate change	Select from: ☒ Yes
Forests	Select from: ☒ Yes
Water	Select from: ☒ Yes
Biodiversity	Select from: ☒ Yes

[Fixed row]

(4.1.2) Identify the positions (do not include any names) of the individuals or committees on the board with accountability for environmental issues and provide details of the board's oversight of environmental issues.

Climate change

(4.1.2.1) Positions of individuals or committees with accountability for this environmental issue

Select all that apply

- ☒ Board-level committee

(4.1.2.2) Positions' accountability for this environmental issue is outlined in policies applicable to the board

Select from:

- ☒ Yes

(4.1.2.3) Policies which outline the positions' accountability for this environmental issue

Select all that apply

- ☒ Board Terms of Reference

(4.1.2.4) Frequency with which this environmental issue is a scheduled agenda item

Select from:

- ☒ Scheduled agenda item in every board meeting (standing agenda item)

(4.1.2.5) Governance mechanisms into which this environmental issue is integrated

Select all that apply

- | | |
|--|--|
| ☒ Overseeing and guiding scenario analysis | ☒ Approving and/or overseeing employee incentives |
| ☒ Overseeing the setting of corporate targets | ☒ Overseeing and guiding major capital expenditures |
| ☒ Monitoring progress towards corporate targets | ☒ Monitoring the implementation of the business strategy |
| ☒ Approving corporate policies and/or commitments | ☒ Overseeing reporting, audit, and verification processes |
| ☒ Overseeing and guiding public policy engagement | ☒ Monitoring the implementation of a climate transition plan |
| ☒ Overseeing and guiding the development of a business strategy | |
| ☒ Overseeing and guiding acquisitions, mergers, and divestitures | |
| ☒ Monitoring supplier compliance with organizational requirements | |
| ☒ Monitoring compliance with corporate policies and/or commitments | |
| ☒ Overseeing and guiding the development of a climate transition plan | |
| ☒ Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities | |

(4.1.2.7) Please explain

The Sustainability Management Committee, a sub-committee of the Board of Directors, is responsible for decision-making on sustainability issues, including climate change, across KT&G and its subsidiaries, and holds the authority to approve policies and oversee their implementation. In 2024, the committee convened three times in total. At the May meeting, it deliberated on and resolved the enhanced Net-Zero strategy and the accompanying ESG management action plan, and at the August meeting, it approved revisions to key ESG policies related to climate change response to align with global standards. Through these activities, the committee conducted a multifaceted review of the business implications of climate-related risks and opportunities and made a substantial contribution to shaping and guiding KT&G's ESG strategy and its execution. To enable the Board and the Sustainability Management Committee to effectively oversee climate-related risks and opportunities, the Corporate ESG Management Division provides regular reports on major policy changes, legal and regulatory trends, and ESG implementation status. Ahead of and following agenda deliberations, sufficient information is shared with committee members through the support of relevant working teams, and, where necessary, external expert advice is sought to supplement technical expertise. Resolutions passed by the committee are communicated to all directors within three days of the decision date to ensure timely sharing. In addition, KT&G reviews the trade-offs between opportunities created by greenhouse gas reduction activities—such as the introduction of renewable energy and the transition to high-efficiency facilities—and potential risks such as the burden of upfront capital expenditures and operating costs. In this process, cost-benefit analyses, greenhouse gas reduction effects, and investment payback periods are comprehensively considered to support well-balanced decision-making and to rationally manage climate-related trade-offs.

Forests

(4.1.2.1) Positions of individuals or committees with accountability for this environmental issue

Select all that apply

☒ Board-level committee

(4.1.2.2) Positions' accountability for this environmental issue is outlined in policies applicable to the board

Select from:

☒ Yes

(4.1.2.3) Policies which outline the positions' accountability for this environmental issue

Select all that apply

☒ Board Terms of Reference

(4.1.2.4) Frequency with which this environmental issue is a scheduled agenda item

Select from:

- ☒ Scheduled agenda item in every board meeting (standing agenda item)

(4.1.2.5) Governance mechanisms into which this environmental issue is integrated

Select all that apply

- ☒ Overseeing the setting of corporate targets
- ☒ Monitoring progress towards corporate targets
- ☒ Approving corporate policies and/or commitments
- ☒ Overseeing and guiding public policy engagement
- ☒ Approving and/or overseeing employee incentives
- ☒ Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities
- ☒ Overseeing and guiding major capital expenditures
- ☒ Monitoring the implementation of the business strategy
- ☒ Overseeing and guiding acquisitions, mergers, and divestitures
- ☒ Monitoring compliance with corporate policies and/or commitments
- ☒ Overseeing and guiding the development of a climate transition plan

(4.1.2.7) Please explain

KT&G's natural capital management is overseen by the Sustainability Management Committee under the Board of Directors. The Committee reviews the degree of alignment between the company's ESG execution strategy and its long-term natural capital management strategy, approves core initiatives for natural capital management, and regularly monitors implementation progress. Of the three meetings held in 2024, during the May meeting the Committee deliberated on and approved the ESG implementation plan that included new nature-related targets. Through this, the Committee examined the business implications of natural-capital risks and opportunities from multiple angles and made a substantive contribution to setting strategy and execution direction. Matters related to natural capital management are reported to the Head of the Corporate Management Division, who concurrently serves as COO and CFO. Under this division, the ESG Management Office works through a cross-functional task force with environment-related departments to assess the materiality of management issues and submit major items to the Committee. At the group level, a council that includes ESG managers from subsidiaries is operated to ensure that natural-capital topics are discussed and managed consistently across the organization. KT&G has established a natural capital management process based on the TNFD's LEAP framework and operates it in three stages: (1) identifying dependencies and impact drivers, (2) assessing the magnitude of risks and opportunities and deriving priorities, and (3) formulating and implementing improvement measures. In the first half of 2025, the company reprioritized key risks and opportunities through scenario analysis and expanded disclosure, and supplemented the results by reflecting global regulatory and policy changes and response trends within the industry. The Board and the Sustainability Management Committee oversee this prioritization process so that potential changes in the business environment are recognized and limited time and resources are allocated effectively. This governance supports balanced decision-making that weighs short-term burdens against long-term opportunities and embeds the management of natural-capital risks and opportunities across the enterprise.

Water

(4.1.2.1) Positions of individuals or committees with accountability for this environmental issue

Select all that apply

- ☒ Board-level committee

(4.1.2.2) Positions' accountability for this environmental issue is outlined in policies applicable to the board

Select from:

- ☒ Yes

(4.1.2.3) Policies which outline the positions' accountability for this environmental issue

Select all that apply

- ☒ Board Terms of Reference

(4.1.2.4) Frequency with which this environmental issue is a scheduled agenda item

Select from:

- ☒ Scheduled agenda item in every board meeting (standing agenda item)

(4.1.2.5) Governance mechanisms into which this environmental issue is integrated

Select all that apply

- | | |
|--|--|
| ☒ Overseeing and guiding scenario analysis | ☒ Approving and/or overseeing employee incentives |
| ☒ Overseeing the setting of corporate targets | ☒ Overseeing and guiding major capital expenditures |
| ☒ Monitoring progress towards corporate targets | ☒ Monitoring the implementation of the business strategy |
| ☒ Approving corporate policies and/or commitments | ☒ Overseeing and guiding the development of a business strategy |
| ☒ Overseeing and guiding public policy engagement | ☒ Overseeing and guiding acquisitions, mergers, and divestitures |
| ☒ Monitoring compliance with corporate policies and/or commitments | |
| ☒ Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities | |

(4.1.2.7) Please explain

The Sustainability Management Committee of the BOD is a decision-making body related to sustainability, including climate change and water management, and has the authority to establish strategies for the promotion of sustainable management of KT&G and its consolidated subsidiaries, and to approve and supervise the implementation of policies. Prior to the establishment of the Sustainability Management Committee, the full Board of Directors reviewed the formulation of mid-to-long-term environmental management strategies (April 2021). In April 2023, the Sustainability Management Committee under the Board reviewed water resource risks and

opportunities linked to climate change scenarios. In August 2023, it resolved mid-to-long-term climate change response goals at the group level, including water resource management. In 2024, discussions were held to enhance water resource management evaluation metrics for material suppliers and leaf tobacco farmers to strengthen water resource management within the supply chain.

Biodiversity

(4.1.2.1) Positions of individuals or committees with accountability for this environmental issue

Select all that apply

☒ Board-level committee

(4.1.2.2) Positions' accountability for this environmental issue is outlined in policies applicable to the board

Select from:

☒ Yes

(4.1.2.3) Policies which outline the positions' accountability for this environmental issue

Select all that apply

☒ Board Terms of Reference

(4.1.2.4) Frequency with which this environmental issue is a scheduled agenda item

Select from:

☒ Scheduled agenda item in every board meeting (standing agenda item)

(4.1.2.5) Governance mechanisms into which this environmental issue is integrated

Select all that apply

☒ Overseeing the setting of corporate targets

☒ Monitoring progress towards corporate targets

☒ Approving corporate policies and/or commitments

☒ Overseeing and guiding public policy engagement

☒ Approving and/or overseeing employee incentives

- ☒ Monitoring the implementation of the business strategy
- ☒ Overseeing and guiding the development of a business strategy
- ☒ Monitoring compliance with corporate policies and/or commitments
- ☒ Reviewing and guiding the assessment process for dependencies, impacts, risks, and opportunities

(4.1.2.7) Please explain

KT&G's management of natural capital, including forests, falls under the responsibility of the Sustainability Committee, a subcommittee of the Board of Directors. The Sustainability Committee reviews the alignment between the company's ESG initiatives and long-term natural capital management strategies, approves key tasks related to natural capital management, and oversees the proper execution of these tasks. Additionally, the committee monitors the risks and impacts associated with natural capital arising from KT&G's business activities, as well as the resulting risks and opportunities.

[Fixed row]

(4.2) Does your organization's board have competency on environmental issues?

Climate change

(4.2.1) Board-level competency on this environmental issue

Select from:

- ☒ Yes

(4.2.2) Mechanisms to maintain an environmentally competent board

Select all that apply

- ☒ Consulting regularly with an internal, permanent, subject-expert working group
- ☒ Engaging regularly with external stakeholders and experts on environmental issues
- ☒ Integrating knowledge of environmental issues into board nominating process
- ☒ Regular training for directors on environmental issues, industry best practice, and standards (e.g., TCFD, SBTi)
- ☒ Having at least one board member with expertise on this environmental issue

(4.2.3) Environmental expertise of the board member

Additional training

☒ Course certificate (relating to environmental issues), please specify :Seoul National University ESG Management Executive Leadership Program

Forests

(4.2.1) Board-level competency on this environmental issue

Select from:

☒ Yes

(4.2.2) Mechanisms to maintain an environmentally competent board

Select all that apply

- ☒ Consulting regularly with an internal, permanent, subject-expert working group
- ☒ Engaging regularly with external stakeholders and experts on environmental issues
- ☒ Integrating knowledge of environmental issues into board nominating process
- ☒ Regular training for directors on environmental issues, industry best practice, and standards (e.g., TCFD, SBTi)
- ☒ Having at least one board member with expertise on this environmental issue

(4.2.3) Environmental expertise of the board member

Additional training

☒ Course certificate (relating to environmental issues), please specify :Seoul National University ESG Management Executive Leadership Program

Water

(4.2.1) Board-level competency on this environmental issue

Select from:

☒ Yes

(4.2.2) Mechanisms to maintain an environmentally competent board

Select all that apply

- ☒ Consulting regularly with an internal, permanent, subject-expert working group
- ☒ Engaging regularly with external stakeholders and experts on environmental issues
- ☒ Integrating knowledge of environmental issues into board nominating process
- ☒ Regular training for directors on environmental issues, industry best practice, and standards (e.g., TCFD, SBTi)
- ☒ Having at least one board member with expertise on this environmental issue

(4.2.3) Environmental expertise of the board member

Additional training

- ☒ Course certificate (relating to environmental issues), please specify :Seoul National University ESG Management Executive Leadership Program

[Fixed row]

(4.3) Is there management-level responsibility for environmental issues within your organization?

	Management-level responsibility for this environmental issue
Climate change	Select from: ☒ Yes
Forests	Select from: ☒ Yes
Water	Select from: ☒ Yes
Biodiversity	Select from: ☒ Yes

[Fixed row]

(4.3.1) Provide the highest senior management-level positions or committees with responsibility for environmental issues (do not include the names of individuals).

Climate change

(4.3.1.1) Position of individual or committee with responsibility

Executive level

- ☒ Chief Financial Officer (CFO)

(4.3.1.2) Environmental responsibilities of this position

Dependencies, impacts, risks and opportunities

- ☒ Assessing environmental dependencies, impacts, risks, and opportunities

Engagement

- ☒ Managing public policy engagement related to environmental issues
- ☒ Managing value chain engagement related to environmental issues

Policies, commitments, and targets

- ☒ Monitoring compliance with corporate environmental policies and/or commitments
- ☒ Measuring progress towards environmental corporate targets
- ☒ Setting corporate environmental policies and/or commitments
- ☒ Setting corporate environmental targets

Strategy and financial planning

- ☒ Developing a climate transition plan
- ☒ Managing acquisitions, mergers, and divestitures related to environmental issues
- ☒ Implementing a climate transition plan
- ☒ Managing major capital and/or operational expenditures relating to environmental issues
- ☒ Conducting environmental scenario analysis
- ☒ Managing annual budgets related to environmental issues

☒ Implementing the business strategy related to environmental issues

Other

☒ Providing employee incentives related to environmental performance

(4.3.1.4) Reporting line

Select from:

☒ Reports to the board directly

(4.3.1.5) Frequency of reporting to the board on environmental issues

Select from:

☒ Half-yearly

(4.3.1.6) Please explain

KT&G's Head of the Corporate Management Division serves as both CFO and COO (Chief Operating Officer), has overall responsibility for ESG issues, including climate change, and concurrently oversees financial planning, investments, and budget deliberations. This dual responsibility ensures that ESG issues and financial decision-making are not separated but are managed in an integrated manner. The Head of the Corporate Management Division directly directs the ESG Management Office, the central organization for company-wide ESG management. The ESG Management Office oversees the execution of ESG strategy, including climate change response, and plays a key role in strengthening ESG governance across the organization. The company reports at least twice a year to the Board of Directors and the Board-level Sustainability Management Committee on ESG performance and the status of climate change management, ensuring that key risks and opportunities are regularly reviewed at the highest decision-making level. This structure and procedure ensure that ESG and financial strategies are organically linked and that climate-related risks and opportunities can be reflected in the medium- to long-term business planning and budget operations. At the same time, climate issues are embedded in business activities and the KPI-based performance management system, functioning as important decision criteria in the process of setting the organization's strategic direction and achieving its targets.

Forests

(4.3.1.1) Position of individual or committee with responsibility

Executive level

☒ Chief Financial Officer (CFO)

(4.3.1.2) Environmental responsibilities of this position

Dependencies, impacts, risks and opportunities

- ☒ Assessing environmental dependencies, impacts, risks, and opportunities

Engagement

- ☒ Managing public policy engagement related to environmental issues
- ☒ Managing value chain engagement related to environmental issues

Policies, commitments, and targets

- ☒ Measuring progress towards environmental corporate targets
- ☒ Setting corporate environmental policies and/or commitments
- ☒ Setting corporate environmental targets

Strategy and financial planning

- ☒ Implementing the business strategy related to environmental issues
- ☒ Managing acquisitions, mergers, and divestitures related to environmental issues
- ☒ Managing major capital and/or operational expenditures relating to environmental issues

Other

- ☒ Providing employee incentives related to environmental performance

(4.3.1.4) Reporting line

Select from:

- ☒ Reports to the board directly

(4.3.1.5) Frequency of reporting to the board on environmental issues

Select from:

- ☒ Half-yearly

(4.3.1.6) Please explain

KT&G's Head of the Corporate Management Division, who concurrently serves as CFO and COO (Chief Operating Officer), holds overall responsibility for assessing and managing the company's dependencies, impacts, risks, and opportunities related to natural capital, including forests. Under the Head of the Corporate Management Division, the ESG Management Office collaborates with a Task Force composed of relevant departments to review the materiality of natural capital management issues. Issues identified as highly material are reported to the Head of the Corporate Management Division. These reports are provided periodically, and the Head of the Corporate Management Division directs appropriate responses and management actions based on the results. In addition, natural capital-related issues are discussed at the group level through a council that includes ESG managers from subsidiaries, ensuring consistent management from an enterprise-wide perspective. KT&G's natural capital management is integrated into the company's enterprise-wide risk management process and is systematically managed as a non-financial risk. Risks and opportunities identified through the assessment process are subject to ongoing monitoring.

Water

(4.3.1.1) Position of individual or committee with responsibility

Executive level

- ☒ Chief Financial Officer (CFO)

(4.3.1.2) Environmental responsibilities of this position

Dependencies, impacts, risks and opportunities

- ☒ Assessing environmental dependencies, impacts, risks, and opportunities

Engagement

- ☒ Managing public policy engagement related to environmental issues

Policies, commitments, and targets

- ☒ Measuring progress towards environmental corporate targets
- ☒ Setting corporate environmental targets

Strategy and financial planning

- ☒ Conducting environmental scenario analysis
- ☒ Implementing the business strategy related to environmental issues
- ☒ Managing acquisitions, mergers, and divestitures related to environmental issues
- ☒ Managing major capital and/or operational expenditures relating to environmental issues

Other

☒ Providing employee incentives related to environmental performance

(4.3.1.4) Reporting line

Select from:

☒ Reports to the board directly

(4.3.1.5) Frequency of reporting to the board on environmental issues

Select from:

☒ Half-yearly

(4.3.1.6) Please explain

As KT&G's CFO and COO, the Head of Strategy holds ultimate responsibility for ESG issues, including water-related issues, while also reviewing and managing key financial plans, investments, and budgets. By simultaneously fulfilling these two critical responsibilities, he ensures that ESG issues and financial issues are closely aligned and addressed in an integrated manner. The Head of Strategy also directly oversees the "ESG Management Office," which acts as the central control tower for company-wide ESG management. This office leads the integration of KT&G's ESG issues, including water-related issues, and the implementation of related strategies, playing a key role in establishing a company-wide ESG management system. At least three times a year, the ESG Management Office reports to the Board of Directors and the Sustainability Management Committee of the Board on major ESG initiatives and plans, including climate change management (covering water management issues) and performance monitoring data. Through this process, KT&G's business strategies and activities are continuously diagnosed and monitored, ensuring that financial and ESG strategies remain closely aligned. In this way, KT&G fully assesses and manages the risks and opportunities associated with water management and integrates them into its mid- and long-term business planning and budget review processes. In addition, water-related issues are seamlessly integrated into KT&G's day-to-day business operations, playing an important role in shaping business direction and objectives, as well as in evaluating and setting performance targets under key employee and organizational ESG KPIs.

Biodiversity

(4.3.1.1) Position of individual or committee with responsibility

Executive level

☒ Chief Financial Officer (CFO)

(4.3.1.2) Environmental responsibilities of this position

Dependencies, impacts, risks and opportunities

- ☒ Assessing environmental dependencies, impacts, risks, and opportunities

Engagement

- ☒ Managing public policy engagement related to environmental issues
- ☒ Managing value chain engagement related to environmental issues

Policies, commitments, and targets

- ☒ Measuring progress towards environmental corporate targets
- ☒ Setting corporate environmental policies and/or commitments
- ☒ Setting corporate environmental targets

Strategy and financial planning

- ☒ Implementing the business strategy related to environmental issues
- ☒ Managing acquisitions, mergers, and divestitures related to environmental issues
- ☒ Managing major capital and/or operational expenditures relating to environmental issues

Other

- ☒ Providing employee incentives related to environmental performance

(4.3.1.4) Reporting line

Select from:

- ☒ Reports to the board directly

(4.3.1.5) Frequency of reporting to the board on environmental issues

Select from:

- ☒ Half-yearly

(4.3.1.6) Please explain

The appropriateness of the methods used to evaluate KT&G's dependencies, impacts, risks, and opportunities related to natural capital, including forests, as well as any identified issues and corresponding solutions, are reported to the Chief Strategy Officer (CSO), who also serves as CFO, for responsible management. The ESG Management Office, under the strategic division, collaborates with a Task Force composed of relevant departments in the ESG and environmental fields to assess the significance of issues related to natural capital management. High-priority issues are reported to the CSO. In addition, with the growing importance of sustainability disclosures at the group level, natural capital issues are discussed in a group consultation body, which includes ESG representatives from subsidiaries. KT&G manages its natural capital as part of the company-wide integrated risk management process, treating it as one of the non-financial risks. The risks, opportunities, and impacts identified through this analysis will be continuously monitored moving forward.

[Add row]

(4.5) Do you provide monetary incentives for the management of environmental issues, including the attainment of targets?

Climate change

(4.5.1) Provision of monetary incentives related to this environmental issue

Select from:

☒ Yes

(4.5.2) % of total C-suite and board-level monetary incentives linked to the management of this environmental issue

10

(4.5.3) Please explain

KT&G incorporates ESG (Environmental, Social, and Governance) objectives, including climate change response, into the performance evaluations of its executive management. Climate change response performance is established as a key indicator for the compensation of the CEO, senior executives of various divisions, and general employees. In 2024, 10% of the executive compensation was tied to performance related to ESG issues, including climate and environmental factors. Through this approach, KT&G is actively addressing climate change and focusing on implementing greenhouse gas reduction and low-carbon transition strategies.

Forests

(4.5.1) Provision of monetary incentives related to this environmental issue

Select from:

☒ Yes

(4.5.2) % of total C-suite and board-level monetary incentives linked to the management of this environmental issue

10

(4.5.3) Please explain

KT&G emphasizes the importance of forest management for the conservation of natural capital and biodiversity, positioning it as a key element of its ESG management. Recognizing that forest protection and restoration activities contribute to the company's sustainable development, KT&G has integrated forest-related performance into the evaluation and compensation system for its executive management. In 2024, 10% of executive compensation was linked to performance related to ESG issues, including forest management. Through this approach, KT&G is strengthening its efforts to protect ecosystems and restore forests, thereby making meaningful contributions to environmental sustainability.

Water

(4.5.1) Provision of monetary incentives related to this environmental issue

Select from:

☒ Yes

(4.5.2) % of total C-suite and board-level monetary incentives linked to the management of this environmental issue

4

(4.5.3) Please explain

KT&G recognizes the importance of water management and evaluates the performance of its executives by reflecting it as a key element of ESG issues. In particular, considering the impact of the efficient use and management of water resources on corporate sustainability, water management performance is reflected in the compensation of C-level executives, division and headquarters executives, and general employees. In 2024, the incentive share for ESG-related performance, including water management, was set at 4% in the compensation system for the Head of Manufacturing, the highest level of management. The compensation system linked to water management performance has strengthened KT&G's efforts for water use efficiency and conservation.

[Fixed row]

(4.5.1) Provide further details on the monetary incentives provided for the management of environmental issues (do not include the names of individuals).

Climate change

(4.5.1.1) Position entitled to monetary incentive

Board or executive level

☒ Chief Executive Officer (CEO)

(4.5.1.2) Incentives

Select all that apply

☒ Bonus - % of salary

(4.5.1.3) Performance metrics

Targets

☒ Progress towards environmental targets

☒ Organization performance against an environmental sustainability index

☒ Reduction in absolute emissions in line with net-zero target

Strategy and financial planning

☒ Board approval of climate transition plan

☒ Achievement of climate transition plan

Emission reduction

☒ Implementation of an emissions reduction initiative

☒ Reduction in absolute emissions

Resource use and efficiency

☒ Energy efficiency improvement

(4.5.1.4) Incentive plan the incentives are linked to

Select from:

☒ Both Short-Term and Long-Term Incentive Plan, or equivalent

(4.5.1.5) Further details of incentives

KT&G incorporates ESG management performance, including climate change response, as a substantive factor in the compensation of inside directors and senior executives. Total remuneration consists of base salary, short-term incentives, and long-term incentives, and the payout criteria for both incentives are differentially applied based on performance evaluation results that include ESG and climate-related indicators. Short-term incentives are calculated through a comprehensive evaluation that combines quantitative indicators—such as revenue, operating profit, and ESG evaluation results—with qualitative indicators such as the advancement of ESG management and the strengthening of core growth businesses. Within the ESG category, key evaluation elements include the company-wide implementation performance of climate change response measures and whether the Group has established and operationalized its Net-Zero strategy. Short-term incentives are determined on the basis of annual performance evaluations, with payout levels ranging from 0–280% of base salary for the CEO and 0–165% for inside directors. Long-term incentives are assessed objectively, focusing on quantitative indicators such as revenue, operating profit, ROE, TSR, and ESG task performance. As a detailed component of ESG task performance, the company sets the greenhouse gas reduction rate as a metric to measure execution performance in climate change management. Long-term incentives are calculated based on performance over a three-year period, with payout levels set within a range of 0–600% of base salary for the CEO and 0–300% for inside directors. Through this structure, KT&G ensures that, alongside short-term financial performance, long-term climate change response and ESG performance are reflected in a balanced manner, thereby closely linking executive compensation with the achievement of the company's sustainability management objectives.

(4.5.1.6) How the position's incentives contribute to the achievement of your environmental commitments and/or climate transition plan

To strengthen the top management's responsibilities and ability to execute climate change response, KT&G connects sustainability management performance with executive director's compensation. In accordance with the "Executive Director's Compensation Policy," the Evaluation and Compensation Committee under the BOD annually evaluates sustainability-related performance, including climate response targets, and reflects the results in the executive director's bonus. This approach encourages the executive management, including internal directors, to more actively implement management policies that enhance the company's long-term value through strengthened responses to climate change and sustainability issues. It also plays a role in reinforcing their commitment to responsible management by fostering a greater sense of accountability in addressing these critical challenges

Forests

(4.5.1.1) Position entitled to monetary incentive

Board or executive level

- ☒ Chief Executive Officer (CEO)

(4.5.1.2) Incentives

Select all that apply

- ☒ Bonus - % of salary

(4.5.1.3) Performance metrics

Targets

- ☒ Progress towards environmental targets
- ☒ Organization performance against an environmental sustainability index

Resource use and efficiency

- ☒ Eliminating deforestation and conversion of other natural ecosystems in direct operations and/or other parts of the value chain

(4.5.1.4) Incentive plan the incentives are linked to

Select from:

- ☒ Both Short-Term and Long-Term Incentive Plan, or equivalent

(4.5.1.5) Further details of incentives

KT&G integrates ESG KPIs and targets, with a weighting of 10%, into the performance evaluation and compensation system for senior management in order to establish a robust ESG management framework and enhance execution performance. Among the ESG key initiative tasks defined in consideration of industry characteristics is the item “Establishing the Group’s natural capital management strategy and response foundation.” As a result, not only climate change response but also performance in natural capital management—such as forest and biodiversity conservation—is directly reflected in the evaluation and compensation of senior management. The remuneration of inside directors consists of base salary, short-term incentives, and long-term incentives, and the payout criteria for each incentive are differentially applied based on the results of annual performance evaluations that include the full range of ESG indicators. Short-term incentives are calculated based on annual performance and are paid within a range of 0–280% of base salary for the CEO and 0–165% for inside directors. Long-term incentives reflect performance over a three-year period and are set within a range of 0–600% of base salary for the CEO and 0–300% for inside directors. In this process, quantitative indicators such as revenue, operating profit, ROE, and TSR, as well as ESG task performance (e.g., greenhouse gas reduction rate, natural capital management performance), are incorporated as core evaluation metrics.

(4.5.1.6) How the position's incentives contribute to the achievement of your environmental commitments and/or climate transition plan

The compensation of KT&G's executive directors includes both short term and long-term performance-based pay and is determined based on comprehensive evaluations, including ESG strategy implementation and performance. In addition, we operate a performance evaluation system in conjunction with compensation for the management to improve execution capability of the priority ESG issues include forest, while also striving to manage sustainability issues with the goal of accomplishing our "2025 Empowering Sustainability for Growth" vision. This approach encourages the executive management, including internal directors, to more actively implement management policies that enhance the company's long-term value through strengthened responses to climate change and sustainability issues. It also plays a role in reinforcing their commitment to responsible management by fostering a greater sense of accountability in addressing these critical challenges

Water

(4.5.1.1) Position entitled to monetary incentive

Board or executive level

☒ Other C-Suite Officer, please specify :Head of the manufacturing division

(4.5.1.2) Incentives

Select all that apply

☒ Bonus - % of salary

(4.5.1.3) Performance metrics

Resource use and efficiency

☒ Reduction of water withdrawals – direct operations

☒ Reduction of water withdrawal and/or consumption volumes – upstream value chain (excluding direct operations)

(4.5.1.4) Incentive plan the incentives are linked to

Select from:

☒ Both Short-Term and Long-Term Incentive Plan, or equivalent

(4.5.1.5) Further details of incentives

KT&G is strengthening company-wide response capabilities by clearly defining the responsibilities of executives for ESG management practices and linking them to the performance compensation system of top management and each C-level executive. Each organization and group company also incorporates ESG-related targets, such as greenhouse gas emission reduction, into management evaluation indicators to clearly assign responsibilities and enhance execution. For the Head of the Manufacturing Division, water management goals include reducing water withdrawal and obtaining global water certification, and these are linked to remuneration to strengthen execution. KT&G has set a goal of reducing water withdrawal by 20% compared to the 2020 baseline year by 2030, and in 2024 it has established a sub-target of reducing water withdrawal by at least 0.5% compared to 2023. Performance against these goals is measured and evaluated annually. Through this compensation system, KT&G has established an ESG evaluation and compensation system that automatically links the incentives of the Head of Manufacturing with water management performance.

(4.5.1.6) How the position’s incentives contribute to the achievement of your environmental commitments and/or climate transition plan

In 2024, KT&G Manufacturing Division’s ESG goals include not only reducing water withdrawal but also reducing greenhouse gas emissions, expanding the use of renewable energy, obtaining global green certifications, and transitioning to 100% recyclable packaging. These ESG tasks are core components of KT&G’s company-wide Climate Transition Plan, so the completion of these tasks will naturally lead to the achievement of the Climate Transition Plan. In addition, in preparation for obtaining AWS certification, a water management certification, in 2024, KT&G implemented the AWS Declaration, which includes “water withdrawal reduction,” published it on its website, and achieved the water withdrawal reduction target.
[Add row]

(4.6) Does your organization have an environmental policy that addresses environmental issues?

	Does your organization have any environmental policies?
	Select from: ☒ Yes

[Fixed row]

(4.6.1) Provide details of your environmental policies.

Row 1

(4.6.1.1) Environmental issues covered

Select all that apply

☒ Climate change

(4.6.1.2) Level of coverage

Select from:

☒ Organization-wide

(4.6.1.3) Value chain stages covered

Select all that apply

☒ Direct operations

☒ Upstream value chain

☒ Downstream value chain

(4.6.1.4) Explain the coverage

KT&G's environmental management policy applies to KT&G as well as its domestic and international subsidiaries. Additionally, the entire business value chain, including customers, partners, distribution, and logistics companies that maintain business relationships with KT&G, is involved and encouraged to adhere to the same level of environmental management standards. Through this collaboration, KT&G ensures that its environmental management policies are upheld consistently across its value chain.

(4.6.1.5) Environmental policy content

Environmental commitments

☒ Commitment to a circular economy strategy

☒ Commitment to comply with regulations and mandatory standards

☒ Commitment to stakeholder engagement and capacity building on environmental issues

Climate-specific commitments

- ☒ Commitment to net-zero emissions
- ☒ Commitment to not funding climate-denial or lobbying against climate regulations

Additional references/Descriptions

- ☒ Description of renewable electricity procurement practices

(4.6.1.6) Indicate whether your environmental policy is in line with global environmental treaties or policy goals

Select all that apply

- ☒ Yes, in line with the Paris Agreement

(4.6.1.7) Public availability

Select from:

- ☒ Publicly available

(4.6.1.8) Attach the policy

(4.6.1) KTnG_Environmental Management Policy & Membership & UN SDGs 6 & AWS Commitments.pdf

Row 2

(4.6.1.1) Environmental issues covered

Select all that apply

- ☒ Water

(4.6.1.2) Level of coverage

Select from:

- ☒ Organization-wide

(4.6.1.3) Value chain stages covered

Select all that apply

- ☒ Direct operations
- ☒ Upstream value chain
- ☒ Downstream value chain

(4.6.1.4) Explain the coverage

KT&G's environmental management policy applies to KT&G as well as its domestic and international subsidiaries. Additionally, the entire business value chain, including customers, partners, distribution, and logistics companies that maintain business relationships with KT&G, is involved and encouraged to adhere to the same level of environmental management standards. Through this collaboration, KT&G ensures that its environmental management policies are upheld consistently across its value chain. (1)Water Management: KT&G measures water withdrawal and discharge volume 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 Withdrawal Reduction: KT&G will reduce water withdrawal volume by 20% through 2030 and expand water recycling and use of alternative water sources, contributing to water resource circulation.

(4.6.1.5) Environmental policy content

Environmental commitments

- ☒ Commitment to comply with regulations and mandatory standards
- ☒ Commitment to take environmental action beyond regulatory compliance
- ☒ Commitment to stakeholder engagement and capacity building on environmental issues

Water-specific commitments

- ☒ Commitment to control/reduce/eliminate water pollution
- ☒ Commitment to reduce water consumption volumes
- ☒ Commitment to reduce water withdrawal volumes
- ☒ Commitment to safely managed WASH in local communities
- ☒ Commitment to water stewardship and/or collective action

(4.6.1.6) Indicate whether your environmental policy is in line with global environmental treaties or policy goals

Select all that apply

- ☒ Yes, in line with Sustainable Development Goal 6 on Clean Water and Sanitation

(4.6.1.7) Public availability

Select from:

☒ Publicly available

(4.6.1.8) Attach the policy

(4.6.1) KTnG_Environmental Management Policy & Membership & UN SDGs 6 & AWS Commitments.pdf

Row 3

(4.6.1.1) Environmental issues covered

Select all that apply

☒ Forests

☒ Biodiversity

(4.6.1.2) Level of coverage

Select from:

☒ Organization-wide

(4.6.1.3) Value chain stages covered

Select all that apply

☒ Direct operations

☒ Upstream value chain

☒ Downstream value chain

(4.6.1.4) Explain the coverage

KT&G and its domestic and international subsidiaries are subject to the "KT&G Biodiversity Protection and Deforestation Prevention Policy." Additionally, KT&G engages and collaborates with all stakeholders within its supply chain, including partners and joint ventures (JVs), to ensure compliance with this policy. The company is committed to raising awareness about the prevention of biodiversity degradation and loss, as well as the importance of protecting biodiversity in local communities. KT&G will work with relevant organizations to promote sustainable supply chains by carrying out activities such as forest restoration and greening initiatives at its own

sites and surrounding areas.

(4.6.1.5) Environmental policy content

Environmental commitments

- ☒ Commitment to comply with regulations and mandatory standards
- ☒ Commitment to Net Positive Gain
- ☒ Commitment to No Net Loss
- ☒ Commitment to respect legally designated protected areas
- ☒ Commitment to stakeholder engagement and capacity building on environmental issues

Forests-specific commitments

- ☒ Commitment to conduct or support restoration and/or compensation to remedy for past deforestation or conversion
- ☒ Commitment to no-conversion of natural ecosystems by target date, please specify :2030
- ☒ Commitment to no-deforestation by target date, please specify :2030

(4.6.1.6) Indicate whether your environmental policy is in line with global environmental treaties or policy goals

Select all that apply

- ☒ Yes, in line with the Kunming-Montreal Global Biodiversity Framework

(4.6.1.7) Public availability

Select from:

- ☒ Publicly available

(4.6.1.8) Attach the policy

(4.6.1) KTnG_Environmental Management Policy & Membership & UN SDGs 6 & AWS Commitments.pdf
[Add row]

(4.10) Are you a signatory or member of any environmental collaborative frameworks or initiatives?

(4.10.1) Are you a signatory or member of any environmental collaborative frameworks or initiatives?

Select from:

☒ Yes

(4.10.2) Collaborative framework or initiative

Select all that apply

- ☒ Alliance for Water Stewardship (AWS)
- ☒ Science-Based Targets Initiative (SBTi)
- ☒ Task Force on Climate-related Financial Disclosures (TCFD)
- ☒ Task Force on Nature-related Financial Disclosures (TNFD)

(4.10.3) Describe your organization's role within each framework or initiative

TCFD Supporter Since declaring support for the TCFD (Task Force on Climate-related Financial Disclosures) in September 2020, KT&G has systematically disclosed the progress and status of its climate change response activities in accordance with the TCFD guidelines on governance, strategy, risk management, and metrics and targets. The company has also been working to set a 1.5°C greenhouse gas reduction target aligned with the recommendations of the Science Based Targets initiative (SBTi). Notably, in 2022, KT&G enhanced its risk assessment through climate scenario analysis, strengthening its response to climate risks. In 2024, the company published a Sustainability Disclosure – Climate Report aligned with IFRS principles and, in November, obtained SBTi approval for its medium- to long-term GHG reduction targets. KT&G actively advances climate action in response to international expectations and seeks to strengthen engagement with internal and external stakeholders by expanding disclosures aligned with global recommendations. SBTi Supporter KT&G supports the Science Based Targets initiative (SBTi) and has established medium- to long-term GHG reduction targets in accordance with SBTi guidance. The company's climate strategy and GHG targets are managed and overseen by the Sustainability Management Committee, which in 2023 deliberated and approved group-wide medium- to long-term targets based on SBTi guidelines. In May 2024, KT&G decided to bring forward its net-zero target year from 2050 to 2045. Following these internal decisions, in November 2024, KT&G obtained official SBTi approval for its GHG reduction and net-zero targets. The approved targets include reducing Scope 1 and 2 emissions by 42% by 2030 from a 2020 baseline and reducing Scope 3 emissions by at least 25% from a 2022 baseline, and achieving net-zero by 2045 through a 90% absolute emissions reduction and 10% neutralization. To realize the Scope 3 target, KT&G is strengthening supply-chain decarbonization, including initiating research on the use of biochar at leaf-tobacco farms and expanding direct and indirect support for major raw-material suppliers (e.g., high-efficiency equipment support and environmental-management consulting). The company also plans to promote additional measures, such as supporting ISO certifications and the adoption of GHG management systems.

TNFD Forum Members Despite natural capital being a crucial foundation of the economic system, its associated risks and opportunities are often underrepresented in business decision-making. With the growing impact of declining ecosystems on businesses, global companies and governments are increasingly recognizing biodiversity as an important issue alongside climate change and are developing response strategies. Investors and the financial community are also urging companies to assess and disclose the financial implications of natural capital, including oceans, soil, freshwater, and the atmosphere. In response to these demands for natural capital and biodiversity disclosure, the Taskforce on Nature-related Financial Disclosures (TNFD) is developing voluntary disclosure standards based on seven principles, which were released in 2023. As a group operating in the food and tobacco sectors with a high dependency on natural capital, KT&G proactively responded to these trends by joining TNFD in December 2022. Moving forward, the company plans to establish biodiversity management indicators based on the

TNFD framework, implement proactive risk management, assess natural capital impacts across the value chain, and contribute to preventing nature loss and restoring ecosystems. Through these efforts, KT&G will strengthen its ESG management and enhance its external communications in alignment with global initiatives, continuing to reduce the company's impact on biodiversity. AWS Members KT&G joined the Alliance for Water Stewardship (AWS) initiative in 2023 and, as a member, is committed to advancing sustainable water resource management in the domestic tobacco industry. The company is implementing water management activities based on a mid- to long-term plan to ensure that all nine of its domestic and overseas manufacturing sites comply with the AWS Standard. Among them, the Yeongju Plant successfully obtained the Platinum AWS Water Stewardship Certification, the highest AWS grade, in 2024—an achievement that represents the first of its kind in Korea's tobacco industry.

[Fixed row]

(4.11) In the reporting year, did your organization engage in activities that could directly or indirectly influence policy, law, or regulation that may (positively or negatively) impact the environment?

(4.11.1) External engagement activities that could directly or indirectly influence policy, law, or regulation that may impact the environment

Select all that apply

☒ Yes, we engaged indirectly through, and/or provided financial or in-kind support to a trade association or other intermediary organization or individual whose activities could influence policy, law, or regulation

(4.11.2) Indicate whether your organization has a public commitment or position statement to conduct your engagement activities in line with global environmental treaties or policy goals

Select from:

☒ Yes, we have a public commitment or position statement in line with global environmental treaties or policy goals

(4.11.3) Global environmental treaties or policy goals in line with public commitment or position statement

Select all that apply

- ☒ Paris Agreement
- ☒ Kunming-Montreal Global Biodiversity Framework
- ☒ Sustainable Development Goal 6 on Clean Water and Sanitation

(4.11.4) Attach commitment or position statement

(4.11.5) Indicate whether your organization is registered on a transparency register

Select from:

☒ No

(4.11.8) Describe the process your organization has in place to ensure that your external engagement activities are consistent with your environmental commitments and/or transition plan

[Climate Target Cooperation and Support with Associations and Groups] KT&G monitors, through continuous communication with major industry associations and initiatives, whether their climate-related targets are aligned with our sustainability management strategies and the goals of the Paris Agreement. By doing so, we manage to ensure mutual harmony between the activities of industry associations and our climate change response targets. In principle, the Republic of Korea prohibits corporations' monetary lobbying activities, and therefore associations or groups do not carry out lobbying activities. Nevertheless, KT&G seeks to continuously monitor and cooperate with the climate targets of major industry associations. In addition, we actively participate in communication with stakeholders of industry associations and groups to make sure that their activities are aligned with our climate targets. If the climate-related activities of a major association or group are not consistent with our targets, we will make this clear and strive to resolve the issue through a response process.

[Fixed row]

(4.11.2) Provide details of your indirect engagement on policy, law, or regulation that may (positively or negatively) impact the environment through trade associations or other intermediary organizations or individuals in the reporting year.

Row 1

(4.11.2.1) Type of indirect engagement

Select from:

☒ Indirect engagement via other intermediary organization or individual

(4.11.2.2) Type of organization or individual

Select from:

☒ Start-up company

(4.11.2.3) State the organization or position of individual

Water & Life: Water & Life is a social startup company with extensive experience in international water-related support projects, including KOICA's Uganda support project and Korea Water Resources Corporation's Cambodia support project.

(4.11.2.5) Environmental issues relevant to the policies, laws, or regulations on which the organization or individual has taken a position

Select all that apply

☒ Water

(4.11.2.6) Indicate whether your organization's position is consistent with the organization or individual you engage with

Select from:

☒ Consistent

(4.11.2.7) Indicate whether your organization attempted to influence the organization or individual's position in the reporting year

Select from:

☒ Yes, we publicly promoted their current position

(4.11.2.8) Describe how your organization's position is consistent with or differs from the organization or individual's position, and any actions taken to influence their position

Water & Life is a social venture company established for international water resource support through water purification devices. It has experience in carrying out water resource support projects in Uganda with KOICA and in Cambodia with Korea Water Resources Corporation. Water & Life is looking for companies to work together in international water resource support activities utilizing its water purification devices, which is consistent with the stance of Sustainable Development Goal 6 – Clean Water and Sanitation. KT&G has maintained a favorable relationship with Water & Life since jointly carrying out a water purification device support project in Tanzania in 2021, and has proposed an eco-friendly water purification device support project for Uganda. Through successful collaboration with Water & Life, KT&G aims to continue its cases of supporting the WASH rights of African residents, following the example in Tanzania last year. The positions of KT&G and Water & Life to provide the right to clean drinking water to local residents in Uganda are aligned, and this also corresponds to Sustainable Development Goal 6 – Clean Water and Sanitation. Through successful collaboration, the two companies completed the purchase and installation of a total of 403 Water & Life purification devices, worth approximately KRW 67 million, as of June 2024, and are carrying out a WASH support project for Uganda.

(4.11.2.9) Funding figure your organization provided to this organization or individual in the reporting year (currency)

67600000

(4.11.2.10) Describe the aim of this funding and how it could influence policy, law or regulation that may impact the environment

Water & Life is a venture company closely related to clean water and sanitation, selling and distributing water purification devices for international water resource aid activities. KT&G proposed to Water & Life an eco-friendly water purification device support project for Uganda. Through this collaboration with Water & Life, KT&G has demonstrated its support for Sustainable Development Goal 6 – Clean Water and Sanitation. In addition, by disclosing the outcomes of its activities on the official KT&G website, the company has helped create an international atmosphere that enables other companies and institutions to comply with the goal, and has established new best practices. In conclusion, through the collaboration between the two companies, a total investment of approximately KRW 67 million is currently in progress. A total of 403 water purification devices are being installed and distributed in Uganda. This has helped more Ugandan residents gain access to clean drinking water and enjoy their right to water.

(4.11.2.11) Indicate if you have evaluated whether your organization's engagement is aligned with global environmental treaties or policy goals

Select from:

☒ Yes, we have evaluated, and it is aligned

(4.11.2.12) Global environmental treaties or policy goals aligned with your organization's engagement on policy, law or regulation

Select all that apply

☒ Sustainable Development Goal 6 on Clean Water and Sanitation

Row 2

(4.11.2.1) Type of indirect engagement

Select from:

☒ Indirect engagement via other intermediary organization or individual

(4.11.2.2) Type of organization or individual

Select from:

☒ Non-Governmental Organization (NGO) or charitable organization

(4.11.2.3) State the organization or position of individual

Green Asia is a citizen network NGO that carries out climate change response activities, including tree planting and developing local action models to address the climate crisis.

(4.11.2.5) Environmental issues relevant to the policies, laws, or regulations on which the organization or individual has taken a position

Select all that apply

☒ Climate change

(4.11.2.6) Indicate whether your organization's position is consistent with the organization or individual you engage with

Select from:

☒ Mixed

(4.11.2.7) Indicate whether your organization attempted to influence the organization or individual's position in the reporting year

Select from:

☒ Yes, and they have changed their position

(4.11.2.8) Describe how your organization's position is consistent with or differs from the organization or individual's position, and any actions taken to influence their position

KT&G has engaged in indirect policy and regulatory advocacy with a positive environmental impact by collaborating with Green Asia, an NGO actively involved in climate change response efforts. Although Green Asia had not previously taken an official stance on supporting the Paris Agreement, KT&G, deeply recognizing the importance and necessity of its implementation, actively worked with the organization to encourage its endorsement of the agreement. During this collaboration, we had in-depth discussions with Green Asia regarding the goals of the Paris Agreement and its positive impact on climate change mitigation and adaptation. As a result, Green Asia reconsidered its position and officially declared its support for the Paris Agreement. Through this engagement, KT&G indirectly contributed to promoting global policies aimed at addressing climate change and supported Green Asia in enhancing its effectiveness in responding to climate issues. This engagement allowed KT&G to expand its positive influence on key environmental policies, aligning with the company's sustainability goals. The partnership with Green Asia serves

as a strong example of how collaboration between an NGO and a corporation can lead to improved environmental outcomes, demonstrating the potential for greater success in tackling climate change through joint efforts.

(4.11.2.9) Funding figure your organization provided to this organization or individual in the reporting year (currency)

158158000

(4.11.2.10) Describe the aim of this funding and how it could influence policy, law or regulation that may impact the environment

KT&G aims to indirectly have a positive impact on climate change-related policies, laws, and regulations by providing funding to Green Asia, a citizen network NGO. While Green Asia is not an organization that directly engages with politicians, it carries out climate change response activities based on the Paris Agreement and, as an NGO, can play an important role in indirectly raising its voice in policy discussions. The funds provided by KT&G are used to support Green Asia in more effectively carrying out various projects and campaigns that address climate change. Through this, Green Asia strengthens its cooperation with local communities, the public sector, and various stakeholders, while raising broader awareness of the seriousness of climate change and the need for action. In particular, Green Asia promotes activities that facilitate climate change mitigation and adaptation, focusing on the goals and principles of the Paris Agreement, thereby laying the groundwork for indirectly influencing environmental policies and regulations. For example, the education, campaigns, and research conducted by Green Asia can help policymakers better understand climate change and contribute to the development of more effective policies. In conclusion, KT&G's financial support plays a crucial role in enabling Green Asia to have a positive impact on climate change, which can be expected to have an indirect effect on environmental policies, laws, and regulations. These activities align with KT&G's sustainability strategy and make a significant contribution to fulfilling the company's corporate social responsibility.

(4.11.2.11) Indicate if you have evaluated whether your organization's engagement is aligned with global environmental treaties or policy goals

Select from:

☒ Yes, we have evaluated, and it is aligned

(4.11.2.12) Global environmental treaties or policy goals aligned with your organization's engagement on policy, law or regulation

Select all that apply

☒ Paris Agreement

[Add row]

(4.12) Have you published information about your organization's response to environmental issues for this reporting year in places other than your CDP response?

Select from:

☒ Yes

(4.12.1) Provide details on the information published about your organization's response to environmental issues for this reporting year in places other than your CDP response. Please attach the publication.

Row 1

(4.12.1.1) Publication

Select from:

☒ In mainstream reports, in line with environmental disclosure standards or frameworks

(4.12.1.2) Standard or framework the report is in line with

Select all that apply

☒ ESRS

☒ GRI

☒ IFRS

☒ TCFD

☒ TNFD

(4.12.1.3) Environmental issues covered in publication

Select all that apply

☒ Climate change

☒ Forests

☒ Water

☒ Biodiversity

(4.12.1.4) Status of the publication

Select from:

☒ Complete

(4.12.1.5) Content elements

Select all that apply

- | | |
|---|--|
| ☒ Strategy | ☒ Risks & Opportunities |
| ☒ Governance | ☒ Value chain engagement |
| ☒ Emission targets | ☒ Dependencies & Impacts |
| ☒ Emissions figures | ☒ Biodiversity indicators |
| ☒ Commodity volumes | ☒ Public policy engagement |
| ☒ Water accounting figures | |
| ☒ Water pollution indicators | |
| ☒ Content of environmental policies | |
| ☒ Deforestation and conversion footprint | |
| ☒ Deforestation- and conversion-free (DCF) status metrics | |

(4.12.1.6) Page/section reference

Governance – 94p Strategy – 95p Risks and Opportunities – 96p Dependencies and Impacts – 119p Greenhouse Gas Reduction Target – 44p Emissions Metric – 235p Value Chain Engagement – 87p Water Accounting Figures – 239p Water Quality Indicators – 241p Biodiversity Metric – 126p

(4.12.1.7) Attach the relevant publication

FY2024 KT&G sustainability disclosure EN.pdf

(4.12.1.8) Comment

-

Row 3

(4.12.1.1) Publication

Select from:

- ☒ In mainstream reports, in line with environmental disclosure standards or frameworks

(4.12.1.2) Standard or framework the report is in line with

Select all that apply

- ☒ TNFD

(4.12.1.3) Environmental issues covered in publication

Select all that apply

- ☒ Forests
☒ Biodiversity

(4.12.1.4) Status of the publication

Select from:

- ☒ Complete

(4.12.1.5) Content elements

Select all that apply

- | | |
|--|---|
| ☒ Strategy | ☒ Biodiversity indicators |
| ☒ Governance | ☒ Content of environmental policies |
| ☒ Risks & Opportunities | |
| ☒ Value chain engagement | |
| ☒ Dependencies & Impacts | |

(4.12.1.6) Page/section reference

Governance –6p Strategy – 8p Risks and Opportunities – 10p Dependencies and Impacts –9p Value Chain Engagement – 7p Biodiversity Metric – 23p

(4.12.1.7) Attach the relevant publication

2024 KT&G TNFD PILOT REPORT.pdf

(4.12.1.8) Comment

-

Row 4

(4.12.1.1) Publication

Select from:

☒ In mainstream reports, in line with environmental disclosure standards or frameworks

(4.12.1.2) Standard or framework the report is in line with

Select all that apply

☒ IFRS

☒ TCFD

(4.12.1.3) Environmental issues covered in publication

Select all that apply

☒ Climate change

(4.12.1.4) Status of the publication

Select from:

☒ Complete

(4.12.1.5) Content elements

Select all that apply

☒ Strategy

☒ Value chain engagement

- ☒ Governance
- ☒ Emission targets
- ☒ Emissions figures
- ☒ Risks & Opportunities

- ☒ Content of environmental policies

(4.12.1.6) Page/section reference

Governance – 4p Strategy – 9p Risks and Opportunities – 9p Greenhouse Gas Reduction Target - 34p Emissions Metric – 27p Value Chain Engagement – 16p

(4.12.1.7) Attach the relevant publication

2024 KT&G SUSTAINABILITY DISCLOSURE – CLIMATE.pdf

(4.12.1.8) Comment

-

[Add row]

C5. Business strategy

(5.1) Does your organization use scenario analysis to identify environmental outcomes?

Climate change

(5.1.1) Use of scenario analysis

Select from:

☒ Yes

(5.1.2) Frequency of analysis

Select from:

☒ Every two years

Forests

(5.1.1) Use of scenario analysis

Select from:

☒ Yes

(5.1.2) Frequency of analysis

Select from:

☒ First time carrying out analysis

Water

(5.1.1) Use of scenario analysis

Select from:

☒ Yes

(5.1.2) Frequency of analysis

Select from:

☒ Annually

[Fixed row]

(5.1.1) Provide details of the scenarios used in your organization's scenario analysis.

Climate change

(5.1.1.1) Scenario used

Climate transition scenarios

☒ IEA NZE 2050

(5.1.1.3) Approach to scenario

Select from:

☒ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☒ Organization-wide

(5.1.1.5) Risk types considered in scenario

Select all that apply

☒ Policy

☒ Market

- ☒ Reputation
- ☒ Technology
- ☒ Liability

(5.1.1.6) Temperature alignment of scenario

Select from:

- ☒ 1.5°C or lower

(5.1.1.7) Reference year

2022

(5.1.1.8) Timeframes covered

Select all that apply

- ☒ 2025
- ☒ 2030
- ☒ 2040
- ☒ 2050

(5.1.1.9) Driving forces in scenario

Finance and insurance

- ☒ Cost of capital

Stakeholder and customer demands

- ☒ Consumer sentiment

Regulators, legal and policy regimes

- ☒ Global regulation
- ☒ Level of action (from local to global)
- ☒ Global targets

☑ Methodologies and expectations for science-based targets

Direct interaction with climate

☑ On asset values, on the corporate

Macro and microeconomy

☑ Domestic growth

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

KT&G conducted a detailed climate change scenario analysis in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This analysis focused on the International Energy Agency's (IEA) Net Zero Emissions Scenario 2050 (NZE 2050) and complemented the 2.0°C scenario (the Published Commitment Scenario (APS)) and the 4.0°C scenario (the Published Policy Scenario (STEPS)). This scenario analysis covered KT&G's strategic planning periods of 2025, 2030, 2040, and 2050, and included both qualitative and quantitative assessments. By incorporating measurable indicators such as carbon pricing, energy efficiency improvements, technological advancements, GDP, and market variables, the analysis allowed for the assessment of various factors, including policies and regulations, the macroeconomic environment, regional climate and resource variables, technological innovation, energy consumption, and the energy mix.

Scenario Assumptions

1) 1.5 °C Scenario (NZE 2050) This scenario assumes an immediate carbon-neutral transition and strong international cooperation, projecting a carbon price of approximately \$140 in 2030 and \$250 in 2050. This scenario reflects a high-intensity transition path, closely aligned with the Paris Agreement, driven by strengthened policies and regulations, technological innovation (CCUS, ESS, electric vehicle adoption, and the hydrogen economy), declining renewable energy costs, and a rapid energy mix transition.

2) 2.0 °C Scenario (APS) The APS scenario assumes that countries achieve their announced reduction targets, but progress beyond that is limited. The carbon price is projected to rise to approximately \$135 in 2030 and \$200 in 2050. In this scenario, policy, technology, and market drivers are only partially effective, resulting in a slow transition and a gradual increase in physical risks.

3) 4.0 °C Scenario (STEPS) The STEPS scenario assumes delayed policy implementation and technology adoption, along with increased energy price volatility. The carbon price is projected to reach approximately \$42 in 2030 and \$89 in 2050.

Uncertainty Key uncertainties include future carbon prices and their volatility across countries as estimated by the IEA, potential increases in industrial electricity prices, changes in the free allocation ratio for emissions permits, and price fluctuations for major energy sources (e.g., electricity, LPG, LNG) due to geopolitical risks or market disruptions or disruptions.

(5.1.1.11) Rationale for choice of scenario

KT&G has adopted the IEA Net Zero Emissions by 2050 (NZE 2050) scenario—which outlines a 1.5 °C transition pathway to achieve global carbon neutrality by 2050—as the scenario most suitable for evaluating the company's net-zero emissions trajectory and transition risks. Because this scenario assumes accelerated decarbonization driven by strengthened policies, market shifts, and technological transformation, it can be directly used to test the resilience of KT&G's business strategy and financial plans. In addition, the IEA NZE 2050 scenario is consistent with the latest international agreements, including the Paris Agreement's 1.5 °C goal, making it a critical benchmark for assessing the organization's long-term resilience to climate change. The scenario is sourced from the International Energy Agency's World Energy Outlook / NZE 2050 and provides authoritative data and models for long-term transition risk analysis.

Forests

(5.1.1.1) Scenario used

Forests scenarios

☒ Customized publicly available forests scenario, please specify :TNFD Nature Risk Scenario - Ahead of the Game

(5.1.1.3) Approach to scenario

Select from:

☒ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☒ Organization-wide

(5.1.1.5) Risk types considered in scenario

Select all that apply

☒ Policy

☒ Market

☒ Liability

☒ Reputation

☒ Acute physical

☒ Chronic physical

(5.1.1.7) Reference year

2024

(5.1.1.8) Timeframes covered

Select all that apply

- ☒ Other, please specify :Since the analysis was conducted using a pairwise approach, the analysis period was not separately defined.

(5.1.1.9) Driving forces in scenario

Local ecosystem asset interactions, dependencies and impacts

- ☒ Changes to the state of nature
- ☒ Speed of change (to state of nature and/or ecosystem services)
- ☒ Climate change (one of five drivers of nature change)

Stakeholder and customer demands

- ☒ Consumer sentiment

Regulators, legal and policy regimes

- ☒ Global regulation
- ☒ Level of action (from local to global)

Direct interaction with climate

- ☒ On asset values, on the corporate

Macro and microeconomy

- ☒ Domestic growth
- ☒ Globalizing markets

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

KT&G conducted a scenario analysis in line with the recommendations of the TNFD, focusing primarily on the “Ahead of the Game” scenario. This scenario assumes a future in which damage to natural capital and biodiversity is minimized, and society takes proactive measures to promote conservation. To ensure consistency and reliability of results, the contrasting “Sand in the Gears” scenario was also reviewed in parallel. During the scenario analysis, KT&G established key assumptions regarding policies and regulations, macroeconomic trends, regional variables (such as weather patterns, demographics, land use, infrastructure, and natural resource availability), technological development, and energy use and mix. – Ahead of the Game: Introduction of proactive regulations, increased corporate and investor engagement, expansion of consumer participation, and alignment with the 1.5 °C climate pathway. – Sand in the Gears: Regulations remain at current levels, lack of stakeholder interest leads to greater environmental damage, and the 1.5 °C climate pathway is not achieved. The severity and intensity of key drivers of natural capital change were differentiated by scenario. Under Ahead of the Game, policies and regulations, investments and consumer behavior, technological innovation, and energy transition are assumed to contribute to the conservation of natural capital, whereas under Sand in the Gears, these same factors are assumed to

exacerbate degradation. Uncertainties that may affect the scenario outcomes include (1) the degree of ecosystem service degradation and (2) the level of policy alignment among market and non-market factors. These elements can vary significantly depending on the effectiveness of policy implementation and the speed of stakeholder response. This analysis was conducted at the enterprise-wide level, with its scope defined around four categories—products, markets, supply chain, and policies/regulations—and twelve natural capital risk and opportunity items. This approach clarified the scope and constraints of the analysis and ensured that the results could inform KT&G’s strategic decision-making.

(5.1.1.11) Rationale for choice of scenario

TNFD defines nature-related uncertainty along two axes: Ecosystem Service Degradation and Alignment of Market and Non-Market Forces, and presents four future scenarios based on these dimensions. KT&G conducted its analysis primarily using the “Ahead of the Game” scenario, which provides the most striking contrast for evaluating the resilience of the organization’s strategy, and complemented it with the “Sand in the Gears” scenario, which assumes an expansion of uncertainty and delays in response. This approach is consistent with KT&G’s objective of validating the key assumptions embedded in its strategic and financial planning and assessing its resilience to climate and nature-related changes. Furthermore, these scenarios are aligned with the TNFD Final Recommendations and the TCFD guidance, maintaining consistency with the latest international agreements. The analysis was conducted based on TNFD’s official framework and data sources.

Water

(5.1.1.1) Scenario used

Water scenarios

☒ WRI Aqueduct

(5.1.1.3) Approach to scenario

Select from:

☒ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☒ Organization-wide

(5.1.1.5) Risk types considered in scenario

Select all that apply

- ☒ Acute physical
- ☒ Chronic physical

(5.1.1.7) Reference year

2020

(5.1.1.8) Timeframes covered

Select all that apply

- ☒ 2030
- ☒ 2050

(5.1.1.9) Driving forces in scenario

Local ecosystem asset interactions, dependencies and impacts

- ☒ Changes to the state of nature
- ☒ Climate change (one of five drivers of nature change)

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

The tobacco business requires a sufficient amount of fresh water, and if negative analyses related to water resources are realized, it could have a devastating impact on future business operations. We will face difficulties in growing or securing sufficient amounts of tobacco, and we are likely to encounter negative issues in the process of producing quality tobacco products based on the tobacco we have secured. KT&G's business is categorized as consumer goods according to the GICS classification, and the sensitivity analysis by industry shows that the level of physical risk in consumer goods is higher than other industries. Among consumer goods, the tobacco industry, which accounts for more than 60% of KT&G's total sales, is particularly sensitive to physical risks. In particular, the business impact of heavy rains and floods, changes in rainfall, and water stress, which fall under the category of water-related risks, is greater than that of other industries. In the case of water resources, we assumed that the impact of physical risks is relatively greater than that of transition risks compared to carbon emissions. Therefore, when considering external factors, we focused on physical risk-related factors. We also conducted scenario analyses that considered the future up to 2030 and 2050, as we anticipated that the shortage of water availability will intensify over time.

(5.1.1.11) Rationale for choice of scenario

Sustainable water resource management requires a deep understanding of the relationship and context between business and water resources, and proactive responses based on that understanding. In the case of water resources, it is especially important to anticipate and respond to physical risks. To this end, KT&G

actively utilizes the WRI Aqueduct Tool, an internationally validated water resources analysis methodology that excels at analyzing water physical risks.

Climate change

(5.1.1.1) Scenario used

Physical climate scenarios

☒ RCP 8.5

(5.1.1.2) Scenario used SSPs used in conjunction with scenario

Select from:

☒ SSP5

(5.1.1.3) Approach to scenario

Select from:

☒ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☒ Organization-wide

(5.1.1.5) Risk types considered in scenario

Select all that apply

☒ Acute physical

☒ Chronic physical

(5.1.1.6) Temperature alignment of scenario

Select from:

☒ 4.0°C and above

(5.1.1.7) Reference year

2022

(5.1.1.8) Timeframes covered

Select all that apply

- ☒ 2025
- ☒ 2030
- ☒ 2040
- ☒ 2050

(5.1.1.9) Driving forces in scenario

Local ecosystem asset interactions, dependencies and impacts

- ☒ Changes to the state of nature
- ☒ Speed of change (to state of nature and/or ecosystem services)
- ☒ Climate change (one of five drivers of nature change)

Finance and insurance

- ☒ Cost of capital

Direct interaction with climate

- ☒ On asset values, on the corporate

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

KT&G conducted an analysis of the potential exacerbation of physical risks due to climate change using IPCC AR6 scenarios SSP1-2.6 (RCP 2.6), SSP2-4.5 (RCP 4.5), and SSP5-8.5 (RCP 8.5). The analysis focused on countries where major production facilities are located, including Korea, Turkey, Indonesia, and Russia. The analysis was conducted following the methodology recommended by the Task Force on Climate-related Financial Disclosures (TCFD), and assessed physical climate risks for 2025, 2030, and 2050, consistent with the company's strategic planning horizon. For each period, the likelihood and magnitude of climate change factors were quantitatively assessed. Industry- and regional sensitivity and vulnerability factors, such as population, GDP, and arable land ratio, were integrated to derive exposure levels and prioritize individual physical risk categories. 1. Key Scenario Assumptions and Drivers - Policy and Energy: The SSP5-8.5 scenarios assume a high dependence on fossil fuels and delayed implementation of mitigation policies, while the SSP1-2.6 scenarios assume strong carbon-neutral policies and energy

transitions. - Macroeconomic and Regional Variables: GDP growth rates, population change, land use, and industrial structure for each scenario are based on IPCC AR6 data, reflecting regional factors such as agricultural land and water resource distribution. - Weather Patterns and Infrastructure: Climatic factors such as typhoons, heavy rainfall, floods, heat waves, and sea level rise are considered in conjunction with the resilience of key production site infrastructure. - Speed of Technology Development: While SSP1-2.6 assumes rapid deployment of renewable energy technologies, SSP5-8.5 anticipates limited investment in technology advancement and climate adaptation. - Risk intensity: According to SSP5-8.5, acute hazards (e.g., typhoons, floods) are expected to intensify rapidly in the short term, while chronic hazards (e.g., sea level rise, water shortages) are projected to increase significantly in the medium to long term. 2. Uncertainty and Limitations IPCC scenario-based projections rely on models that simplify the complex climate system, resulting in uncertainty in the results. Furthermore, uncertainty in financial loss modeling: The simplifying assumptions required to translate physical risks into financial losses can lead to discrepancies between modeled results and actual impacts.

(5.1.1.11) Rationale for choice of scenario

The Intergovernmental Panel on Climate Change (IPCC) is a globally recognized and authoritative institution for climate research, and the Shared Socioeconomic Pathways (SSP) scenarios are among the most scientifically robust climate scenarios, developed through extensive academic research and rigorous validation processes. Built on the latest climate models and observational data, these scenarios ensure high validity and reliability. KT&G therefore considers them highly suitable tools for testing the key assumptions embedded in the company's strategic and financial plans and for assessing the resilience of its business strategy through climate change scenario analysis.

Water

(5.1.1.1) Scenario used

Climate transition scenarios

☒ IEA NZE 2050

(5.1.1.3) Approach to scenario

Select from:

☒ Qualitative and quantitative

(5.1.1.4) Scenario coverage

Select from:

☒ Organization-wide

(5.1.1.5) Risk types considered in scenario

Select all that apply

- ☒ Policy
- ☒ Market
- ☒ Reputation
- ☒ Technology
- ☒ Liability

(5.1.1.6) Temperature alignment of scenario

Select from:

- ☒ 1.5°C or lower

(5.1.1.7) Reference year

2020

(5.1.1.8) Timeframes covered

Select all that apply

- ☒ 2025
- ☒ 2030
- ☒ 2040
- ☒ 2050

(5.1.1.9) Driving forces in scenario

Finance and insurance

- ☒ Cost of capital

Stakeholder and customer demands

- ☒ Consumer sentiment

Regulators, legal and policy regimes

☒ Global regulation

☒ Global targets

Direct interaction with climate

☒ On asset values, on the corporate

Macro and microeconomy

☒ Domestic growth

(5.1.1.10) Assumptions, uncertainties and constraints in scenario

KT&G conducted a detailed climate change scenario analysis to meet the TCFD's recommendations, using the assumptions and key variables from the IEA's Net Zero Emissions by 2050 Scenario (NZE 2050), which reflects a 1.5 temperature rise and transition risk. In addition, the IEA's Announced Pledges Scenario (APS) and Stated Policies Scenario (STEPS) were applied to analyze the 2.0 and 4.0 temperature rise scenarios, respectively. The main assumptions used in the climate change scenario analysis were applied to various areas such as policy, energy, legal issues, technology, market, and reputation, and utilized carbon price, energy intensity per GDP, technology development level such as CCUS and ESS, unit cost of renewable energy sources, and technology cost of EV and hydrogen economy as key parameters.

(5.1.1.11) Rationale for choice of scenario

As a complement to the WRI Aqueduct scenario analysis, which is strong in analyzing physical risks related to water resources, we are utilizing climate change scenario analysis. Through the use of this scenario analysis, we aim to enhance the level of comprehensive scenario analysis by supplementing transition risk-related content such as global regulations and consumer sentiment.

[Add row]

(5.1.2) Provide details of the outcomes of your organization's scenario analysis.

Climate change

(5.1.2.1) Business processes influenced by your analysis of the reported scenarios

Select all that apply

☒ Risk and opportunities identification, assessment and management

- ☒ Strategy and financial planning
- ☒ Resilience of business model and strategy
- ☒ Capacity building
- ☒ Target setting and transition planning

(5.1.2.2) Coverage of analysis

Select from:

- ☒ Organization-wide

(5.1.2.3) Summarize the outcomes of the scenario analysis and any implications for other environmental issues

In summary, KT&G's climate scenario analysis reveals that the company faces significant potential transition and physical risks across various climate scenarios. While the timing and extent of these risks may vary depending on the scenario, there is no scenario in which the company can entirely avoid the impacts of the climate crisis. Transition Risks: In the 1.5C scenario, KT&G is likely to face increased exposure to rising carbon prices, the introduction of new greenhouse gas regulations, and market and reputational risks as policies for low-carbon transitions are widely implemented. These transition risks remain substantial in the 2.0C scenario, especially due to the rising cost of raw materials. While the probability of risks related to technology or litigation is relatively low, their impact could be significant if they occur. To address these risks, KT&G is conducting internal long-term market forecasts to optimize raw material supply plans and focusing on building a stable supply chain through strategic partnerships. The company is also preparing for future greenhouse gas regulations and rising carbon prices by introducing an internal carbon pricing system and investing in renewable energy facilities. In the long term, KT&G has set greenhouse gas reduction targets and is implementing various measures to achieve them. Through these strategies, KT&G aims to develop the flexibility needed to respond effectively to various climate change scenarios. Physical Risks: Unlike transition risks, physical risks are more likely to occur in scenarios with a temperature rise of 2.0C or higher, with these risks emerging sooner than in the 1.5C scenario. In the 4.0C scenario, physical risks are expected to increase sharply, leading to a higher likelihood and impact on operations, supply chains, and business continuity. To mitigate these risks, KT&G has developed and implemented a disaster management manual, providing guidelines for efficient recovery from natural disasters like typhoons and floods. The company regularly conducts risk assessments to identify and mitigate risk factors at each operational site. Additionally, in preparation for extreme scenarios like the 4.0C scenario, KT&G has established emergency response manuals tailored to each site, ensuring rapid response, damage recovery, and business continuity in the face of severe climate change.

Forests

(5.1.2.1) Business processes influenced by your analysis of the reported scenarios

Select all that apply

- ☒ Risk and opportunities identification, assessment and management
- ☒ Strategy and financial planning

- ☒ Resilience of business model and strategy
- ☒ Capacity building
- ☒ Target setting and transition planning

(5.1.2.2) Coverage of analysis

Select from:

- ☒ Organization-wide

(5.1.2.3) Summarize the outcomes of the scenario analysis and any implications for other environmental issues

KT&G conducted a nature-related scenario analysis in accordance with the TNFD recommendations, focusing on the “Ahead of the Game” and “Sand in the Gears” scenarios from short-, medium-, and long-term perspectives. The analysis confirmed the presence of both transition and physical risks across all scenarios. While the timing and intensity of these risks differ, no pathway was identified that would completely avoid climate and nature-related risks. Transition Risks: Under the Ahead of the Game scenario, the expansion of eco-friendly consumption and the strengthening of regulations are expected to drive increased demand for products based on sustainable raw materials, with price fluctuations of tobacco leaves—accounting for approximately 40% of cost of goods sold—directly impacting the business. In response, KT&G is expanding participation in the Sustainable Tobacco Program (STP), securing strategic inventories, and strengthening supply chain risk assessments. Furthermore, KT&G has incorporated “natural capital” and “biodiversity” as key non-financial risks within the company-wide risk portfolio, established a comprehensive natural capital risk management system encompassing the entire supply chain, and is participating in government-led natural capital disclosure councils to contribute to the policy-making process. Physical Risks: Under the Sand in the Gears scenario, procurement risks are expected to intensify due to climate disasters and ecosystem degradation, leading to increased raw material costs and the need to secure alternative supply sources. KT&G has reflected in its mid- to long-term strategy the introduction of alternative sourcing regions, the establishment of a multi-region sourcing system, and supplier transitions to reduce dependence on major import countries vulnerable to climate change. The company also recommends STP participation for new sourcing regions and suppliers and is strengthening due diligence and monitoring processes. Through this analysis, KT&G confirmed (1) the flexibility of financial resources for responding to climate and nature-related risks, (2) the capability to secure alternative sourcing regions and transition assets, and (3) the effectiveness of mitigation, adaptation, and resilience-building activities such as renewable energy investment and supply chain reinforcement. In addition, KT&G is taking into account biodiversity- and nature-related risks and opportunities, alongside climate risks, to integrate them into its future ESG strategy and financial planning.

Water

(5.1.2.1) Business processes influenced by your analysis of the reported scenarios

Select all that apply

- ☒ Risk and opportunities identification, assessment and management
- ☒ Strategy and financial planning
- ☒ Resilience of business model and strategy

- ☒ Capacity building
- ☒ Target setting and transition planning

(5.1.2.2) Coverage of analysis

Select from:

- ☒ Organization-wide

(5.1.2.3) Summarize the outcomes of the scenario analysis and any implications for other environmental issues

KT&G conducted a scenario analysis based on the World Resources Institute's (WRI) Water Risk Atlas tool, analyzing baseline water stress and baseline water depletion indicators separately to determine water-stressed areas. In 2024, we conducted scenario analysis including all domestic and overseas manufacturing sites, suppliers, and leaf tobacco farmers. The overall water resource risk level for KT&G's domestic manufacturing sites was assessed as Low to Medium. However, the water stress index indicates a higher level of Medium to High. Among these sites, the Turkiye site, Indonesia site, and Daejeon site were identified as being located in water-stressed regions. The baseline water stress for these sites was High (40-80%) or Extremely High (>80%), confirming their classification as water-stressed areas. A high water stress index indicates intense competition among water users within the catchment, and the water accessibility of these sites are assessed as low. The key water-related risk identified through the scenario analysis is the availability of a reliable supply of quality water. KT&G is setting future water targets in line with the WRI Aqueduct scenario analysis. Currently, the biggest goal is to reduce water withdrawal by 20% across all sites by 2030 to strengthen water security. Water is also a key resource for our leaf tobacco suppliers, as it is used throughout the growing and drying process. It is critical for supply chain businesses to be able to flexibly respond to a range of future climate events and their impacts on the water environment. We are utilizing the results of scenario analysis using WRI Aqueduct to help make our supply chain more resilient. Improving the resilience of the supply chain will not only help KT&G's tobacco business continue to grow steadily and stably, but also provide ample opportunities to take a leading position in the industry in the future. KT&G has found scenario analysis useful in the process of setting and implementing water-related goals, including long-term water use plans, and plans to continue to monitor changes in WRI Aqueduct as well as various parameters and models to reflect them in new analyses.

[Fixed row]

(5.2) Does your organization's strategy include a climate transition plan?

(5.2.1) Transition plan

Select from:

- ☒ Yes, we have a climate transition plan which aligns with a 1.5°C world

(5.2.3) Publicly available climate transition plan

Select from:

☒ Yes

(5.2.4) Plan explicitly commits to cease all spending on, and revenue generation from, activities that contribute to fossil fuel expansion

Select from:

☒ No, but we plan to add an explicit commitment within the next two years

(5.2.6) Explain why your organization does not explicitly commit to cease all spending on and revenue generation from activities that contribute to fossil fuel expansion

KT&G deeply recognizes the severity of climate change and is actively striving to minimize its environmental impact. The company is currently reviewing plans to cease all expenditures and revenue-generating activities that contribute to the expansion of fossil fuels. The reason for not making an explicit declaration yet is that KT&G is prioritizing the evaluation of the necessity and effectiveness of such a declaration, taking into consideration the specific characteristics of its business. KT&G's core operations, including tobacco manufacturing and ginseng production, involve complex supply chains and production processes, where the use of fossil fuels is, to some extent, unavoidable. Therefore, before making any formal declarations, the company is exploring practical and effective ways to reduce fossil fuel usage across its entire operations. This includes analyzing energy consumption patterns, assessing the feasibility of alternative energy sources, and implementing changes within its supply chain. Through this comprehensive evaluation and planning, KT&G aims to establish the best strategy that balances environmental responsibility with business sustainability. At an appropriate time in the future, the company will announce detailed plans and targets, contributing to a more sustainable future.

(5.2.7) Mechanism by which feedback is collected from shareholders on your climate transition plan

Select from:

☒ We have a different feedback mechanism in place

(5.2.8) Description of feedback mechanism

KT&G maintains continuous communication with key stakeholders, actively incorporating feedback related to environmental, social, and governance (ESG) issues, as well as climate change. Investors, including shareholders, are recognized as core stakeholders, and their input significantly influences the company's climate transition plans. In the process of preparing the "KT&G Report," a sustainability report, we conduct stakeholder surveys and focus interview to gather feedback from shareholders and investors. These surveys play a crucial role in collecting opinions on important topics such as KT&G's climate change scenario analysis results, the roadmap to achieve carbon neutrality, and plans for reducing greenhouse gas emissions. Additionally, KT&G provides shareholders with opportunities to ask questions about the company's climate transition plans, ensuring that their concerns are addressed and enhancing communication. We participate in domestic and international Non-Deal Roadshows (NDR) and various conferences organized by securities firms, where we explain KT&G's initiatives directly to investors and listen

to their concerns. Regularly, we hold IR meetings and conference calls with domestic and international institutional investors and analysts, and when necessary, the management team attends these meetings to engage directly with investors. Through this approach, we gain a clear understanding of shareholder expectations and concerns, allowing us to develop and implement climate change strategies that align with their interests.

(5.2.9) Frequency of feedback collection

Select from:

☒ Annually

(5.2.10) Description of key assumptions and dependencies on which the transition plan relies

The transition plan was developed based on a range of economic, technological, and environmental factors. The successful implementation of this plan is contingent upon several key assumptions, and it has been formulated considering the following assumptions and dependencies: 1. *Estimated Emissions Based on Mid- to Long-Term Production Plans:* The transition plan estimates expected emissions based on KT&G's mid- to long-term production plans. Emission changes corresponding to production fluctuations over the designated period have been incorporated into the plan. 2. *Domestic and International REC Price Forecasts:* The projected costs were estimated based on forecasted REC prices in domestic and international markets, and the financial viability of the plan was evaluated using these price projections. 3. *Projected Costs for Renewable Energy Installations, Such as Solar Power Facilities:* The transition plan includes the installation of renewable energy facilities like solar power systems. The associated initial investment and maintenance costs were projected in line with current market conditions and technological advancements. 4. *Projected Carbon Credit Prices:* The plan accounts for the cost of purchasing carbon credits to offset projected emissions, considering fluctuations in the carbon credit prices within the emissions trading system. These prices were calculated based on market forecasts at the time of planning. 5. *Domestic and International Electricity Rates:* The plan assumes that current electricity rates will be maintained, while taking into account the potential for fluctuation in domestic and international electricity prices. 6. *Fixed Emission Factors:* The plan assumes that emission factors remain fixed, based on standardized factors at the time of planning. Each assumption reflects the economic, environmental, and technological conditions at the time of planning, considering the variables that could significantly impact the plan's execution.

(5.2.11) Description of progress against transition plan disclosed in current or previous reporting period

In May 2024, KT&G advanced its original net-zero target year from 2050 to 2045, thereby taking a leading role in the global response to climate change and pursuing sustainable growth. In November of the same year, KT&G's 2045 net-zero target received official validation from the Science Based Targets initiative (SBTi), securing international credibility for the company's climate targets. As of the reporting year, KT&G achieved a 7.4% reduction (182,418 tCO₂eq) in Scope 1 and 2 GHG emissions compared to 2020 levels, and an 8.9% reduction (780,572 tCO₂eq) in Scope 3 emissions compared to 2022 levels. In addition, the company's renewable energy transition rate increased from 13.5% in 2023 to 15.5% in 2024, representing significant progress toward the 80% transition target by 2030. Implementation activities included upgrading utility equipment for higher efficiency, expanding waste heat recovery, transitioning company-owned vehicles to electric vehicles (13.7% transition achieved as of the first half of 2025, with a target of 100% by 2030), installing rooftop solar power facilities across sites (total capacity of 3.1 MWp), and signing a long-term power purchase agreement (PPA) for 11.8 MWp of renewable electricity. Furthermore, to reduce Scope 3 emissions, KT&G initiated research on biochar utilization for contracted tobacco farms and has been actively supporting supply chain partners with high-efficiency equipment and environmental management consulting to drive emission reductions across the value chain. These quantitative results and qualitative initiatives are reviewed and monitored on a regular basis by the Sustainability Management Committee, demonstrating that KT&G's company-wide decarbonization transition plan is actively being implemented.

(5.2.12) Attach any relevant documents which detail your climate transition plan (optional)

2024 KT&G Sustainability Disclosure - Climate.pdf

(5.2.13) Other environmental issues that your climate transition plan considers

Select all that apply

☒ No other environmental issue considered

[Fixed row]

(5.3) Have environmental risks and opportunities affected your strategy and/or financial planning?

(5.3.1) Environmental risks and/or opportunities have affected your strategy and/or financial planning

Select from:

☒ Yes, both strategy and financial planning

(5.3.2) Business areas where environmental risks and/or opportunities have affected your strategy

Select all that apply

☒ Products and services

☒ Upstream/downstream value chain

☒ Investment in R&D

☒ Operations

[Fixed row]

(5.3.1) Describe where and how environmental risks and opportunities have affected your strategy.

Products and services

(5.3.1.1) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

- ☒ Climate change
- ☒ Forests

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

Changes in consumer perception due to climate change can significantly influence KT&G's product portfolio and revenue structure. As demand for eco-friendly products continues to grow, failure to respond could lead to revenue loss risks; however, proactive action presents opportunities to explore new markets and enhance brand trust. Accordingly, KT&G has established a growth strategy with ESG values as a core pillar and enacted the "Sustainable Product Policy," which incorporates environmental considerations from the product planning and development stage. In addition, KT&G conducts life cycle assessments (LCA) to objectively evaluate the environmental attributes of its products, thereby making strategic decisions that enhance resource efficiency and minimize carbon footprints. In the short term, KT&G has completed the full conversion of aluminum inner liners used in cigarette product packaging to 100% paper inner liners and prioritizes the use of recyclable mono-materials (paper, PP, PE) for packaging. Through these efforts, KT&G aims to convert all packaging materials for products manufactured in-house to recyclable materials by 2025. In the medium to long term, the company plans to expand the application scope to overseas manufacturing sites and markets. From the perspective of eco-friendly material development, KT&G has been conducting R&D on alternative materials such as non-plastic and biodegradable options since 2013. In February 2023, the company signed a joint development agreement with Kolon Industries to co-develop cigarette filters using eco-friendly lyocell fibers. This technology has been registered for patent protection, securing intellectual property rights, and commercialization is underway while maintaining product quality and safety. KT&G is also simultaneously examining the feasibility of paper filter applications. These achievements fundamentally reduce environmental burdens at the product end-of-life stage and form a core strategy for addressing climate change, water, and forest-related issues over the long term. Ultimately, by advancing R&D in eco-friendly materials and transitioning to recyclable packaging, KT&G mitigates short-term risks while establishing a sustainable competitive foundation over the medium to long term, thereby implementing a corporate strategy aligned with global frameworks such as the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework.

Upstream/downstream value chain

(5.3.1.1) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

- ☒ Climate change
- ☒ Forests

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

KT&G's key raw materials, tobacco leaf and ginseng, are highly vulnerable to physical risks such as abnormal temperatures and changing precipitation patterns caused by climate change, and these risks are expected to persist in the long term through 2030 and 2050. In addition, the strengthening of sustainability guidelines for cultivation regions is increasing transition risks across the supply chain, directly affecting the upstream value chain. To evaluate these risks and opportunities, KT&G has conducted WRI physical risk assessments and scenario analyses based on TNFD recommendations for domestic tobacco farms and major partners, comprehensively reviewing key dependency and impact factors, their drivers, positions within the value chain, and types of financial impacts. The results of this analysis have been incorporated into strategic decision-making, taking into account various scenarios, including short-term supply chain disruptions, long-term resource availability constraints, changes in consumer behavior, and expansion of new market demand. In the upstream value chain, KT&G has strengthened on-site audits, farmer support, and improvement plan development through the Sustainable Tobacco Program (STP) as a strategic measure to secure supply stability while simultaneously mitigating social and environmental risks. In the downstream value chain, KT&G is responding to regulatory tightening and growing demand for eco-friendly products by transitioning to sustainable materials (e.g., packaging improvements) and innovating product design to enhance brand trust and create new market opportunities. Following a mitigation hierarchy approach to prioritizing actions, KT&G has implemented key decisions such as diversifying its supply chain, securing strategic inventories, and increasing investments in R&D for eco-friendly materials, while redirecting resource allocation toward improving carbon-, energy-, and water-intensive operations. These strategies contribute to achieving international goals such as the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework.

Investment in R&D

(5.3.1.1) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

- ☒ Climate change
- ☒ Forests

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

In response to intensifying transition risks from climate change, increasing consumer preference for eco-friendly products, and tightening regulations, KT&G has operated a dedicated organization within its R&D headquarters focusing on eco-friendly research and recently strengthened this function by establishing a new “New Material Development Team.” This team actively drives research and business reviews for non-plastic eco-friendly filters and serves as a core implementing body for KT&G’s climate transition plan. In February 2023, KT&G signed a joint development agreement with Kolon Industries to co-develop cigarette filters using eco-friendly lyocell fiber, registered a patent for the technology to secure intellectual property rights, and confirmed that lyocell exhibits more than 90% superior biodegradability compared to conventional cellulose under seawater, industrial composting, and soil conditions. This technology is recognized as an innovative solution that fundamentally reduces environmental burdens at the cigarette filter disposal stage, contributing to the opening of new markets and the long-term enhancement of brand trust. From a packaging perspective, KT&G has completed the full conversion of aluminum inner liners for domestically manufactured cigarette products to 100% paper inner liners and is pursuing a goal to convert all packaging materials for products manufactured in-house to recyclable mono-materials by 2025. To achieve this, KT&G prioritizes the use of easily recyclable materials such as paper, PP, and PE films, and replaces non-recyclable composite materials with alternative eco-friendly materials wherever feasible. These decisions have been executed in accordance with KT&G’s mitigation hierarchy approach to prioritizing actions. In the short term, the company focuses on packaging substitution and the transition of existing materials, while in the medium to long term, it concentrates on the early development of core technologies aimed at minimizing environmental impacts across the entire product life cycle. Throughout this process, KT&G is expanding strategic resource allocation to strengthen R&D investment and commercialization reviews, advancing its climate transition plan in alignment with the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework.

Operations

(5.3.1.1) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

- ☒ Climate change
- ☒ Forests

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

KT&G has restructured its strategy to address transition risks such as carbon price volatility and strengthening regulations, as well as physical risks such as rising temperatures and water stress. Specifically, it established new investment economic analysis guidelines for 2022 and introduced an internal carbon pricing system to

reflect potential carbon costs. Applying this to the rooftop solar installation plans of its domestic manufacturing facilities, it calculated an annual emissions reduction of approximately 1,690 tons and economic benefits of approximately KRW 85 million. Furthermore, by incorporating these figures into the payback period calculation, it accelerated its investment in renewable energy facilities. This decision led to key measures to prevent revenue loss and stabilize costs, resulting in increased energy savings and greenhouse gas reductions compared to before implementation. At the same time, KT&G is enhancing operational efficiency by expanding renewable energy sources such as PPAs and solar power and improving boiler efficiency. This not only reduces costs but also contributes to a positive impact in the future low-carbon transition. Based on climate scenario analysis, the company is developing customized response strategies that reflect the regional characteristics of each business site. In particular, we are analyzing and continuously monitoring the financial impact of our Turkish subsidiary, which has relatively high climate change physical risks and water stress. We also utilized S&P Global Sustainable1's Nature Risk Profile to analyze land use, ecosystem destruction, and ecological dependency, and reflected this in our supply chain strategy. We are also promoting Scope 3 reductions by expanding STP-based on-site due diligence and training for leaf tobacco farms, which are highly dependent on natural capital. KT&G has obtained SBTi approval for its 2045 carbon neutrality target, and is operating with a goal that exceeds legal requirements, such as an 80% renewable energy conversion rate by 2030 and zero logging and no-cultivation implementation in its supply chain. This is being promoted as part of a climate transition plan that is in line with the Paris Agreement, the Kunming-Montreal Global Framework for Biodiversity.

Products and services

(5.3.1.1) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

- ☒ Water

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

Water is an essential resource for KT&G to grow tobacco, the raw material for cigarettes. Without access to quality water, cigarette production can be disrupted. KT&G has set a management goal of achieving total sales of 10.2 trillion in 2027, and given the importance of tobacco to KT&G's business, we expect strong sales growth of more than 10% per year and a corresponding increase in water use. However, this increase in water use will increase the business's dependence on water and can lead to water scarcity or water stress risks depending on the location of the manufacturing operations. To address this, KT&G has set a water management goal of reducing water withdrawal by 20% by 2030 and is continuing to invest in water reuse facilities. Given KT&G's commitment to strengthening its water management capabilities and reducing water use, the growth in water use relative to revenue growth is likely to slow.

Upstream/downstream value chain

(5.3.1.1) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

- ☒ Water

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

KT&G strives to minimize water risks in the supply chain by including ESG evaluation, including water management evaluation items, in both the supply chain certification evaluation (SQ) for selecting new suppliers and the regular comprehensive evaluation of existing suppliers. In particular, for new suppliers, ESG-related indicators account for a high proportion of the total evaluation items, and after the self-evaluation of suppliers, a third-party agency conducts on-site visits to verify and evaluate the data according to the ESG evaluation index guidelines. Items related to water resource management in the environmental sector of the supplier evaluation index include water and wastewater management regulations, water usage, and wastewater discharge management. In particular, for material partners, we collect and monitor water consumption information for the last three years.

Operations

(5.3.1.1) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.1.2) Environmental issues relevant to the risks and/or opportunities that have affected your strategy in this area

Select all that apply

- ☒ Water

(5.3.1.3) Describe how environmental risks and/or opportunities have affected your strategy in this area

Manufacturing sites are critical infrastructure for KT&G's tobacco business and are where most of our water is withdrawn and used, so the success of our water management is directly linked to the opportunities and risks of our manufacturing sites. KT&G has set water targets with specific numbers, such as “reducing water withdrawals at our sites,” to reduce the business's dependence on water and mitigate water risks such as water stress and water shortages. We also continue to invest in reuse facilities, recognizing that expanding the use of reclaimed water can lead to cost savings and create new opportunities. In the future, KT&G plans to introduce bathhouse water treatment devices for plants that have bathhouses, such as Yeongju and Gwangju, starting with the Daejeon Plant, to reduce not only process water but also sanitary water

[Add row]

(5.3.2) Describe where and how environmental risks and opportunities have affected your financial planning.

Row 1

(5.3.2.1) Financial planning elements that have been affected

Select all that apply

- | | |
|--|--|
| ☒ Assets | ☒ Access to capital |
| ☒ Revenues | ☒ Capital allocation |
| ☒ Liabilities | ☒ Capital expenditures |
| ☒ Direct costs | ☒ Acquisitions and divestments |
| ☒ Indirect costs | |

(5.3.2.2) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.2.3) Environmental issues relevant to the risks and/or opportunities that have affected these financial planning elements

Select all that apply

- ☒ Climate change
- ☒ Forests

- ☒ Water

(5.3.2.4) Describe how environmental risks and/or opportunities have affected these financial planning elements

KT&G faces risks and opportunities across multiple environmental domains—including climate, water, and forests—and incorporates a comprehensive analysis of these factors into its financial planning. Risk assessment and preparedness Using analyses from S&P Climonomics® and Global Sustainable1, KT&G assesses physical, nature, and biodiversity risks. At the Türkiye operation, increases in extreme temperatures and water stress have led the company to adjust operating costs and risk management budgets. Based on the 'Biodiversity Conservation and Zero-Deforestation Policy' established in 2023, KT&G also factors in forest and natural capital management costs to achieve its 2050 NNL/NPI target. Investment and operational plans By investing in energy-efficient equipment and low-carbon process improvements, KT&G is reducing its greenhouse gas emissions intensity and managing potential allowance purchase costs. At the same time, the company has set a DCF (deforestation- and conversion-free) goal to cease deforestation and conversion at leaf tobacco and ginseng farms and operations by 2030, thereby reducing supply chain risk and strengthening stability. Strategic financing In April and October 2024, KT&G issued a total of KRW 170 billion in green bonds and allocated all proceeds to renewable energy and green building projects, investing KRW 25.1 billion in solar installations alone. M&A due diligence and restoration activities In mergers and acquisitions, KT&G evaluates climate and forest risks of target organizations and prepares improvement measures, incorporating the results into the company's integrated environmental management system and financial plan. The company is also undertaking restoration and rehabilitation activities, including a project to restore the Jang-gume-gi Wetland (38,000 m²) near the Yeongju Plant to recover degraded wildlife habitats. In conclusion, KT&G's financial plan is designed to consider climate, water, and forest risks simultaneously—supporting financial resilience for the implementation of environmental goals through cost reductions and risk mitigation in the short term, and through the achievement of its 2045 net-zero and 2050 NNL/NPI targets in the medium to long term.

Row 2

(5.3.2.1) Financial planning elements that have been affected

Select all that apply

- ☒ Direct costs
- ☒ Indirect costs
- ☒ Capital expenditures

(5.3.2.2) Effect type

Select all that apply

- ☒ Risks
- ☒ Opportunities

(5.3.2.3) Environmental issues relevant to the risks and/or opportunities that have affected these financial planning

elements

Select all that apply

☒ Water

(5.3.2.4) Describe how environmental risks and/or opportunities have affected these financial planning elements

KT&G establishes investment plans based on its water strategy, which includes water-related risks and opportunities, and manages direct and indirect operating expenses and capital expenditures by integrating them into its financial plans. In addition, water-related risks and opportunities are identified and referenced through the results of WRI Aqueduct analysis and climate change scenario analysis, and utilized in the financial planning process. The established financial plan is managed and supervised by the Board of Directors, and the representative water-related financial elements are as follows. 1) Water management: Water intake, wastewater treatment, water resource management system operation, water risk analysis, etc. 2) Water-related technology development: leaf tobacco crop development, irrigation technology development, new equipment development, etc. 3) Global certifications & initiatives: AWS, ISO14001, STP, etc.

[Add row]

(5.4) In your organization's financial accounting, do you identify spending/revenue that is aligned with your organization's climate transition?

	Identification of spending/revenue that is aligned with your organization's climate transition	Methodology or framework used to assess alignment with your organization's climate transition	Indicate the level at which you identify the alignment of your spending/revenue with a sustainable finance taxonomy
	Select from: ☒ Yes	Select all that apply ☒ A sustainable finance taxonomy	Select from: ☒ At both the organization and activity level

[Fixed row]

(5.4.1) Quantify the amount and percentage share of your spending/revenue that is aligned with your organization's climate transition.

Row 1

(5.4.1.1) Methodology or framework used to assess alignment

Select from:

☒ A sustainable finance taxonomy

(5.4.1.2) Taxonomy under which information is being reported

Select from:

☒ EU Taxonomy for Sustainable Activities

(5.4.1.3) Objective under which alignment is being reported

Select from:

☒ Climate change mitigation

(5.4.1.4) Indicate whether you are reporting eligibility information for the selected objective

Select from:

☒ Yes

(5.4.1.5) Financial metric

Select from:

☒ CAPEX

(5.4.1.6) Amount of selected financial metric that is aligned in the reporting year (currency)

9854000000

(5.4.1.7) Percentage share of selected financial metric aligned in the reporting year (%)

1.28

(5.4.1.8) Percentage share of selected financial metric planned to align in 2025 (%)

0.21

(5.4.1.9) Percentage share of selected financial metric planned to align in 2030 (%)

0.57

(5.4.1.10) Percentage share of financial metric that is taxonomy-eligible in the reporting year (%)

4.37

(5.4.1.11) Percentage share of financial metric that is taxonomy non-eligible in the reporting year (%)

95.63

(5.4.1.12) Details of the methodology or framework used to assess alignment with your organization's climate transition

KT&G applied the EU Taxonomy framework to assess the alignment of its climate transition plan. This framework evaluates the environmental contribution of economic activities, allowing KT&G to clearly determine how well its climate transition plan aligns with environmental goals. When conducting the EU Taxonomy-eligible assessment, KT&G evaluated its activities based on the nature of its economic activities rather than specific industry sectors. To qualify as Taxonomy-aligned under the EU Taxonomy, an economic activity must meet the following three criteria: 1. Significant Contribution to Environmental Objectives: The economic activity must make a substantial contribution to one or more of the six environmental objectives defined by the EU. KT&G evaluated its activities, such as energy efficiency improvements and the expansion of renewable energy use, against this criterion to ensure they supported environmental goals. 2. Do No Significant Harm (DNSH) Principles: The economic activity must not cause significant harm to any other environmental objectives. KT&G reviewed each economic activity to ensure that it did not negatively impact other environmental aspects. 3. Minimum Social Safeguards (MSS): The economic activity must meet minimum social safeguards, including social impacts and labor conditions. KT&G considered the social aspects of its activities to ensure they met these social protection standards. Based on these three criteria, KT&G evaluated and classified its 2024 revenue, capital expenditure (CapEx), and operational expenditure (OpEx) for eligibility and alignment. In the CapEx assessment, the company classified economic activities based on the acquisition of tangible assets. Accordingly, the investment costs for the installation/maintenance of energy-efficient devices at business sites and the installation/maintenance and repair of renewable energy technologies have been recognized as taxonomy eligible CapEx. In addition, Investments in solar power generation facilities were classified as Taxonomy-aligned activities. Through this analysis, KT&G determined that KRW 33.5 billion (approximately 4.4%) of its total capital expenditures were classified as Taxonomy-eligible, with KRW 9.85 billion classified as Taxonomy-aligned capital expenditures. These results play a critical role in evaluating the alignment of KT&G's economic activities with its climate transition plan and contribute to the development of sustainable management strategies by providing a clear understanding of the company's environmental impact.

[Add row]

(5.4.2) Quantify the percentage share of your spending/revenue that was associated with eligible and aligned activities under the sustainable finance taxonomy in the reporting year.

Row 1

(5.4.2.1) Economic activity

Select from:

☒ Electricity generation using solar photovoltaic technology

(5.4.2.2) Taxonomy under which information is being reported

Select from:

☒ EU Taxonomy for Sustainable Activities

(5.4.2.3) Taxonomy alignment

Select from:

☒ Taxonomy-aligned

(5.4.2.4) Financial metrics

Select all that apply

☒ CAPEX

(5.4.2.5) Types of substantial contribution

Select all that apply

☒ Own performance

(5.4.2.13) Taxonomy-aligned CAPEX from this activity in the reporting year (currency)

9220000000

(5.4.2.14) Taxonomy-aligned CAPEX from this activity as % of total CAPEX in the reporting year

1.2

(5.4.2.15) Taxonomy-aligned CAPEX from this activity that substantially contributed to climate change mitigation as a % of total CAPEX in the reporting year

1.2

(5.4.2.16) Taxonomy-aligned CAPEX from this activity that substantially contributed to climate change adaptation as a % of total CAPEX in the reporting year

0

(5.4.2.27) Calculation methodology and supporting information

*KT&G's facility investment costs from the installation of internal photovoltaic power generation facilities have been classified as Taxonomy-aligned CapEx under the EU Taxonomy. (1) KT&G's total CapEx = KRW 765.7 billion (2) Facility investment costs from the installation of internal photovoltaic power generation facilities = KRW 9.22 billion → $(2)/(1) * 100 (\%) = 1.20\%$*

(5.4.2.28) Substantial contribution criteria met

Select from:

☒ Yes

(5.4.2.29) Details of substantial contribution criteria analysis

According to the EU Taxonomy's substantial contribution criteria, the facility investment costs from the installation of internal photovoltaic power generation facilities are classified under this activity, which is categorized as a contribution to climate change mitigation.

(5.4.2.30) Do no significant harm requirements met

Select from:

☒ Yes

(5.4.2.31) Details of do no significant harm analysis

For climate change mitigation related to this activity, DNSH requirements were reviewed using "APPENDIX A: GENERIC CRITERIA FOR DNSH TO CLIMATE CHANGE ADAPTATION."

(5.4.2.32) Minimum safeguards compliance requirements met

Select from:

☒ Yes

(5.4.2.33) Attach any supporting evidence

2024 KT&G Taxonomy.xlsx

[Add row]

(5.4.3) Provide any additional contextual and/or verification/assurance information relevant to your organization's taxonomy alignment.

(5.4.3.1) Details of minimum safeguards analysis

KT&G's economic activities related to the "installation, maintenance, and repair of renewable energy technologies" have been implemented in compliance with the OECD Guidelines and the UN Guiding Principles on Human Rights, as well as the eight core conventions outlined in the ILO Declaration on Fundamental Principles and Rights at Work and the principles and rights included in the Universal Declaration of Human Rights. In line with the EU Taxonomy's Do No Significant Harm (DNSH) principles, KT&G has established and implemented procedures to prevent significant environmental and social harm.

(5.4.3.2) Additional contextual information relevant to your taxonomy accounting

Sales Based on 2024 EU taxonomy standards, sales of the real estate business unit and pharmaceutical unit, among KT&G's major sales-generating business units, were classified as taxonomy-eligible sales in accordance with EU taxonomy's economic activity categories. In detail, the economic activities of "construction of new buildings" and "acquisition and ownership of buildings" in the real estate business unit and "manufacture of active pharmaceutical ingredient (API) or active substances" and "manufacture of medicinal products" in the pharmaceutical unit are included. In addition, the solar power sales revenue of KRW 366 million was classified as taxonomy-aligned revenue. As of 2024, KT&G's taxonomy-eligible sales are around KRW 590.5 billion, accounting for around 9.9% of total sales. CapEx KT&G set the acquisition of its property, plant and equipment as the CapEx standard and categorized economic activities. Accordingly, the investment costs for the installation/maintenance of energy-efficient devices at business sites and the installation/maintenance and repair of renewable energy technologies have been recognized as taxonomy-eligible CapEx. In addition, facility investment costs from the installation of internal photovoltaic power generation facilities were categorized as taxonomy-aligned activities. The taxonomy-eligible CapEx is KRW 33.5 billion, which accounts for around 4.4% of the total CapEx of KRW 767.5 billion. Of this, the taxonomy-aligned CapEx is KRW 9.85 billion. OpEx Total OpEx was calculated as expenditures that arise from daily business operations of the company in accordance with EU taxonomy standards. This includes various relevant expenses, including R&D expenses, rental fees, and maintenance and repair expenses, and totals KRW 88.6 billion. Of this, taxonomy-eligible OpEx is around KRW 14.6 billion, which accounts for around 16.5% of total OpEx.

(5.4.3.3) Indicate whether you will be providing verification/assurance information relevant to your taxonomy alignment in

question 13.1

Select from:

☒ Yes

[Fixed row]

(5.9) What is the trend in your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) for the reporting year, and the anticipated trend for the next reporting year?

(5.9.1) Water-related CAPEX (+/- % change)

-16.67

(5.9.2) Anticipated forward trend for CAPEX (+/- % change)

935.95

(5.9.3) Water-related OPEX (+/- % change)

-37.63

(5.9.4) Anticipated forward trend for OPEX (+/- % change)

-7.92

(5.9.5) Please explain

CAPEX is used to invest in facilities to reduce water use, such as wastewater reuse facilities and replacing pipes and pumps. OPEX is used for maintenance, including wastewater treatment and water resource measurement. CAPEX decreased 16.67% year-on-year. Although there was investment in wastewater reuse facilities at the Gwangju plant, the main reason was an overall reduction in facility investments compared to the previous year, when there had been larger investments in wastewater collection, treatment expansion, and operations. OPEX decreased 37.63% year-on-year, mainly due to a reduction in professional consulting service expenses for AWS certification. CAPEX is expected to increase by 935.95% going forward, due to expanded investment in water resource infrastructure resulting from the establishment of the Sejong plant. OPEX is projected to decrease by 7.92% going forward, due to reduced discharge volumes from

lower water usage and decreased wastewater treatment costs.

[Fixed row]

(5.10) Does your organization use an internal price on environmental externalities?

	Use of internal pricing of environmental externalities	Environmental externality priced
	Select from: ☒ Yes	Select all that apply ☒ Carbon ☒ Water

[Fixed row]

(5.10.1) Provide details of your organization's internal price on carbon.

Row 1

(5.10.1.1) Type of pricing scheme

Select from:

☒ Shadow price

(5.10.1.2) Objectives for implementing internal price

Select all that apply

☒ Conduct cost-benefit analysis

☒ Drive low-carbon investment

☒ Incentivize consideration of climate-related issues in decision making

☒ Identify and seize low-carbon opportunities

☒ Stress test investments

(5.10.1.3) Factors considered when determining the price

Select all that apply

- ☒ Alignment with the price of allowances under an Emissions Trading Scheme

(5.10.1.4) Calculation methodology and assumptions made in determining the price

Anticipating a reduction in freely allocated emission allowances and a potential rise in the price of emission allowances as a result, KT&G set a projected carbon cost of KRW 50,000 per ton of CO₂ for investment decisions. The equivalent values are IDR 5,726,800 in Indonesia, RUB 2,508 in Russia, and TRY 693 in Türkiye.

(5.10.1.5) Scopes covered

Select all that apply

- ☒ Scope 1
☒ Scope 2

(5.10.1.6) Pricing approach used – spatial variance

Select from:

- ☒ Uniform

(5.10.1.8) Pricing approach used – temporal variance

Select from:

- ☒ Evolutionary

(5.10.1.9) Indicate how you expect the price to change over time

KT&G's internal carbon pricing is applied across the company to improvement investment activities aimed at reducing greenhouse gas emissions. The company has adopted a uniform pricing approach, applying a single price across all domestic regions and business divisions affected by the Korea Emissions Trading Scheme (K-ETS) and in the decision-making process. Additionally, KT&G continuously monitors domestic carbon credit prices and has established a process for adjustments if the carbon credit price exceeds the currently set internal carbon price. As carbon prices rise in the future and in line with the increasing carbon credit prices projected in the IEA NZE scenario, KT&G's internal carbon price is also expected to increase.

(5.10.1.10) Minimum actual price used (currency per metric ton CO₂e)

50000

(5.10.1.11) Maximum actual price used (currency per metric ton CO2e)

50000

(5.10.1.12) Business decision-making processes the internal price is applied to

Select all that apply

- ☒ Capital expenditure
- ☒ Risk management

(5.10.1.13) Internal price is mandatory within business decision-making processes

Select from:

- ☒ Yes, for some decision-making processes, please specify :Investment review for the introduction of renewable energy facilities Review of the investment payback period

(5.10.1.14) % total emissions in the reporting year in selected scopes this internal price covers

100

(5.10.1.15) Pricing approach is monitored and evaluated to achieve objectives

Select from:

- ☒ Yes

(5.10.1.16) Details of how the pricing approach is monitored and evaluated to achieve your objectives

KT&G operates regular monitoring and reassessment processes to continuously review the effectiveness and appropriateness of its internal carbon pricing system. The internal carbon price is periodically adjusted to reflect changes in the economic environment, fluctuations in external carbon market prices, and evolving climate policies from governments and the international community. This process serves as the foundation for ensuring that the company's climate transition strategy remains realistic and competitive. The internal carbon price is not merely a management indicator but is actively incorporated into business decision-making processes and is used as a key factor in evaluating the economic feasibility of new investment proposals. For example, when reviewing the installation of rooftop solar facilities at its domestic manufacturing sites in 2022, KT&G converted the expected annual reduction of approximately 1,690 tons of GHG emissions into monetary terms using its internal carbon price, resulting in an additional economic value of approximately KRW 85 million. This analysis was a critical factor in the approval process of the

investment proposal. Since the introduction of the internal carbon price, KT&G has improved the methodology for calculating payback periods. Previously, the calculation was based solely on “investment cost/energy savings,” but it has now been revised to “investment cost/(energy savings + internal carbon price effect),” making the financial benefits of climate action clearer. As a result, the payback periods for carbon reduction-related investments have been shortened, enabling management to achieve both economic returns and environmental performance more quickly. Furthermore, the company uses the internal carbon price as a benchmark to compare and evaluate the relative impacts of various climate-related projects, allowing it to allocate resources more efficiently and set priorities. This approach is currently applied primarily to the domestic manufacturing division but will be expanded to overseas production sites and supply chain management to support the execution of the company’s enterprise-wide climate transition plan. Ultimately, KT&G’s internal carbon pricing system functions as a key economic guideline that enables the company to manage climate risks over the long term while simultaneously achieving its sustainable management objectives.

[Add row]

(5.10.2) Provide details of your organization’s internal price on water.

Row 1

(5.10.2.1) Type of pricing scheme

Select from:

- ☒ Shadow price

(5.10.2.2) Objectives for implementing internal price

Select all that apply

- ☒ Setting and/or achieving of water-related policies and targets

(5.10.2.3) Factors beyond current market price are considered in the price

Select from:

- ☒ Yes

(5.10.2.4) Factors considered when determining the price

Select all that apply

- ☒ Anticipated water tariffs
- ☒ Existing water tariffs

(5.10.2.5) Calculation methodology and assumptions made in determining the price

KT&G is pursuing an internal water resource goal of reducing water withdrawal by 20% across all domestic and overseas sites by 2030, which requires increasing the level of water reuse at each site. To achieve this, KT&G has set investment priorities for the installation of water reuse facilities at both domestic and overseas sites, and is sequentially installing the facilities according to these priorities. In this process, current and expected future water tariffs at each site are taken into account. Sites with higher water tariffs and larger overall water withdrawals are given higher priority, as the installation of water reuse facilities is expected to have a greater effect.

(5.10.2.6) Stages of the value chain covered

Select all that apply

☒ Direct operations

(5.10.2.7) Pricing approach used – spatial variance

Select from:

☒ Differentiated

(5.10.2.8) Indicate how and why the price is differentiated

We are comparing the existing water tariffs in the regions where each manufacturing site is located to determine the installation priorities for water reuse facilities.

(5.10.2.9) Pricing approach used – temporal variance

Select from:

☒ Evolutionary

(5.10.2.10) Indicate how you expect the price to change over time

We are comparing the projected water tariffs over time for each manufacturing site to determine the installation of water reuse facilities.

(5.10.2.11) Minimum actual price used (currency per cubic meter)

1726

(5.10.2.12) Maximum actual price used (currency per cubic meter)

(5.10.2.13) Business decision-making processes the internal water price is applied to

Select all that apply

- ☒ Capital expenditure
- ☒ Operations
- ☒ Opportunity management

(5.10.2.14) Internal price is mandatory within business decision-making processes

Select from:

- ☒ Yes, for some decision-making processes, please specify :We are implementing internal water pricing in the process of deciding whether to install water-related infrastructure and prioritizing manufacturing sites.

(5.10.2.15) Pricing approach is monitored and evaluated to achieve objectives

Select from:

- ☒ Yes

(5.10.2.16) Details of how the pricing approach is monitored and evaluated to achieve your objectives

KT&G systematically utilizes its internal water pricing system in strategic decision-making processes aimed at achieving its water withdrawal reduction targets, such as “selecting priority sites for the installation of water reuse facilities.” To this end, KT&G regularly monitors both current and projected water tariffs by site and derives a comprehensive internal water price by combining this information with water withdrawal and use data for each site. As of 2024, the average domestic and overseas water tariff at KT&G manufacturing sites is KRW 1,726/m³. Based on current data, the sites with the highest projected water tariff increases by 2030 are the Daejeon site in Korea and the Turkiye site overseas. By applying this data in combination with projected increases in water withdrawal due to production growth, KT&G identified priority sites for the installation of water reuse facilities. Accordingly, KT&G has completed the construction and installation of water reuse infrastructure at the Daejeon site, Gwangju site, and Turkiye site.

[Add row]

(5.11) Do you engage with your value chain on environmental issues?

	Engaging with this stakeholder on environmental issues	Environmental issues covered
Suppliers	<i>Select from:</i> ☒ Yes	<i>Select all that apply</i> ☒ Climate change ☒ Forests ☒ Water
Smallholders	<i>Select from:</i> ☒ Yes	<i>Select all that apply</i>
Customers	<i>Select from:</i> ☒ Yes	<i>Select all that apply</i> ☒ Climate change ☒ Forests ☒ Water
Investors and shareholders	<i>Select from:</i> ☒ Yes	<i>Select all that apply</i> ☒ Climate change ☒ Forests ☒ Water
Other value chain stakeholders	<i>Select from:</i> ☒ Yes	<i>Select all that apply</i> ☒ Climate change ☒ Forests ☒ Water

[Fixed row]

(5.11.1) Does your organization assess and classify suppliers according to their dependencies and/or impacts on the environment?

Climate change

(5.11.1.1) Assessment of supplier dependencies and/or impacts on the environment

Select from:

☒ Yes, we assess the dependencies and/or impacts of our suppliers

(5.11.1.2) Criteria for assessing supplier dependencies and/or impacts on the environment

Select all that apply

☒ Contribution to supplier-related Scope 3 emissions

☒ Dependence on commodities

(5.11.1.3) % Tier 1 suppliers assessed

Select from:

☒ 76-99%

(5.11.1.4) Define a threshold for classifying suppliers as having substantive dependencies and/or impacts on the environment

KT&G defines significant suppliers based on criteria such as finance, ESG performance, quality management, delivery, cooperation, and international certifications. Suppliers in the manufacturing sector and those with purchases over KRW 100 million are considered significant and undergo ESG evaluations. In 2024, KT&G assessed primary suppliers, covering 96.3% of total purchases, identifying them as having significant environmental dependencies and impacts.

(5.11.1.5) % Tier 1 suppliers meeting the threshold for substantive dependencies and/or impacts on the environment

Select from:

☒ 76-99%

(5.11.1.6) Number of Tier 1 suppliers meeting the thresholds for substantive dependencies and/or impacts on the environment

11

Forests

(5.11.1.1) Assessment of supplier dependencies and/or impacts on the environment

Select from:

☒ Yes, we assess the dependencies and/or impacts of our suppliers

(5.11.1.2) Criteria for assessing supplier dependencies and/or impacts on the environment

Select all that apply

☒ Dependence on commodities

☒ Impact on deforestation or conversion of other natural ecosystems

(5.11.1.3) % Tier 1 suppliers assessed

Select from:

☒ 76-99%

(5.11.1.4) Define a threshold for classifying suppliers as having substantive dependencies and/or impacts on the environment

KT&G defines significant partners by considering financial and ESG requirements as well as quality management, applying thresholds of an annual purchase amount of KRW 100 million or more or designation as a key manufacturing partner for quality control for inclusion in ESG assessments. For wood and paper suppliers, KT&G manages whether they hold forest certifications such as FSC, and as of 2024, these significant partners accounted for approximately 96.3% of KT&G's total Tier-1 supplier spend.

(5.11.1.5) % Tier 1 suppliers meeting the threshold for substantive dependencies and/or impacts on the environment

Select from:

☒ 76-99%

(5.11.1.6) Number of Tier 1 suppliers meeting the thresholds for substantive dependencies and/or impacts on the environment

(5.11.1.1) Assessment of supplier dependencies and/or impacts on the environment

Select from:

☒ Yes, we assess the dependencies and/or impacts of our suppliers

(5.11.1.2) Criteria for assessing supplier dependencies and/or impacts on the environment

Select all that apply

☒ Dependence on water

☒ Impact on water availability

☒ Impact on pollution levels

(5.11.1.3) % Tier 1 suppliers assessed

Select from:

☒ 76-99%

(5.11.1.4) Define a threshold for classifying suppliers as having substantive dependencies and/or impacts on the environment

KT&G defines significant suppliers based on criteria such as finance, ESG performance, quality management, delivery, cooperation, and international certifications. Suppliers in the manufacturing sector and those with purchases of over KRW 100 million are regarded as significant and undergo ESG evaluations. In 2024, KT&G assessed primary suppliers, covering 96.3% of total purchases, and evaluated those identified as having significant environmental dependencies and impacts.

(5.11.1.5) % Tier 1 suppliers meeting the threshold for substantive dependencies and/or impacts on the environment

Select from:

☒ 76-99%

(5.11.1.6) Number of Tier 1 suppliers meeting the thresholds for substantive dependencies and/or impacts on the environment

11

[Fixed row]

(5.11.2) Does your organization prioritize which suppliers to engage with on environmental issues?

Climate change

(5.11.2.1) Supplier engagement prioritization on this environmental issue

Select from:

- ☒ Yes, we prioritize which suppliers to engage with on this environmental issue

(5.11.2.2) Criteria informing which suppliers are prioritized for engagement on this environmental issue

Select all that apply

- ☒ In line with the criteria used to classify suppliers as having substantive dependencies and/or impacts relating to climate change
- ☒ Material sourcing
- ☒ Procurement spend
- ☒ Regulatory compliance

(5.11.2.4) Please explain

KT&G prioritizes key suppliers based on purchase volume and business importance in order to maximize the effectiveness of supplier engagement. In particular, for climate change-related issues, the company uses the level of Scope 3 emissions contribution as a key criterion for determining engagement priority, thereby strengthening collaboration with suppliers that have the highest potential for emissions reduction. This prioritization is directly linked to KT&G's major product lines and regulatory compliance activities (e.g., STP initiatives) and contributes to systematically enhancing carbon management capabilities across the entire supply chain.

Forests

(5.11.2.1) Supplier engagement prioritization on this environmental issue

Select from:

- ☒ Yes, we prioritize which suppliers to engage with on this environmental issue

(5.11.2.2) Criteria informing which suppliers are prioritized for engagement on this environmental issue

Select all that apply

- ☒ In line with the criteria used to classify suppliers as having substantive dependencies and/or impacts relating to forests
- ☒ Material sourcing
- ☒ Procurement spend
- ☒ Regulatory compliance

(5.11.2.4) Please explain

KT&G prioritizes key suppliers based on purchase volume and business importance in order to maximize the effectiveness of supplier engagement. In particular, for forest-related issues, the company designates all partners handling wood and paper products as priority suppliers and verifies and monitors whether they hold certifications for sustainable forest management, such as FSC. This prioritization is directly linked to KT&G's core product lines, including responsible sourcing of raw materials and packaging management, and contributes to building a sustainable supply chain that meets global regulations and market expectations.

Water

(5.11.2.1) Supplier engagement prioritization on this environmental issue

Select from:

- ☒ Yes, we prioritize which suppliers to engage with on this environmental issue

(5.11.2.2) Criteria informing which suppliers are prioritized for engagement on this environmental issue

Select all that apply

- ☒ In line with the criteria used to classify suppliers as having substantive dependencies and/or impacts relating to water

(5.11.2.4) Please explain

KT&G actively engages with its partners, which account for about 96.3% of its purchases, by monitoring water data, supporting ISO 14001 certification, and supporting water-related facilities. KT&G also conducts ESG assessments for suppliers that include water management. For regular ESG assessments, after the supplier's self-assessment, a third-party organization conducts an on-site visit to verify and evaluate the supplier's data in accordance with the ESG evaluation indicator guidelines.

[Fixed row]

(5.11.5) Do your suppliers have to meet environmental requirements as part of your organization's purchasing process?

	Suppliers have to meet specific environmental requirements related to this environmental issue as part of the purchasing process	Policy in place for addressing supplier non-compliance	Comment
Climate change	<i>Select from:</i> ☒ Yes, environmental requirements related to this environmental issue are included in our supplier contracts	<i>Select from:</i> ☒ Yes, we have a policy in place for addressing non-compliance	-
Forests	<i>Select from:</i> ☒ Yes, environmental requirements related to this environmental issue are included in our supplier contracts	<i>Select from:</i> ☒ Yes, we have a policy in place for addressing non-compliance	-
Water	<i>Select from:</i> ☒ Yes, environmental requirements related to this environmental issue are included in our supplier contracts	<i>Select from:</i> ☒ Yes, we have a policy in place for addressing non-compliance	-

[Fixed row]

(5.11.6) Provide details of the environmental requirements that suppliers have to meet as part of your organization's purchasing process, and the compliance measures in place.

Climate change

(5.11.6.1) Environmental requirement

Select from:

- ☒ Disclosure of GHG emissions to your organization (Scope 1 and 2)

(5.11.6.2) Mechanisms for monitoring compliance with this environmental requirement

Select all that apply

- ☒ First-party verification
- ☒ Off-site third-party audit

- ☒ On-site third-party audit
- ☒ Supplier self-assessment

(5.11.6.3) % tier 1 suppliers by procurement spend required to comply with this environmental requirement

Select from:

- ☒ 76-99%

(5.11.6.4) % tier 1 suppliers by procurement spend in compliance with this environmental requirement

Select from:

- ☒ 76-99%

(5.11.6.7) % tier 1 supplier-related scope 3 emissions attributable to the suppliers required to comply with this environmental requirement

Select from:

- ☒ 1-25%

(5.11.6.8) % tier 1 supplier-related scope 3 emissions attributable to the suppliers in compliance with this environmental requirement

Select from:

- ☒ 1-25%

(5.11.6.9) Response to supplier non-compliance with this environmental requirement

Select from:

- ☒ Retain and engage

(5.11.6.10) % of non-compliant suppliers engaged

Select from:

- ☒ 100%

(5.11.6.11) Procedures to engage non-compliant suppliers

Select all that apply

- ☒ Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics
- ☒ Developing quantifiable, time-bound targets and milestones to bring suppliers back into compliance
- ☒ Providing information on appropriate actions that can be taken to address non-compliance
- ☒ Re-integrating suppliers back into upstream value chain based on the successful and verifiable completion of activities

(5.11.6.12) Comment

KT&G has established and operates Purchasing Regulations to minimize ESG risks. For significant suppliers, the company conducts focused assessments on financial stability, ESG performance, quality management, and delivery quality, and takes corrective actions such as reducing or suspending transactions if violations of environmental requirements are identified. For general pool suppliers, KT&G evaluates cooperation level, international certifications, and safety management indicators, and in cases of non-compliance with environmental requirements, assigns improvement tasks and provides training and consulting support to drive corrective action. The company also offers incentives to suppliers with excellent ESG performance. KT&G's Scope 3 Category 1 emissions are primarily generated from purchases from material suppliers and the procurement of tobacco leaves. However, as tobacco farms and material suppliers are classified and managed as separate stakeholder groups, the Scope 3 emission share reflected in this response is calculated as relatively lower. Engagement activities with tobacco farms are reported separately in question 5.11.9.

Forests

(5.11.6.1) Environmental requirement

Select from:

- ☒ Compliance with an environmental certification, please specify :FSC CoC

(5.11.6.2) Mechanisms for monitoring compliance with this environmental requirement

Select all that apply

- ☒ Certification
- ☒ First-party verification

(5.11.6.3) % tier 1 suppliers by procurement spend required to comply with this environmental requirement

Select from:

☒ 100%

(5.11.6.4) % tier 1 suppliers by procurement spend in compliance with this environmental requirement

Select from:

☒ 100%

(5.11.6.5) % tier 1 suppliers with substantive environmental dependencies and/or impacts related to this environmental issue required to comply with this environmental requirement

Select from:

☒ 100%

(5.11.6.6) % tier 1 suppliers with substantive environmental dependencies and/or impacts related to this environmental issue that are in compliance with this environmental requirement

Select from:

☒ 100%

(5.11.6.12) Comment

KT&G classifies its suppliers into significant partners and a general pool, applying differentiated evaluation criteria to each group. For significant partners, KT&G focuses on financial performance, ESG factors, quality management, and delivery quality, and takes actions such as reducing or suspending transactions if violations of environmental requirements are identified. In contrast, for suppliers in the general pool, indicators such as level of cooperation, possession of international certifications, and safety management are considered, and if non-compliance with environmental requirements is found, KT&G assigns corrective tasks and provides training and consulting support to induce remediation. In particular, to strengthen ESG risk management for material suppliers such as those providing paper packaging, KT&G conducts online self-assessments for top NTM(Non-Tobacco Materials) and NGP(Next Generation Products) material suppliers, selected based on manufacturing and transaction volume. The results of these assessments are comprehensively reviewed, and taking into account statutory risks and the reliability of evaluation results, the company selects suppliers for on-site audits and examines additional ESG risks through these audits. If improvement tasks are identified during the evaluation process, KT&G communicates these tasks to the suppliers and provides consulting support to suppliers with low scores in specific items to help strengthen their ESG capabilities.

Water

(5.11.6.1) Environmental requirement

Select from:

- ☒ Setting and monitoring withdrawal reduction targets

(5.11.6.2) Mechanisms for monitoring compliance with this environmental requirement

Select all that apply

- ☒ First-party verification
- ☒ Off-site third-party audit
- ☒ On-site third-party audit
- ☒ Supplier self-assessment

(5.11.6.3) % tier 1 suppliers by procurement spend required to comply with this environmental requirement

Select from:

- ☒ 100%

(5.11.6.4) % tier 1 suppliers by procurement spend in compliance with this environmental requirement

Select from:

- ☒ 76-99%

(5.11.6.5) % tier 1 suppliers with substantive environmental dependencies and/or impacts related to this environmental issue required to comply with this environmental requirement

Select from:

- ☒ 100%

(5.11.6.6) % tier 1 suppliers with substantive environmental dependencies and/or impacts related to this environmental issue that are in compliance with this environmental requirement

Select from:

- ☒ 76-99%

(5.11.6.9) Response to supplier non-compliance with this environmental requirement

Select from:

☒ Retain and engage

(5.11.6.10) % of non-compliant suppliers engaged

Select from:

☒ 100%

(5.11.6.11) Procedures to engage non-compliant suppliers

Select all that apply

- ☒ Assessing the efficacy and efforts of non-compliant supplier actions through consistent and quantified metrics
- ☒ Developing quantifiable, time-bound targets and milestones to bring suppliers back into compliance
- ☒ Providing information on appropriate actions that can be taken to address non-compliance
- ☒ Re-integrating suppliers back into upstream value chain based on the successful and verifiable completion of activities

(5.11.6.12) Comment

KT&G conducts or requires regular ESG assessments for its first-tier suppliers with a purchase value of KRW 100 million or more. In addition, partners are required to obtain all mandatory environmental permits, approvals, and registrations, keep them up to date, and comply with all operational and reporting requirements.

[Add row]

(5.11.7) Provide further details of your organization's supplier engagement on environmental issues.

Climate change

(5.11.7.2) Action driven by supplier engagement

Select from:

☒ Emissions reduction

(5.11.7.3) Type and details of engagement

Capacity building

- ☒ Provide training, support and best practices on how to make credible renewable energy usage claims
- ☒ Provide training, support and best practices on how to measure GHG emissions
- ☒ Provide training, support and best practices on how to set science-based targets

Financial incentives

- ☒ Provide financial incentives for environmental performance
- ☒ Provide financial incentives for suppliers increasing renewable energy use

Information collection

- ☒ Collect GHG emissions data at least annually from suppliers
- ☒ Collect targets information at least annually from suppliers

(5.11.7.4) Upstream value chain coverage

Select all that apply

- ☒ Tier 1 suppliers
- ☒ Tier 2 suppliers
- ☒ Tier 3 suppliers

(5.11.7.5) % of tier 1 suppliers by procurement spend covered by engagement

Select from:

- ☒ 76-99%

(5.11.7.6) % of tier 1 supplier-related scope 3 emissions covered by engagement

Select from:

- ☒ 51-75%

(5.11.7.8) Number of tier 2+ suppliers engaged

(5.11.7.9) Describe the engagement and explain the effect of your engagement on the selected environmental action

KT&G operates ESG assessments and engagement activities targeting key suppliers as part of its efforts to strengthen supply chain management, thereby making a tangible contribution to climate change mitigation and adaptation efforts. In accordance with the company's Supplier ESG Assessment Guidelines, suppliers are evaluated across multiple dimensions including energy consumption, greenhouse gas (GHG) emissions, regulatory compliance, reduction targets, and implementation plans. Assessment results are derived both at the individual supplier level and at the aggregate level for the entire supplier base. Suppliers participating in the assessment are provided with detailed results by category as well as a list of improvement tasks identified through on-site reviews, while suppliers with insufficient performance are offered professional consulting support to strengthen their ESG capabilities. This engagement promotes the establishment of GHG management systems and the setting of reduction targets by suppliers, thereby contributing to enhancing KT&G's ability to implement its climate transition plan. In 2024, a total of 174 suppliers were assessed through an external professional organization. This included 75 NTM-NGP material suppliers, 74 construction suppliers under the Real Estate Division, 12 sales material suppliers under the Sales Division, and 13 overseas leaf tobacco partners. Among them, major suppliers and those with high transaction volumes underwent online assessments, and targets for on-site assessments were selected based on a combined consideration of legal risks and assessment results. In particular, when suppliers set reduction targets and introduce management systems, Scope 3 reduction performance becomes more pronounced, increasing the likelihood of KT&G achieving its climate change mitigation and adaptation goals. Execution performance is measured using indicators such as the number and proportion of participating suppliers, the rate of GHG reduction target adoption, the rate of implementation of improvement tasks, and participation rates in consulting and training. These indicators serve as a quantitative basis for verifying the effectiveness of supplier participation and are designed to objectively confirm improvements in the climate resilience of the supply chain and KT&G's company-wide ESG strategy execution.

(5.11.7.10) Engagement is helping your tier 1 suppliers meet an environmental requirement related to this environmental issue

Select from:

☒ Yes, please specify the environmental requirement :Compliance with energy consumption and greenhouse gas emission management standards specified in the Supplier Code of Conduct. Setting and implementing greenhouse gas emission reduction targets.

(5.11.7.11) Engagement is helping your tier 1 suppliers engage with their own suppliers on the selected action

Select from:

☒ Yes

Forests

(5.11.7.1) Commodity

Select from:

☒ Timber products

(5.11.7.2) Action driven by supplier engagement

Select from:

- ☒ No deforestation and/or conversion of other natural ecosystems

(5.11.7.3) Type and details of engagement

Financial incentives

- ☒ Offer purchase guarantee linked to best agricultural practices

Information collection

- ☒ Collect targets information at least annually from suppliers

Innovation and collaboration

- ☒ Run a campaign to encourage innovation to reduce environmental impacts on products and services

(5.11.7.4) Upstream value chain coverage

Select all that apply

- ☒ Tier 1 suppliers

(5.11.7.5) % of tier 1 suppliers by procurement spend covered by engagement

Select from:

- ☒ 76-99%

(5.11.7.7) % tier 1 suppliers with substantive impacts and/or dependencies related to this environmental issue covered by engagement

Select from:

- ☒ 76-99%

(5.11.7.9) Describe the engagement and explain the effect of your engagement on the selected environmental action

KT&G analyzed the use of fuelwood for flue-curing tobacco and the paper packaging materials used by KT&G and KGC Ginseng Corporation to verify whether these raw materials are being sourced sustainably without causing damage to protected natural areas. For overseas tobacco curing fuelwood, the company confirmed whether the wood is supplied from certified tree farms, and for paper packaging, it checked whether FSC-certified paper and pulp were used. Through this review, KT&G identified material and packaging items requiring further management and is pursuing continuous improvement efforts to ensure that all wood, paper, and pulp are sourced in a fully sustainable manner in the long term. KT&G has set a target to achieve No Net Loss (NNL) and Net Positive Impact (NPI) by 2050 and, to that end, has established a plan to achieve deforestation- and conversion-free (DCF) sourcing by 2030 within clearly defined implementation boundaries that include tobacco and ginseng farms, partner suppliers, and company operations. Protected areas, as defined by KT&G, include IUCN-designated protected and primary forests, natural forests, and other areas identified as requiring conservation. Accordingly, KT&G aims to eliminate deforestation within natural forests and land conversion within protected areas by 2030 across the entire sourcing process for tobacco, ginseng, fuelwood used for tobacco curing, and paper and pulp used for packaging. These supply chain engagement activities prevent unnecessary forest degradation in the procurement process and, over the long term, contribute to achieving KT&G's climate change mitigation and adaptation goals, such as reducing Scope 3 emissions and conserving ecosystems. Furthermore, by monitoring the proportion of sustainable sourcing and the utilization of certifications across the supply chain, KT&G can verify the progress and effectiveness of procurement activities, thereby strengthening the company's ability to implement its climate transition plan and enhancing the resilience of the supply chain as a whole.

(5.11.7.10) Engagement is helping your tier 1 suppliers meet an environmental requirement related to this environmental issue

Select from:

☒ Yes, please specify the environmental requirement :Obtained FSC certification for supplied materials. Use of timber sourced from sustainable tree farms

(5.11.7.11) Engagement is helping your tier 1 suppliers engage with their own suppliers on the selected action

Select from:

☒ Yes

Water

(5.11.7.2) Action driven by supplier engagement

Select from:

☒ Total water withdrawal volumes reduction

(5.11.7.3) Type and details of engagement

Capacity building

☒ Provide training, support and best practices on how to mitigate environmental impact

- ☒ Support suppliers to set their own environmental commitments across their operations

Financial incentives

- ☒ Feature environmental performance in supplier awards scheme
- ☒ Include long-term contracts linked to environmental commitments

Information collection

- ☒ Collect environmental risk and opportunity information at least annually from suppliers
- ☒ Collect WASH information at least annually from suppliers
- ☒ Collect water quantity information at least annually from suppliers (e.g., withdrawal and discharge volumes)

Innovation and collaboration

- ☒ Incentivize collaborative sustainable water management in river basins

(5.11.7.4) Upstream value chain coverage

Select all that apply

- ☒ Tier 1 suppliers
- ☒ Tier 2 suppliers
- ☒ Tier 3 suppliers

(5.11.7.5) % of tier 1 suppliers by procurement spend covered by engagement

Select from:

- ☒ 76-99%

(5.11.7.7) % tier 1 suppliers with substantive impacts and/or dependencies related to this environmental issue covered by engagement

Select from:

- ☒ 76-99%

(5.11.7.8) Number of tier 2+ suppliers engaged

(5.11.7.9) Describe the engagement and explain the effect of your engagement on the selected environmental action

To ensure successful water management cooperation with first-tier suppliers, KT&G not only conducts ESG assessments but also provides ESG training that includes water management competencies. We strive to minimize risks in the supply chain by including ESG assessments in both the Supplier Quality (SQ) certification assessment for selecting new suppliers and the regular comprehensive assessments of existing suppliers. The assessment does not end with the evaluation itself, but serves as a good means of recognizing what needs to be supplemented in the future. Based on the results of ESG assessments, KT&G supports suppliers in deriving ESG improvement tasks, including water management tasks, and provides training and consulting to strengthen ESG capabilities. We also conduct ESG workshops for suppliers to help them understand changes in ESG systems, manage ESG risks, and enhance synergies across the value chain. [Positive Effects of Engagement] Through engagement activities, suppliers not only become aware of their ESG assessment results but also receive support from KT&G to identify improvement items by category, and receive training and consulting when necessary. Through this training–evaluation virtuous cycle, KT&G supports suppliers in effectively strengthening their overall water management capabilities, including reducing total water withdrawal. In addition, by linking the identification of improvement tasks with KT&G’s mid- to long-term ESG goals, we also expect positive effects in facilitating goal achievement. [Performance Evaluation Methodology] KT&G’s Supplier ESG Scorecard Guidelines present scoring criteria and checklists for each assessment item. Suppliers subject to assessment are provided with a list of improvement plans based on the assessment results and on-site review. The success of engagement activities is determined by whether there is an improvement in the average score in the environmental category, which includes water management. The water management section consists of a total of five items, including water withdrawal reduction, and thus serves as an appropriate indicator for determining whether water management capabilities have improved.

(5.11.7.10) Engagement is helping your tier 1 suppliers meet an environmental requirement related to this environmental issue

Select from:

☒ Yes, please specify the environmental requirement :The supplier scorecard's environmental category includes items related to water management, including water and wastewater management regulations, water usage, and wastewater discharge management.

(5.11.7.11) Engagement is helping your tier 1 suppliers engage with their own suppliers on the selected action

Select from:

☒ Yes

[Add row]

(5.11.8) Provide details of any environmental smallholder engagement activity

Row 1

(5.11.8.1) Commodity

Select from:

- ☒ Timber products

(5.11.8.2) Type and details of smallholder engagement approach

Capacity building

- ☒ Disseminate technical materials
- ☒ Organize capacity building events
- ☒ Offer on-site technical assistance and extension services
- ☒ Support smallholders to adhere to standards in upstream value chain
- ☒ Provide training, support and best practices on sustainable agriculture practices and nutrient management
- ☒ Prioritize support for smallholders in regions at high-risk of deforestation and conversion of other natural ecosystems

Financial incentives

- ☒ Provide financial support to smallholders to invest in precise fertilization techniques, sustainable agricultural practices and nutrient management

(5.11.8.3) Number of smallholders engaged

904

(5.11.8.4) Effect of engagement and measures of success

KT&G has established the “Domestic Leaf Tobacco Production STP Guidelines” to systematically manage environmental and social risks across its raw material supply chain, including domestically produced tobacco. Based on these guidelines, the company operates monitoring and training programs covering key cultivation stages. In 2023, KT&G developed the “STP Monitoring Index Handbook for Domestic Leaf Tobacco Production,” which includes 340 detailed indicators spanning governance, crop management, environment, and labor and human rights, and in 2024 conducted on-site assessments of 904 farms in major domestic growing regions. Based on the results, KT&G operates “KT&G Regular Training” and collective training programs organized by the Korea Leaf Tobacco Growers’ Cooperative to strengthen farm-level improvement activities. The impact of these engagement activities is evident as farms adhering to the STP Guidelines have improved resource use efficiency, reduced environmental impacts, and adopted more sustainable cultivation practices. Through data-driven monitoring, KT&G identifies and implements improvement measures, enhancing the overall ESG performance of farms. Education and communication initiatives have also raised growers’ awareness and willingness to participate. Furthermore, by collaborating with external research institutions, KT&G has developed and implemented practical strategies to reduce carbon emissions, thereby strengthening its capacity to respond to climate change. KT&G measures engagement performance using indicators such as the number

of farms engaged, the level of compliance with key indicators, the implementation progress of improvement items, and training participation rates. In 2024, KT&G monitored 904 farms and confirmed tangible improvement results. In 2025, the company plans to expand the scope of farms under management to further strengthen the breadth and depth of engagement outcomes. In particular, KT&G aims to provide training to over 60% of all contracted farms, focusing on areas identified as needing improvement, such as soil analysis, water conservation, and GHG reduction. These indicators serve as key criteria for performance measurement, as they enable the objective verification of supply chain sustainability compliance and the quantification of farm-level improvement progress.

[Add row]

(5.11.9) Provide details of any environmental engagement activity with other stakeholders in the value chain.

Climate change

(5.11.9.1) Type of stakeholder

Select from:

☒ Other value chain stakeholder, please specify :Leaf tobacco farmhouses

(5.11.9.2) Type and details of engagement

Education/Information sharing

☒ Share information about your products and relevant certification schemes

☒ Share information on environmental initiatives, progress and achievements

(5.11.9.3) % of stakeholder type engaged

Select from:

☒ 100%

(5.11.9.4) % stakeholder-associated scope 3 emissions

Select from:

☒ 26-50%

(5.11.9.5) Rationale for engaging these stakeholders and scope of engagement

KT&G recognizes domestic and international tobacco leaf farms as key stakeholders, as greenhouse gas (GHG) emissions from agricultural processes account for a significant proportion of the total environmental impact across the supply chain. Engagement with these farms has become a core activity that underpins the execution of KT&G's climate transition plan and supports supply chain-level emissions reduction outcomes. Engagement with International Tobacco Leaf Farms Global tobacco manufacturers jointly operate the Sustainable Tobacco Program (STP) to ensure sustainable cultivation and stable sourcing of tobacco leaves. KT&G, together with seven other member companies, conducts annual country-level risk assessments and third-party field audits across nine focus areas, including climate change, water, soil, and human rights. In 2024, KT&G sourced 100% of its international tobacco leaf procurement volume from STP-member suppliers and, as of April 2025, conducted In-Depth Assessments (IDAs) for 16 suppliers across eight countries. Based on these assessments, KT&G develops and manages supplier-specific action plans and supports their implementation, directly contributing to supply chain risk mitigation and the execution of the company's climate transition strategy. Engagement with Domestic Tobacco Leaf Farms As domestic growers are also required to meet global standards on environment, labor, and human rights, KT&G developed the "Domestic Leaf Tobacco Production STP Guidelines" to provide a structured framework for monitoring and training across key cultivation stages. In 2023, KT&G produced the "STP Monitoring Index Handbook for Domestic Leaf Tobacco Production" and conducted evaluations based on core management indicators, while also collaborating with external research institutions to identify carbon reduction initiatives. Since 2024, KT&G has expanded the monitoring scope and implemented regular and group training programs to address areas for improvement, thereby strengthening farm-level execution capacity and reinforcing the foundation for achieving KT&G's climate transition plan.

(5.11.9.6) Effect of engagement and measures of success

KT&G's engagement activities with domestic and international tobacco leaf farms contribute to strengthening supply chain sustainability and achieving the company's climate transition plan. For domestic farms, the introduction of sustainable cultivation practices through the STP Guidelines has improved resource efficiency and environmental management performance. In 2024, monitoring of 904 farms, along with education and communication, strengthened the implementation of improvements and growers' willingness to participate. The effectiveness is measured by indicators such as the number of farms monitored, compliance with management indicators, the implementation rate of improvements, and training participation rates, providing an objective basis to verify farm-level sustainability performance and Scope 3 emissions reduction effects. For international farms, participation in the Sustainable Tobacco Program (STP) and on-site assessments of 16 suppliers across eight countries enabled KT&G to manage environmental risks and promote improvement activities, while transparency and supply chain reliability were strengthened through third-party evaluations and the STP platform. The effectiveness is measured by STP participation rate, implementation status of improvements based on assessment results, and third-party evaluation results, which serve as important criteria for assessing ESG performance.

Forests

(5.11.9.1) Type of stakeholder

Select from:

☒ Other value chain stakeholder, please specify :Leaf tobacco farmhouses

(5.11.9.2) Type and details of engagement

Education/Information sharing

- ☒ Share information about your products and relevant certification schemes
- ☒ Share information on environmental initiatives, progress and achievements

(5.11.9.3) % of stakeholder type engaged

Select from:

- ☒ 100%

(5.11.9.5) Rationale for engaging these stakeholders and scope of engagement

KT&G recognizes domestic tobacco leaf farms as key stakeholders within its supply chain and actively engages them, considering the potential impacts of agricultural activities on soil, water, and ecosystems. The use of fertilizers and pesticides and the release of pollutants during cultivation can lead to long-term soil degradation and water pollution, as well as damage to adjacent forest ecosystems and biodiversity loss. Therefore, engaging growers is essential for effective management of climate- and forest-related risks. To this end, KT&G established the “Domestic Leaf Tobacco Production STP Guidelines” to provide management standards for key cultivation stages, including seedling, transplanting, main growth, and harvesting. In 2023, the company developed the “STP Monitoring Index Handbook for Domestic Leaf Tobacco Production,” incorporating 340 indicators covering environment, governance, labor, and human rights. In 2024, KT&G monitored 904 farms nationwide against 267 survey items, identifying both best practices—such as the use of approved fertilizers and proper waste separation—and areas for improvement, including soil conservation, reduction of curing material use, and recycling of mulching films to minimize forest and environmental impacts. To build grower capacity, KT&G implemented “KT&G Regular Training” and collective training sessions organized by the Korea Leaf Tobacco Growers’ Cooperative, covering topics such as soil analysis, water conservation, greenhouse gas reduction, and safe management of crop protection products. In 2025, KT&G plans to expand monitoring to 1,030 farms and provide training to over 60% of all contracted growers. In addition, KT&G is collaborating with the R&D Headquarters to advance projects for developing more sustainable raw tobacco leaf and improving cultivation management practices, thereby reducing negative environmental impacts of agricultural processes and contributing to forest and ecosystem conservation. These farm-level monitoring, training, and R&D collaborations function not only to improve cultivation efficiency but also to prevent deforestation and secure the long-term sustainability of land use. As a result, these initiatives directly contribute to reducing Scope 3 Category 1 emissions, preventing forest degradation, conserving biodiversity, and achieving KT&G’s climate transition plan.

(5.11.9.6) Effect of engagement and measures of success

KT&G operates the “Domestic Leaf Tobacco Production STP Guidelines” for domestic tobacco farms, applying sustainable management standards across all stages of cultivation, environment, labor, and human rights. As a result, growers have achieved positive outcomes such as compliance with approved crop protection product and fertilizer standards and the implementation of proper waste separation practices, while also identifying improvement tasks such as soil and water conservation and mulching film recycling. These activities reduce unnecessary input use and minimize forest and soil degradation in the tobacco leaf production process, ultimately contributing to stable raw material sourcing and long-term forest conservation. Performance has been verified based on the 2024 monitoring of 904 farms, and KT&G plans to expand monitoring to 1,030 farms in 2025. Evaluations are carried out using 340 STP evaluation indicators, and KT&G strengthens the implementation of improvements by delivering focused training to more than 60% of all contracted farms. In addition, 21 monitoring questions across cultivation, environment, labor, and human rights were revised based on findings from the previous year’s evaluation. KT&G also measures environmental outcomes by monitoring nitrogen and phosphorus levels in soil and water, tracking mulching film recycling rates, and quantifying GHG reduction results, thereby providing a concrete assessment of

environmental performance.

Water

(5.11.9.1) Type of stakeholder

Select from:

☒ Customers

(5.11.9.2) Type and details of engagement

Education/Information sharing

☒ Educate and work with stakeholders on understanding and measuring exposure to environmental risks

(5.11.9.3) % of stakeholder type engaged

Select from:

☒ 100%

(5.11.9.5) Rationale for engaging these stakeholders and scope of engagement

Customers are the end consumers of KT&G products, and growth through customer satisfaction is the essence and purpose of KT&G's business. At the same time, customers are also the ones who dispose of the waste (cigarette butts) generated after using our products, and their individual behavior can affect environmental pollution, such as water pollution. Therefore, KT&G is carrying out the 'Ssudam Ssudam' campaign together with its customers, the end consumers, to address the problem of global environmental pollution caused by the littering of cigarette butts. The 'Ssudam Ssudam' campaign, whose slogan means "Throw away your cigarette butts in the trash, not on the street" in Korean, has been implemented since 2020 based on the recommendations of the Imagination Realization Committee, a corporate culture improvement organization that includes ESG.

(5.11.9.6) Effect of engagement and measures of success

KT&G has completed the application of the 'Ssudam Ssudam' pictogram on tobacco products sold in Korea from 2021 to 2024 to raise awareness among tobacco consumers about environmental pollution. In addition, campaign notices have been installed in convenience stores nationwide, and a number of business vehicles have also been equipped with the campaign text. All installation and attachment activities related to the campaign are reported periodically and counted as campaign achievements. In addition to promoting the campaign, KT&G is also working to create a 'Ssudam Ssudam' infrastructure. Since 2021, smoking rooms have been installed mainly at transportation facilities such as airports and train stations, and by 2024, a cumulative total of 702 smoking rooms has been installed. Furthermore,

by 2024, a total of 5,658 cigarette butt collection boxes have been installed in major areas nationwide. At the same time, KT&G has carried out a project to calculate the monetary value of the added value created through these socio-economic and environmental activities. The success criterion was whether the activity generated a monetary value greater than zero. Through the 'Ssudam Ssudam' campaign, KT&G has created an environmental value of approximately KRW 58 billion to date, including the value of water management. In calculating the environmental value, monetized value standards based on the latest global research conducted by BCG, S&P, and others were applied.

Climate change

(5.11.9.1) Type of stakeholder

Select from:

☒ Customers

(5.11.9.2) Type and details of engagement

Education/Information sharing

☒ Run an engagement campaign to educate stakeholders about the environmental impacts about your products, goods and/or services

☒ Share information on environmental initiatives, progress and achievements

(5.11.9.3) % of stakeholder type engaged

Select from:

☒ 100%

(5.11.9.4) % stakeholder-associated scope 3 emissions

Select from:

☒ 51-75%

(5.11.9.5) Rationale for engaging these stakeholders and scope of engagement

KT&G recognizes consumers as key stakeholders in climate change response and circular resource practices and, in collaboration with global recycling innovation company TerraCycle, developed a recycling process called "lil-cycle" in 2022 and partnered with certified recyclers to launch a project for recycling materials from discarded devices. The lil-cycle program collects used devices from A/S centers and supply chain partners and reprocesses them into reusable resources through a systematic process targeting four key material components: plastics, batteries, PCBs, and metals. Excluding packaging weight and processing losses, the program

has achieved a material recycling rate of approximately 95%. Following a pilot run of 100 kg (around 1,000 devices) in December 2022, KT&G expanded collection through official A/S centers and supply chain partner participation in 2023, resulting in 7.3 tons of recycled materials. In 2024, KT&G implemented strategies to activate consumer participation, including the diversification of consumer collection channels, achieving 13.2 tons of recycling (around 130,000 devices, equivalent to about 10% of domestic device sales). In April 2023, to mark Earth Day, KT&G partnered with Emart's circular resource platform campaign "GAPULJIU" (a Korean acronym meaning "Take your plastics with you, protect our ocean") and has since continued to expand external collection networks through initiatives such as plastic collection campaigns, brand collaborations, and multi-stakeholder engagement. By the first half of 2025, dedicated collection boxes for discarded devices were installed at 40 Emart stores in the Seoul metropolitan area, resulting in 11.7 tons (approximately 117,000 devices) of device material recovery—an increase of about 87% year-on-year. KT&G is actively exploring multiple collection channels beyond offline collection points, including online collection solutions, to encourage consumer recycling participation. These engagement activities go beyond simple waste management and are directly linked to the management of Scope 3 Category 12 (End-of-life treatment of sold products) emissions. They deliver tangible emissions reduction outcomes in a high-impact area where device and cigarette butt disposal account for approximately 55% of total emissions. As such, lil-cycle functions as a core strategy for advancing KT&G's circular economy system and driving the implementation of the company's climate transition plan.

(5.11.9.6) Effect of engagement and measures of success

KT&G's consumer engagement program is generating positive outcomes by expanding resource circulation. Through the collection and recycling of discarded devices, the company has gradually increased the circulation rate relative to domestic sales, helping to reduce the environmental burden of waste generated by the e-cigarette industry and contributing to the transition toward a circular economy. In 2022, only 100 kg (approximately 1,000 devices) were collected, but in 2023 KT&G recycled approximately 7,196 kg (around 72,000 devices), achieving 5.1% of domestic sales. In 2024, the company collected approximately 13 tons (about 130,000 devices), reaching a circulation rate of 10% of domestic sales. Program effectiveness is primarily evaluated based on the amount of devices collected, which provides an objective measure of resource circulation performance. Consumer participation is currently facilitated through six MINIMALIUM stores nationwide, 26 A/S centers, and convenience store trade-in locations. KT&G plans to further enhance accessibility and participation opportunities by expanding offline collection points and introducing online collection methods

[Add row]

C6. Environmental Performance - Consolidation Approach

(6.1) Provide details on your chosen consolidation approach for the calculation of environmental performance data.

Climate change

(6.1.1) Consolidation approach used

Select from:

☒ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

In accordance with the GHG Protocol Corporate Standard, KT&G applies the operational control approach to manage its climate change performance, including greenhouse gas (GHG) emissions. The reporting boundary includes all sites over which KT&G has the authority to establish and implement operational policies. This encompasses the KT&G headquarters, R&D center, domestic and international manufacturing sites (Daejeon, Gwangju, Yeongju, Cheonan, Gimcheon, Russia, Türkiye, Indonesia, and China), and nationwide sales offices. Furthermore, key environmental data from major subsidiaries to which our operational policies apply (such as KGC Ginseng Corporation, Yungjin Pharmaceutical, and Cosmocos) are also included to comprehensively manage the emissions of the entire group. [Rationale for the Consolidation Approach] - Alignment of Management Responsibility and Authority: The operational control approach clarifies management responsibility for actual GHG emission sources and identifies the entities accountable for improvement activities, making it the most suitable method for effectively managing and improving the group's environmental performance. - Consistency in Reporting: By applying the same standard to all environmental issues we report on—not only climate change but also forests and water—we ensure the consistency and comparability of our data.

Forests

(6.1.1) Consolidation approach used

Select from:

☒ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

The operational control approach is also applied to the reporting of forest-related performance. However, due to current limitations in data collection, we currently collect and report data only from KT&G and KGC Ginseng Corporation, where data identification and management are feasible under our direct operational control.

This is because the proportion of timber (paper) usage by other subsidiaries is relatively low, and there are challenges in establishing a data management system for them. In the future, we plan to expand the management scope to include forest-related data from other subsidiaries within our operational control by applying the same management standards. [Rationale for the Consolidation Approach] - Alignment of Management Responsibility and Authority: The operational control approach enables responsible management by clarifying the entities that can directly influence policies on the procurement and use of timber-based products. - Consistency in Reporting: By applying the same standard to all environmental issues we report on—such as climate change and water—we ensure the consistency and comparability of our data.

Water

(6.1.1) Consolidation approach used

Select from:

☒ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

The operational control approach is also applied to water-related performance reporting. The reporting boundary covers key sites where we directly control operational policies, such as the KT&G headquarters and domestic and international manufacturing sites, which have high water consumption and management significance. Data from other group companies are currently not included due to significant variations in water consumption and differing levels of management importance. We aim to establish a group-wide management system in the future to include water data from subsidiaries within our operational control. [Rationale for the Consolidation Approach] - Alignment of Management Responsibility and Authority: Setting the reporting boundary around sites that can directly implement water management policies and improve facility efficiency enables practical water risk management. - Consistency in Reporting: By applying the same standard to all environmental issues we report on—such as climate change and forests—we ensure the consistency and comparability of our data.

Plastics

(6.1.1) Consolidation approach used

Select from:

☒ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

Plastic-related data is also managed by applying the operational control standard. The reporting boundary is centered on KT&G's major sites where the management of plastic usage in product packaging and production processes is significant. This is to clearly define the scope within which we can directly establish and implement plastic reduction and recycling policies. We plan to gradually expand the data collection scope to other affiliated companies within our operational control in the future. [Rationale for the Consolidation Approach] - Alignment of Management Responsibility and Authority: We pursue responsible management by reporting based on the

operational entities that can carry out practical reduction activities, such as implementing plastic usage policies and changing packaging materials. - Consistency in Reporting: By applying the same standard to all environmental issues we report on—such as climate change and water—we ensure the consistency and comparability of our data.

Biodiversity

(6.1.1) Consolidation approach used

Select from:

☒ Operational control

(6.1.2) Provide the rationale for the choice of consolidation approach

The approach to biodiversity also follows the operational control standard. Currently, we manage data focusing on KT&G's major manufacturing sites, which can directly manage the environmental impacts on their premises and in adjacent areas. In the future, we will broaden the management scope to cover raw material procurement and the entire value chain, to comprehensively identify biodiversity impacts and establish a management system within the scope of our operational policies' influence. [Rationale for the Consolidation Approach] - Alignment of Management Responsibility and Authority: The reporting boundary is set based on the entities that can directly manage the impacts of site operations on surrounding ecosystems and implement improvement activities. - Consistency in Reporting: By applying the same standard to all environmental issues we report on—such as climate change and water—we ensure the consistency and comparability of our data. [Fixed row]

C7. Environmental performance - Climate Change

(7.1) Is this your first year of reporting emissions data to CDP?

Select from:

☒ No

(7.1.1) Has your organization undergone any structural changes in the reporting year, or are any previous structural changes being accounted for in this disclosure of emissions data?

	Has there been a structural change?
	Select all that apply ☒ No

[Fixed row]

(7.1.2) Has your emissions accounting methodology, boundary, and/or reporting year definition changed in the reporting year?

	Change(s) in methodology, boundary, and/or reporting year definition?
	Select all that apply ☒ No

[Fixed row]

(7.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

Select all that apply

- ☒ ISO 14064-1
- ☒ The Greenhouse Gas Protocol: Scope 2 Guidance
- ☒ Korea GHG and Energy Target Management System Operating Guidelines
- ☒ The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Standard
- ☒ The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
- ☒ Other, please specify :IPCC Guidelines for National Greenhouse Gas Inventories, 2006

(7.3) Describe your organization's approach to reporting Scope 2 emissions.

	Scope 2, location-based	Scope 2, market-based	Comment
	Select from: ☒ We are reporting a Scope 2, location-based figure	Select from: ☒ We are reporting a Scope 2, market-based figure	-

[Fixed row]

(7.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1, Scope 2 or Scope 3 emissions that are within your selected reporting boundary which are not included in your disclosure?

Select from:

- ☒ No

(7.5) Provide your base year and base year emissions.

Scope 1

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

74583

(7.5.3) Methodological details

KT&G is a company subject to the Korean Emissions Trading Scheme under the 'Act on the Allocation and Trading of Greenhouse Gas Emission Permits.' For domestic operations, KT&G applies the 'Guidelines on Reporting and Certification of Emissions under the Emissions Trading Scheme' and 'ISO 14064-1 (2018)' for measuring Scope 1 and 2 emissions. 1. Activity data: Fuel consumption, etc. 2. Emission factor source: 1) Electricity - IEA 2) Non-electricity - IPCC

Scope 2 (location-based)

(7.5.1) Base year end

12/30/2020

(7.5.2) Base year emissions (metric tons CO2e)

122445

(7.5.3) Methodological details

KT&G is a company subject to the Korean Emissions Trading Scheme under the 'Act on the Allocation and Trading of Greenhouse Gas Emission Permits.' For domestic operations, KT&G applies the 'Guidelines on Reporting and Certification of Emissions under the Emissions Trading Scheme' and 'ISO 14064-1 (2018)' for measuring Scope 1 and 2 emissions. 1. Activity data: Electricity or heat (steam) consumption 2. Emission factor source: 1) Electricity - IEA 2) Non-electricity - IPCC 3. Includes greenhouse gas emissions reported as Scope 2 based on the use of electricity from the national power grid

Scope 2 (market-based)

(7.5.1) Base year end

12/31/2020

(7.5.2) Base year emissions (metric tons CO2e)

122445

(7.5.3) Methodological details

KT&G is a company subject to the Korean Emissions Trading Scheme under the 'Act on the Allocation and Trading of Greenhouse Gas Emission Permits.' For domestic operations, KT&G applies the 'Guidelines on Reporting and Certification of Emissions under the Emissions Trading Scheme' and 'ISO 14064-1 (2018)' for measuring Scope 1 and 2 emissions. 1. Activity data: Electricity or heat (steam) consumption 2. Emission factor source: 1) Electricity - IEA 2) Non-electricity - IPCC 3. Market-based: Scope 2 emissions calculated based on market-based purchases of renewable energy in South Korea, Indonesia, Russia, and Türkiye.

Scope 3 category 1: Purchased goods and services

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

240323

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Services Emissions estimated from intangible assets under CAPEX, using industry-specific factors (WRI, Korea Energy Agency). Partner Fuel Consumption Emissions based on KT&G's share from partners' deliveries, applying fuel-specific factors (Korean GHG Target Management Guidelines). (Domestic) Tobacco Cultivation Area Emissions calculated based on fertilizer, crop protection agents, and energy use by domestic farms, including tobacco drying. Factors: Agricultural Greenhouse Gas Calculation Guidelines, direct measurements for domestic tobacco. (Overseas) Tobacco Purchases Emissions estimated via LCA for cultivation and drying of purchased tobacco. Factors: Directly measured for overseas tobacco. Six-year-old Ginseng Purchase Volume Emissions estimated via LCA for six-year ginseng cultivation. Factors: Ecoinvent, Ministry of Environment LCI DB. Medicinal Herb Purchases Emissions estimated using industry-specific factors for medicinal herb purchases. Factors: WRI. Raw Materials and Additives Purchases Emissions estimated based on purchase amounts, applying industry-specific factors. Factors: Industry-specific. OEM Partner Fuel Consumption KT&G's share of emissions from OEM partners' fuel consumption, using fuel-specific factors (Korean GHG Guidelines). Product and Service Purchases Emissions based on purchase amounts of products/services, applying industry-specific factors. Factors: WRI, KEA.

Scope 3 category 2: Capital goods

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

45281

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Capital budget investment and capital goods purchase amount Estimated emissions based on the executed capital budget by applying industry-specific emission factors Industry-specific emission factors (WRI and Korea Energy Agency)

Scope 3 category 3: Fuel-and-energy-related activities (not included in Scope 1 or 2)

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

23508

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Fuel consumption Supplemented upstream power emission factors considering transmission and distribution loss rates, including power generation upstream emission factors in Korea Fuel-specific emission factors (Korean Ministry of Environment LCI DB for domestic, UK GOV conversion factor for overseas)

Scope 3 category 4: Upstream transportation and distribution

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Transportation method, transportation distance, transportation frequency, and transportation cost If data on transportation method, distance, and frequency are difficult to obtain, emissions are estimated based on transportation costs Transportation mode-specific emission factors (Ministry of Environment LCI DB and WRI Emission Factor)

Scope 3 category 5: Waste generated in operations

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

4596

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Waste treatment method and volume Estimated emissions based on waste type and treatment method-specific emission factors Waste type and treatment method-specific emission factors (Ministry of Environment LCI DB)

Scope 3 category 6: Business travel

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

2548

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Type of transportation mode and distance Estimated emissions based on distance traveled,

transportation mode, and number of personnel for business trips Transportation mode-specific emission factors (Ministry of Environment Low-Carbon Green Event Guidelines)

Scope 3 category 7: Employee commuting

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO₂e)

11883

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Number of employees Average daily commuting distance Ratio of transportation modes used by employees Number of working days per year Estimated commuting distances by transportation mode, considering KT&G's number of employees and annual working days, based on statistics for average commuting distances and mode ratios Transportation mode-specific emission factors ((Domestic) National Transport DB, Korea Energy Agency Transport Sector Greenhouse Gas Emissions Survey Report, Ministry of Environment Low-Carbon Green Event Guidelines / (International) UNESCAP, Statista, Ministry of Environment Low-Carbon Green Event Guidelines)

Scope 3 category 8: Upstream leased assets

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO₂e)

654

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Fuel consumption in leased assets Emissions estimated based on the fuel consumption of leased assets by fuel type Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations)

Scope 3 category 9: Downstream transportation and distribution

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

14744

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Transportation method, distance, frequency, and cost If data on transportation method, distance, and frequency are difficult to obtain, emissions are estimated based on transportation costs Transportation mode-specific emission factors (Ministry of Environment LCI DB and WRI Emission Factor)

Scope 3 category 10: Processing of sold products

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

703

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Customer revenue and cost of sales If revenue data is difficult to obtain, the average industry revenue is applied, and if the cost of sales is difficult to calculate, the average cost ratio based on the same industry is estimated Industry-specific emission factors (Korea Energy Agency)

Scope 3 category 11: Use of sold products

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

398866

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] (Device charging) Average usage per charge for device products (Device charging) NGP stick sales The total number of charges is estimated by dividing the NGP stick sales by the average usage per device charge Domestic electricity emission factors (Korean Guidelines on GHG Target Management Operations) (Lighter combustion) Average usage and butane capacity per lighter (Cigarette combustion) Cigarette sales The total butane usage is estimated by dividing the cigarette sales by the average number of uses per lighter Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations) (Cigarette combustion) Cigarette sales and raw material usage for cigarette rod Emissions are estimated assuming all components, excluding the cigarette butt, are combusted Emission factors by component combustion (Korean Guidelines on GHG Target Management Operations and Ministry of Environment LCI DB) (Real estate) Completion and sale of newly built real estate based on completion and sale year and total floor area Emissions are estimated for the lifespan of the sold real estate Emission factors per building area by usage (Estimated and Characteristics of Building GHG Emissions in National Energy Statistics by the Architectural Institute of Korea)

Scope 3 category 12: End of life treatment of sold products

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

66399

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] (Cigarettes) Annual sales volume, average cigarette butt length (Cigarettes) Weight of filter and cigarette components Estimated cigarette waste weight based on the weight of sold cigarettes and the ratio of average cigarette butt length Emission factors by waste type and treatment method (Ministry of Environment LCI DB) (NGP) Annual sales volume (NGP) Product standard weight Estimated NGP waste weight based on annual sales volume and standard weight of NGP products Emission factors by waste type and treatment method (Ministry of Environment LCI DB) (Real estate) Input amounts of construction materials for sold (or distributed) real estate assets Estimated material input during construction based on concrete input amounts Emission factors by waste type and treatment method (Ministry of Environment LCI DB) Materials and weight of sold products Applied the average ratio of material types and treatment methods based on the national waste generation and disposal statistics Emission factors by waste type and treatment method (Ministry of

Scope 3 category 13: Downstream leased assets

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

2457

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Fuel consumption in leased assets Estimated emissions based on fuel consumption in leased assets Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations) Fuel usage cost in leased assets Estimated emissions based on fuel consumption and cost in leased assets Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations)

Scope 3 category 14: Franchises

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

3670

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Floor area by distribution channel Applied a standard guide for area due to the difficulty of obtaining individual store area information Emission factors based on floor area by building usage (Construction Technology Information System)

Scope 3 category 15: Investments

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

10077

(7.5.3) Methodological details

[Activity Data and Key Assumptions, Emission Factors (Sources)] Ownership ratio and floor area Ownership ratio and sales revenue Estimated emissions based on the annual area-based emissions of subsidiaries and affiliates, reflecting ownership ratio; in other cases, emissions were estimated using industry-specific emission factors based on sales revenue Emission factors by floor area by building usage and industry-specific emission factors (Estimated and Characteristics of Building GHG Emissions in National Energy Statistics by the Architectural Institute of Korea, WRI Emission Factor)

Scope 3: Other (upstream)

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

0

(7.5.3) Methodological details

Not applicable

Scope 3: Other (downstream)

(7.5.1) Base year end

12/30/2022

(7.5.2) Base year emissions (metric tons CO2e)

0

(7.5.3) Methodological details

Not applicable
[Fixed row]

(7.6) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

(7.6.1) Gross global Scope 1 emissions (metric tons CO2e)

68330

(7.6.3) Methodological details

[Activity Data] Fuel consumption: Applied emission factors by greenhouse gas type, Emission factors: (Electricity) IEA, (Non-electricity) IPCC [Emission Calculation Guidelines] • Korean Guidelines on GHG Target Management Operations • ISO 14064-1:2018 • Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard (Revised Edition) • IPCC Guidelines for National Greenhouse Gas Protocol and Accounting Tool
[Fixed row]

(7.7) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

(7.7.1) Gross global Scope 2, location-based emissions (metric tons CO2e)

135535

(7.7.2) Gross global Scope 2, market-based emissions (metric tons CO2e)

114088

(7.7.4) Methodological details

KT&G is a company subject to the Korean Emissions Trading Scheme under the 'Act on the Allocation and Trading of Greenhouse Gas Emission Permits.' For domestic operations, KT&G applies the 'Guidelines on Reporting and Certification of Emissions under the Emissions Trading Scheme' and 'ISO 14064-1 (2018)' for measuring Scope 1 and 2 emissions in accordance with the law. We applied the GHG protocol for Scopes 1 and 2 and Scope 3 when measuring emissions for overseas business sites. 1. Activity data: Electricity or heat (steam) consumption 2. Emission factor sources: 1) Electricity - IEA 2) Non-electricity - IPCC - Location-based: Includes Scope 2 greenhouse gas emissions reported based on electricity usage from the national power grid - Market-based: Scope 2 emissions calculated based on market-based purchases of renewable energy in South Korea, Indonesia, Russia, and Türkiye.

[Fixed row]

(7.8) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

215456

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Supplier-specific method

☒ Hybrid method

☒ Spend-based method

☒ Fuel-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

83

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Services Emissions estimated from intangible assets under CAPEX, using industry-specific factors (US EPA EEIO, Korea Energy Agency). Partner Fuel Consumption Emissions based on KT&G's share from partners' deliveries, applying fuel-specific factors (Korean GHG Target Management Guidelines). (Domestic) Tobacco Cultivation Area Emissions calculated based on fertilizer, crop protection agents, and energy use by domestic farms, including tobacco drying. Factors: Agricultural Greenhouse Gas Calculation Guidelines, direct measurements for domestic tobacco. (Overseas) Tobacco Purchases Emissions estimated via LCA for cultivation and drying of purchased tobacco. Factors: Directly measured for overseas tobacco. Six-year-old Ginseng Purchase Volume Emissions estimated via LCA for six-year ginseng cultivation. Factors: Ecoinvent, Ministry of Environment LCI DB. Medicinal Herb Purchases Emissions estimated using industry-specific factors for medicinal herb purchases. Factors: US EPA EEIO Raw Materials and Additives Purchases Emissions estimated based on purchase amounts, applying industry-specific factors. Factors: Industry-specific. OEM Partner Fuel Consumption KT&G's share of emissions from OEM partners' fuel consumption, using fuel-specific factors (Korean GHG Guidelines). Product and Service Purchases Emissions based on purchase amounts of products/services, applying industry-specific factors. Factors: US EPA EEIO, KEA.

Capital goods

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

36826

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

☒ Spend-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Capital Budget Investment and Capital Goods Purchase Amount Estimated emissions based on the executed capital budget by applying industry-specific emission factors Industry-specific emission factors (US EPA EEIO and Korea Energy Agency)

Fuel-and-energy-related activities (not included in Scope 1 or 2)

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

28078

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

☒ Fuel-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Fuel Consumption Supplemented upstream power emission factors considering transmission and distribution loss rates, including power generation upstream emission factors in Korea Fuel-specific emission factors: (Domestic fuel) Ministry of Environment's LCI DB, (Domestic electricity) National Institute of Environmental Research, (Overseas) UK GOV conversion factor

Upstream transportation and distribution

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

(7.8.3) Emissions calculation methodology

Select all that apply

- ☒ Hybrid method
- ☒ Fuel-based method
- ☒ Distance-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

62

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Transportation Method, Distance, Frequency, and Cost If data on transportation method, distance, and frequency are difficult to obtain, emissions are estimated based on transportation costs Transportation mode-specific emission factors (Ministry of Environment LCI DB and WRI Emission Factor)

Waste generated in operations

(7.8.1) Evaluation status

Select from:

- ☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO₂e)

3933

(7.8.3) Emissions calculation methodology

Select all that apply

- ☒ Waste-type-specific method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Waste Treatment Method and Volume Estimated emissions based on waste type and treatment method-specific emission factors Waste type and treatment method-specific emission factors (Ministry of Environment LCI DB)

Business travel

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO₂e)

3896

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Distance-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Type and Distance of Transportation Mode Estimated emissions based on the distance traveled, transportation mode, and number of personnel for business trips Transportation mode-specific emission factors (Ministry of Environment Low-Carbon Green Event Guidelines)

Employee commuting

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

11913

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

☒ Average data method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Number of Employees Average Daily Commuting Distance Ratio of Transportation Modes Used by Employees Number of Working Days per Year Estimated commuting distances by transportation mode, considering KT&G's number of employees and annual working days, based on statistics for average commuting distances and mode ratios Transportation mode-specific emission factors ((Domestic) National Transport DB, Korea Energy Agency Transport Sector Greenhouse Gas Emissions Survey Report, Ministry of Environment Low-Carbon Green Event Guidelines / (International) UNESCAP, Statista, Ministry of Environment Low-Carbon Green Event Guidelines)

Upstream leased assets

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

(7.8.3) Emissions calculation methodology

Select all that apply

- ☒ Hybrid method
- ☒ Fuel-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Fuel Consumption in Leased Assets Estimated emissions based on the fuel consumption of leased assets by fuel type Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations) 2. Total floor area of leased assets - When fuel-specific consumption data for leased assets is difficult to obtain, calculate emissions based on total floor area information - Fuel-specific emission factors Estimation and characteristics of GHG emissions in the building sector based on national energy statistics from the Architectural Institute of Korea)

Downstream transportation and distribution

(7.8.1) Evaluation status

Select from:

- ☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO₂e)

5890

(7.8.3) Emissions calculation methodology

Select all that apply

- ☒ Hybrid method
- ☒ Fuel-based method

☒ Distance-based method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

28

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Transportation Method, Distance, Frequency, and Cost If data on transportation method, distance, and frequency are difficult to obtain, emissions are estimated based on transportation costs Transportation mode-specific emission factors (Ministry of Environment LCI DB and WRI Emission Factor)

Processing of sold products

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO₂e)

1080

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Supplier-specific method

☒ Hybrid method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Customer Revenue and Cost of Sales If revenue data is difficult to obtain, the average industry revenue is applied, and if the cost of sales is difficult to calculate, the average cost ratio based on the same industry is estimated Industry-specific emission factors (Korea Energy Agency)

Use of sold products

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO₂e)

370835

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] (Device Charging) Average Usage Per Charge for Device Products (Device Charging) NGP Stick Sales The total number of charges is estimated by dividing the NGP stick sales by the average usage per device charge Domestic electricity emission factors (Korean Guidelines on GHG Target Management Operations) (Lighter Combustion) Average Usage and Butane Capacity Per Lighter (Cigarette Combustion) Cigarette Sales The total butane usage is estimated by dividing the cigarette sales by the average number of uses per lighter Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations) (Cigarette Combustion) Cigarette Sales and Raw Material Usage for Cigarette Rod Emissions are estimated assuming all components, excluding the cigarette butt, are combusted Emission factors by component combustion (Korean Guidelines on GHG Target Management Operations and Ministry of Environment LCI DB) (Real Estate) Completion and Sale of Newly Built Real Estate Based on Completion and Sale Year and Total Floor Area Emissions are estimated for the lifespan of the sold real estate Emission factors per building area by usage (Estimated and Characteristics of Building GHG Emissions in National Energy Statistics by the Architectural Institute of Korea) (KGC's processed food) Product sales volume Calculate emissions based on the cooking method (electricity consumption) of sold products Emission factor of electric power (Guidelines on the operation of the target management of greenhouse gases in Korea)

End of life treatment of sold products

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

56864

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

☒ Waste-type-specific method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] (Cigarettes) Annual Sales Volume, Average Cigarette Butt Length (Cigarettes) Weight of Filter and Cigarette Components Estimated cigarette waste weight based on the weight of sold cigarettes and the ratio of average cigarette butt length Emission factors by waste type and treatment method (Ministry of Environment LCI DB) (NGP) Annual Sales Volume (NGP) Product Standard Weight Estimated NGP waste weight based on annual sales volume and standard weight of NGP products Emission factors by waste type and treatment method (Ministry of Environment LCI DB) (Real Estate) Input Amounts of Construction Materials for Sold (or Distributed) Real Estate Assets Estimated material input during construction based on concrete input amounts Emission factors by waste type and treatment method (Ministry of Environment LCI DB) Materials and Weight of Sold Products Applied the average ratio of material types and treatment methods based on the national waste generation and disposal statistics Emission factors by waste type and treatment method (Ministry of Environment LCI DB)

Downstream leased assets

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

1175

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

☒ Asset-specific method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Fuel Consumption in Leased Assets Estimated emissions based on fuel consumption in leased assets Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations) Fuel Usage Cost in Leased Assets Estimated emissions based on fuel consumption and cost in leased assets Fuel-specific emission factors (Korean Guidelines on GHG Target Management Operations)

Franchises

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO2e)

3680

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] Floor Area by Distribution Channel Applied a standard guide for area due to the difficulty of obtaining individual store area information Emission factors based on floor area by building usage (Construction Technology Information System)

Investments

(7.8.1) Evaluation status

Select from:

☒ Relevant, calculated

(7.8.2) Emissions in reporting year (metric tons CO₂e)

21318

(7.8.3) Emissions calculation methodology

Select all that apply

☒ Hybrid method

(7.8.4) Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

(7.8.5) Please explain

[Activity Data and Key Assumptions, Emission Factors (Sources)] (Subsidiaries) Ownership Ratio and Floor Area (Associates and joint ventures) Ownership Ratio and Sales Revenue Estimated emissions based on the annual area-based emissions of subsidiaries and affiliates, reflecting ownership ratio; in other cases,

emissions were estimated using industry-specific emission factors based on sales revenue Emission factors by floor area by building usage and industry-specific emission factors (Estimated and Characteristics of Building GHG Emissions in National Energy Statistics by the Architectural Institute of Korea, US EPA EEIO Emission Factor)

Other (upstream)

(7.8.1) Evaluation status

Select from:

☒ Not relevant, explanation provided

(7.8.5) Please explain

KT&G Group calculates emissions related to upstream activities in Scope 3 Categories 1 to 8, so other upstream emissions are not applicable.

Other (downstream)

(7.8.1) Evaluation status

Select from:

☒ Not relevant, explanation provided

(7.8.5) Please explain

KT&G Group calculates emissions related to upstream activities from Scope 3 Category 9 to Category 15, so other downstream emissions are not applicable.
[Fixed row]

(7.9) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	<i>Select from:</i> ☒ Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	<i>Select from:</i> ☒ Third-party verification or assurance process in place
Scope 3	<i>Select from:</i> ☒ Third-party verification or assurance process in place

[Fixed row]

(7.9.1) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Row 1

(7.9.1.1) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.1.2) Status in the current reporting year

Select from:

☒ Complete

(7.9.1.3) Type of verification or assurance

Select from:

☒ Reasonable assurance

(7.9.1.4) Attach the statement

1. *KT&G Scope 1, 2 Domestic_KT&G.pdf.pdf*

(7.9.1.5) Page/section reference

KT&G Domestic, page.2 English Verification

(7.9.1.6) Relevant standard

Select from:

☒ ISO14064-3

(7.9.1.7) Proportion of reported emissions verified (%)

43

Row 2

(7.9.1.1) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.1.2) Status in the current reporting year

Select from:

☒ Complete

(7.9.1.3) Type of verification or assurance

Select from:

☒ Limited assurance

(7.9.1.4) Attach the statement

(7.9.1.5) Page/section reference

KT&G Overseas

(7.9.1.6) Relevant standard

Select from:

☒ ISO14064-3

(7.9.1.7) Proportion of reported emissions verified (%)

6

Row 3

(7.9.1.1) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.1.2) Status in the current reporting year

Select from:

☒ Complete

(7.9.1.3) Type of verification or assurance

Select from:

☒ Reasonable assurance

(7.9.1.4) Attach the statement

(7.9.1.5) Page/section reference

KGC Domestic (Buyeo&Wonju)

(7.9.1.6) Relevant standard

Select from:

☒ Korean GHG and energy target management system

(7.9.1.7) Proportion of reported emissions verified (%)

23

Row 4

(7.9.1.1) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.1.2) Status in the current reporting year

Select from:

☒ Complete

(7.9.1.3) Type of verification or assurance

Select from:

☒ Limited assurance

(7.9.1.4) Attach the statement

4. KT&G Other Subsidiaries Scope 1,2.pdf

(7.9.1.5) Page/section reference

(7.9.1.6) Relevant standard

Select from:

☒ ISO14064-3

(7.9.1.7) Proportion of reported emissions verified (%)

28

[Add row]

(7.9.2) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Row 1

(7.9.2.1) Scope 2 approach

Select from:

☒ Scope 2 market-based

(7.9.2.2) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.2.3) Status in the current reporting year

Select from:

☒ Complete

(7.9.2.4) Type of verification or assurance

Select from:

☒ Reasonable assurance

(7.9.2.5) Attach the statement

1. *KT&G Scope 1, 2 Domestic_KT&G.pdf.pdf*

(7.9.2.6) Page/ section reference

KT&G Domestic, page.2 English Verification

(7.9.2.7) Relevant standard

Select from:

☒ ISO14064-3

(7.9.2.8) Proportion of reported emissions verified (%)

65

Row 2

(7.9.2.1) Scope 2 approach

Select from:

☒ Scope 2 market-based

(7.9.2.2) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.2.3) Status in the current reporting year

Select from:

☒ Complete

(7.9.2.4) Type of verification or assurance

Select from:

☒ Limited assurance

(7.9.2.5) Attach the statement

1. KT&G Scope 1, 2 Domestic_KT&G.pdf.pdf

(7.9.2.6) Page/ section reference

KT&G Overseas

(7.9.2.7) Relevant standard

Select from:

☒ ISO14064-3

(7.9.2.8) Proportion of reported emissions verified (%)

0

Row 3

(7.9.2.1) Scope 2 approach

Select from:

☒ Scope 2 market-based

(7.9.2.2) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.2.3) Status in the current reporting year

Select from:

☒ Complete

(7.9.2.4) Type of verification or assurance

Select from:

☒ Reasonable assurance

(7.9.2.5) Attach the statement

3. KGC Scope 1.2 Domestic_(Buyeo&Wonju).pdf

(7.9.2.6) Page/ section reference

KGC Domestic (Buyeo&Wonju)

(7.9.2.7) Relevant standard

Select from:

☒ Korean GHG and energy target management system

(7.9.2.8) Proportion of reported emissions verified (%)

18

Row 4

(7.9.2.1) Scope 2 approach

Select from:

☒ Scope 2 market-based

(7.9.2.2) Verification or assurance cycle in place

Select from:

☒ Annual process

(7.9.2.3) Status in the current reporting year

Select from:

☒ Complete

(7.9.2.4) Type of verification or assurance

Select from:

☒ Limited assurance

(7.9.2.5) Attach the statement

4. KT&G Other Subsidiaries Scope 1,2.pdf

(7.9.2.6) Page/ section reference

Other Subsidiaries

(7.9.2.7) Relevant standard

Select from:

☒ ISO14064-3

(7.9.2.8) Proportion of reported emissions verified (%)

17

[Add row]

(7.9.3) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Row 1

(7.9.3.1) Scope 3 category

Select all that apply

- | | |
|---|---|
| ☒ Scope 3: Franchises | ☒ Scope 3: Use of sold products |
| ☒ Scope 3: Investments | ☒ Scope 3: Upstream leased assets |
| ☒ Scope 3: Capital goods | ☒ Scope 3: Downstream leased assets |
| ☒ Scope 3: Business travel | ☒ Scope 3: Processing of sold products |
| ☒ Scope 3: Employee commuting | ☒ Scope 3: Purchased goods and services |
| ☒ Scope 3: Waste generated in operations | |
| ☒ Scope 3: End-of-life treatment of sold products | |
| ☒ Scope 3: Upstream transportation and distribution | |
| ☒ Scope 3: Downstream transportation and distribution | |
| ☒ Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2) | |

(7.9.3.2) Verification or assurance cycle in place

Select from:

- ☒ Annual process

(7.9.3.3) Status in the current reporting year

Select from:

- ☒ Complete

(7.9.3.4) Type of verification or assurance

Select from:

- ☒ Limited assurance

(7.9.3.5) Attach the statement

(7.9.3.6) Page/section reference

p2 - KT&G Group(Total) p3 - KT&G p4 - KGC p5 - Tae-A Industrial p6 - Yungjin Pharm p7 - COSMOCOS p8 - KGC Yebon

(7.9.3.7) Relevant standard

Select from:

☒ ISO14064-3

(7.9.3.8) Proportion of reported emissions verified (%)

100

[Add row]

(7.10) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Select from:

☒ Decreased

(7.10.1) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

Change in renewable energy consumption

(7.10.1.1) Change in emissions (metric tons CO2e)

24372

(7.10.1.2) Direction of change in emissions

Select from:

☒ Decreased

(7.10.1.3) Emissions value (percentage)

13.1

(7.10.1.4) Please explain calculation

*Ⓐ 2023 Scope 1+2 Emissions: 185,672 tCO₂eq Changes in emissions due to renewable energy consumption in 2024 Ⓑ Solar power generation (self-consumption): 2,926 tCO₂eq Renewable Energy Certificates (REC): 20,966 tCO₂eq ($\text{Ⓐ} + \text{Ⓑ}$) / (2023 Scope 1+2 emissions) * 100 = 13.1%*

Other emissions reduction activities

(7.10.1.1) Change in emissions (metric tons CO₂e)

8801

(7.10.1.2) Direction of change in emissions

Select from:

☒ Decreased

(7.10.1.3) Emissions value (percentage)

4.74

(7.10.1.4) Please explain calculation

*Through energy reduction initiatives such as replacing high-efficiency equipment, improving equipment efficiency, and recovering waste heat, KT&G reduced emissions by 8,801 tCO₂eq in 2024. $8,801 / (2023 \text{ Scope } 1+2 \text{ emissions}) * 100 = 8,801 / 185,672 * 100 = 4.74\%$*

Divestment

(7.10.1.1) Change in emissions (metric tons CO₂e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No divestment during the reporting year.

Acquisitions

(7.10.1.1) Change in emissions (metric tons CO₂e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No acquisitions during the reporting year.

Mergers

(7.10.1.1) Change in emissions (metric tons CO2e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No mergers during the reporting year.

Change in output

(7.10.1.1) Change in emissions (metric tons CO2e)

29919

(7.10.1.2) Direction of change in emissions

Select from:

☒ Increased

(7.10.1.3) Emissions value (percentage)

16.11

(7.10.1.4) Please explain calculation

@2023 Scope 1+2 Emissions: 185,672 tCO2eq @Estimated increase in emissions due to Change in output in 2024: 29,919 tCO2eq @/a= 29,919/185,672 =

16.11%

Change in methodology

(7.10.1.1) Change in emissions (metric tons CO2e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No change in methodology during the reporting year.

Change in boundary

(7.10.1.1) Change in emissions (metric tons CO2e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No change in boundary during the reporting year.

Change in physical operating conditions

(7.10.1.1) Change in emissions (metric tons CO2e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No change in physical operating conditions during the reporting year.

Unidentified

(7.10.1.1) Change in emissions (metric tons CO2e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No further comment.

Other

(7.10.1.1) Change in emissions (metric tons CO2e)

0

(7.10.1.2) Direction of change in emissions

Select from:

☒ No change

(7.10.1.3) Emissions value (percentage)

0

(7.10.1.4) Please explain calculation

No further comment.

[Fixed row]

(7.10.2) Are your emissions performance calculations in 7.10 and 7.10.1 based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Select from:

☒ Market-based

(7.13) Is biogenic carbon pertaining to your direct operations relevant to your current CDP climate change disclosure?

Select from:

☒ No

(7.14) Do you calculate greenhouse gas emissions for each agricultural commodity reported as significant to your business?

Timber products

(7.14.1) GHG emissions calculated for this commodity

Select from:

☒ Yes

(7.14.2) Reporting emissions by

Select from:

☒ Total

(7.14.3) Emissions (metric tons CO₂e)

30748

(7.14.5) Change from last reporting year

Select from:

☒ Higher

(7.14.6) Please explain

KT&G includes emissions from materials derived from timber, such as product packaging and tipping paper, in its Scope 3 emissions calculations. Following the emission calculation methodology of the Korea GHG and Energy Target Management System Operating Guidelines and the IPCC Guidelines, emissions are calculated based on fuel consumption and emission factors of each timber-related material partner, with KT&G's purchase amount ratio reflected in the emission calculation.

Tobacco

(7.14.1) GHG emissions calculated for this commodity

Select from:

☒ Yes

(7.14.2) Reporting emissions by

Select from:

☒ Total

(7.14.3) Emissions (metric tons CO2e)

85407

(7.14.5) Change from last reporting year

Select from:

☒ Lower

(7.14.6) Please explain

1.Domestic Tobacco Cultivation Cultivation area * average fertilizer input per area * nitrogen active ingredient content * nitrogen fertilizer CO2 amount Emission factors for agricultural inputs (fertilizers, crop protection agents) in the production phase * usage 2. Domestic Tobacco Drying Energy consumption by fuel type used during drying * fuel-specific emission factors 3. Overseas Tobacco Cultivation and Drying Overseas purchase volume * LCA emission factors based on tobacco leaf types used for domestic calculations

Other commodity

(7.14.1) GHG emissions calculated for this commodity

Select from:

☒ Yes

(7.14.2) Reporting emissions by

Select from:

☒ Total

(7.14.3) Emissions (metric tons CO2e)

27857

(7.14.5) Change from last reporting year

Select from:

☒ About the same

(7.14.6) Please explain

For the first time in 2023, the emissions of ginseng (insam), the primary agricultural product of KT&G Group’s subsidiary KGC, were calculated in the Scope 3 emissions calculation process. These emissions are calculated based on the emission factors from standard cultivation methods for domestic ginseng cultivation and the amount of harvested ginseng.
[Fixed row]

(7.15) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Select from:

☒ Yes

(7.15.1) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used global warming potential (GWP).

Row 1

(7.15.1.1) Greenhouse gas

Select from:

☒ CO2

(7.15.1.2) Scope 1 emissions (metric tons of CO2e)

68107.38

(7.15.1.3) GWP Reference

Select from:

☒ IPCC Second Assessment Report (SAR - 100 year)

Row 2

(7.15.1.1) Greenhouse gas

Select from:

☒ CH4

(7.15.1.2) Scope 1 emissions (metric tons of CO2e)

79.477

(7.15.1.3) GWP Reference

Select from:

☒ IPCC Second Assessment Report (SAR - 100 year)

Row 3

(7.15.1.1) Greenhouse gas

Select from:

☒ N2O

(7.15.1.2) Scope 1 emissions (metric tons of CO2e)

142.677

(7.15.1.3) GWP Reference

Select from:

☒ IPCC Second Assessment Report (SAR - 100 year)

Row 4

(7.15.1.1) Greenhouse gas

Select from:

☒ HFCs

(7.15.1.2) Scope 1 emissions (metric tons of CO₂e)

0

(7.15.1.3) GWP Reference

Select from:

☒ IPCC Second Assessment Report (SAR - 100 year)

Row 5

(7.15.1.1) Greenhouse gas

Select from:

☒ PFCs

(7.15.1.2) Scope 1 emissions (metric tons of CO₂e)

0

(7.15.1.3) GWP Reference

Select from:

☒ IPCC Second Assessment Report (SAR - 100 year)

Row 6

(7.15.1.1) Greenhouse gas

Select from:

☒ SF6

(7.15.1.2) Scope 1 emissions (metric tons of CO2e)

0

(7.15.1.3) GWP Reference

Select from:

☒ IPCC Second Assessment Report (SAR - 100 year)

[Add row]

(7.16) Break down your total gross global Scope 1 and 2 emissions by country/area.

	Scope 1 emissions (metric tons CO2e)	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
China	159.818	3406.459	3406.459
Indonesia	1896.224	12112.452	0
Republic of Korea	64119.714	116016.131	110669.842
Russian Federation	1357.746	2527.717	7.417
Turkey	797.098	1473.198	0

[Fixed row]

(7.17) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

Select all that apply

☒ By facility

(7.17.2) Break down your total gross global Scope 1 emissions by business facility.

Row 1

(7.17.2.1) Facility

Daejeon (Korea) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

11468.25

(7.17.2.3) Latitude

36.43379

(7.17.2.4) Longitude

127.42993

Row 2

(7.17.2.1) Facility

Yeongju (Korea) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

5643.89

(7.17.2.3) Latitude

36.789335

(7.17.2.4) Longitude

128.623939

Row 3

(7.17.2.1) Facility

Gwangju (Korea) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

2228.496

(7.17.2.3) Latitude

35.20352

(7.17.2.4) Longitude

126.87727

Row 4

(7.17.2.1) Facility

Cheonan (Korea) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

2059.452

(7.17.2.3) Latitude

36.826473

(7.17.2.4) Longitude

127.146971

Row 5

(7.17.2.1) Facility

Gimcheon (Korea) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

1408.313

(7.17.2.3) Latitude

36.126261

(7.17.2.4) Longitude

128.066739

Row 6

(7.17.2.1) Facility

Other offices in Korea

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

6812.762

(7.17.2.3) Latitude

37.50653

(7.17.2.4) Longitude

127.065294

Row 7

(7.17.2.1) Facility

Indonesia Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

1896.224

(7.17.2.3) Latitude

-7.763504

(7.17.2.4) Longitude

112.74024

Row 8

(7.17.2.1) Facility

Russia Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

1357.746

(7.17.2.3) Latitude

55.229914

(7.17.2.4) Longitude

36.682451

Row 9**(7.17.2.1) Facility**

Turkey Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

797.098

(7.17.2.3) Latitude

38.127708

(7.17.2.4) Longitude

27.686243

Row 10**(7.17.2.1) Facility**

KGC Buyeo (Korea) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

158.818

(7.17.2.3) Latitude

36.271771

(7.17.2.4) Longitude

126.873889

Row 11

(7.17.2.1) Facility

KGC Wonju (Korea) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

7768.034

(7.17.2.3) Latitude

37.408659

(7.17.2.4) Longitude

127.951747

Row 12

(7.17.2.1) Facility

KGC Jilin hanzheng (China) Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

8034.841

(7.17.2.3) Latitude

42.907038

(7.17.2.4) Longitude

129.377887

Row 13**(7.17.2.1) Facility**

Yungjin Pharm Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

1177.021

(7.17.2.3) Latitude

37.179746

(7.17.2.4) Longitude

26.850798

Row 14**(7.17.2.1) Facility**

COSMOCOS Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

374.712

(7.17.2.3) Latitude

37.399699

(7.17.2.4) Longitude

26.685367

Row 15

(7.17.2.1) Facility

Tae-A Industrial Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

14492.396

(7.17.2.3) Latitude

36.372213

(7.17.2.4) Longitude

27.417751

Row 16

(7.17.2.1) Facility

KGC Yebon Factory

(7.17.2.2) Scope 1 emissions (metric tons CO2e)

2651.549

(7.17.2.3) Latitude

36.934378

(7.17.2.4) Longitude

27.894121

[Add row]

(7.18) Do you include emissions pertaining to your business activity(ies) in your direct operations as part of your global gross Scope 1 figure?

Select from:

☒ Yes

(7.18.2) Report the Scope 1 emissions pertaining to your business activity(ies) and explain any exclusions. If applicable, disaggregate your agricultural/forestry by GHG emissions category.

Row 1

(7.18.2.1) Activity

Select from:

☒ Processing/Manufacturing

(7.18.2.3) Emissions (metric tons CO₂e)

64035.687

(7.18.2.4) Methodology

Select all that apply

☒ Default emissions factor

(7.18.2.5) Please explain

KT&G's Scope 1 emissions related to processes and manufacturing are primarily caused by the combustion of LNG and LPG in boilers used for drying and heating processes. These greenhouse gas emissions result from the essential energy consumption required for production processes, and emissions are calculated by applying emission factors based on the type of fuel used.

Row 2

(7.18.2.1) Activity

Select from:

☒ Distribution

(7.18.2.3) Emissions (metric tons CO2e)

3327.373

(7.18.2.4) Methodology

Select all that apply

☒ Default emissions factor

(7.18.2.5) Please explain

In 2024, KT&G's emissions from mobile combustion were calculated to be a total of 3,327.373 tCO2eq. These emissions reflect Scope 1 emissions generated from the company's distribution and logistics vehicles. Efforts to reduce emissions included the introduction of fuel-saving programs and the gradual transition to hybrid and electric vehicles across the group.

[Add row]

(7.20) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

Select all that apply

☒ By facility

(7.20.2) Break down your total gross global Scope 2 emissions by business facility.

Row 1

(7.20.2.1) Facility

Daejeon (Korea) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

28121.309

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

26951.427

Row 2

(7.20.2.1) Facility

Yeongju (Korea) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

11772.507

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

11772.507

Row 3

(7.20.2.1) Facility

Gwangju (Korea) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

6938.694

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

6938.694

Row 4

(7.20.2.1) Facility

Cheonan (Korea) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

3545.324

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

3073.458

Row 5

(7.20.2.1) Facility

Gimcheon (Korea) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

1989.995

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

1973.027

Row 6

(7.20.2.1) Facility

Other offices in Korea

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

27483.993

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

23801.137

Row 7

(7.20.2.1) Facility

Indonesia Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

12112.452

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

0

Row 8

(7.20.2.1) Facility

Russia Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

2526.717

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

7.417

Row 9

(7.20.2.1) Facility

Turkey Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

1473.198

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

0

Row 10

(7.20.2.1) Facility

KGC Buyeo (Korea) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

3406.459

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

3406.459

Row 11

(7.20.2.1) Facility

KGC Wonju (Korea) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

7896.787

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

7896.787

Row 12

(7.20.2.1) Facility

KGC Jilin hanzheng (China) Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

8843.368

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

8843.368

Row 13

(7.20.2.1) Facility

Yungjin Pharm Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

6206.942

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

6206.942

Row 14

(7.20.2.1) Facility

COSMOCOS Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

1171.938

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

1171.938

Row 15

(7.20.2.1) Facility

Tae-A Industrial Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

9304.215

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

9304.215

Row 16

(7.20.2.1) Facility

KGC Yebon Factory

(7.20.2.2) Scope 2, location-based (metric tons CO2e)

2741.058

(7.20.2.3) Scope 2, market-based (metric tons CO2e)

2741.058

[Add row]

(7.22) Break down your gross Scope 1 and Scope 2 emissions between your consolidated accounting group and other entities included in your response.

Consolidated accounting group

(7.22.1) Scope 1 emissions (metric tons CO2e)

68330

(7.22.2) Scope 2, location-based emissions (metric tons CO2e)

135535

(7.22.3) Scope 2, market-based emissions (metric tons CO2e)

114088

(7.22.4) Please explain

To enhance the consistency between financial accounting consolidation standards and greenhouse gas emissions information, KT&G Group voluntarily calculated and integrated the greenhouse gas emissions data of its subsidiaries, including KGC Ginseng Corporation, Yungjin Pharmaceutical, COSMOCOS, Tae-A Industrial, and KGC Yebon from FY2023. During this process, the group established a carbon neutrality strategy covering the entire group and extended it to its subsidiaries, strengthening cooperation for group-wide greenhouse gas reduction efforts. By including the emissions data of its subsidiaries, the total emissions for the group were calculated to be approximately 182,000 tons, which represents about a 1.75% decrease compared to the previous year's emissions from KT&G and its subsidiaries.

All other entities

(7.22.1) Scope 1 emissions (metric tons CO2e)

0

(7.22.2) Scope 2, location-based emissions (metric tons CO2e)

0

(7.22.3) Scope 2, market-based emissions (metric tons CO2e)

0

(7.22.4) Please explain

The emissions from other sales subsidiaries, which have minimal emissions and do not meet the materiality criteria, have been excluded from the calculation.
[Fixed row]

(7.23) Is your organization able to break down your emissions data for any of the subsidiaries included in your CDP response?

Select from:

☒ Yes

(7.23.1) Break down your gross Scope 1 and Scope 2 emissions by subsidiary.

Row 1

(7.23.1.1) Subsidiary name

Korea Ginseng Corp

(7.23.1.2) Primary activity

Select from:

☒ Food & beverage wholesale

(7.23.1.3) Select the unique identifier you are able to provide for this subsidiary

Select all that apply

☒ No unique identifier

(7.23.1.12) Scope 1 emissions (metric tons CO2e)

15961.876

(7.23.1.13) Scope 2, location-based emissions (metric tons CO2e)

20146.154

(7.23.1.14) Scope 2, market-based emissions (metric tons CO2e)

20146.154

(7.23.1.15) Comment

-

Row 2

(7.23.1.1) Subsidiary name

Tae-A Industrial

(7.23.1.2) Primary activity

Select from:

☒ Tobacco products

(7.23.1.3) Select the unique identifier you are able to provide for this subsidiary

Select all that apply

☒ No unique identifier

(7.23.1.12) Scope 1 emissions (metric tons CO2e)

14492

(7.23.1.13) Scope 2, location-based emissions (metric tons CO2e)

9304

(7.23.1.14) Scope 2, market-based emissions (metric tons CO2e)

9304

(7.23.1.15) Comment

-

Row 3

(7.23.1.1) Subsidiary name

Yungjin Pharm

(7.23.1.2) Primary activity

Select from:

☒ Pharmaceuticals

(7.23.1.3) Select the unique identifier you are able to provide for this subsidiary

Select all that apply

☒ No unique identifier

(7.23.1.12) Scope 1 emissions (metric tons CO2e)

1177

(7.23.1.13) Scope 2, location-based emissions (metric tons CO2e)

6207

(7.23.1.14) Scope 2, market-based emissions (metric tons CO2e)

6207

(7.23.1.15) Comment

-

Row 4

(7.23.1.1) Subsidiary name

COSMOCOS

(7.23.1.2) Primary activity

Select from:

☒ Chemicals wholesale & distribution

(7.23.1.3) Select the unique identifier you are able to provide for this subsidiary

Select all that apply

☒ No unique identifier

(7.23.1.12) Scope 1 emissions (metric tons CO2e)

375

(7.23.1.13) Scope 2, location-based emissions (metric tons CO2e)

1172

(7.23.1.14) Scope 2, market-based emissions (metric tons CO2e)

1172

(7.23.1.15) Comment

-

Row 5

(7.23.1.1) Subsidiary name

KGC Yebon

(7.23.1.2) Primary activity

Select from:

☒ Agricultural products wholesale

(7.23.1.3) Select the unique identifier you are able to provide for this subsidiary

Select all that apply

☒ No unique identifier

(7.23.1.12) Scope 1 emissions (metric tons CO2e)

2652

(7.23.1.13) Scope 2, location-based emissions (metric tons CO2e)

2741

(7.23.1.14) Scope 2, market-based emissions (metric tons CO2e)

2741

(7.23.1.15) Comment

-

[Add row]

(7.29) What percentage of your total operational spend in the reporting year was on energy?

Select from:

☒ More than 0% but less than or equal to 5%

(7.30) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Select from: ☒ Yes
Consumption of purchased or acquired electricity	Select from: ☒ Yes
Consumption of purchased or acquired heat	Select from: ☒ Yes
Consumption of purchased or acquired steam	Select from: ☒ Yes
Consumption of purchased or acquired cooling	Select from:

	Indicate whether your organization undertook this energy-related activity in the reporting year
	☒ No
Generation of electricity, heat, steam, or cooling	Select from: ☒ Yes

[Fixed row]

(7.30.1) Report your organization’s energy consumption totals (excluding feedstocks) in MWh.

Consumption of fuel (excluding feedstock)

(7.30.1.1) Heating value

Select from:
☒ HHV (higher heating value)

(7.30.1.2) MWh from renewable sources

0

(7.30.1.3) MWh from non-renewable sources

366030.36

(7.30.1.4) Total (renewable + non-renewable) MWh

366030.36

Consumption of purchased or acquired electricity

(7.30.1.1) Heating value

Select from:

☒ HHV (higher heating value)

(7.30.1.2) MWh from renewable sources

37797

(7.30.1.3) MWh from non-renewable sources

240772

(7.30.1.4) Total (renewable + non-renewable) MWh

278569.00

Consumption of purchased or acquired heat

(7.30.1.1) Heating value

Select from:

☒ HHV (higher heating value)

(7.30.1.2) MWh from renewable sources

0

(7.30.1.3) MWh from non-renewable sources

9011.11

(7.30.1.4) Total (renewable + non-renewable) MWh

9011.11

Consumption of purchased or acquired steam

(7.30.1.1) Heating value

Select from:
☒ HHV (higher heating value)

(7.30.1.2) MWh from renewable sources

0

(7.30.1.3) MWh from non-renewable sources

14209

(7.30.1.4) Total (renewable + non-renewable) MWh

14209.00

Consumption of self-generated non-fuel renewable energy

(7.30.1.1) Heating value

Select from:
☒ HHV (higher heating value)

(7.30.1.2) MWh from renewable sources

6369.61

(7.30.1.4) Total (renewable + non-renewable) MWh

6369.61

Total energy consumption

(7.30.1.1) Heating value

Select from:

☒ HHV (higher heating value)

(7.30.1.2) MWh from renewable sources

44166.61

(7.30.1.3) MWh from non-renewable sources

630023.36

(7.30.1.4) Total (renewable + non-renewable) MWh

674189.97

[Fixed row]

(7.30.6) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Select from: ☒ Yes
Consumption of fuel for the generation of heat	Select from: ☒ Yes
Consumption of fuel for the generation of steam	Select from: ☒ Yes

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of cooling	Select from: ☒ No
Consumption of fuel for co-generation or tri-generation	Select from: ☒ Yes

[Fixed row]

(7.30.7) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Sustainable biomass

(7.30.7.1) Heating value

Select from:

☒ Unable to confirm heating value

(7.30.7.2) Total fuel MWh consumed by the organization

0

(7.30.7.3) MWh fuel consumed for self-generation of electricity

0

(7.30.7.4) MWh fuel consumed for self-generation of heat

0

(7.30.7.5) MWh fuel consumed for self-generation of steam

0

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

-

Other biomass

(7.30.7.1) Heating value

Select from:

☒ Unable to confirm heating value

(7.30.7.2) Total fuel MWh consumed by the organization

0

(7.30.7.3) MWh fuel consumed for self-generation of electricity

0

(7.30.7.4) MWh fuel consumed for self-generation of heat

0

(7.30.7.5) MWh fuel consumed for self-generation of steam

0

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

-

Other renewable fuels (e.g. renewable hydrogen)

(7.30.7.1) Heating value

Select from:

☒ Unable to confirm heating value

(7.30.7.2) Total fuel MWh consumed by the organization

0

(7.30.7.3) MWh fuel consumed for self-generation of electricity

0

(7.30.7.4) MWh fuel consumed for self-generation of heat

0

(7.30.7.5) MWh fuel consumed for self-generation of steam

0

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

-

Coal

(7.30.7.1) Heating value

Select from:

☒ Unable to confirm heating value

(7.30.7.2) Total fuel MWh consumed by the organization

0

(7.30.7.3) MWh fuel consumed for self-generation of electricity

0

(7.30.7.4) MWh fuel consumed for self-generation of heat

0

(7.30.7.5) MWh fuel consumed for self-generation of steam

0

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

-

Oil

(7.30.7.1) Heating value

Select from:

☒ HHV

(7.30.7.2) Total fuel MWh consumed by the organization

16421.73

(7.30.7.3) MWh fuel consumed for self-generation of electricity

301

(7.30.7.4) MWh fuel consumed for self-generation of heat

16120.73

(7.30.7.5) MWh fuel consumed for self-generation of steam

0

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

301 MWh of diesel fuel used for emergency generator test runs Fuel consumed for mobile combustion (cars) and boiler-driven heat production 16,121 MWh

Gas

(7.30.7.1) Heating value

Select from:

☒ HHV

(7.30.7.2) Total fuel MWh consumed by the organization

349608.63

(7.30.7.3) MWh fuel consumed for self-generation of electricity

0

(7.30.7.4) MWh fuel consumed for self-generation of heat

229570.29

(7.30.7.5) MWh fuel consumed for self-generation of steam

120038.34

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

349,609 MWh of energy consumption, including LNG, LPG, and propane to generate heat and steam to run the company, including running boilers, operating restaurants, and manufacturing products

Other non-renewable fuels (e.g. non-renewable hydrogen)

(7.30.7.1) Heating value

Select from:

☒ Unable to confirm heating value

(7.30.7.2) Total fuel MWh consumed by the organization

0

(7.30.7.3) MWh fuel consumed for self-generation of electricity

0

(7.30.7.4) MWh fuel consumed for self-generation of heat

0

(7.30.7.5) MWh fuel consumed for self-generation of steam

0

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

-

Total fuel

(7.30.7.1) Heating value

Select from:

☒ HHV

(7.30.7.2) Total fuel MWh consumed by the organization

366030.36

(7.30.7.3) MWh fuel consumed for self-generation of electricity

301

(7.30.7.4) MWh fuel consumed for self-generation of heat

245691.02

(7.30.7.5) MWh fuel consumed for self-generation of steam

120038.34

(7.30.7.7) MWh fuel consumed for self- cogeneration or self-trigeneration

0

(7.30.7.8) Comment

-

[Fixed row]

(7.30.9) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

Electricity

(7.30.9.1) Total Gross generation (MWh)

7688.61

(7.30.9.2) Generation that is consumed by the organization (MWh)

6369.61

(7.30.9.3) Gross generation from renewable sources (MWh)

7688.61

(7.30.9.4) Generation from renewable sources that is consumed by the organization (MWh)

6369.61

Heat

(7.30.9.1) Total Gross generation (MWh)

245691.02

(7.30.9.2) Generation that is consumed by the organization (MWh)

245691.02

(7.30.9.3) Gross generation from renewable sources (MWh)

0

(7.30.9.4) Generation from renewable sources that is consumed by the organization (MWh)

0

Steam

(7.30.9.1) Total Gross generation (MWh)

120038.34

(7.30.9.2) Generation that is consumed by the organization (MWh)

120038.34

(7.30.9.3) Gross generation from renewable sources (MWh)

0

(7.30.9.4) Generation from renewable sources that is consumed by the organization (MWh)

0

Cooling

(7.30.9.1) Total Gross generation (MWh)

0

(7.30.9.2) Generation that is consumed by the organization (MWh)

0

(7.30.9.3) Gross generation from renewable sources (MWh)

0

(7.30.9.4) Generation from renewable sources that is consumed by the organization (MWh)

0

[Fixed row]

(7.30.14) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero or near-zero emission factor in the market-based Scope 2 figure reported in 7.7.

Row 1

(7.30.14.1) Country/area

Select from:

☒ Republic of Korea

(7.30.14.2) Sourcing method

Select from:

☒ Physical power purchase agreement (physical PPA) with a grid-connected generator

(7.30.14.3) Energy carrier

Select from:

☒ Electricity

(7.30.14.4) Low-carbon technology type

Select from:

☒ Solar

(7.30.14.5) Low-carbon energy consumed via selected sourcing method in the reporting year (MWh)

11627.01

(7.30.14.6) Tracking instrument used

Select from:

☒ Korean REC

(7.30.14.7) Country/area of origin (generation) of the low-carbon energy or energy attribute

Select from:

☒ Republic of Korea

(7.30.14.8) Are you able to report the commissioning or re-powering year of the energy generation facility?

Select from:

☒ Yes

(7.30.14.9) Commissioning year of the energy generation facility (e.g. date of first commercial operation or repowering)

2008

(7.30.14.10) Comment

Since we have acquired RECs from multiple solar power facilities, we have provided the start year of the facility with the largest share

Row 2

(7.30.14.1) Country/area

Select from:

☒ Indonesia

(7.30.14.2) Sourcing method

Select from:

☒ Unbundled procurement of energy attribute certificates (EACs)

(7.30.14.3) Energy carrier

Select from:

☒ Electricity

(7.30.14.4) Low-carbon technology type

Select from:

☒ Renewable energy mix, please specify :Solar, Wind, Geothermal

(7.30.14.5) Low-carbon energy consumed via selected sourcing method in the reporting year (MWh)

15676

(7.30.14.6) Tracking instrument used

Select from:

☒ I-REC

(7.30.14.7) Country/area of origin (generation) of the low-carbon energy or energy attribute

Select from:

☒ Indonesia

(7.30.14.8) Are you able to report the commissioning or re-powering year of the energy generation facility?

Select from:

☒ Yes

(7.30.14.9) Commissioning year of the energy generation facility (e.g. date of first commercial operation or repowering)

2022

(7.30.14.10) Comment

-

Row 3

(7.30.14.1) Country/area

Select from:

☒ Turkey

(7.30.14.2) Sourcing method

Select from:

☒ Unbundled procurement of energy attribute certificates (EACs)

(7.30.14.3) Energy carrier

Select from:

☒ Electricity

(7.30.14.4) Low-carbon technology type

Select from:

☒ Geothermal

(7.30.14.5) Low-carbon energy consumed via selected sourcing method in the reporting year (MWh)

3495

(7.30.14.6) Tracking instrument used

Select from:

☒ I-REC

(7.30.14.7) Country/area of origin (generation) of the low-carbon energy or energy attribute

Select from:

☒ Turkey

(7.30.14.8) Are you able to report the commissioning or re-powering year of the energy generation facility?

Select from:

☒ Yes

(7.30.14.9) Commissioning year of the energy generation facility (e.g. date of first commercial operation or repowering)

2017

(7.30.14.10) Comment

-

Row 4

(7.30.14.1) Country/area

Select from:

☒ Russian Federation

(7.30.14.2) Sourcing method

Select from:

☒ Default delivered electricity from the grid (e.g. standard product offering by an energy supplier), supported by energy attribute certificates

(7.30.14.3) Energy carrier

Select from:

☒ Electricity

(7.30.14.4) Low-carbon technology type

Select from:

☒ Renewable energy mix, please specify :Solar, Wind

(7.30.14.5) Low-carbon energy consumed via selected sourcing method in the reporting year (MWh)

7000

(7.30.14.6) Tracking instrument used

Select from:

☒ Other, please specify :Green eTrack

(7.30.14.7) Country/area of origin (generation) of the low-carbon energy or energy attribute

Select from:

☒ Russian Federation

(7.30.14.8) Are you able to report the commissioning or re-powering year of the energy generation facility?

Select from:

☒ No

(7.30.14.10) Comment

-

[Add row]

(7.30.16) Provide a breakdown by country/area of your electricity/heat/steam/cooling consumption in the reporting year.

China

(7.30.16.1) Consumption of purchased electricity (MWh)

2848.26

(7.30.16.2) Consumption of self-generated electricity (MWh)

0

(7.30.16.4) Consumption of purchased heat, steam, and cooling (MWh)

8734.89

(7.30.16.5) Consumption of self-generated heat, steam, and cooling (MWh)

633.97

(7.30.16.6) Total electricity/heat/steam/cooling energy consumption (MWh)

12217.12

Indonesia

(7.30.16.1) Consumption of purchased electricity (MWh)

15675.49

(7.30.16.2) Consumption of self-generated electricity (MWh)

0

(7.30.16.4) Consumption of purchased heat, steam, and cooling (MWh)

0

(7.30.16.5) Consumption of self-generated heat, steam, and cooling (MWh)

11354.83

(7.30.16.6) Total electricity/heat/steam/cooling energy consumption (MWh)

27030.32

Republic of Korea

(7.30.16.1) Consumption of purchased electricity (MWh)

249529.72

(7.30.16.2) Consumption of self-generated electricity (MWh)

6369.61

(7.30.16.4) Consumption of purchased heat, steam, and cooling (MWh)

14486.11

(7.30.16.5) Consumption of self-generated heat, steam, and cooling (MWh)

341401.15

(7.30.16.6) Total electricity/heat/steam/cooling energy consumption (MWh)

611786.59

Russian Federation

(7.30.16.1) Consumption of purchased electricity (MWh)

7020.61

(7.30.16.2) Consumption of self-generated electricity (MWh)

0

(7.30.16.4) Consumption of purchased heat, steam, and cooling (MWh)

0

(7.30.16.5) Consumption of self-generated heat, steam, and cooling (MWh)

8257.86

(7.30.16.6) Total electricity/heat/steam/cooling energy consumption (MWh)

15278.47

Turkey

(7.30.16.1) Consumption of purchased electricity (MWh)

3494.3

(7.30.16.2) Consumption of self-generated electricity (MWh)

0

(7.30.16.4) Consumption of purchased heat, steam, and cooling (MWh)

0

(7.30.16.5) Consumption of self-generated heat, steam, and cooling (MWh)

4382.55

(7.30.16.6) Total electricity/heat/steam/cooling energy consumption (MWh)

7876.85

[Fixed row]

(7.45) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Row 1

(7.45.1) Intensity figure

3.09e-8

(7.45.2) Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

182418

(7.45.3) Metric denominator

Select from:

☒ unit total revenue

(7.45.4) Metric denominator: Unit total

5908792000000

(7.45.5) Scope 2 figure used

Select from:

☒ Market-based

(7.45.6) % change from previous year

(7.45.7) Direction of change*Select from:*☒ Decreased**(7.45.8) Reasons for change***Select all that apply*☒ Change in renewable energy consumption☒ Other emissions reduction activities☒ Change in revenue**(7.45.9) Please explain**

The unit emissions decreased by approximately 2.52% compared to the previous year. The main reasons for this change include a 2% increase in renewable energy usage compared to the previous year and a 4.8% reduction in emissions through other reduction activities. Additionally, the sales, which is the denominator for the unit emissions calculation, increased by 0.79% compared to the previous year, contributing to the reduction in unit emissions.

*[Add row]***(7.52) Provide any additional climate-related metrics relevant to your business.****Row 1****(7.52.1) Description***Select from:*☒ Waste**(7.52.2) Metric value**

(7.52.3) Metric numerator

%

(7.52.4) Metric denominator (intensity metric only)

-

(7.52.5) % change from previous year

1.6

(7.52.6) Direction of change

Select from:

☒ Increased

(7.52.7) Please explain

KT&G has set a goal to achieve a 90% recycling rate for business site waste by 2030 and is thoroughly implementing waste separation to facilitate recycling. Additionally, the company is working to improve the recycling rate by seeking and transitioning to appropriate recycling methods for waste that was previously disposed of using non-recycling method
[Add row]

(7.53) Did you have an emissions target that was active in the reporting year?

Select all that apply

☒ Absolute target

(7.53.1) Provide details of your absolute emissions targets and progress made against those targets.

Row 1

(7.53.1.1) Target reference number

Select from:

☒ Abs 1

(7.53.1.2) Is this a science-based target?

Select from:

☒ Yes, and this target has been approved by the Science Based Targets initiative

(7.53.1.3) Science Based Targets initiative official validation letter

Near-Term Approval Letter.pdf

(7.53.1.4) Target ambition

Select from:

☒ 1.5°C aligned

(7.53.1.5) Date target was set

02/21/2022

(7.53.1.6) Target coverage

Select from:

☒ Organization-wide

(7.53.1.7) Greenhouse gases covered by target

Select all that apply

☒ Carbon dioxide (CO₂)

☒ Methane (CH₄)

☒ Nitrous oxide (N₂O)

(7.53.1.8) Scopes

Select all that apply

☒ Scope 1

☒ Scope 2

(7.53.1.9) Scope 2 accounting method

Select from:

☒ Market-based

(7.53.1.11) End date of base year

12/30/2020

(7.53.1.12) Base year Scope 1 emissions covered by target (metric tons CO2e)

74583

(7.53.1.13) Base year Scope 2 emissions covered by target (metric tons CO2e)

122445

(7.53.1.31) Base year total Scope 3 emissions covered by target (metric tons CO2e)

0.000

(7.53.1.32) Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

197028.000

(7.53.1.33) Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1

100

(7.53.1.34) Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2

100

(7.53.1.53) Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

100

(7.53.1.54) End date of target

12/30/2030

(7.53.1.55) Targeted reduction from base year (%)

42

(7.53.1.56) Total emissions at end date of target covered by target in all selected Scopes (metric tons CO2e)

114276.240

(7.53.1.57) Scope 1 emissions in reporting year covered by target (metric tons CO2e)

68330

(7.53.1.58) Scope 2 emissions in reporting year covered by target (metric tons CO2e)

114088

(7.53.1.77) Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

182418.000

(7.53.1.78) Land-related emissions covered by target

Select from:

☒ No, it does not cover any land-related emissions (e.g. non-FLAG SBT)

(7.53.1.79) % of target achieved relative to base year

(7.53.1.80) Target status in reporting year

Select from:

☒ Underway**(7.53.1.82) Explain target coverage and identify any exclusions**

The emissions from other sales subsidiaries, which have minimal emissions and do not meet the materiality criteria, have been excluded from the calculation.

(7.53.1.83) Target objective

KT&G recognizes the severity of climate change and has established mid-to-long-term reduction targets in accordance with the guidelines of the global Science Based Targets initiative to reduce greenhouse gas emissions. In November 2024, KT&G obtained official approval for these targets from SBTi.. These targets are part of a strategic response to evolving environmental regulations, such as the mandatory disclosure of non-financial information and the goals and pathways of leading global companies. In particular, KT&G has set more ambitious goals by advancing its existing 2050 carbon neutrality target to 2045, demonstrating its commitment to playing a leading role in overcoming the climate crisis. KT&G's greenhouse gas reduction targets go beyond mere corporate obligations; they are essential actions to protect the planet and respond to climate change swiftly and effectively. The company's targets to reduce S1+2 emissions by 42% and S3 emissions by 25% by 2030 reflect a commitment to greater responsibility in addressing climate change. To achieve these targets, KT&G is actively employing various reduction measures, including the expansion of solar power facilities, transitioning to high-efficiency equipment, entering into PPA, and adopting international REC.

(7.53.1.84) Plan for achieving target, and progress made to the end of the reporting year

KT&G establishes strategies and goals and oversees implementation progress through its 'Sustainability Committee' to address climate change-related risks and opportunities. In 2024, KT&G assessed its greenhouse gas reduction achievements and renewable energy progress compared to 2020. This led to the development of an ESG implementation plan incorporating an enhanced net-zero strategy, climate-related targets, and key action plans. Additionally, KT&G revised its ESG policies to align with global climate change response standards. KT&G has set absolute quantity targets for three key indicators: company-wide Scope 1+2, Scope 3, and renewable energy usage rate. We monitor progress toward these targets, which correspond to mid-term goals for 2030 and final goals for 2045. We also disclose the implementation rate for the reporting year through the Group Integrated Report and Climate Report. KT&G is implementing various detailed targets as key climate transition plans, including: 1. Product material change 2. Expansion of renewable energy production and procurement 3. Adoption of high-efficiency facilities and transition to electric vehicles 4. Incorporating potential carbon prices and implementing the company-wide energy costs settlement system KT&G is reducing Scope 1 greenhouse gas emissions by converting utility facilities to high-efficiency systems, recovering waste heat generated during processes, and transitioning commercial vehicles to electric vehicles to reduce fuel consumption. It is also progressively shifting from fossil fuel-based energy to low-carbon and renewable energy sources in factories and offices. Additionally, to reduce Scope 2 emissions, KT&G has introduced FEMS to enhance energy efficiency. Furthermore, KT&G has established renewable energy procurement targets exceeding the guidelines of the global RE100 initiative. By signing 20-year long-term PPAs (Power Purchase Agreements), KT&G is building a foundation to supply renewable energy not only to its factories but also to its diverse business sites. We are strategically introducing i-REC not only at domestic facilities but also at overseas sites. Through these efforts, we have raised the company-wide renewable energy usage ratio to 21.4% as of 2024.

(7.53.1.85) Target derived using a sectoral decarbonization approach

Select from:

☒ No

Row 2

(7.53.1.1) Target reference number

Select from:

☒ Abs 2

(7.53.1.2) Is this a science-based target?

Select from:

☒ Yes, and this target has been approved by the Science Based Targets initiative

(7.53.1.3) Science Based Targets initiative official validation letter

Near-Term Approval Letter.pdf

(7.53.1.4) Target ambition

Select from:

☒ Well-below 2°C aligned

(7.53.1.5) Date target was set

02/21/2022

(7.53.1.6) Target coverage

Select from:

☒ Organization-wide

(7.53.1.7) Greenhouse gases covered by target

Select all that apply

- ☒ Carbon dioxide (CO2)
- ☒ Methane (CH4)
- ☒ Nitrous oxide (N2O)

(7.53.1.8) Scopes

Select all that apply

- ☒ Scope 3

(7.53.1.10) Scope 3 categories

Select all that apply

- ☒ Scope 3, Category 1 – Purchased goods and services
- ☒ Scope 3, Category 3 – Fuel- and energy- related activities (not included in Scope 1 or 2)
- ☒ Scope 3, Category 11 – Use of sold products

(7.53.1.11) End date of base year

12/30/2022

(7.53.1.14) Base year Scope 3, Category 1: Purchased goods and services emissions covered by target (metric tons CO2e)

240323

(7.53.1.16) Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target (metric tons CO2e)

23508

(7.53.1.24) Base year Scope 3, Category 11: Use of sold products emissions covered by target (metric tons CO2e)

398866

(7.53.1.31) Base year total Scope 3 emissions covered by target (metric tons CO2e)

662697.000

(7.53.1.32) Total base year emissions covered by target in all selected Scopes (metric tons CO2e)

662697.000

(7.53.1.35) Base year Scope 3, Category 1: Purchased goods and services emissions covered by target as % of total base year emissions in Scope 3, Category 1: Purchased goods and services (metric tons CO2e)

100

(7.53.1.37) Base year Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions covered by target as % of total base year emissions in Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) (metric tons CO2e)

100

(7.53.1.45) Base year Scope 3, Category 11: Use of sold products emissions covered by target as % of total base year emissions in Scope 3, Category 11: Use of sold products (metric tons CO2e)

100

(7.53.1.52) Base year total Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Scope 3 categories)

77

(7.53.1.53) Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes

(7.53.1.54) End date of target

12/30/2030

(7.53.1.55) Targeted reduction from base year (%)

25

(7.53.1.56) Total emissions at end date of target covered by target in all selected Scopes (metric tons CO2e)

497022.750

(7.53.1.59) Scope 3, Category 1: Purchased goods and services emissions in reporting year covered by target (metric tons CO2e)

215456

(7.53.1.61) Scope 3, Category 3: Fuel-and-energy-related activities (not included in Scopes 1 or 2) emissions in reporting year covered by target (metric tons CO2e)

28078

(7.53.1.69) Scope 3, Category 11: Use of sold products emissions in reporting year covered by target (metric tons CO2e)

370835

(7.53.1.76) Total Scope 3 emissions in reporting year covered by target (metric tons CO2e)

614369.000

(7.53.1.77) Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)

614369.000

(7.53.1.78) Land-related emissions covered by target

Select from:

☒ No, it does not cover any land-related emissions (e.g. non-FLAG SBT)

(7.53.1.79) % of target achieved relative to base year

29.17

(7.53.1.80) Target status in reporting year

Select from:

☒ Underway

(7.53.1.82) Explain target coverage and identify any exclusions

The emissions from other sales subsidiaries, which are minimal and do not meet the materiality criteria, have been excluded from the calculation

(7.53.1.83) Target objective

KT&G recognizes the severity of climate change and has set mid- to long-term GHG reduction targets in accordance with the Science Based Targets initiative guidelines. These targets are part of a strategic response to evolving environmental regulations, such as the mandatory disclosure of non-financial information and the goals and pathways of leading global companies. In particular, KT&G has set more ambitious goals by advancing its existing 2050 carbon neutrality target to 2045, demonstrating its commitment to playing a leading role in overcoming the climate crisis. KT&G's greenhouse gas reduction targets go beyond mere corporate obligations; they are essential actions to protect the planet and respond to climate change swiftly and effectively. The company's targets to reduce S1+2 emissions by 42% and S3 emissions by 25% by 2030 reflect a commitment to greater responsibility in addressing climate change. To achieve these targets, KT&G is actively employing various reduction measures, including the expansion of solar power facilities, transitioning to high-efficiency equipment, entering into PPA, and adopting international REC. KT&G's greenhouse gas reduction targets play a critical role in the company's sustainable growth and environmental protection while contributing to the global net-zero goals. Through these efforts, KT&G is continuously working towards improving energy efficiency, increasing the proportion of renewable energy, and achieving carbon neutrality by 2045

(7.53.1.84) Plan for achieving target, and progress made to the end of the reporting year

KT&G establishes strategies and goals through its Sustainability Management Committee to address climate change-related risks and opportunities, and oversees the implementation progress. In 2024, the Sustainability Management Committee assessed greenhouse gas reduction achievements and renewable energy progress compared to 2020. It developed an ESG implementation plan incorporating enhanced net-zero strategies and climate-related targets and key initiatives. The committee also revised ESG policies to align with global climate change response standards, including raising mid-to-long-term greenhouse gas reduction targets.

KT&G has established absolute quantity targets for three key indicators: company-wide Scope 1+2, Scope 3, and renewable energy usage rate. It monitors progress toward these targets, setting specific achievement dates for the 2030 mid-to-long-term goal and the 2045 final goal. Furthermore, it discloses the implementation rate for the reporting year through the Group Integrated Report and Climate Report. KT&G has developed a systematic implementation strategy to reduce value chain emissions (Scope 3). 1. Product material change 2. Establishment of greenhouse gas inventories and energy diagnostic consulting for key partners 3. Foundation for greenhouse gas reduction at key partners (mid-to-long-term roadmap) It is implementing various supply chain support programs. To reduce greenhouse gas emissions from suppliers, we are conducting research analyzing the effectiveness of biochar to reduce emissions from leaf tobacco farms, our primary raw material suppliers. Starting with this effectiveness analysis, we plan to explore various greenhouse gas reduction methods for leaf tobacco farms and actively support their practical implementation. Additionally, we provide direct and indirect support to material partners for greenhouse gas reduction, including high-efficiency equipment support, environmental management consulting support, and replacement of aging cargo tanks. We plan to explore greenhouse gas reduction measures in multiple areas going forward, such as supporting ISO certification and providing greenhouse gas management system support.

(7.53.1.85) Target derived using a sectoral decarbonization approach

Select from:

☒ No

[Add row]

(7.54) Did you have any other climate-related targets that were active in the reporting year?

Select all that apply

☒ Targets to increase or maintain low-carbon energy consumption or production

☒ Net-zero targets

(7.54.1) Provide details of your targets to increase or maintain low-carbon energy consumption or production.

Row 1

(7.54.1.1) Target reference number

Select from:

☒ Low 1

(7.54.1.2) Date target was set

02/21/2022

(7.54.1.3) Target coverage

Select from:

☒ Organization-wide

(7.54.1.4) Target type: energy carrier

Select from:

☒ Electricity

(7.54.1.5) Target type: activity

Select from:

☒ Consumption

(7.54.1.6) Target type: energy source

Select from:

☒ Renewable energy source(s) only

(7.54.1.7) End date of base year

12/30/2020

(7.54.1.8) Consumption or production of selected energy carrier in base year (MWh)

188

(7.54.1.9) % share of low-carbon or renewable energy in base year

0.1

(7.54.1.10) End date of target

12/30/2030

(7.54.1.11) % share of low-carbon or renewable energy at end date of target

80

(7.54.1.12) % share of low-carbon or renewable energy in reporting year

15.5

(7.54.1.13) % of target achieved relative to base year

19.27

(7.54.1.14) Target status in reporting year

Select from:

☒ Underway

(7.54.1.16) Is this target part of an emissions target?

Abs 1, Yes, this target falls under the detailed targets contributing to the reduction of Scope 1 and 2 emissions.

(7.54.1.17) Is this target part of an overarching initiative?

Select all that apply

☒ No, it's not part of an overarching initiative

(7.54.1.19) Explain target coverage and identify any exclusions

The emissions from other sales subsidiaries, which have minimal emissions and do not meet the materiality criteria, have been excluded from the calculation.

(7.54.1.20) Target objective

KT&G has set clear goals to expand the use of renewable energy and reduce greenhouse gas emissions to address global climate change and promote sustainable management. The company aims to achieve an 80% renewable energy usage rate by 2030, with the goal of minimizing the environmental impact from its business activities. This initiative is not only focused on reducing greenhouse gas emissions but also on achieving various objectives, such as long-term carbon cost savings.

(7.54.1.21) Plan for achieving target, and progress made to the end of the reporting year

KT&G is striving to transition to renewable energy over the mid- to long-term to achieve its 80% renewable energy consumption goal by 2030 and reduce GHG emissions. To this end, we are moving forward with the adoption of solar power generation facilities on the rooftops or roofs of domestic factories and SangSang Madang. We have been operating a 3.1 MWp solar power generation system on the roof of the Gwangju Plant since June 2023. In addition, we plan to install around 10.5 MWp solar power generation systems at five domestic factories by 2025, through which we aim to reduce an annual 6,162 tCO₂eq of GHG emissions. We are purchasing Renewable Energy Certificates (RECs) for continued reduction according to our mid- to long-term GHG reduction roadmap, and completed a 15,676 MWh International Renewable Energy Certificate (I-REC) purchase for the Indonesia Plant and 3,495 MWh I-REC purchase for the Türkiye Plant as well as a 7,000 MWh Green Energy purchase for the Russia Plant in 2024. In addition, we signed a 20-year, long-term power purchase agreement (PPA) totaling 11.8MWp in 2024, through which we expect to reduce GHG emissions by an additional 6,925 tCO₂eq a year. As a result of these efforts, KT&G Group's renewable energy consumption rate increased to 15.5% in 2024 and has grown to 21.4% based on all business sites of KT&G. Moving forward, we will continue to accelerate the Group's transition to renewable energy by expanding PPA applications and activating discussions within the group-wide consultative body.

[Add row]

(7.54.3) Provide details of your net-zero target(s).

Row 1

(7.54.3.1) Target reference number

Select from:

☒ NZ1

(7.54.3.2) Date target was set

02/21/2022

(7.54.3.3) Target Coverage

Select from:

☒ Organization-wide

(7.54.3.4) Targets linked to this net zero target

Select all that apply

- ☒ Abs1
- ☒ Abs2
- ☒ Low1

(7.54.3.5) End date of target for achieving net zero

12/30/2045

(7.54.3.6) Is this a science-based target?

Select from:

- ☒ Yes, and this target has been approved by the Science Based Targets initiative

(7.54.3.7) Science Based Targets initiative official validation letter

Net-Zero Approval Letter.pdf

(7.54.3.8) Scopes

Select all that apply

- ☒ Scope 1
- ☒ Scope 2
- ☒ Scope 3

(7.54.3.9) Greenhouse gases covered by target

Select all that apply

- ☒ Carbon dioxide (CO2)
- ☒ Methane (CH4)
- ☒ Nitrous oxide (N2O)

(7.54.3.10) Explain target coverage and identify any exclusions

Emissions from other sales subsidiaries, which are minimal and do not meet the materiality criteria, have been excluded from the calculation

(7.54.3.11) Target objective

KT&G recognizes the severity of climate change and has set mid- to long-term GHG reduction targets in accordance with the Science Based Targets initiative guidelines. These targets are part of a strategic response to evolving environmental regulations, such as the mandatory disclosure of non-financial information and the goals and pathways of leading global companies. In particular, KT&G has set more ambitious goals by advancing its existing 2050 carbon neutrality target to 2045, demonstrating its commitment to playing a leading role in overcoming the climate crisis. KT&G's greenhouse gas reduction targets go beyond mere corporate obligations; they are essential actions to protect the planet and respond to climate change swiftly and effectively. The company's targets to reduce S1+2 emissions by 42% and S3 emissions by 25% by 2030 reflect a commitment to greater responsibility in addressing climate change. To achieve these targets, KT&G is actively employing various reduction measures, including the expansion of solar power facilities, transitioning to high-efficiency equipment, entering into PPA, and adopting international REC. KT&G's greenhouse gas reduction targets play a critical role in the company's sustainable growth and environmental protection while contributing to the global net-zero goals. Through these efforts, KT&G is continuously working towards improving energy efficiency, increasing the proportion of renewable energy, and achieving carbon neutrality by 2045

(7.54.3.12) Do you intend to neutralize any residual emissions with permanent carbon removals at the end of the target?

Select from:

☒ Yes

(7.54.3.13) Do you plan to mitigate emissions beyond your value chain?

Select from:

☒ No, but we plan to within the next two years

(7.54.3.14) Do you intend to purchase and cancel carbon credits for neutralization and/or beyond value chain mitigation?

Select all that apply

☒ Yes, we plan to purchase and cancel carbon credits for beyond value chain mitigation

(7.54.3.15) Planned milestones and/or near-term investments for neutralization at the end of the target

As of now, no specific activities have been finalized for after the target period ends, but we are continuously exploring offset activities. In the future, we plan to review various offset options to achieve carbon neutrality, particularly those that include carbon absorption and removal.

(7.54.3.17) Target status in reporting year

Select from:

☒ Underway

(7.54.3.19) Process for reviewing target

KT&G has implemented a company-wide energy settlement system since 2022 to monitor energy emissions and water usage at its business sites. This system requires each business unit to input energy and water usage into an online system based on supporting documents (billing statements) on a monthly basis, allowing the company to track the implementation status of reduction targets at each site. Additionally, the system predicts annual emissions while considering seasonal fluctuations. As of January 2023, the energy settlement system's scope has been expanded to include overseas manufacturing plants (Indonesia, Turkey, and Russia). The headquarters and domestic and overseas manufacturing sites participate in monthly regular virtual meetings (ESG Monthly).

[Add row]

(7.55) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Select from:

☒ Yes

(7.55.1) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e
Under investigation	2	`Numeric input
To be implemented	20	1654
Implementation commenced	15	1407
Implemented	59	8938
Not to be implemented	32	`Numeric input

[Fixed row]

(7.55.2) Provide details on the initiatives implemented in the reporting year in the table below.

Row 1

(7.55.2.1) Initiative category & Initiative type

Energy efficiency in production processes

☒ Machine/equipment replacement

(7.55.2.2) Estimated annual CO2e savings (metric tonnes CO2e)

647.43

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☒ Scope 1

☒ Scope 2 (location-based)

☒ Scope 2 (market-based)

(7.55.2.4) Voluntary/Mandatory

Select from:

☒ Voluntary

(7.55.2.5) Annual monetary savings (unit currency – as specified in 1.2)

330466476

(7.55.2.6) Investment required (unit currency – as specified in 1.2)

4895800000

(7.55.2.7) Payback period

Select from:

☒ 11-15 years

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☒ 3-5 years

(7.55.2.9) Comment

-

Row 2

(7.55.2.1) Initiative category & Initiative type

Energy efficiency in production processes

☒ Process optimization

(7.55.2.2) Estimated annual CO2e savings (metric tonnes CO2e)

5344.42

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☒ Scope 1

☒ Scope 2 (location-based)

☒ Scope 2 (market-based)

(7.55.2.4) Voluntary/Mandatory

Select from:

☒ Voluntary

(7.55.2.5) Annual monetary savings (unit currency – as specified in 1.2)

2386980279

(7.55.2.6) Investment required (unit currency – as specified in 1.2)

1483146000

(7.55.2.7) Payback period

Select from:

☒ <1 year

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☒ 1-2 years

(7.55.2.9) Comment

-

Row 3

(7.55.2.1) Initiative category & Initiative type

Energy efficiency in buildings

☒ Lighting

(7.55.2.2) Estimated annual CO2e savings (metric tonnes CO2e)

106.4

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☒ Scope 2 (location-based)

☒ Scope 2 (market-based)

(7.55.2.4) Voluntary/Mandatory

Select from:

☒ Voluntary

(7.55.2.5) Annual monetary savings (unit currency – as specified in 1.2)

44329771

(7.55.2.6) Investment required (unit currency – as specified in 1.2)

195000000

(7.55.2.7) Payback period

Select from:

☒ 4-10 years

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☒ 6-10 years

(7.55.2.9) Comment

-

Row 4

(7.55.2.1) Initiative category & Initiative type

Energy efficiency in production processes

☒ Waste heat recovery

(7.55.2.2) Estimated annual CO2e savings (metric tonnes CO2e)

1216.9

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☒ Scope 1

(7.55.2.4) Voluntary/Mandatory

Select from:

☒ Voluntary

(7.55.2.5) Annual monetary savings (unit currency – as specified in 1.2)

555144221

(7.55.2.6) Investment required (unit currency – as specified in 1.2)

324000000

(7.55.2.7) Payback period

Select from:

☒ <1 year

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☒ 3-5 years

(7.55.2.9) Comment

-

Row 5

(7.55.2.1) Initiative category & Initiative type

Low-carbon energy consumption

☒ Solar PV

(7.55.2.2) Estimated annual CO2e savings (metric tonnes CO2e)

1603.76

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☒ Scope 2 (location-based)

☒ Scope 2 (market-based)

(7.55.2.4) Voluntary/Mandatory

Select from:

☒ Voluntary

(7.55.2.5) Annual monetary savings (unit currency – as specified in 1.2)

668176634

(7.55.2.6) Investment required (unit currency – as specified in 1.2)

4391000000

(7.55.2.7) Payback period

Select from:

☒ 4-10 years

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☒ 6-10 years

(7.55.2.9) Comment

-

Row 6

(7.55.2.1) Initiative category & Initiative type

Energy efficiency in production processes

☒ Reuse of water

(7.55.2.2) Estimated annual CO2e savings (metric tonnes CO2e)

19.33

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

☒ Scope 1

(7.55.2.4) Voluntary/Mandatory

Select from:

☒ Voluntary

(7.55.2.5) Annual monetary savings (unit currency – as specified in 1.2)

39966506

(7.55.2.6) Investment required (unit currency – as specified in 1.2)

246760000

(7.55.2.7) Payback period

Select from:

☒ 4-10 years

(7.55.2.8) Estimated lifetime of the initiative

Select from:

☒ 6-10 years

(7.55.2.9) Comment

-

Row 7

(7.55.2.1) Initiative category & Initiative type

Energy efficiency in buildings

☒ Building Energy Management Systems (BEMS)

(7.55.2.2) Estimated annual CO2e savings (metric tonnes CO2e)

0

(7.55.2.3) Scope(s) or Scope 3 category(ies) where emissions savings occur

Select all that apply

- ☒ Scope 1
- ☒ Scope 2 (location-based)
- ☒ Scope 2 (market-based)

(7.55.2.4) Voluntary/Mandatory

Select from:

- ☒ Voluntary

(7.55.2.5) Annual monetary savings (unit currency – as specified in 1.2)

0

(7.55.2.6) Investment required (unit currency – as specified in 1.2)

130800000

(7.55.2.7) Payback period

Select from:

- ☒ 4-10 years

(7.55.2.8) Estimated lifetime of the initiative

Select from:

- ☒ 6-10 years

(7.55.2.9) Comment

Emissions reductions achieved through FEMS(Factory Energy Management System) were recorded as zero to prevent double counting of reductions, as they are included in other initiative types. The same applies to annual monetary savings.

[Add row]

(7.55.3) What methods do you use to drive investment in emissions reduction activities?

Row 1

(7.55.3.1) Method

Select from:

☒ Internal price on carbon

(7.55.3.2) Comment

KT&G's internal carbon pricing is used as a guideline for economic analysis and investment decisions, enhancing and encouraging the viability of climate change-related investments by considering potential carbon costs. It is also reflected in the calculation of the payback period for anticipated cost savings and emission reductions in climate-related investments. For example, during the 2022 plan to install rooftop solar power at domestic manufacturing facilities, internal carbon pricing was applied to calculate profits and alternative effects, channeling the cost savings into renewable energy investments. It was assumed that approximately 1,690 tons of emissions would be reduced annually due to the solar installation, and applying the internal carbon price resulted in an estimated annual economic benefit of approximately KRW 85 million. In addition, the calculation method for investment payback periods was changed from the previous 'investment cost/energy savings' to 'investment cost/(energy savings + internal carbon price)' due to the implementation of internal carbon pricing, shortening the payback period for climate-related investments. In this way, internal carbon pricing supports positive decisions in the investment policies and decision-making processes of various emission reduction activities, and serves as a key guideline for prioritizing actions by comparing the financial impact of potential reduction effects

[Add row]

(7.68) Do you encourage your suppliers to undertake any agricultural or forest management practices with climate change mitigation and/or adaptation benefits?

Select from:

☒ Yes

(7.68.1) Specify which agricultural or forest management practices with climate change mitigation and/or adaptation benefits you encourage your suppliers to undertake and describe your role in the implementation of each practice.

Row 1

(7.68.1.1) Management practice reference number

Select from:

☒ MP1

(7.68.1.2) Management practice

Select from:

☒ Fertilizer management

(7.68.1.3) Description of management practice

KT&G is reducing its carbon impact by reducing the use of chemical fertilizers and promoting eco-friendly ones through joint research and collaboration with tobacco leaf farmers. Nitrogenous chemical fertilizers are a major source of nitrogen dioxide, a greenhouse gas, and reducing the use of chemical fertilizers can decrease emissions from the fertilizers.

(7.68.1.4) Your role in the implementation

Select all that apply

☒ Financial

☒ Knowledge sharing

(7.68.1.5) Explanation of how you encourage implementation

KT&G provides eco-friendly fertilizers necessary for tobacco cultivation to domestic tobacco farms. Based on this, and in response to the need for domestic tobacco production to meet global standards in areas such as environment, labor, and human rights, KT&G has developed its own management program, the 'Domestic Tobacco Production STP Guidelines.' Through these guidelines, the company promotes farm monitoring, farmer education, and communication at each key stage (nursery, transplanting, field stage, and harvesting) to strengthen the sustainable production foundation of domestic tobacco farms. In 2023, KT&G created the Domestic Tobacco Production STP Monitoring Index Manual, participating in sustainable domestic tobacco production under key management indicators in governance, environment, human rights, and labor. Additionally, the company is collaborating with external research institutions and receiving technical advice to launch initiatives aimed at long-term, substantial carbon emission reductions. Starting in 2024, KT&G has expanded the scope of monitoring for leaf tobacco farms and conducting intensive training programs such as 'KT&G regular training' and 'group training for farmers in the Korea Tobacco Growers Organization,' focusing on areas that were found to be lacking in the previous year's evaluation results. In 2023, KT&G created the Domestic Tobacco Production STP Monitoring Index Manual, participating in sustainable domestic tobacco production under key management indicators in governance, environment, human rights, and labor. Additionally, the company is collaborating with external research institutions and receiving technical advice to launch initiatives aimed at long-term, substantial carbon emission reductions.

(7.68.1.6) Climate change related benefit

Select all that apply

- ☒ Emissions reductions (mitigation)
- ☒ Reduced demand for fertilizers (adaptation)
- ☒ Reduced demand for pesticides (adaptation)

(7.68.1.7) Comment

-

Row 2

(7.68.1.1) Management practice reference number

Select from:

- ☒ MP2

(7.68.1.2) Management practice

Select from:

- ☒ Reducing energy use

(7.68.1.3) Description of management practice

We are carrying out a project to support recovery of waste heat discarded in the process of drying tobacco leaf. We are saving energy in the tobacco processing stage by attaching heat recovery devices to dryers, thus reducing the consumption of kerosene. We aim to improve the efficiency of a total of 4,000 dryers in tobacco farms by 2030 through this project

(7.68.1.4) Your role in the implementation

Select all that apply

- ☒ Financial

(7.68.1.5) Explanation of how you encourage implementation

KT&G provides financial support for the installation KT&G provides financial support for the installation of tobacco drying machines and promotes the economic

benefits of reducing kerosene usage through efficiency improvements to encourage participation from tobacco farms. In 2024, KT&G distributed 100 fuel-saving devices (worth approximately KRW 30.6 million) to farms to help reduce fuel costs, improve economic viability for farms, and lower greenhouse gas emissions.

(7.68.1.6) Climate change related benefit

Select all that apply

- ☒ Emissions reductions (mitigation)
- ☒ Reduced demand for fossil fuel (adaptation)

(7.68.1.7) Comment

-
[Add row]

(7.68.2) Do you collect information from your suppliers about the outcomes of any implemented agricultural/forest management practices you have encouraged?

Select from:

- ☒ Yes

(7.70) Do you know if any of the management practices mentioned in 7.68.1 that were implemented by your suppliers have other impacts besides climate change mitigation/adaptation?

Select from:

- ☒ Yes

(7.70.1) Provide details of those management practices implemented by your suppliers that have other impacts besides climate change mitigation/adaptation.

Row 1

(7.70.1.1) Management practice reference number

Select from:

☒ MP1

(7.70.1.2) Overall effect

Select from:

☒ Positive

(7.70.1.3) Which of the following has been impacted?

Select all that apply

☒ Biodiversity

☒ Soil

☒ Water

(7.70.1.4) Description of impacts

Tobacco farming can have an impact on soil and water through the use of fertilizers and herbicides during the cultivation process. Based on the Sustainable Tobacco Program (STP), KT&G shares standard farming practices and guidelines with tobacco farmers. These guidelines include appropriate criteria and management methods for fertilizer usage, as well as information on potential environmental impacts that may arise during the tobacco cultivation process. This allows farmers to minimize their environmental footprint and pursue effective crop management. By promoting the proper use of fertilizers and herbicides, the guidelines encourage them to prevent soil and water pollution caused by misuse. Additionally, KT&G undertakes seed management by conducting analyses to check genetic modification of tobacco seeds used for the cultivation.

(7.70.1.5) Have any response to these impacts been implemented?

Select from:

☒ No

(7.70.1.6) Description of the response(s)

The impact is positive, thus no response is required.

[Add row]

(7.74) Do you classify any of your existing goods and/or services as low-carbon products?

Select from:

☒ No

(7.79) Has your organization retired any project-based carbon credits within the reporting year?

Select from:

☒ No

C8. Environmental performance - Forests

(8.1) Are there any exclusions from your disclosure of forests-related data?

	Exclusion from disclosure
Timber products	Select from: ☒ Yes

[Fixed row]

(8.1.1) Provide details on these exclusions.

Timber products

(8.1.1.1) Exclusion

Select from:

☒ Specific suppliers

(8.1.1.2) Description of exclusion

The use of fuelwood for curing overseas tobacco leaves, which is jointly utilized by the eight member companies of the Sustainable Tobacco Program (STP), has been excluded from the reporting boundary. This fuelwood is a shared resource among multiple tobacco manufacturers, and there is currently no available data that allows for the allocation of purchase shares by individual manufacturers or for the precise attribution of volumes to KT&G. As it is not possible to verify the quantity of wood used directly attributable to KT&G's procurement activities, this item has therefore been excluded from the scope of disclosure.

(8.1.1.3) Value chain stage

Select from:

☒ Upstream value chain

(8.1.1.4) Reason for exclusion

Select from:

☒ Challenges associated with traceability

(8.1.1.8) Indicate if you are providing the commodity volume that is being excluded from your disclosure of forests-related data

Select from:

☒ Yes, we are providing the volume excluded

(8.1.1.9) Volume excluded (metric tons)

2956062.46

(8.1.1.10) Please explain

This figure represents the total volume of fuelwood jointly used by the eight member companies of the Sustainable Tobacco Program (STP). As KT&G's specific share cannot currently be determined, this item has been excluded from the reporting boundary. However, as the use of this fuelwood may potentially be associated with deforestation and land-use change, KT&G expects that once its attributable share can be calculated, the data will be incorporated into future disclosures as traceability limitations are resolved.
[Add row]

(8.2) Provide a breakdown of your disclosure volume per commodity.

	Disclosure volume (metric tons)	Volume type	Sourced volume (metric tons)
Timber products	69586.2	Select all that apply	69586.2

	Disclosure volume (metric tons)	Volume type	Sourced volume (metric tons)
		☒ Sourced	

[Fixed row]

(8.5) Provide details on the origins of your sourced volumes.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ New Zealand

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Mt. Maunganui

(8.5.4) Volume sourced from country/area of origin (metric tons)

167.13

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ China

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Shandong

(8.5.4) Volume sourced from country/area of origin (metric tons)

1233.94

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Canada

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Vancouver, British Columbia

(8.5.4) Volume sourced from country/area of origin (metric tons)

2988.29

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Yangsan

(8.5.4) Volume sourced from country/area of origin (metric tons)

26424.66

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Indonesia

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Riau, Sumatra

(8.5.4) Volume sourced from country/area of origin (metric tons)

11.71

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through PEFC certification and supplier investigation

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Indonesia

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Tangerang Banten, Serpong

(8.5.4) Volume sourced from country/area of origin (metric tons)

39.53

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Belgium

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Brussels

(8.5.4) Volume sourced from country/area of origin (metric tons)

401.04

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Janghang

(8.5.4) Volume sourced from country/area of origin (metric tons)

1726.75

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Viet Nam

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

PHU THO-VIET TRI, BAC NINH-TU SON

(8.5.4) Volume sourced from country/area of origin (metric tons)

404.48

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigation

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Daejeon, Janghang, Daegu

(8.5.4) Volume sourced from country/area of origin (metric tons)

139.54

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Cheongju

(8.5.4) Volume sourced from country/area of origin (metric tons)

8.64

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Osan, Siheung

(8.5.4) Volume sourced from country/area of origin (metric tons)

1909.3

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

(8.5.4) Volume sourced from country/area of origin (metric tons)

12222.73

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigation

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Ulsan

(8.5.4) Volume sourced from country/area of origin (metric tons)

101.83

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Sweden

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Gävleborg County, Jämtland County, Västernorrland County

(8.5.4) Volume sourced from country/area of origin (metric tons)

(8.5.5) Source*Select all that apply*☒ Contracted suppliers (manufacturers)**(8.5.6) List of supplier production and primary processing sites: names and locations (optional)***(8.5)(KT&G)List of supplier production and product origin.xlsx***(8.5.7) Please explain***The origin information was verified through FSC certification and supplier investigations.***Timber products****(8.5.1) Country/area of origin***Select from:*☒ Uruguay**(8.5.2) First level administrative division***Select from:*☒ Unknown**(8.5.4) Volume sourced from country/area of origin (metric tons)**

1.22

(8.5.5) Source*Select all that apply*☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

Due to the trade secrets of suppliers, we were only able to identify the origin at the country level. Instead, we confirmed FSC certification status

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Finland

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Central region Aankoski

(8.5.4) Volume sourced from country/area of origin (metric tons)

14.31

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ China

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Guizhou, Chishui

(8.5.4) Volume sourced from country/area of origin (metric tons)

17.7

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ China

(8.5.2) First level administrative division

Select from:

☒ Unknown

(8.5.4) Volume sourced from country/area of origin (metric tons)

521.43

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

Due to the trade secrets of suppliers, we were only able to identify the origin at the country level. Instead, we confirmed FSC certification status

Timber products

(8.5.1) Country/area of origin

Select from:

☒ China

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Shandong

(8.5.4) Volume sourced from country/area of origin (metric tons)

8.33

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through PEFC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Canada

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

British Columbia

(8.5.4) Volume sourced from country/area of origin (metric tons)

956.94

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Canada

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Vancouver

(8.5.4) Volume sourced from country/area of origin (metric tons)

1156.79

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Canada

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

British Columbia, Alberta

(8.5.4) Volume sourced from country/area of origin (metric tons)

45.41

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ France

(8.5.2) First level administrative division

Select from:

☒ Unknown

(8.5.4) Volume sourced from country/area of origin (metric tons)

3004.36

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

Due to the trade secrets of suppliers, we were only able to identify the origin at the country level. Instead, we confirmed FSC certification status

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Indonesia

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Muara Enim, Sumatra Selatan

(8.5.4) Volume sourced from country/area of origin (metric tons)

254.65

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Germany

(8.5.2) First level administrative division

Select from:

☒ Unknown

(8.5.4) Volume sourced from country/area of origin (metric tons)

0.57

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

Due to the trade secrets of suppliers, we were only able to identify the origin at the country level. Instead, we confirmed FSC certification status

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Chile

(8.5.2) First level administrative division

Select from:

☒ Unknown

(8.5.4) Volume sourced from country/area of origin (metric tons)

10220.35

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

Due to the trade secrets of suppliers, we were only able to identify the origin at the country level. Instead, we confirmed FSC certification status

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Republic of Korea

(8.5.2) First level administrative division

Select from:

☒ Unknown

(8.5.4) Volume sourced from country/area of origin (metric tons)

56.17

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

Due to the trade secrets of suppliers, we were only able to identify the origin at the country level. Instead, we confirmed FSC certification status

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Japan

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Tokyo

(8.5.4) Volume sourced from country/area of origin (metric tons)

2776.3

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ China

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Jiangsu

(8.5.4) Volume sourced from country/area of origin (metric tons)

96.47

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ China

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Guandong

(8.5.4) Volume sourced from country/area of origin (metric tons)

29.97

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ China

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

Shangdong

(8.5.4) Volume sourced from country/area of origin (metric tons)

85.59

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

Timber products

(8.5.1) Country/area of origin

Select from:

☒ Chile

(8.5.2) First level administrative division

Select from:

☒ States/equivalent jurisdictions

(8.5.3) Specify the states or equivalent jurisdictions

(8.5.4) Volume sourced from country/area of origin (metric tons)

7.49

(8.5.5) Source

Select all that apply

☒ Contracted suppliers (manufacturers)

(8.5.6) List of supplier production and primary processing sites: names and locations (optional)

(8.5)(KT&G)List of supplier production and product origin.xlsx

(8.5.7) Please explain

The origin information was verified through FSC certification and supplier investigations.

[Add row]

(8.7) Did your organization have a no-deforestation or no-conversion target, or any other targets for sustainable production/ sourcing of your disclosed commodities, active in the reporting year?

Timber products

(8.7.1) Active no-deforestation or no-conversion target

Select from:

☒ Yes, we have a no-conversion target

(8.7.2) No-deforestation or no-conversion target coverage

Select from:

☒ Organization-wide (including suppliers)

(8.7.5) Other active targets related to this commodity, including any which contribute to your no-deforestation or no-conversion target

Select from:

☒ Yes, we have other targets related to this commodity

[Fixed row]

(8.7.1) Provide details on your no-deforestation or no-conversion target that was active during the reporting year.

Timber products

(8.7.1.1) No-deforestation or no-conversion target

Select from:

☒ No-conversion

(8.7.1.2) Your organization's definition of "no-deforestation" or "no-conversion"

KT&G defines its Deforestation- and Conversion-Free (DCF) commitment as the cessation of all deforestation and land conversion within natural areas by 2030, and applies this commitment to tobacco, ginseng, wood, paper, and pulp sourcing. In addition, KT&G seeks to minimize the negative impacts associated with these high-risk commodities as designated by SBTN and has established and is implementing restoration and improvement plans for areas where recovery is feasible.

(8.7.1.3) Cutoff date

Select from:

☒ 2020

(8.7.1.4) Geographic scope of cutoff date

Select from:

☒ Applied globally

(8.7.1.5) Rationale for selecting cutoff date

Select from:

☒ Compliance with initiative, please specify :SBTN(Science Based Targets Network)

(8.7.1.6) Target date for achieving no-deforestation or no-conversion

Select from:

☒ 2026-2030

[Add row]

(8.7.2) Provide details of other targets related to your commodities, including any which contribute to your no-deforestation or no-conversion target, and progress made against them.

Timber products

(8.7.2.1) Target reference number

Select from:

☒ Target 1

(8.7.2.2) Target contributes to no-deforestation or no-conversion target reported in 8.7

Select from:

☒ Yes, this target contributes to our no-conversion target

(8.7.2.3) Target coverage

Select from:

☒ Organization-wide (including suppliers)

(8.7.2.4) Commodity volume covered by target (metric tons)

Select from:

☒ Disclosure volume

(8.7.2.5) Category of target & Quantitative metric

Resource use and efficiency

☒ % of recycled content used in paper and packaging products

(8.7.2.8) Date target was set

02/21/2022

(8.7.2.9) End date of base year

12/30/2020

(8.7.2.10) Base year figure

93

(8.7.2.11) End date of target

12/30/2025

(8.7.2.12) Target year figure

100

(8.7.2.13) Reporting year figure

96.8

(8.7.2.14) Target status in reporting year

Select from:

☒ Underway

(8.7.2.15) % of target achieved relative to base year

(8.7.2.16) Global environmental treaties/ initiatives/ frameworks aligned with or supported by this target

Select all that apply

☒ Kunming-Montreal Global Biodiversity Framework

(8.7.2.17) Explain target coverage and identify any exclusions

KT&G has established medium- to long-term targets to enhance product environmental performance, including expanding the recycling of product packaging and device materials. The company targets the transition of 100% of all packaging for products it manufactures directly to recyclable materials by 2025. For domestic cigarette products, aluminum inner liners have already been fully replaced with paper inner liners. For metal packaging, the introduction of new metal packaging is restricted, and existing use is being reduced through progressive substitution with recyclable paper packaging. Products manufactured directly overseas are excluded from the current target due to differences in local sourcing structures and certification regimes that constrain near-term application; however, KT&G is reviewing expansion of coverage over the medium to long term. In addition, certain materials that are currently difficult to recycle—such as adhesives, aluminum laminates, and specific plastics—are temporarily excluded where limited use is presently unavoidable. To address this, KT&G is pursuing R&D to transition to alternative materials and to introduce recyclable, environmentally preferable materials. By conducting Life Cycle Assessments (LCAs) for key product units and building environmental-impact analysis datasets based on international standards, KT&G has established an eco-design process that ensures excluded items are systematically managed for phased inclusion within the target scope over time.

(8.7.2.18) Plan for achieving target, and progress made to the end of the reporting year

KT&G is pursuing a target to transition 100% of all packaging for products it manufactures directly to recyclable materials by 2025. The share of recyclable packaging, measured by weight, has steadily increased from 93.0% in 2020 to 96.3% in 2023 and reached 96.8% in 2024, demonstrating consistent year-on-year improvement and confirming that the company remains on track to meet its target. In 2024, KT&G conducted Life Cycle Assessments (LCAs) for 16 product types across both conventional cigarettes and NGP platforms to quantitatively assess environmental impacts. The key issues identified through the assessments were incorporated into improvement initiatives. Carbon-reduction solutions identified during internal development were reviewed for applicability and effectiveness, and their feasibility and cost-efficiency are evaluated during new product development to ensure the continuous enhancement of product environmental performance.

(8.7.2.20) Further details of target

-

[Add row]

(8.8) Indicate if your organization has a traceability system to determine the origins of your sourced volumes and provide details of the methods and tools used.

Timber products

(8.8.1) Traceability system

Select from:

☒ Yes

(8.8.2) Methods/tools used in traceability system

Select all that apply

☒ Chain-of-custody certification

☒ Supplier engagement/communication

☒ Internal traceability system

(8.8.3) Description of methods/tools used in traceability system

KT&G is committed to building a sustainable supply chain by eliminating deforestation in natural forests and land conversion within protected areas across the entire procurement process for its key raw materials, including tobacco leaves, ginseng, fuelwood for tobacco curing, and paper and pulp for packaging. To achieve this, KT&G verifies that fuelwood used for overseas tobacco curing is sourced from certified plantations and ensures that paper and pulp used for packaging are procured from sustainably managed forests by confirming certifications such as FSC and PEFC. By applying differentiated traceability methods according to the characteristics of each raw material, KT&G systematically monitors and ensures that all raw materials are sourced in an environmentally responsible manner.

[Fixed row]

(8.8.1) Provide details of the point to which your organization can trace its sourced volumes.

Timber products

(8.8.1.1) % of sourced volume traceable to production unit

0

(8.8.1.2) % of sourced volume traceable to sourcing area and not to production unit

79.97

(8.8.1.3) % sourced volume traceable to country/area of origin and not to sourcing area or production unit

19.98

(8.8.1.4) % of sourced volume traceable to other point (i.e., processing facility/first importer) not in the country/area of origin

0.05

(8.8.1.5) % of sourced volume from unknown origin

0

(8.8.1.6) % of sourced volume reported

100.00

[Fixed row]

(8.9) Provide details of your organization's assessment of the deforestation-free (DF) or deforestation- and conversion-free (DCF) status of its disclosed commodities.

Timber products

(8.9.1) DF/DCF status assessed for this commodity

Select from:

☒ Yes, deforestation- and conversion-free (DCF) status assessed

(8.9.2) % of disclosure volume determined as DF/DCF in the reporting year

99.95

(8.9.3) % of disclosure volume determined as DF/DCF through a third-party certification scheme providing full DF/DCF assurance

99.92

(8.9.4) % of disclosure volume determined as DF/DCF through monitoring of production unit

0

(8.9.5) % of disclosure volume determined as DF/DCF through monitoring of sourcing area

0

(8.9.6) Is a proportion of your disclosure volume certified through a scheme not providing full DF/DCF assurance?

Select from:

☒ Yes

[Fixed row]

(8.9.1) Provide details of third-party certification schemes used to determine the deforestation-free (DF) or deforestation- and conversion-free (DCF) status of the disclosure volume, since specified cutoff date.

Timber products

(8.9.1.1) Third-party certification scheme providing full DF/DCF assurance

Chain-of-custody certification

☒ FSC Chain-of-Custody certification (any type)

(8.9.1.2) % of disclosure volume determined as DF/DCF through certification scheme providing full DF/DCF assurance

99.53

(8.9.1.3) Comment

The attached document is the FSC Chain-of-Custody (COC) certificate of the supplier with the highest procurement volume in 2024.

(8.9.1.4) Certification documentation

구매부_한창제지_갑포, 광포, 인너후레임_FSC.pdf

Timber products

(8.9.1.1) Third-party certification scheme providing full DF/DCF assurance

Forest management unit/Producer certification

☒ FSC Controlled Wood

(8.9.1.2) % of disclosure volume determined as DF/DCF through certification scheme providing full DF/DCF assurance

0.39

(8.9.1.3) Comment

The attached document is the FSC Controlled Wood (CW) certificate of the supplier with the highest procurement volume in 2024.

(8.9.1.4) Certification documentation

구매부_PURA _퀵런지_FSC.pdf

[Add row]

(8.9.2) Provide details of third-party certification schemes not providing full DF/DCF assurance.

Timber products

(8.9.2.1) Third-party certification scheme not providing full DF/DCF assurance

Chain-of-custody certification

☒ PEFC Chain-of-Custody (any type)

(8.9.2.2) % of disclosure volume certified through scheme not providing full DF/DCF assurance

0.03

(8.9.2.3) Additional control methods in place to determine DF/DCF status of volumes certified through scheme not providing full DF/DCF assurance

Select all that apply

☒ Third-party certification providing full DF/DCF assurance

(8.9.2.4) Comment

The attached document is the PEFC certificate of a certified supplier. In line with PEFC certification requirements, the certificate provided pertains to the supplier with the largest share of procurement volume.

(8.9.2.5) Certification documentation

소재부품팀_두선산업_PT Riau Andalan Pulp and Paper_Short fiber wood pulp.pdf

[Add row]

(8.10) Indicate whether you have monitored or estimated the deforestation and conversion of other natural ecosystems footprint for your disclosed commodities.

	Monitoring or estimating your deforestation and conversion footprint
Timber products	Select from: ☒ Yes

[Fixed row]

(8.10.1) Provide details on the monitoring or estimating of your deforestation and conversion footprint.

Timber products

(8.10.1.1) Monitoring and estimating your deforestation and conversion footprint

Select from:

☒ We monitor the deforestation and conversion footprint in our value chain

(8.10.1.2) % of disclosure volume monitored or estimated

100

(8.10.1.3) Reporting of deforestation and conversion footprint

Select all that apply

☒ Since a specified cutoff date

(8.10.1.4) Year of cutoff date

2020

(8.10.1.6) Known or estimated deforestation and conversion footprint since the specified cutoff date (hectares)

0

(8.10.1.9) Describe the methods and data sources used to monitor or estimate your deforestation and conversion footprint

KT&G defines land boundaries for its operational sites and contract farms using geolocation data and overlays these with international datasets to identify any intersections with protected areas and key biodiversity areas. Protected areas are verified through the World Database of Protected Areas (WDPA), jointly developed by UNEP and IUCN, while areas of high biodiversity importance are identified using the World Database of Key Biodiversity Areas, established by the KBA Partnership of 13 organizations, including IUCN and WWF. In 2023, KT&G analyzed 147 key assets and confirmed that approximately 94% were not located within or overlapping with areas requiring conservation, while about 6% were identified as potentially adjacent to such areas. Based on these findings, KT&G will continue to monitor the interface between contract farming areas and protected areas regularly and will update its analysis periodically to incorporate the most recent datasets.

[Add row]

(8.11) For volumes not assessed and determined as deforestation- and conversion-free (DCF), indicate if you have taken actions in the reporting year to increase production or sourcing of DCF volumes.

	Actions taken to increase production or sourcing of DCF volumes
Timber products	Select from: ☒ Yes

[Fixed row]

(8.11.1) Provide details of actions taken in the reporting year to assess and increase production/sourcing of deforestation- and conversion-free (DCF) volumes.

Timber products

(8.11.1.1) Action type

Select from:
☒ Increasing physical certification

(8.11.1.2) % of disclosure volume that is covered by this action

0.05

(8.11.1.3) Indicate whether you had any major barriers or challenges related to this action in the reporting year

Select from:
☒ Yes

(8.11.1.4) Main measures identified to manage or resolve the challenges

Select all that apply

- ☒ Greater supplier awareness/engagement
- ☒ Increased demand for certified products

(8.11.1.5) Provide further details on the actions taken, their contribution to achieving DCF status, and any related barriers or challenges

KT&G has incorporated the principles of biodiversity protection and the prohibition of deforestation and land conversion into its Partner Code of Conduct, requiring Deforestation- and Conversion-Free (DCF) implementation across its entire supply chain. Accordingly, suppliers that do not hold FSC CoC certification are encouraged to obtain it, and actions have been taken to transition packaging materials toward recyclable and certified sources. As a result, in 2024 KT&G achieved 100% use of either recyclable or FSC/PEFC-certified materials in the wood and paper packaging category. Metal packaging is being progressively replaced with recyclable paper alternatives, and the introduction of new metal packaging has been restricted. In addition, aluminum inner liners for cigarette products have been fully transitioned to paper, and NGP stick product inner liners are scheduled to be converted to paper by 2025. These actions strengthen a procurement structure that avoids new deforestation and land conversion, contributing to the achievement of DCF in the packaging category. KT&G also plans to expand the application of these measures to overseas manufacturing sites and across its broader supply chain over time.

[Add row]

(8.14) Indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards, and provide details.

(8.14.1) Assess legal compliance with forest regulations

Select from:

- ☒ Yes, from suppliers

(8.14.2) Aspects of legislation considered

Select all that apply

- ☒ Labor rights
- ☒ Land use rights
- ☒ Environmental protection

- ☒ Human rights protected under international law
- ☒ Tax, anti-corruption, trade and customs regulations
- ☒ Forest-related rules, including forest management and biodiversity conservation, where directly related to wood harvesting

(8.14.3) Procedure to ensure legal compliance

Select all that apply

- ☒ Certification
- ☒ Third party tools
- ☒ Third party databases
- ☒ Third party audits

(8.14.5) Please explain

KT&G regularly conducts country-level risk assessments, supplier self-assessments, and third-party on-site In-Depth Assessments (IDAs) through the Sustainable Tobacco Program (STP) platform to ensure the responsible sourcing of tobacco leaves, one of its key raw materials. As of April 2025, KT&G had carried out IDAs for a total of 16 suppliers across eight countries, including India, Zambia, Türkiye, Uganda, Brazil, and Zimbabwe. These IDAs were conducted by Twentyfifty, a UK-based global supply chain consultancy, acting as an independent third-party auditor. Through these assessments, KT&G verifies compliance with forest-related regulations, as well as reviews wood resource management and crop protection practices. In Zimbabwe, for example, an action plan titled “Expansion of Sustainable Wood Supply and Usage Monitoring” was developed, strengthening sustainable resource management practices beyond basic legal compliance. In addition, KT&G Group is expanding the use of raw materials certified under international sustainability standards such as FSC and GAPC. KGC Ginseng Corporation, a KT&G subsidiary, consistently purchases FSC-certified paper and wood materials for packaging, thereby upholding sustainable forest management principles..

[Fixed row]

(8.15) Do you engage in landscape (including jurisdictional) initiatives to progress shared sustainable land use goals?

	Engagement in landscape/jurisdictional initiatives
	Select from:

	Engagement in landscape/jurisdictional initiatives
	☒ Yes, we engage in landscape/jurisdictional initiatives

[Fixed row]

(8.15.1) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.

(8.15.1.1) Criteria for prioritizing landscapes/jurisdictions for engagement

Select all that apply

- ☒ Organization has operational presence in area
- ☒ Local government's commitment to sustainable land use
- ☒ Opportunity to protect and restore natural ecosystems
- ☒ Presence of a neutral convener or implementer

(8.15.1.2) Explain your process for prioritizing landscapes/jurisdictions for engagement

KT&G operates clear criteria and a structured process to prioritize the landscapes and jurisdictions in which it engages for forest restoration and environmental CSR activities. In Korea, the company prioritizes areas affected by forest fires within the wider regions where its factories are located, thereby fulfilling its responsibility to the local community. Restoration efforts focus on national and public lands to ensure long-term manageability and public value. Accordingly, in 2024 KT&G selected Uljin County in Gyeongsangbuk-do, where its Yeongju factory is located, as a restoration site and collaborated with the county government to restore areas affected by the 2022–2023 wildfires in Uljin and Samcheok. During the restoration process, KT&G considered the ecological value of the fire-damaged area and planted 6,000 trees, including nectar-bearing species that support bee habitats, across approximately 1.8 hectares. The planting activities were carried out jointly with KT&G's employee volunteer group, the Uljin County Government, and the Korea Rural Community Corporation. Overseas, KT&G prioritizes regions with significant climate risks such as desertification, selecting Mongolia as a priority restoration site and creating a community-participatory "Forest of Imagination" project to achieve both ecosystem restoration and local community benefits. This prioritization process follows a structured procedure that includes an initial assessment of damage scale, ecological value, and legal stability; priority-setting; stakeholder consultation; final implementation planning; and long-term monitoring. All restoration activities are managed to ensure a balanced achievement of sustainability, legal compliance, community contribution, and climate risk mitigation.

[Fixed row]

(8.15.2) Provide details of your engagement with landscape/jurisdictional initiatives to sustainable land use during the reporting year.

Row 1

(8.15.2.1) Landscape/jurisdiction ID

Select from:

☒ LJ1

(8.15.2.2) Name of initiative

KT&G SangSang Forest

(8.15.2.3) Country/area

Select from:

☒ Republic of Korea

(8.15.2.4) Name of landscape or jurisdiction area

Nagok-ri, Buk-myeon, Uljin-gun, Gyeongsangbuk-do

(8.15.2.5) Attach public information about the initiative (optional)

2024 KT&G G-CSR Report EN(Refer to pp. 12, 33).pdf

(8.15.2.6) Indicate if you can provide the size of the area covered by the initiative

Select from:

☒ Yes

(8.15.2.7) Area covered by the initiative (ha)

20923

(8.15.2.8) Type of engagement

Select all that apply

- ☒ Convener: Leads or facilitates the design, set-up, and high-level management of the initiative
- ☒ Partner: Shares responsibility with other stakeholders to manage and implement actions.
- ☒ Implementer: Executes actions based on the collective goals
- ☒ Funder: Provides full or partial financial resources

(8.15.2.9) Engagement start year

2024

(8.15.2.10) Engagement end year

Select from:

- ☒ Please specify :2025

(8.15.2.11) Estimated investment over the project period

240000000

(8.15.2.12) Landscape goals supported by engagement

Environmental

- ☒ Biodiversity protected and/or restored
- ☒ Forest fires monitored and prevented
- ☒ Natural ecosystems conserved and/or restored

(8.15.2.13) Organization actions supporting initiative

Participate in planning and multi-stakeholder alignment

- ☒ Co-design and develop goals, strategies and an action plan with timebound targets and milestones for the initiative
- ☒ Collaborate on establishing and managing monitoring system for biodiversity, habitat fragmentation and/or threats to IUCN Red List species in priority

areas

Build community and multi-stakeholder capacities

☒ Engage stakeholders on importance of conservation, restoration and/or rehabilitation

(8.15.2.14) Type of partners engaged in the initiative design and implementation

Select all that apply

☒ Sub-national government

☒ NGO and/or civil society

☒ Private sector

(8.15.2.15) Description of engagement

KT&G is implementing an ecosystem restoration project in Uljin County, Gyeongsangbuk-do, which was severely affected by large wildfires in 2022. The project aims to rehabilitate degraded forests and enhance biodiversity by planting approximately 6,000 trees, including 100 Korean firs (an endangered species) and 5,900 nectar-bearing trees to support bee habitats, thereby contributing to habitat restoration and strengthening ecosystem services. The project site was prioritized following a comprehensive assessment of wildfire damage severity, ecological value, and legal stability across major fire-affected areas in the broader region surrounding the Yeongju plant. Uljin County was selected, and a public forest adjacent to a coastal ecological trail was chosen as the final location to maximize public accessibility and educational and participatory benefits. KT&G led the end-to-end project design and implementation and secured approximately KRW 240 million in funding through voluntary employee donations and a corporate matching-grant program known as the "Imagination Fund." Employees, together with the Uljin County Government and the Korea Rural Community Corporation, directly participated in planting activities and on-site work, strengthening the project's community-based restoration impact. The initiative's primary objectives are wildfire monitoring and prevention, ecosystem restoration, and conservation of endangered species. In partnership with other organizations, KT&G is establishing a system to monitor threats in priority areas. The company collaborates with Tree Planet and the Uljin County Government, sharing responsibilities for site management, technical support, and land provision, and operates a governance framework that ensures stakeholder participation and transparency, thereby contributing to long-term ecosystem restoration and enhanced climate resilience. Relevant details can be found in "2024 KT&G G-CSR Report (pages 12 and 33)."

(8.15.2.16) Collective monitoring framework used to measure progress towards landscape goals and actions

Select from:

☒ Yes, progress is monitored using an internally defined framework

(8.15.2.17) State the achievements of your engagement so far and how progress is monitored

KT&G collaborates with Tree Planet, a forest restoration specialist, to regularly monitor the growth conditions, survival rates, and habitat restoration outcomes of the trees planted under this initiative. On-site inspections are conducted to evaluate ecological changes and environmental conditions in the restoration area, and supplementary measures—such as additional planting and pest management—are implemented where necessary. Data and monitoring results collected in the field are analyzed against biodiversity indicators, including species diversity and habitat recovery status, to measure the effectiveness of restoration efforts and inform future planning. Based on estimates provided by Tree Planet, the project, launched in 2024, is expected to sequester approximately 63,650 kg of CO₂ and reduce fine particulate matter by around 143 kg annually. These quantified results serve as key evidence of the project's tangible contributions to carbon sequestration and air quality improvement. KT&G shares monitoring outcomes and performance metrics with stakeholders and integrates the findings into ongoing site management and additional reforestation planning, thereby maximizing the long-term ecological recovery impact.

(8.15.2.18) Claims made

Select from:

☒ No, we are not making any claims, and we do not plan to within the next two years

[Add row]

(8.15.3) For each of your disclosed commodities, provide details on the disclosure volume from each of the landscapes/jurisdictions you engage in.

Row 1

(8.15.3.1) Landscape/jurisdiction ID

Select from:

☒ LJ1

(8.15.3.2) Does any of your produced and/or sourced commodity volume originate from this landscape/jurisdiction, and are you able/willing to disclose information on this volume?

Select from:

☒ No, we do not produce/source from this landscape/jurisdiction

[Add row]

(8.16) Do you participate in any other external activities to support the implementation of policies and commitments related to deforestation, ecosystem conversion, or human rights issues in commodity value chains?

Select from:

☒ Yes

(8.16.1) Provide details of the external activities to support the implementation of your policies and commitments related to deforestation, ecosystem conversion, or human rights issues in commodity value chains

Row 1

(8.16.1.1) Commodity

Select all that apply

☒ Timber products

(8.16.1.2) Activities

Select all that apply

☒ Involved in industry platforms

(8.16.1.3) Country/area

Select from:

☒ Worldwide

(8.16.1.4) Subnational area

Select from:

☒ Not applicable

(8.16.1.5) Provide further details of the activity

KT&G participates in the global industry initiative Sustainable Tobacco Program (STP) to collect data across its leaf tobacco supply chain, identify current issues, and

drive continuous improvement on negative impacts. Based on country-level risk assessments and supplier self-assessments, KT&G regularly commissions third-party In-Depth Assessments (IDAs). Between 2022 and 2024, the company selected 16 suppliers across eight countries for on-site assessments, which were conducted by external experts such as the global supply chain consultancy Twentyfifty (covering the Philippines, Malawi, India, Zimbabwe, Uganda, and Türkiye) and the labor and human rights specialist group Impacct (Thailand). These assessments include supplier policy reviews, management interviews, and farmer site visits, and evaluate the full ESG management process, including policy implementation, issue identification, corrective actions, monitoring, reporting, and continuous improvement. Action plans developed for each supplier are being implemented with KT&G’s ongoing monitoring and support. In its domestic operations, KT&G has localized the global STP framework by developing the “Domestic Leaf Tobacco Production STP Guidelines” to strengthen ESG management and build a sustainable production base for Korean tobacco farms. Under these guidelines, KT&G conducts farm monitoring at key stages—including seedling, transplanting, growing, and harvesting—and provides training and communication to farmers. In 2023, KT&G published the “Domestic Leaf Tobacco Production STP Monitoring Index Handbook,” applying core indicators across governance, environment, and labor and human rights to contribute to more sustainable domestic leaf tobacco production. In 2024, KT&G evaluated 904 farms using 267 survey questions and 340 monitoring indicators, identified improvement needs such as farm input record management, mulch film recycling, and safe working environment practices, and supported corrective actions through regular and group training sessions. In 2025, KT&G plans to expand the monitoring scope to 1,030 farms and provide training to more than 60% of contracted farmers. Over the mid- to long term, KT&G will collaborate with its R&D Headquarters to develop low-carbon cultivation practices and improve raw materials, further enhancing the sustainability of the domestic leaf tobacco supply chain

[Add row]

(8.17) Is your organization supporting or implementing project(s) focused on ecosystem restoration and long-term protection?

Select from:

☒ Yes

(8.17.1) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

Row 1

(8.17.1.1) Project reference

Select from:

☒ Project 1

(8.17.1.2) Project type

Select from:

- ☒ Other ecosystem restoration

(8.17.1.3) Expected benefits of project

Select all that apply

- ☒ Improvement to soil health
- ☒ Net gain in biodiversity and ecosystem integrity
- ☒ Reduce/halt biodiversity loss

(8.17.1.4) Is this project originating any carbon credits?

Select from:

- ☒ No

(8.17.1.5) Description of project

To contribute to the recovery of natural capital and the enhancement of biodiversity, KT&G signed a Memorandum of Understanding (MOU) with the National Institute of Ecology (NIE) in 2022 and has been implementing a three-year collaboration program since 2023. This cooperation is a voluntary corporate social responsibility initiative designed to support local ecosystems. In the first year, KT&G selected the Jang-Gumaegi Wetland—an approximately 38,000 m² montane wetland in Yeongyang-gun near the Yeongju plant—as a priority site. The wetland had suffered serious degradation due to sediment inflow from adjacent roads, declining groundwater levels, and channel scouring, which damaged habitats and reduced biodiversity. To address these issues, KT&G carried out restoration works beginning in July 2023, including watercourse restoration, stabilization of eroded slopes, and the restoration of abandoned paddy fields, and completed these activities. As a result, in September 2024 the Jang-Gumaegi Wetland's naturalness and ecological value were formally recognized with its designation by the Ministry of Environment of Korea as a National Wetland Protected Area (0.045 km²)—elevating the restoration outcome to a nationally recognized conservation status. Going forward, KT&G will continue to collaborate with NIE to conduct scientific surveys and verification of species composition and populations within the wetland, and will maintain restoration outcomes—as well as the wetland's ecological health and carbon-sequestration function—through long-term monitoring. Through this approach, KT&G manages its voluntary efforts to go beyond regulatory compliance, positioning the initiative as a model of forest and wetland restoration that contributes to national conservation policy and community collaboration.

(8.17.1.6) Where is the project taking place in relation to your value chain?

Select all that apply

- ☒ Project based in area with direct operations

(8.17.1.7) Start year

2022

(8.17.1.8) Target year

Select from:

☒ 2025

(8.17.1.9) Project area to date (Hectares)

3.8

(8.17.1.10) Project area in the target year (Hectares)

3.8

(8.17.1.11) Country/Area

Select from:

☒ Republic of Korea

(8.17.1.12) Latitude

36.493739

(8.17.1.13) Longitude

129.220947

(8.17.1.14) Monitoring frequency

Select from:

☒ Six-monthly or more frequently

(8.17.1.15) Total investment over the project period (currency)

150000000

(8.17.1.16) For which of your expected benefits are you monitoring progress?

Select all that apply

- ☒ Improvement to soil health
- ☒ Net gain in biodiversity and ecosystem integrity
- ☒ Reduce/halt biodiversity loss

(8.17.1.17) Please explain

KT&G operates a systematic and rigorous monitoring program to ensure the effective implementation and long-term success of its restoration and protection initiatives. In particular, the Janggumeogi Wetland Wetland Restoration Project in Yeongyang-gun, Gyeongsangbuk-do is designed to protect biodiversity and advance environmental sustainability, with regular observation and evaluation of pre- and post-restoration conditions as a core mechanism. Monitoring is conducted in collaboration with the National Institute of Ecology (NIE) and includes on-site surveys that document and analyze habitat recovery and ecological change. During these surveys, KT&G evaluates hydrological conditions (channel condition, flow/discharge, and water levels), water quality, vegetation (cover and community composition), and the physical structure of the habitat (topography, slope, and embankment stability), combining direct observation with instrument-based measurements and tracking changes over time. Following standardized procedures, KT&G also regularly collects and analyzes biological research data to update species inventories, population counts, and population health status. This enables scientific verification of restoration effects on biodiversity by assessing changes in species richness and abundance, the occurrence of threatened species, and shifts in community composition. In parallel, indicators related to habitat health—such as water quality, vegetation structure, soil and slope stability, and hydromorphological conditions—are reviewed to provide an integrated assessment of ecological stability. The wetland's carbon sequestration function is likewise estimated and reviewed on a regular basis using NIE research and accumulated ecological indicators (e.g., water-level regime, vegetation cover and productivity, and soil/habitat condition). Findings from this monitoring are used to confirm restoration effectiveness and to refine subsequent plans. For example, observed changes in biodiversity, population levels, or habitat stability may be linked to adaptive management actions—such as supplementary planting or pest management—and can be incorporated into subsequent ecosystem-restoration programming.

[Add row]

C9. Environmental performance - Water security

(9.1) Are there any exclusions from your disclosure of water-related data?

Select from:

☒ Yes

(9.1.1) Provide details on these exclusions.

Row 1

(9.1.1.1) Exclusion

Select from:

☒ Facilities

(9.1.1.2) Description of exclusion

Facilities that operate solely as domestic or overseas offices or warehouses are excluded from reporting, as their water use is negligible compared to manufacturing sites and is limited primarily to water access, sanitation, and hygiene (WASH) purposes.

(9.1.1.3) Reason for exclusion

Select from:

☒ Water used for internal WASH services

(9.1.1.7) Percentage of water volume the exclusion represents

Select from:

☒ Less than 1%

(9.1.1.8) Please explain

The total water use at facilities excluded from reporting accounts for less than 1% of KT&G's total water use of 487.59 ML.

[Add row]

(9.2) Across all your operations, what proportion of the following water aspects are regularly measured and monitored?

Water withdrawals – total volumes

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Monthly

(9.2.3) Method of measurement

KT&G's six domestic sites monitor their internal water meters on a daily basis and record their monthly water withdrawals in the company's new integrated management system, based on monthly invoices issued by their respective water suppliers. The three overseas sites (Indonesia, Turkiye, and Russia) monitor total water withdrawals by aggregating monthly invoices received from their water suppliers and entering the data into either a manual logbook or the ERP system.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where "site" refers to a manufacturing plant of our products. Water withdrawals are 100% measured and monitored across all operations.

Water withdrawals – volumes by source

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Monthly

(9.2.3) Method of measurement

Water suppliers issue monthly water withdrawal bills to KT&G. The bills are entered into either a manual registry or the internal management system, and both domestic and overseas manufacturing sites are monitored by the Energy & Environment Department.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. Water withdrawal volumes by source are 100% measured and monitored across all operations.

Water withdrawals quality

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Yearly

(9.2.3) Method of measurement

KT&G consults accredited testing organizations to verify the quality of groundwater and tap water at the withdrawal stage at its domestic business sites. Analyses are requested only from institutions that meet legal standards, ensuring that water quality remains within legally permitted limits. Test items include chlorine and turbidity for tap water, and approximately 15 items for groundwater, such as hydrogen ion concentration and nitrate nitrogen.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. At KT&G, the quality of water withdrawals is 100%

measured and monitored across all operations.

Water discharges – total volumes

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Monthly

(9.2.3) Method of measurement

We monitor total water discharges in two ways. The sites which have their own wastewater treatment plants monitor water discharges on a daily basis using internal water meters and sum them up for monthly management. For those outsourcing all of their water discharges, the total volume is summed up on a monthly basis for monitoring and management, based on bills issued by the outsourced treatment companies.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. At KT&G, the total volume of water discharges is 100% measured and monitored.

Water discharges – volumes by destination

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Monthly

(9.2.3) Method of measurement

All water discharges from the five sites with wastewater treatment plants are released to surface water (freshwater). Discharge volume is measured daily through meters and aggregated monthly for monitoring. Sites without their own wastewater treatment plants outsource the treatment service to third-party companies. During the treatment process, discharge volumes are measured, and the results are provided to KT&G. These data are then uploaded to the management system on a monthly basis.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. At KT&G, water discharge volumes by destination are 100% measured and monitored.

Water discharges – volumes by treatment method

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Monthly

(9.2.3) Method of measurement

At the five sites equipped with their own wastewater treatment plants, all influent water is discharged only after undergoing primary physical/chemical treatment and secondary biological treatment. The volumes of monthly inflow and outflow are recorded and managed in Excel spreadsheets. Sites without their own wastewater treatment plants outsource the entire wastewater treatment process, and the discharge volumes are monitored and managed based on the bills issued by the contractors.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. At KT&G, effluent water quality, based on standard

discharge parameters, is 100% measured and monitored.

Water discharge quality – by standard effluent parameters

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Quarterly

(9.2.3) Method of measurement

The sites equipped with wastewater treatment plants conduct water quality tests on both raw water and discharges, covering about 20 parameters such as pH and BOD, in accordance with internal standards and ISO14001 system requirements. For overseas sites, we comply with country-specific discharge regulations and review contractor reports for outsourced treatment to ensure legal standards are met.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. At KT&G, effluent water quality, based on standard discharge parameters, is 100% measured and monitored.

Water discharge quality – emissions to water (nitrates, phosphates, pesticides, and/or other priority substances)

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Quarterly

(9.2.3) Method of measurement

At our domestic plants, we conduct water quality tests on both raw and discharged water in accordance with the ISO14001 system and our own internal standards. These tests cover about 20 parameters, including pH and BOD, and also assess the discharge of pollutants such as nitrates and phosphates originating from leaf tobacco crops. Monitoring frequency at overseas plants is as follows: once a month in Indonesia, twice a month in Turkiye, and every two months in Russia.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. At KT&G, ‘water discharge quality – emissions to water’ is 100% measured and monitored.

Water discharge quality – temperature

(9.2.1) % of sites/facilities/operations

Select from:

☒ 51-75

(9.2.2) Frequency of measurement

Select from:

☒ Quarterly

(9.2.3) Method of measurement

For domestic plants, water temperature was added to the list of discharge water quality parameters in June 2023 and has been continuously monitored since then. KT&G plans to add water temperature measurements and begin monitoring at KT&G's overseas plants in the future.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where “site” refers to a manufacturing plant of our products. At KT&G, discharge water quality-related temperatures are 51–75% measured and monitored.

Water consumption – total volume

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Monthly

(9.2.3) Method of measurement

KT&G monitors daily water consumption at all operations using internal water meters, and manages monthly consumption based on bills issued by tap water and groundwater sources. For domestic plants, the Energy & Environment Department records the data into the internal system, while for overseas plants the G-Production Operations Department enters the data manually or into the system. The Energy & Environment Department oversees and monitors the consolidated information company-wide.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where the “site” refers to a manufacturing plant of our products. At KT&G, the total volume of water consumption is 100% measured and monitored.

Water recycled/reused

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Monthly

(9.2.3) Method of measurement

Since late 2021, KT&G has been monitoring its monthly volume of recycled water using flow meters, while upgrading related facilities such as pumps and pipes. The amount of recycled water within KT&G has been steadily increasing.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where the “site” refers to a manufacturing plant of our products. At KT&G, the total volume of recycled water is 100% measured and monitored.

The provision of fully-functioning, safely managed WASH services to all workers

(9.2.1) % of sites/facilities/operations

Select from:

☒ 100%

(9.2.2) Frequency of measurement

Select from:

☒ Yearly

(9.2.3) Method of measurement

We strictly comply with the legal hygiene standards of countries and regions where our domestic and overseas sites are located, treat sewage in accordance with applicable laws and regulations, and provide WASH-related services to uphold employees’ human rights to water and sanitation. All five domestic sites are certified annually under ISO 14001 and ISO 45001, providing internationally recognized verification of compliance with hygiene and occupational health and safety standards.

(9.2.4) Please explain

The monitoring rate (%) is calculated on a site basis, where the “site” refers to a manufacturing plant of our products. At KT&G, the provision of fully functioning and safely managed WASH services for all workers is 100% measured and monitored.

[Fixed row]

(9.2.2) What are the total volumes of water withdrawn, discharged, and consumed across all your operations, how do they compare to the previous reporting year, and how are they forecasted to change?

Total withdrawals

(9.2.2.1) Volume (megaliters/year)

648.14

(9.2.2.2) Comparison with previous reporting year

Select from:

☒ About the same

(9.2.2.3) Primary reason for comparison with previous reporting year

Select from:

☒ Increase/decrease in efficiency

(9.2.2.4) Five-year forecast

Select from:

☒ Lower

(9.2.2.5) Primary reason for forecast

Select from:

☒ Increase/decrease in efficiency

(9.2.2.6) Please explain

[Set the baseline for change] Considering the importance of water resources, KT&G regularly manages water withdrawals by source, discharges by destination, and consumption. For rational water resource management, water-related data are compared and evaluated annually according to the following criteria and consistently reported. - Much lower (more than -10%), Lower (-10% to -5%), About the same (less than $\pm 5\%$), Higher (+5% to +10%), Much higher (more than +10%) [Explain year-over-year change and 5-year forecast] In 2024, total water withdrawals decreased by approximately 7.3% year-on-year, which falls under “About the same” based on the change criteria. However, since absolute water withdrawals are declining, KT&G is progressing in line with its water goal of reducing withdrawals through improved water use efficiency. At the same time, given the company-wide target of reducing total water withdrawals by 20% by 2030, it is likely that KT&G’s total water withdrawals will be more than 10% lower than today in five years, which corresponds to “Much Lower” under the change criteria. Year-on-year change (%) = $[648.14 (A) - 699.23 (B)] / 699.23 (B) \times 100 = -7.3\%$ - A: Total water withdrawal in 2024 (megaliters/year) - B: Total water withdrawal in 2023 (megaliters/year)

[Data collection methodology] KT&G operates six manufacturing plants in Korea and three overseas. All plants complete and submit data according to the standardized form managed by headquarters, based on monthly bills issued by each water supplier. The headquarters then verifies the data, analyzes performance against targets, and communicates the results company-wide. To enhance reliability, the data undergo third-party verification once a year, timed with the publication of the Sustainability Management Report.

Total discharges

(9.2.2.1) Volume (megaliters/year)

160.55

(9.2.2.2) Comparison with previous reporting year

Select from:

☒ Lower

(9.2.2.3) Primary reason for comparison with previous reporting year

Select from:

☒ Increase/decrease in efficiency

(9.2.2.4) Five-year forecast

Select from:

☒ Lower

(9.2.2.5) Primary reason for forecast

Select from:

☒ Increase/decrease in efficiency

(9.2.2.6) Please explain

[Set the baseline for change] Considering the importance of water resources, KT&G regularly manages water intake by source, discharges by destination, and consumption. For rational water resource management, water-related data are compared and evaluated annually according to the following criteria and consistently reported. - Much lower (more than -10%), Lower (-10% to -5%), About the same (less than $\pm 5\%$), Higher (+5% to +10%), Much higher (more than +10%) [Explain

year-over-year change and 5-year forecast] In 2024, total discharges decreased by approximately 6.2% compared to the previous year, which falls under “Lower” in the change criteria. As withdrawals decreased, discharges also declined accordingly. Considering KT&G’s target of reducing total withdrawals by 20% by 2030, it is highly likely that total discharges will also be more than 10% lower than today in five years through improved water use efficiency, which corresponds to “Much Lower” in the change criteria. Year-on-year change (%) = $[160.55 (A) - 171.18 (B)] / 171.18 (B) \times 100 = -6.2\%$ - A: Total discharge in 2024 (megaliters/year) - B: Total discharge in 2023 (megaliters/year) [Data collection methodology] KT&G’s total discharge monitoring is divided into two types. For sites with their own wastewater treatment plants, discharge volumes are monitored daily using internal meters and aggregated monthly and annually. For sites that outsource all wastewater treatment, total discharge volumes are calculated monthly based on bills issued by the outsourced treatment companies, and the annual discharge volume is calculated by summing the monthly totals.

Total consumption

(9.2.2.1) Volume (megaliters/year)

487.59

(9.2.2.2) Comparison with previous reporting year

Select from:

☒ About the same

(9.2.2.3) Primary reason for comparison with previous reporting year

Select from:

☒ Increase/decrease in efficiency

(9.2.2.4) Five-year forecast

Select from:

☒ Lower

(9.2.2.5) Primary reason for forecast

Select from:

☒ Increase/decrease in efficiency

(9.2.2.6) Please explain

[Set the baseline for change] Considering the importance of water resources, KT&G regularly manages water intake by source, discharges by destination, and consumption. For rational water resource management, water-related data are compared and evaluated annually according to the following criteria and consistently reported. - Much lower (more than -10%), Lower (-10% to -5%), About the same (less than ±5%), Higher (+5% to +10%), Much higher (more than +10%) [Explain year-over-year change and 5-year forecast] In 2024, total consumption decreased by approximately 7.7% compared to the previous year, which falls under “About the same” in the change criteria. Considering KT&G’s water goal of reducing withdrawals, the reduction in withdrawals has also led to a reduction in consumption. Although the reduction is not yet large, it is progressing in line with KT&G’s water goal. At the same time, given the target of reducing total water withdrawals by 20% by 2030, it is highly likely that KT&G’s total consumption in five years will be more than 10% lower than today, which corresponds to “Much Lower” in the change criteria. Year-on-year change (%) = $[487.59 (A) - 528.05 (B)] / 528.05 (B) \times 100 = -7.7\%$ - A: Total consumption in 2024 (megaliters/year) - B: Total consumption in 2023 (megaliters/year) [Data collection methodology] KT&G installs internal water meters across all domestic and overseas sites to monitor daily consumption. Monthly consumption is managed based on bills issued for tap water and groundwater withdrawal, and annual consumption is aggregated from monthly figures. This methodology is equivalent to aggregating data by region.

[Fixed row]

(9.2.4) Indicate whether water is withdrawn from areas with water stress, provide the volume, how it compares with the previous reporting year, and how it is forecasted to change.

(9.2.4.1) Withdrawals are from areas with water stress

Select from:

☒ Yes

(9.2.4.2) Volume withdrawn from areas with water stress (megaliters)

362.98

(9.2.4.3) Comparison with previous reporting year

Select from:

☒ Much lower

(9.2.4.4) Primary reason for comparison with previous reporting year

Select from:

☒ Increase/decrease in efficiency

(9.2.4.5) Five-year forecast

Select from:

☒ About the same

(9.2.4.6) Primary reason for forecast

Select from:

☒ Increase/decrease in efficiency

(9.2.4.7) % of total withdrawals that are withdrawn from areas with water stress

56.00

(9.2.4.8) Identification tool

Select all that apply

☒ WRI Aqueduct

(9.2.4.9) Please explain

As of 2024, among KT&G's nine domestic and international manufacturing facilities, those located in water-stressed regions are the Turkiye site, the Indonesia site, and the Daejeon site. The total water withdrawal volume for these sites in 2024 was 362.98 ML, accounting for 56% of KT&G's total water withdrawal volume of 648.14 ML. KT&G's total water withdrawal is calculated for domestic and overseas manufacturing sites. KT&G has set a management goal of achieving KRW 10.2 trillion in total sales in 2027, and given the importance of tobacco to KT&G's business, high sales growth of more than 10% per year, including the next five years, and a corresponding increase in water consumption is expected. However, given the advancement of water-related technologies, including water reuse technologies, and KT&G's commitment to building related infrastructure and reducing water usage, the growth of water usage relative to sales growth is likely to slow down. In light of this, we have determined that the amount of water withdrawn in the next five years will be similar to the current amount. [Tool and Scope Used] KT&G uses the WRI Aqueduct Tool to analyze water risk, and the Aqueduct Tool provides results by 13 indicators divided into three categories (Physical risk quantity, Physical risk quality, and Regulatory and reputational risk). The WRI Aqueduct Tool is one of the water risk analysis tools recognized by CDP, and whether a region is a water-stressed region is determined by the baseline water stress and baseline water depletion indicators among the 13 water risk indicators. To qualify as a water-stressed region, the baseline water stress must be High (40–80%) or higher, or the baseline water depletion must be High (50–75%) or higher. KT&G conducts a water risk analysis every year, covering domestic and overseas manufacturing sites, overseas leaf tobacco farms, and domestic key ingredient partners. Additionally, KT&G separately analyzed the Baseline water stress and Baseline water depletion indicators to determine water stress regions. Analysis results confirm that the Turkiye site, Indonesia site, and Daejeon site fall within water stress regions, exhibiting baseline water stress levels of High (40-80%) or Extremely High (>80%).

[Fixed row]

(9.2.6) What proportion of the sourced agricultural commodities that are significant to your organization originate from areas with water stress?

Timber products

(9.2.6.1) The proportion of this commodity sourced from areas with water stress is known

Select from:

☒ No, but we intend to obtain this data within the next two years

(9.2.6.3) Please explain

Currently, KT&G is only collecting data on leaf tobacco, the most critical raw material, but KT&G plan to collect data on other raw materials within the next two years.

Tobacco

(9.2.6.1) The proportion of this commodity sourced from areas with water stress is known

Select from:

☒ Yes

(9.2.6.2) % of total agricultural commodity sourced from areas with water stress

Select from:

☒ 11-25

(9.2.6.3) Please explain

The main procurement countries for leaf tobacco, the primary raw material of KT&G cigarettes, are Brazil, India, Tanzania, and China. As a result of the WRI Water Risk analysis, in 2024, approximately 9,049 tons, or 25.3% of the total 35,773 tons of leaf tobacco procured, were confirmed to be sourced from water-stressed areas. To ensure stable raw material procurement, KT&G identifies water-stressed areas each year in conjunction with its annual water risk analysis. The results are actively applied to the company's supply chain management strategy, including managing suppliers located in water-stressed areas, adjusting procurement ratios by region,

and establishing alternative plans and response systems. Furthermore, such supply chain risks are not managed independently but are integrated into KT&G's overall business risk management framework. Over the next five years, the proportion of leaf tobacco sourced from water-stressed areas is expected to gradually decrease as the accuracy of forecasting water-stressed regions improves and the corresponding response system becomes more sophisticated.

Other commodity

(9.2.6.1) The proportion of this commodity sourced from areas with water stress is known

Select from:

☒ No, but we intend to obtain this data within the next two years

(9.2.6.3) Please explain

Currently, KT&G is only collecting data on leaf tobacco, the most critical raw material, but KT&G plan to collect data on other raw materials within the next two years.
[Fixed row]

(9.2.7) Provide total water withdrawal data by source.

Fresh surface water, including rainwater, water from wetlands, rivers, and lakes

(9.2.7.1) Relevance

Select from:

☒ Not relevant

(9.2.7.5) Please explain

It is not applicable, as KT&G only utilizes two water sources: official municipal water supplied by third parties and renewable groundwater. Therefore, this water source is not relevant to KT&G.

Brackish surface water/Seawater

(9.2.7.1) Relevance

Select from:

☒ Not relevant

(9.2.7.5) Please explain

It is not applicable, as KT&G only utilizes two water sources: official municipal water supplied by third parties and renewable groundwater. Therefore, this water source is not relevant to KT&G.

Groundwater – renewable

(9.2.7.1) Relevance

Select from:

☒ Relevant

(9.2.7.2) Volume (megaliters/year)

148.97

(9.2.7.3) Comparison with previous reporting year

Select from:

☒ Much lower

(9.2.7.4) Primary reason for comparison with previous reporting year

Select from:

☒ Other, please specify :Total water withdrawal decreased, with a particularly significant reduction in the withdrawal of renewable groundwater.

(9.2.7.5) Please explain

The renewable groundwater withdrawal data was derived through direct calculation. KT&G uses renewable groundwater as a water intake source at two domestic sites (Daejeon and Yeongju) and its overseas Indonesia site, and the 2024 water withdrawal from this source accounted for 23.0% of the total. - Much lower (more than -10%), Lower (-10% to -5%), About the same (less than ±5%), Higher (+5% to +10%), Much higher (more than +10%) In 2024, groundwater withdrawal decreased by 22.4% compared to the previous year, which corresponds to a change rate of more than -10% and therefore falls into the category of “Much Lower.” Year-on-year change (%) = $[148.97(A) - 191.92(B)] / 191.92(B) \times 100 = -22.4\%$ - A: Total water withdrawal in 2024 (megaliters/yr) - B: Total water withdrawal in 2023 (megaliters/yr) KT&G utilizes only two water sources—official municipal water supplied by third parties and renewable groundwater—and is gradually reducing the

proportion of groundwater in its total supply.

Groundwater – non-renewable

(9.2.7.1) Relevance

Select from:

☒ Not relevant

(9.2.7.5) Please explain

It is not applicable, as KT&G only utilizes two water sources: official municipal water supplied by third parties and renewable groundwater. Therefore, this water source is not relevant to KT&G.

Produced/Entrained water

(9.2.7.1) Relevance

Select from:

☒ Not relevant

(9.2.7.5) Please explain

It is not applicable, as KT&G only utilizes two water sources: official municipal water supplied by third parties and renewable groundwater. Therefore, this water source is not relevant to KT&G.

Third party sources

(9.2.7.1) Relevance

Select from:

☒ Relevant

(9.2.7.2) Volume (megaliters/year)

499.17

(9.2.7.3) Comparison with previous reporting year

Select from:

☒ About the same

(9.2.7.4) Primary reason for comparison with previous reporting year

Select from:

☒ Other, please specify :Total water withdrawal decreased, but the third-party water withdrawal showed no significant change.

(9.2.7.5) Please explain

For third-party water intakes, we source water from official municipalities. The municipality is the official aggregator of withdrawal data and monitors the amount withdrawn regularly. The amount withdrawn is reflected in the water bill. KT&G uses municipal water as a source of water intake at six domestic and two overseas plants, and in 2024, water withdrawal from this source accounted for 77.1% of the total. In 2024, water withdrawals decreased by 1.6% compared to the previous year, which is equivalent to “About the same” as the rate of change falls within the range of less than $\pm 5\%$. Year-on-year change (%) = $[499.17(A) - 507.31(B)] / 507.31(B) \times 100 = -1.6\%$ A: Total water withdrawal in 2024 (megaliters/yr) B: Total water withdrawal in 2023 (megaliters/yr) The company utilizes only two water sources—official municipal water supplied by third parties and renewable groundwater—and is gradually increasing the proportion of municipal water among its total sources.

[Fixed row]

(9.2.8) Provide total water discharge data by destination.

Fresh surface water

(9.2.8.1) Relevance

Select from:

☒ Relevant

(9.2.8.2) Volume (megaliters/year)

56.33

(9.2.8.3) Comparison with previous reporting year

Select from:

☒ Higher

(9.2.8.4) Primary reason for comparison with previous reporting year

Select from:

☒ Other, please specify :Although the total discharge volume decreased, the discharge volume related to fresh surface water increased.

(9.2.8.5) Please explain

Surface water (freshwater) discharge data was derived through direct calculation. Of KT&G's nine domestic and overseas plants, the Daejeon 1 site and the Indonesia site discharge wastewater directly into rivers after treatment at their own wastewater treatment plants. In 2024, the discharge volume increased by 5.8% compared to the previous year, which falls within the range of +5% to +10%, and is therefore equivalent to "Higher". Year-on-year change (%) = $\frac{[56.33(A) - 53.24(B)]}{53.24(B)} \times 100 = 5.8\%$ - A: Total discharge in 2024 (megaliters/yr) - B: Total discharge in 2023 (megaliters/yr) KT&G utilizes only two types of discharges—discharges using third parties and discharges to surface water (freshwater). While there are slight annual changes in the proportion of discharge destinations, the changes are not significant.

Brackish surface water/seawater

(9.2.8.1) Relevance

Select from:

☒ Not relevant

(9.2.8.5) Please explain

It is not applicable, as KT&G discharges water only to surface water (freshwater) and to third-party destinations. Therefore, surface water (brackish/seawater) is not a discharge destination for KT&G.

Groundwater

(9.2.8.1) Relevance

Select from:

☒ Not relevant

(9.2.8.5) Please explain

It is not applicable, as KT&G discharges water only to surface water (freshwater) and to third-party destinations. Therefore, surface water (brackish/seawater) is not a discharge destination for KT&G.

Third-party destinations

(9.2.8.1) Relevance

Select from:

☒ Relevant

(9.2.8.2) Volume (megaliters/year)

104.22

(9.2.8.3) Comparison with previous reporting year

Select from:

☒ Much lower

(9.2.8.4) Primary reason for comparison with previous reporting year

Select from:

☒ Other, please specify :The total discharge volume decreased, and the third-party discharge volume decreased significantly.

(9.2.8.5) Please explain

*For third-party discharges, we utilize official municipal wastewater treatment plants. The municipal plants officially aggregate the data and monitor discharges on a regular basis. At seven domestic and overseas plants, wastewater is first treated at our own wastewater treatment facilities before being discharged to municipal sewage treatment plants or outsourced entirely to third parties. In 2024, the amount of wastewater discharged decreased by 11.6% year-on-year, which corresponds to "Much Lower" as the rate of change is more than -10%. Year-on-year change (%) = $[104.22(A) - 117.93(B)] / 117.93(B) * 100 = -11.6\%$ - A: Total discharge in 2024 (megaliters/yr) - B: Total discharge in 2023 (megaliters/yr) KT&G utilizes only two discharge types: discharges to third parties and discharges to surface water (freshwater). While there are minor year-to-year changes in the proportion between these two destinations, the variation is not significant.*

[Fixed row]

(9.2.9) Within your direct operations, indicate the highest level(s) to which you treat your discharge.

Tertiary treatment

(9.2.9.1) Relevance of treatment level to discharge

Select from:

☒ Relevant

(9.2.9.2) Volume (megaliters/year)

47.8

(9.2.9.3) Comparison of treated volume with previous reporting year

Select from:

☒ About the same

(9.2.9.4) Primary reason for comparison with previous reporting year

Select from:

☒ Increase/decrease in efficiency

(9.2.9.5) % of your sites/facilities/operations this volume applies to

Select from:

☒ 11-20

(9.2.9.6) Please explain

The Daejeon Plant 1 utilizes its own wastewater treatment plant for the water used in tobacco product production and has completed tertiary wastewater treatment. Wastewater treatment at the plant is carried out in three stages. In the primary stage, suspended matter such as stenosis, sand, oil, and grease is removed through

physical and chemical processes. In the secondary stage, nutrients such as nitrogen and phosphorus are eliminated through biological treatment. Finally, in the tertiary stage, the separated water is filtered with sand and activated carbon to remove residual organic matter and suspended solids (SS). The Daejeon 1 Plant conducts regular water quality tests on wastewater treated up to the tertiary stage. In line with ISO14001 water quality management standards, the plant tests about 20 items, including pH and BOD, and internally manages wastewater quality by applying an 80% threshold of the domestic legal standard, which is stricter than the law. [Setting Standards for Change] KT&G has set a management goal of achieving KRW 10 trillion in sales by 2027. To reach this goal, annual sales growth of more than 10% is required, which will likely increase water usage. However, considering KT&G's water target of reducing total water withdrawals by 20%, the increase in water usage relative to sales is expected to remain low. Based on this, KT&G has established internal standards for water resources as "Very high/low $\pm 10\%$." The specific criteria are as follows: - Much lower (less than -10%), Lower (-10 to -5%), About the same (less than $\pm 5\%$), Higher ($+5$ to 10%), Much higher (greater than $+10\%$)

Secondary treatment

(9.2.9.1) Relevance of treatment level to discharge

Select from:

☒ Relevant

(9.2.9.2) Volume (megaliters/year)

77.33

(9.2.9.3) Comparison of treated volume with previous reporting year

Select from:

☒ Lower

(9.2.9.4) Primary reason for comparison with previous reporting year

Select from:

☒ Increase/decrease in efficiency

(9.2.9.5) % of your sites/facilities/operations this volume applies to

Select from:

☒ 41-50

(9.2.9.6) Please explain

Among KT&G's manufacturing sites, three domestic sites—Yeongju, Gwangju, and Gimcheon—operate their own wastewater treatment plants and complete secondary wastewater treatment before discharging the used water from tobacco product production to third-party operators. The Indonesian site, on the other hand, directly discharges wastewater after secondary treatment. The wastewater treatment process consists of primary treatment, in which suspended solids, sand, oil, and grease are removed through physical and chemical processes, followed by secondary treatment, in which nutrients such as nitrogen and phosphorus are removed through biological treatment. All wastewater discharged from KT&G's operations is managed in compliance with the applicable legal wastewater quality standards. KT&G also conducts regular water quality inspections of its wastewater. In line with the ISO14001 water quality management standards, inspections cover approximately 20 items, including pH and BOD. For overseas business sites, we comply with country-specific discharge regulations and manage water quality accordingly. For wastewater that is outsourced to third-party contractors, KT&G reviews the reports submitted by these contractors to confirm that the treated water quality fully meets legal standards. [Setting Standards for Change] KT&G has set a management goal of achieving KRW 10 trillion in sales by 2027. To reach this goal, annual sales growth of more than 10% is required, which will likely increase water usage. However, considering KT&G's water target of reducing total water withdrawals by 20%, the increase in water usage relative to sales is expected to remain low. Based on this, KT&G has established internal standards for water resources as "Very high/low $\pm 10\%$." The specific criteria are as follows: - Much lower (less than -10%), Lower (-10 to -5%), About the same (less than $\pm 5\%$), Higher ($+5$ to 10%), Much higher (greater than $+10\%$)

Primary treatment only

(9.2.9.1) Relevance of treatment level to discharge

Select from:

☒ Not relevant

(9.2.9.6) Please explain

KT&G's four domestic manufacturing plants—Daejeon 1, Yeongju, Gwangju, and Gimcheon—and its Indonesian plant treat wastewater generated during the production of tobacco products up to the secondary or tertiary treatment stage before discharging it. The discharge volume and ratio are reported separately by treatment stage. For the remaining manufacturing plants, the entire amount of wastewater is outsourced to third-party contractors for treatment. None of KT&G's facilities with their own wastewater treatment plants discharge wastewater after only primary treatment. Therefore, primary treatment alone is not applicable to KT&G's wastewater management practices.

Discharge to the natural environment without treatment

(9.2.9.1) Relevance of treatment level to discharge

Select from:

☒ Not relevant

(9.2.9.6) Please explain

At KT&G's four domestic manufacturing sites (Daejeon 1, Yeongju, Gwangju, and Gimcheon) and its Indonesian site, wastewater generated during the production of tobacco products is treated up to the secondary or tertiary stage before being discharged. Data on the volume and proportion of wastewater discharged is reported separately by treatment stage. For other manufacturing sites, the entire volume of wastewater is outsourced to third-party contractors for treatment. KT&G applies an internal wastewater quality management standard of 80% of the national legal limit, which is stricter than the domestic regulatory requirements. In addition, KT&G does not discharge wastewater into the natural environment without treatment, and therefore, discharging untreated wastewater is not applicable to KT&G's operations.

Discharge to a third party without treatment

(9.2.9.1) Relevance of treatment level to discharge

Select from:

☒ Relevant

(9.2.9.2) Volume (megaliters/year)

35.43

(9.2.9.3) Comparison of treated volume with previous reporting year

Select from:

☒ About the same

(9.2.9.4) Primary reason for comparison with previous reporting year

Select from:

☒ Increase/decrease in efficiency

(9.2.9.5) % of your sites/facilities/operations this volume applies to

Select from:

☒ 41-50

(9.2.9.6) Please explain

KT&G's two domestic manufacturing sites (Daejeon 2 and Cheonan) and two overseas sites (Russia and Turkiye) do not operate their own wastewater treatment facilities. Therefore, all wastewater generated during the production of tobacco products is treated entirely through third-party contractors licensed by the government. KT&G recognizes wastewater-related regulations in each country, including Korea, and requires third-party contractors to manage wastewater in full compliance with applicable legal standards. Reports submitted by contractors are reviewed to ensure that discharged water quality meets regulatory requirements. [Setting the bar for change] KT&G has set a management target of KRW 10 trillion in sales by 2027, which requires an annual sales growth of at least 10%. While water usage is expected to increase in line with sales growth, KT&G also pursues a water target of reducing total water withdrawals by 20%. Considering this, the increase in water usage relative to sales growth is likely to be modest. Accordingly, KT&G has established internal water resource management criteria as "very high/low $\pm 10\%$," defined as follows: - Much lower (less than -10%), Lower (-10 to -5%), About the same (less than $\pm 5\%$), Higher ($+5$ to 10%), Much higher (greater than $+10\%$)

Other

(9.2.9.1) Relevance of treatment level to discharge

Select from:

☒ Not relevant

(9.2.9.6) Please explain

KT&G manages wastewater generated during its manufacturing processes in accordance with strict internal standards and does not dispose of wastewater in any manner other than the methods disclosed in this report.

[Fixed row]

(9.2.10) Provide details of your organization's emissions of nitrates, phosphates, pesticides, and other priority substances to water in the reporting year.

(9.2.10.1) Emissions to water in the reporting year (metric tons)

1.14

(9.2.10.2) Categories of substances included

Select all that apply

☒ Nitrates

☒ Phosphates

(9.2.10.4) Please explain

KT&G's flagship product, cigarettes, is manufactured from raw tobacco leaves, which inherently contain nitrates. Most pollutants are generated during the cigarette production process, and KT&G monitors the discharge of nitrogen compounds, including nitrates and phosphates, as well as phosphorus compounds into water systems. According to the WRI Water Risk analysis, none of KT&G's domestic manufacturing sites are located near water-stressed areas; therefore, there are no cases where pollutant discharges impact such regions. In addition, KT&G's domestic manufacturing sites conduct quarterly water quality tests on both raw and discharged water, covering approximately 20 parameters—including PH, BOD, and COD—in accordance with the ISO14001 system and strict internal standards.
[Fixed row]

(9.3) In your direct operations and upstream value chain, what is the number of facilities where you have identified substantive water-related dependencies, impacts, risks, and opportunities?

Direct operations

(9.3.1) Identification of facilities in the value chain stage

Select from:

☒ Yes, we have assessed this value chain stage and identified facilities with water-related dependencies, impacts, risks, and opportunities

(9.3.2) Total number of facilities identified

2

(9.3.3) % of facilities in direct operations that this represents

Select from:

☒ 1-25

(9.3.4) Please explain

KT&G operates a total of nine manufacturing facilities, including six in Korea (Daejeon 1, Daejeon 2, Yeongju, Gwangju, Cheonan, and Gimcheon) and one each in Indonesia, Russia, and Turkiye. Among these, two facilities—in Indonesia and Turkiye—are exposed to water-related risks.

Upstream value chain

(9.3.1) Identification of facilities in the value chain stage

Select from:

☒ No, we have assessed this value chain stage but did not identify any facilities with water-related dependencies, impacts, risks, and opportunities

(9.3.4) Please explain

No material water-related issues have been identified in the upstream value chain.
[Fixed row]

(9.3.1) For each facility referenced in 9.3, provide coordinates, water accounting data, and a comparison with the previous reporting year.

Row 1

(9.3.1.1) Facility reference number

Select from:

☒ Facility 2

(9.3.1.2) Facility name (optional)

Indonesia

(9.3.1.3) Value chain stage

Select from:

☒ Direct operations

(9.3.1.4) Dependencies, impacts, risks, and/or opportunities identified at this facility

Select all that apply

☒ Risks

(9.3.1.5) Withdrawals or discharges in the reporting year

Select from:

☒ Yes, withdrawals and discharges

(9.3.1.7) Country/Area & River basin

Indonesia

☒ Other, please specify :Cisadane

(9.3.1.8) Latitude

-7.27434

(9.3.1.9) Longitude

112.748594

(9.3.1.10) Located in area with water stress

Select from:

☒ Yes

(9.3.1.13) Total water withdrawals at this facility (megaliters)

86

(9.3.1.14) Comparison of total withdrawals with previous reporting year

Select from:

☒ Much lower

(9.3.1.15) Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

(9.3.1.16) Withdrawals from brackish surface water/seawater

0

(9.3.1.17) Withdrawals from groundwater - renewable

86

(9.3.1.18) Withdrawals from groundwater - non-renewable

0

(9.3.1.19) Withdrawals from produced/entrained water

0

(9.3.1.20) Withdrawals from third party sources

0

(9.3.1.21) Total water discharges at this facility (megaliters)

9

(9.3.1.22) Comparison of total discharges with previous reporting year

Select from:

☒ Much higher

(9.3.1.23) Discharges to fresh surface water

0

(9.3.1.24) Discharges to brackish surface water/seawater

0

(9.3.1.25) Discharges to groundwater

0

(9.3.1.26) Discharges to third party destinations

9

(9.3.1.27) Total water consumption at this facility (megaliters)

77

(9.3.1.28) Comparison of total consumption with previous reporting year

Select from:

☒ Much lower

(9.3.1.29) Please explain

To be categorized as a water-stressed region, the baseline water stress must be High or above, and our Indonesia operations fall into this category. In 2024, KT&G's total water withdrawal across domestic and international manufacturing sites was 648.14 ML, total discharge was 160.55 ML, and total consumption was 487.59 ML. While KT&G plans to reduce water withdrawal by 20% by 2030, the Indonesia site has planned production expansion, meaning the three water-related metrics may remain similar to current levels. KT&G has set a management goal of achieving KRW 10 trillion in sales by 2027. To meet this target, annual sales growth exceeding 10% is required, and an increase in water usage is anticipated. However, considering the water withdrawal reduction target, the rate of increase in water usage is likely to be low. Taking this into account, the internal standard has been set to "Very High/Low $\pm 10\%$." - Withdrawal: Calculated by registering and aggregating monthly withdrawals based on bills issued by water suppliers. - Discharge: Measured daily through internal meters and aggregated annually. - Consumption: Managed monthly based on bills by water source and aggregated as regional data. Since only renewable groundwater is utilized as a water source, other sources are unrelated to this site. Regarding discharge, only third parties are utilized; therefore, other points are unrelated to this site, and third parties don't provide additional water for other companies.

Row 2

(9.3.1.1) Facility reference number

Select from:

☒ Facility 3

(9.3.1.2) Facility name (optional)

Turkiye

(9.3.1.3) Value chain stage

Select from:

☒ Direct operations

(9.3.1.4) Dependencies, impacts, risks, and/or opportunities identified at this facility

Select all that apply

☒ Risks

(9.3.1.5) Withdrawals or discharges in the reporting year

Select from:

☒ Yes, withdrawals and discharges

(9.3.1.7) Country/Area & River basin

Turkey

☒ Other, please specify :Gediz

(9.3.1.8) Latitude

38.128173

(9.3.1.9) Longitude

27.694217

(9.3.1.10) Located in area with water stress

Select from:

☒ Yes

(9.3.1.13) Total water withdrawals at this facility (megaliters)

23

(9.3.1.14) Comparison of total withdrawals with previous reporting year

Select from:

☒ Much higher

(9.3.1.15) Withdrawals from fresh surface water, including rainwater, water from wetlands, rivers and lakes

0

(9.3.1.16) Withdrawals from brackish surface water/seawater

0

(9.3.1.17) Withdrawals from groundwater - renewable

0

(9.3.1.18) Withdrawals from groundwater - non-renewable

0

(9.3.1.19) Withdrawals from produced/entrained water

0

(9.3.1.20) Withdrawals from third party sources

23

(9.3.1.21) Total water discharges at this facility (megaliters)

22

(9.3.1.22) Comparison of total discharges with previous reporting year

Select from:

☒ Much higher

(9.3.1.23) Discharges to fresh surface water

0

(9.3.1.24) Discharges to brackish surface water/seawater

0

(9.3.1.25) Discharges to groundwater

0

(9.3.1.26) Discharges to third party destinations

22

(9.3.1.27) Total water consumption at this facility (megaliters)

0.1

(9.3.1.28) Comparison of total consumption with previous reporting year

Select from:

☒ Much lower

(9.3.1.29) Please explain

To be categorized as a water-stressed region, the baseline water stress must be High or above, and our Türkiye operations fall into this category. In 2024, KT&G's total water withdrawal across all domestic and overseas manufacturing sites was 648.14 ML, total discharge was 160.55 ML, and total consumption was 487.59 ML. KT&G has set a target to reduce total water withdrawals by 20% by 2030. However, due to the significant production expansion planned for our Türkiye operations, there is a possibility that the three water metrics may increase compared to current levels. - Water withdrawal: Calculated by registering and aggregating monthly withdrawals based on bills issued by water suppliers. - Water discharge: Calculated by registering and aggregating monthly discharges based on bills issued by contractors. - Water consumption: Managed monthly based on bills from each water source and aggregated as regional data. Third-party water intake is sourced exclusively from official municipal providers. As only third-party intake is utilized, other water sources are not applicable to our Türkiye operations. Similarly, for discharges, only third-party wastewater treatment is used, and therefore other discharge destinations are not applicable. In addition, the third-party providers do not supply water to other companies.

[Add row]

(9.3.2) For the facilities in your direct operations referenced in 9.3.1, what proportion of water accounting data has been third party verified?

Water withdrawals – total volumes

(9.3.2.1) % verified

Select from:

☒ 76-100

(9.3.2.2) Verification standard used

KT&G has completed third-party assurance by KPMG Korea, an independent assurance organization, for the publication of the Sustainability Report (KT&G Report), which covers water management performance across all domestic and overseas manufacturing sites.

Water withdrawals – volume by source

(9.3.2.1) % verified

Select from:

☒ 76-100

(9.3.2.2) Verification standard used

KT&G has completed third-party assurance by KPMG Korea, an independent assurance organization, for the publication of the Sustainability Report (KT&G Report), which covers water management performance across all domestic and overseas manufacturing sites.

Water withdrawals – quality by standard water quality parameters

(9.3.2.1) % verified

Select from:

☒ 76-100

(9.3.2.2) Verification standard used

KT&G verifies its water quality against standard water quality criteria through annual ISO14001 certification audits and consistently maintains the certification.

Water discharges – total volumes

(9.3.2.1) % verified

Select from:

☒ 76-100

(9.3.2.2) Verification standard used

KT&G has completed third-party assurance by KPMG Korea, an independent assurance organization, for the publication of the Sustainability Report (KT&G Report), which covers water management performance across all domestic and overseas manufacturing sites.

Water discharges – volume by destination

(9.3.2.1) % verified

Select from:

☒ 76-100

(9.3.2.2) Verification standard used

KT&G has completed third-party assurance by KPMG Korea, an independent assurance organization, for the publication of the Sustainability Report (KT&G Report), which covers water management performance across all domestic and overseas manufacturing sites.

Water discharges – volume by final treatment level

(9.3.2.1) % verified

Select from:

☒ Not verified

(9.3.2.3) Please explain

Currently, KT&G does not disclose data on discharge volumes by final treatment level in its Sustainability Report. However, such data is managed internally and may be disclosed in the report within the next two years.

Water discharges – quality by standard water quality parameters

(9.3.2.1) % verified

Select from:

☒ 76-100

(9.3.2.2) Verification standard used

KT&G verifies the quality of its discharged water against standard water quality criteria through annual ISO14001 certification audits and consistently maintains the certification.

Water consumption – total volume

(9.3.2.1) % verified

Select from:

☒ 76-100

(9.3.2.2) Verification standard used

KT&G has completed third-party assurance by KPMG Korea, an independent assurance organization, for the publication of the Sustainability Report (KT&G Report), which covers water management performance across all domestic and overseas manufacturing sites.

[Fixed row]

(9.5) Provide a figure for your organization's total water withdrawal efficiency.

(9.5.1) Revenue (currency)

5908800000000

(9.5.2) Total water withdrawal efficiency

9116548893.76

(9.5.3) Anticipated forward trend

KT&G continues to build and expand water recycling facilities with the goal of reducing total domestic water withdrawals by 20% from 2020 levels by 2030. Recycled water can substitute for conventional water sources, thereby reducing both water use and withdrawals, and ultimately improving overall water efficiency.

[Fixed row]

(9.9) Provide water intensity information for each of the agricultural commodities significant to your organization that you source.

Timber products

(9.9.1) Water intensity information for this sourced commodity is collected/calculated

Select from:

☒ No, not currently but we intend to collect/calculate this data within the next two years

(9.9.6) Please explain

we intend to collect this data within the next two years.

Tobacco

(9.9.1) Water intensity information for this sourced commodity is collected/calculated

Select from:

☒ Yes

(9.9.2) Water intensity value (m3/denominator)

118.25

(9.9.3) Numerator: Water aspect

Select from:

☒ Total water withdrawals

(9.9.4) Denominator

Select from:

☒ Metric tons

(9.9.5) Comparison with previous reporting year

Select from:

☒ Much lower

(9.9.6) Please explain

As part of its Sustainable Tobacco Program (STP) management process, KT&G requests and collects water-related data from its overseas leaf tobacco suppliers, including the volume of water withdrawals in the cultivation process (m³) and the amount of leaf tobacco produced (ton). Water intensity is calculated by dividing the volume of water withdrawals used in the cultivation process (m³) by the amount of leaf tobacco produced (ton). KT&G utilizes these two datasets to calculate the water intensity of each leaf tobacco supplier and then derives a final water intensity reflecting each supplier's share of KT&G's total supply. KT&G uses the internally calculated water intensity to understand the level of irrigation system utilization by country/region across its supply chain and to infer correlations between water intensity and the growth and quality of leaf tobacco, thereby guiding purchasing decisions. In 2024, KT&G's water intensity decreased by approximately 46% year-on-year, primarily due to improved farming practices at major suppliers that reduced water usage. In the short term, while uncertainties related to climate change may increase water usage in leaf tobacco cultivation, it is likely that the reduced usage can be maintained. In the medium to long term, the adoption of more efficient farming practices and irrigation systems is expected to further reduce overall water intensity. To improve water intensity, KT&G regularly collects and updates related data from its tobacco supply chain to identify water consumption by each supplier and explore ways to reduce it. In cooperation with its major leaf tobacco suppliers, the company monitors whether water-saving training is provided to farmers and offers support when necessary. In addition, the Sustainable Tobacco Program (STP), of which KT&G is a member, provides training on the latest standard farming practices and works to develop new farming methods and irrigation systems that are more water-efficient than current methods.

Other commodity

(9.9.1) Water intensity information for this sourced commodity is collected/calculated

Select from:
☒ No, not currently but we intend to collect/calculate this data within the next two years

(9.9.6) Please explain

we have no plans.
[Add row]

(9.13) Do any of your products contain substances classified as hazardous by a regulatory authority?

	Products contain hazardous substances	Comment
	Select from:	There is no products contain hazardous substances.

	Products contain hazardous substances	Comment
	☒ No	

[Fixed row]

(9.14) Do you classify any of your current products and/or services as low water impact?

(9.14.1) Products and/or services classified as low water impact

Select from:

☒ Yes

(9.14.2) Definition used to classify low water impact

KT&G derives the water impact values of its next-generation products (NGPs) through the "Water Footprint" standard managed by the Water Footprint Network, and systematically classifies products based on these results. The "Water Footprint" reflects both the amount of water used and the environmental impacts on water resources throughout the entire value chain, from manufacturing and distribution to use and disposal. Products with a water footprint ($\text{m}^3 \text{H}_2\text{O-eq}$) lower than the average water footprint of all NGP products, which is $0.058 \text{ m}^3 \text{H}_2\text{O-eq}$, are classified as products with lower water impact. The threshold value is set at $0.058 \text{ m}^3 \text{H}_2\text{O-eq}$.

(9.14.4) Please explain

KT&G will continue to enhance its measurement methodologies to conduct more precise and systematic product classification based on water impact.

[Fixed row]

(9.15) Do you have any water-related targets?

Select from:

☒ Yes

(9.15.1) Indicate whether you have targets relating to water pollution, water withdrawals, WASH, or other water-related categories.

	Target set in this category	Please explain
Water pollution	Select from: ☒ Yes	Rich text input [must be under 1000 characters]
Water withdrawals	Select from: ☒ Yes	Rich text input [must be under 1000 characters]
Water, Sanitation, and Hygiene (WASH) services	Select from: ☒ Yes	Rich text input [must be under 1000 characters]
Other	Select from: ☒ No, and we do not plan to within the next two years	We do not have plan.

[Fixed row]

(9.15.2) Provide details of your water-related targets and the progress made.

Row 1

(9.15.2.1) Target reference number

Select from:

☒ Target 1

(9.15.2.2) Target coverage

Select from:

☒ Organization-wide (direct operations only)

(9.15.2.3) Category of target & Quantitative metric

Water withdrawals

☒ Reduction in total water withdrawals

(9.15.2.4) Date target was set

12/31/2020

(9.15.2.5) End date of base year

12/30/2020

(9.15.2.6) Base year figure

766167

(9.15.2.7) End date of target year

12/30/2030

(9.15.2.8) Target year figure

612934

(9.15.2.9) Reporting year figure

648140

(9.15.2.10) Target status in reporting year

Select from:

☒ Underway

(9.15.2.11) % of target achieved relative to base year

77

(9.15.2.12) Global environmental treaties/initiatives/ frameworks aligned with or supported by this target

Select all that apply

☒ Sustainable Development Goal 6

(9.15.2.13) Explain target coverage and identify any exclusions

The scope of this goal covers all KT&G manufacturing sites in Korea and overseas.

(9.15.2.14) Plan for achieving target, and progress made to the end of the reporting year

KT&G has established a goal of reducing total water withdrawals by 20% from 2020 levels by 2030 as one of the key pillars of its GREEN IMPACT 2030 Environmental Plan. This target translates into a 2% annual reduction starting in 2021 and continuing through 2030. The reduction goal, measured in tons, applies uniformly to all KT&G manufacturing sites. To date, progress has followed a linear trajectory toward achieving the 2030 target.

(9.15.2.16) Further details of target

KT&G expects to reduce its dependence on water resources in its tobacco business, in addition to the benefits of lower municipal water supply costs and wastewater treatment costs achieved through reduced water withdrawals. Since the extent of water withdrawals is closely linked to water dependence, achieving the targets is likely to further reduce overall water dependence. Activities and investments to reduce water withdrawals are continuously being pursued. In 2024, KT&G achieved reductions in water consumption through initiatives such as restructuring the duct system of capsule dryers, installing heat exchangers to manage incinerator cleaning water temperatures, introducing bathhouse water purification systems, improving wastewater treatment processes, and enhancing air handling unit cleaning methods. In addition, KT&G has established an internal knowledge management system to gather ideas from employees on 'water consumption reduction.' The best practices identified through this system are shared annually across all plants to enable benchmarking and continuous improvement.

Row 2

(9.15.2.1) Target reference number

Select from:

☒ Target 2

(9.15.2.2) Target coverage

Select from:

☒ Organization-wide (direct operations only)

(9.15.2.3) Category of target & Quantitative metric

Water pollution

☒ Increase in water use met through recycling/reuse

(9.15.2.4) Date target was set

12/31/2020

(9.15.2.5) End date of base year

12/30/2020

(9.15.2.6) Base year figure

0

(9.15.2.7) End date of target year

12/30/2030

(9.15.2.8) Target year figure

70410

(9.15.2.9) Reporting year figure

58392

(9.15.2.10) Target status in reporting year

Select from:

☒ Underway

(9.15.2.11) % of target achieved relative to base year

83

(9.15.2.12) Global environmental treaties/initiatives/ frameworks aligned with or supported by this target

Select all that apply

☒ Sustainable Development Goal 6

(9.15.2.13) Explain target coverage and identify any exclusions

The scope of this goal covers all KT&G manufacturing sites, both domestic and overseas.

(9.15.2.14) Plan for achieving target, and progress made to the end of the reporting year

KT&G has added the goal of “increasing water reuse” to its existing water withdrawal reduction target and aims to create a virtuous cycle between the two. As water reuse increases, net water use decreases, which naturally leads to reduced water withdrawals. To date, water reuse has been progressing along a linear trajectory toward the 2030 target.

(9.15.2.16) Further details of target

KT&G has undertaken various initiatives to expand water reuse, including the installation of new wastewater recycling facilities at the Daejeon, Yeongju, and Gwangju sites, condensate recovery systems for air conditioning units, and filtration systems for the reuse of bathwater. In addition, the company has reviewed further measures to diversify the use of recycled wastewater, such as for dehydrator cleaning and chemical dissolution. As a result, KT&G has adopted a process of further purifying discharged wastewater through ozone treatment and membrane filtration for reuse in tower cleaning and restroom facilities, thereby achieving additional water reuse capacity.

Row 3

(9.15.2.1) Target reference number

Select from:

☒ Target 3

(9.15.2.2) Target coverage

Select from:

☒ Country/area/region

(9.15.2.3) Category of target & Quantitative metric

Water, Sanitation, and Hygiene (WASH) services

☒ Other WASH, please specify :Amount of clean, filtered water provided to the local population (Unit 1,000 L)

(9.15.2.4) Date target was set

08/29/2023

(9.15.2.5) End date of base year

12/30/2022

(9.15.2.6) Base year figure

0

(9.15.2.7) End date of target year

06/29/2024

(9.15.2.8) Target year figure

105120

(9.15.2.9) Reporting year figure

(9.15.2.10) Target status in reporting year

Select from:

☒ Achieved**(9.15.2.11) % of target achieved relative to base year**

101

(9.15.2.12) Global environmental treaties/initiatives/ frameworks aligned with or supported by this target

Select all that apply

☒ Sustainable Development Goal 6**(9.15.2.13) Explain target coverage and identify any exclusions**

This goal takes into account KT&G's upstream value chain, specifically the leaf tobacco supply regions. Uganda is one of KT&G's international sourcing regions for leaf tobacco, and ensuring a stable supply of leaf tobacco is a key success factor for the company's tobacco business.

(9.15.2.15) Actions which contributed most to achieving or maintaining this target

KT&G successfully resolved WASH service-related issues within its value chain by setting and implementing specific water targets. The target metric is the "volume of purified clean water" supplied to the Ugandan region, and this target applies to Uganda where KT&G's overseas raw material branch is located. KT&G established this goal to provide Ugandan residents with the right to access hygienic and clean drinking water. To guarantee Ugandans' WASH rights, KT&G completed the distribution of 400 eco-friendly water purification units by June 2024. Ultimately, by distributing a total of 403 units, including 3 spare units, KT&G succeeded in exceeding its target. Each new water purification unit provides an annual purification capacity of 262,800 liters (L). By distributing a total of 403 units, KT&G has successfully contributed to enabling Ugandan residents to access approximately 106 million liters (L) of clean drinking water annually.

(9.15.2.16) Further details of target

KT&G has achieved its goal of providing water purifiers to enable Ugandan residents to drink approximately 106 million liters of clean water annually. However, KT&G will continue to ensure the WASH rights of Ugandan residents through ongoing post-support activities, including periodic monitoring of purifier conditions, supplying necessary parts, and performing repairs and maintenance.

[Add row]

C10. Environmental performance - Plastics

(10.1) Do you have plastics-related targets, and if so what type?

(10.1.1) Targets in place

Select from:

☒ No, but we plan to within the next two years

(10.1.3) Please explain

KT&G is making multifaceted efforts to reduce its plastic usage and contribute to the circular economy. Key activities include the development of eco-friendly, non-plastic filters, the discovery of alternative materials to reduce plastic content in products, the transition from plastic containers to paper-based materials, and the operation of a take-back and recycling program for discarded devices. However, specific quantitative targets that integrate and manage these individual activities have not yet been established. In the future, based on the initiatives currently underway, we plan to establish specific targets to drive tangible reduction results and build a more systematic management framework to further strengthen our plastic reduction efforts.

[Fixed row]

(10.2) Indicate whether your organization engages in the following activities.

Production/commercialization of plastic polymers (including plastic converters)

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

Production/commercialization of durable plastic goods and/or components (including mixed materials)

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

Usage of durable plastics goods and/or components (including mixed materials)

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

Production/commercialization of plastic packaging

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

Production/commercialization of goods/products packaged in plastics

(10.2.1) Activity applies

Select from:

☒ Yes

(10.2.2) Comment

Plastic is used as a material in KT&G's major products, such as NGP (Next Generation Products) devices, and plastic materials are also sometimes used in packaging and containers.

Provision/commercialization of services that use plastic packaging (e.g., food services)

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

Provision of waste management and/or water management services

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

Provision of financial products and/or services for plastics-related activities

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

Other activities not specified

(10.2.1) Activity applies

Select from:

☒ No

(10.2.2) Comment

-

[Fixed row]

(10.5) Provide the total weight of plastic packaging sold and/or used and indicate the raw material content.

Plastic packaging used

(10.5.1) Total weight during the reporting year (Metric tons)

2220

(10.5.2) Raw material content percentages available to report

Select all that apply

☒ % virgin renewable content

(10.5.4) % virgin renewable content

(10.5.7) Please explain

In 2024, the total weight of all plastic packaging was 2,220 metric tons, and the percentage of recyclable plastic packaging was 95.4%.
[Fixed row]

(10.5.1) Indicate the circularity potential of the plastic packaging you sold and/or used.

	Percentages available to report for circularity potential	% of plastic packaging that is reusable	Please explain
Plastic packaging used	Select all that apply ☒ % reusable	95.4	Percentage of recyclable plastic packaging

[Fixed row]

C11. Environmental performance - Biodiversity

(11.2) What actions has your organization taken in the reporting year to progress your biodiversity-related commitments?

(11.2.1) Actions taken in the reporting period to progress your biodiversity-related commitments

Select from:

☒ Yes, we are taking actions to progress our biodiversity-related commitments

(11.2.2) Type of action taken to progress biodiversity- related commitments

Select all that apply

☒ Law & policy

☒ Species management

☒ Education & awareness

☒ Land/water protection

☒ Land/water management

☒ Livelihood, economic & other incentives

[Fixed row]

(11.3) Does your organization use biodiversity indicators to monitor performance across its activities?

	Does your organization use indicators to monitor biodiversity performance?	Indicators used to monitor biodiversity performance
	Select from: ☒ Yes, we use indicators	Select all that apply ☒ Response indicators

[Fixed row]

(11.4) Does your organization have activities located in or near to areas important for biodiversity in the reporting year?

Legally protected areas

(11.4.1) Indicate whether any of your organization's activities are located in or near to this type of area important for biodiversity

Select from:

☒ Yes

(11.4.2) Comment

KT&G has identified 147 key assets, including its business sites, major upstream suppliers, and key tobacco and ginseng farms. To analyze the proximity of these assets to legally protected areas and regions important for biodiversity, the company utilized S&P Sustainable1's specialized tool. The analysis revealed that approximately 94% of the land area used by KT&G's business sites and upstream supply chain, including key tobacco and ginseng farms, does not fall within areas requiring high levels of conservation.

UNESCO World Heritage sites

(11.4.1) Indicate whether any of your organization's activities are located in or near to this type of area important for biodiversity

Select from:

☒ No

(11.4.2) Comment

-

UNESCO Man and the Biosphere Reserves

(11.4.1) Indicate whether any of your organization's activities are located in or near to this type of area important for

biodiversity

Select from:

☒ No

(11.4.2) Comment

-

Ramsar sites

(11.4.1) Indicate whether any of your organization's activities are located in or near to this type of area important for biodiversity

Select from:

☒ No

(11.4.2) Comment

-

Key Biodiversity Areas

(11.4.1) Indicate whether any of your organization's activities are located in or near to this type of area important for biodiversity

Select from:

☒ Yes

(11.4.2) Comment

Key Biodiversity Areas (KBAs) Sites contributing significantly to the global persistence of biodiversity. These are identified at the national, sub-national or regional level by local stakeholders based on standardized scientific criteria and thresholds. Operating in KBAs poses a series of potential transition risks for businesses (IUCN, 2016).

Other areas important for biodiversity

(11.4.1) Indicate whether any of your organization's activities are located in or near to this type of area important for biodiversity

Select from:

☒ Yes

(11.4.2) Comment

Protected Areas (PAs) A clearly defined geographical space, recognized, dedicated and managed through legal or other effective means to achieve the long-term conservation of nature with associated ecosystem services and cultural values (Dudley, 2008).

[Fixed row]

(11.4.1) Provide details of your organization's activities in the reporting year located in or near to areas important for biodiversity.

Row 1

(11.4.1.2) Types of area important for biodiversity

Select all that apply

☒ Legally protected areas

(11.4.1.3) Protected area category (IUCN classification)

Select from:

☒ Not applicable

(11.4.1.4) Country/area

Select from:

☒ Republic of Korea

(11.4.1.5) Name of the area important for biodiversity

Janggumeogi wetland

(11.4.1.6) Proximity

Select from:

☒ Up to 70 km

(11.4.1.8) Briefly describe your organization's activities in the reporting year located in or near to the selected area

To contribute to the recovery of natural capital and the restoration of biological species, KT&G signed an agreement with the National Institute of Ecology in 2022 for the "Ecosystem Conservation and Biodiversity Promotion" and has been conducting mid-to long-term cooperation projects, starting in 2023, to protect ecosystems and restore biodiversity. We carried out protection activities for the Janggumeogi wetland (a mountainous wetland of about 38,000 m²) located in Yangyang-gun, an area near our manufacturing facility, Yeongju Plant. We completed the restoration of the wetland, which has been experiencing a decline in biodiversity due to the destruction of its habitat by soil inflow and scour phenomenon caused by the surrounding roads, and will continue to conduct research on the species living in the area.

(11.4.1.9) Indicate whether any of your organization's activities located in or near to the selected area could negatively affect biodiversity

Select from:

☒ No

(11.4.1.11) Explain how your organization's activities located in or near to the selected area could negatively affect biodiversity, how this was assessed, and describe any mitigation measures implemented

Overlapping Areas with Natural and Protected Areas KT&G selected 147 key environmental assets, including business sites, major upstream suppliers, and primary tobacco and ginseng farms. Using S&P Global Sustainable1's specialized tools, we analyzed the proximity of these assets to areas with a high need for ecosystem and natural capital conservation. The analysis revealed that approximately 94% of the major tobacco and ginseng farm areas within our business sites and upstream supply chain are not located in the protected area, and it was found that none of KT&G's business sites are adjacent to key biodiversity area.

[Add row]

C13. Further information & sign off

(13.1) Indicate if any environmental information included in your CDP response (not already reported in 7.9.1/2/3, 8.9.1/2/3/4, and 9.3.2) is verified and/or assured by a third party?

	Other environmental information included in your CDP response is verified and/or assured by a third party
	Select from: ☒ Yes

[Fixed row]

(13.1.1) Which data points within your CDP response are verified and/or assured by a third party, and which standards were used?

Row 1

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Introduction

☒ All data points in module 1

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

(13.1.1.4) Further details of the third-party verification/assurance process

To enhance the reliability of the climate change information submitted to CDP, verification of the CDP Climate Change report was conducted by DNV under a limited assurance level, following the guidelines of the 'CDP Response Verification Guideline (CDP Korea)' and 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

CDP Independent Verification Opinion(en)_KT&G_rev.0.pdf

Row 2

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Identification, assessment, and management of dependencies, impacts, risks, and opportunities

☒ All data points in module 2

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

(13.1.1.4) Further details of the third-party verification/assurance process

To enhance the reliability of the climate change information submitted to CDP, verification of the CDP Climate Change report was conducted by DNV under a limited assurance level, following the guidelines of the 'CDP Response Verification Guideline (CDP Korea)' and 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

CDP Independent Verification Opinion(en)_KT&G_rev.0.pdf

Row 3

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Disclosure of risks and opportunities

☒ All data points in module 3

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

(13.1.1.4) Further details of the third-party verification/assurance process

To enhance the reliability of the climate change information submitted to CDP, verification of the CDP Climate Change report was conducted by DNV under a limited assurance level, following the guidelines of the 'CDP Response Verification Guideline (CDP Korea)' and 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

CDP Independent Verification Opinion(en)_KT&G_rev.0.pdf

Row 4

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Governance

☒ All data points in module 4

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

(13.1.1.4) Further details of the third-party verification/assurance process

To enhance the reliability of the climate change information submitted to CDP, verification of the CDP Climate Change report was conducted by DNV under a limited assurance level, following the guidelines of the 'CDP Response Verification Guideline (CDP Korea)' and 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

CDP Independent Verification Opinion(en)_KT&G_rev.0.pdf

Row 5

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Business strategy

☒ All data points in module 5

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

(13.1.1.4) Further details of the third-party verification/assurance process

To enhance the reliability of the climate change information submitted to CDP, verification of the CDP Climate Change report was conducted by DNV under a limited assurance level, following the guidelines of the 'CDP Response Verification Guideline (CDP Korea)' and 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

CDP Independent Verification Opinion(en)_KT&G_rev.0.pdf

Row 6

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Consolidation approach

☒ All data points in module 6

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

(13.1.1.4) Further details of the third-party verification/assurance process

To enhance the reliability of the climate change information submitted to CDP, verification of the CDP Climate Change report was conducted by DNV under a limited assurance level, following the guidelines of the 'CDP Response Verification Guideline (CDP Korea)' and 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

CDP Independent Verification Opinion(en)_KT&G_rev.0.pdf

Row 7

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Climate change

☒ All data points in module 7

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

(13.1.1.4) Further details of the third-party verification/assurance process

To enhance the reliability of the climate change information submitted to CDP, verification of the CDP Climate Change report was conducted by DNV under a limited assurance level, following the guidelines of the 'CDP Response Verification Guideline (CDP Korea)' and 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

CDP Independent Verification Opinion(en)_KT&G_rev.0.pdf

Row 8

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Climate change

☒ All data points in module 7

(13.1.1.3) Verification/assurance standard

Climate change-related standards

☒ ISO 14064-3

☒ Korean GHG and energy target management system

(13.1.1.4) Further details of the third-party verification/assurance process

We have attached the greenhouse gas verification statement, which was conducted at a limited assurance level in accordance with the verification principles and standards of 'ISO 14064-3:2019'

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 GHG EMISSIONS ASSURANCE STATEMENT.pdf

Row 9

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

- ☒ Forests
- ☒ Water
- ☒ Plastics
- ☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Introduction

- ☒ All data points in module 1

(13.1.1.3) Verification/assurance standard

General standards

- ☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 10

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

- ☒ Climate change
- ☒ Forests

- ☒ Water
- ☒ Plastics
- ☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Identification, assessment, and management of dependencies, impacts, risks, and opportunities

- ☒ All data points in module 2

(13.1.1.3) Verification/assurance standard

General standards

- ☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 11

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

- ☒ Climate change
- ☒ Forests
- ☒ Water

- ☒ Plastics
- ☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Disclosure of risks and opportunities

- ☒ All data points in module 3

(13.1.1.3) Verification/assurance standard

General standards

- ☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 12

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

- ☒ Climate change
- ☒ Forests
- ☒ Water
- ☒ Plastics

☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Governance

☒ All data points in module 4

(13.1.1.3) Verification/assurance standard

General standards

☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 13

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

☒ Forests

☒ Water

☒ Plastics

☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Business strategy

☒ All data points in module 5

(13.1.1.3) Verification/assurance standard

General standards

☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 14

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

☒ Forests

☒ Water

☒ Plastics

☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Consolidation approach

☒ All data points in module 6

(13.1.1.3) Verification/assurance standard

General standards

☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 15

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

☒ Forests

☒ Water

☒ Plastics

☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Climate change

☒ All data points in module 7

(13.1.1.3) Verification/assurance standard

General standards

☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 16

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

☒ Forests

☒ Water

☒ Plastics

☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Forests

☒ All data points in module 8

(13.1.1.3) Verification/assurance standard

General standards

☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 17

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

☒ Forests

☒ Water

☒ Plastics

☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Water security

☒ All data points in module 9

(13.1.1.3) Verification/assurance standard

General standards

☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 18

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

☒ Climate change

☒ Forests

☒ Water

☒ Plastics

☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Plastics

☒ All data points in module 10

(13.1.1.3) Verification/assurance standard

General standards

☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf

Row 19

(13.1.1.1) Environmental issue for which data has been verified and/or assured

Select all that apply

- ☒ Climate change
- ☒ Forests
- ☒ Water
- ☒ Plastics
- ☒ Biodiversity

(13.1.1.2) Disclosure module and data verified and/or assured

Environmental performance – Plastics

- ☒ Other data point in module 10, please specify :Module 11

(13.1.1.3) Verification/assurance standard

General standards

- ☒ ISAE 3000

(13.1.1.4) Further details of the third-party verification/assurance process

KT&G's Report(Sustainability report) comprehensively covers the overall content of the CDP CC/WS/FS responses. The sections of the Sustainability Management Report used in the CDP responses were verified under the Type 2 verification method with a moderate level of assurance, in accordance with the AA1000AS verification principles. This applies to the data corresponding to Modules 1 to 11.

(13.1.1.5) Attach verification/assurance evidence/report (optional)

KT&G FY2024 report independent assurance.pdf
[Add row]

(13.2) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

	Additional information	Attachment (optional)
	-	FY2024 KT&G sustainability disclosure EN.pdf

[Fixed row]

(13.3) Provide the following information for the person that has signed off (approved) your CDP response.

(13.3.1) Job title

The Chief of Operating Division

(13.3.2) Corresponding job category

Select from:

☒ Chief Operating Officer (COO)

[Fixed row]

(13.4) Please indicate your consent for CDP to share contact details with the Pacific Institute to support content for its Water Action Hub website.

Select from:

☒ No

