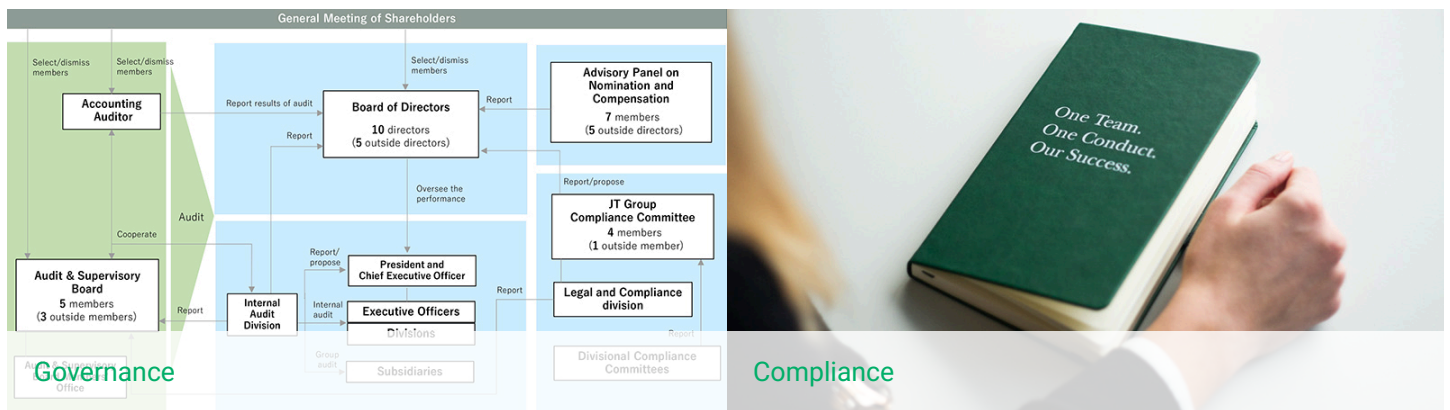




Good governance

All the JT Group operations are required to comply with the high standards of business integrity laid down in the JT Group Code of Conduct. These include preventing bribery and corruption, avoiding discrimination, respecting human rights, environmental protection, data privacy, and fair competition.



Our policies

Tax practices

Risk management

Information security

Transparency and stakeholder engagement

[Read more >](#)

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Corporate governance

Our responsibility to stakeholders

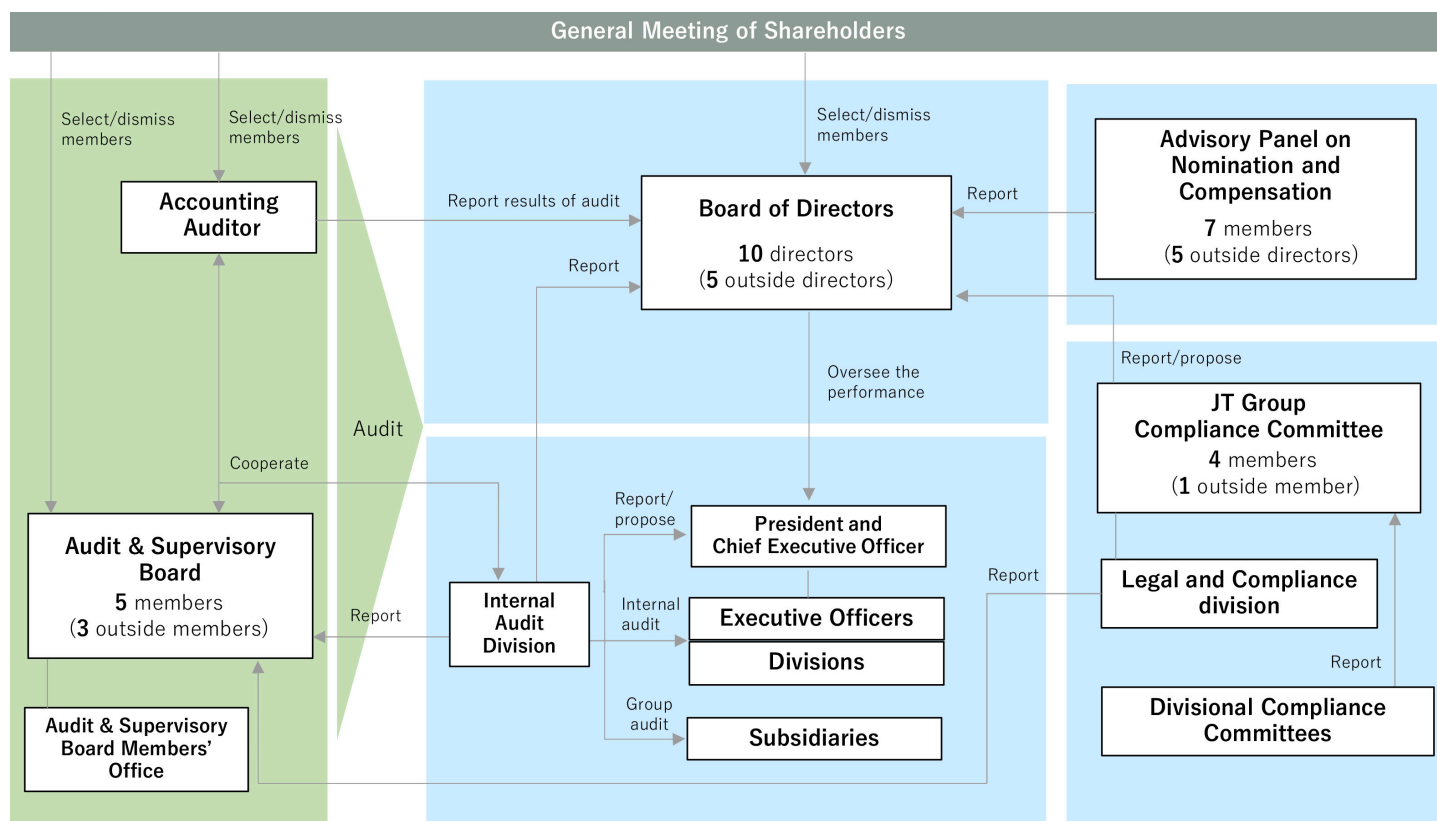
This provides a framework for raising corporate value and achieving sustainable profit growth in the mid to long term.

Strong governance is as much about ensuring the successful operation of our business as it is about our role in society. Our aim is to continuously enhance our organization to build lasting value that we can share with our valued consumers, shareholders, employees, and society as a whole. The JT Corporate Governance Policy fully reflects this objective as well as our commitments to ethical conduct, sustainability, and diversity.

Our corporate governance system

Our governance framework is based on a thorough system of internal controls.

Effective compliance, audit, and risk management are critical to conducting business in line with our management principles, and our board of directors regularly reviews internal reports to ensure we are acting in accordance with our commitments. We have put in place an Auditor Office dedicated to supporting Audit & Supervisory Board members in effectively carrying out their duties. We also encourage collaboration among group companies as we look to strengthen our management foundation and improve our governance on an ongoing basis.



Learn more about:

[The JT Corporate Governance Policy](#) 

[The latest Corporate Governance Report](#) 

You might also like...

Governance and
compliance

The 4S model,
Materiality,
Sustainability
strategy, SDGs

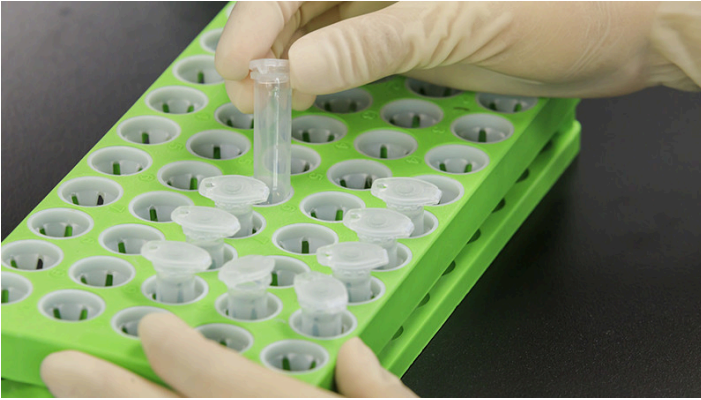
Our compliance
system



Group compliance

Our responsibilities to stakeholders

Compliance is the foundation that will allow us to achieve sustainable profit growth over the mid to long term under the 4S model, our management principle. We define the JT Group's compliance as "Actions for the shared JT Group Purpose, based on the values and ethics we must hold in order to become better corporate employees and citizens."



Our compliance system

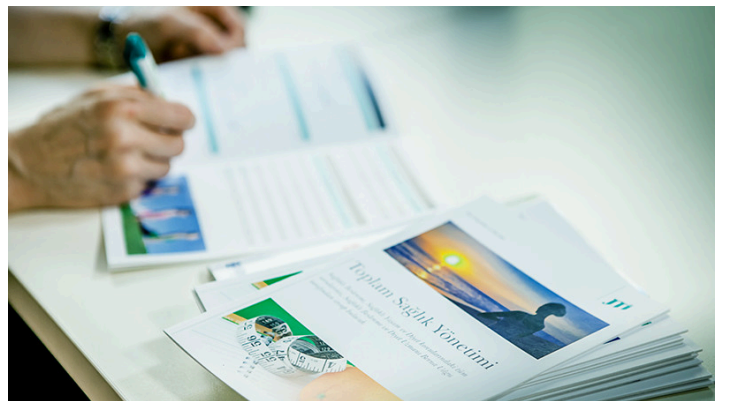
Our compliance system plays a significant role in the Group's governance and ensures that all employees comply with our compliance standards.

[Read more >](#)

Our Codes of Conduct

Compliance at the JT Group is upheld by our Codes of Conduct, communication channels for reporting concerns, and various compliance programs.

[Read more >](#)





Compliance risk management

The JT Group makes the utmost effort to ensure all of our business operations are carried out in an appropriate way and gain a high level of trust and confidence from our stakeholders by reinforcing compliance risk management.

[Read more >](#)

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Our compliance system

The JT Group Compliance Committee and Divisional Compliance Committees play a significant role in the Group's governance. Their aim is to ensure that all directors and employees fully comply with applicable laws, our Articles of Incorporation, cultural expectations, and other compliance standards. The roles of the compliance committees are as follows:

- Hold meetings where compliance-related matters are reviewed and discussed in order to report directly to the Board of Directors
- Discuss Annual Compliance Action Plans
- Oversee investigation of any suspected serious compliance violation case and correct and prevent recurrence if any violation is detected

The head of the JT Group Compliance Committee is the CEO, and the committee includes the external expert and Executive Vice President. The committee meets regularly two times every year. Among the matters discussed are initiatives to promote compliance throughout the Group, and these initiatives are executed based on the Annual Compliance Action Plan. The action plan includes maintaining and enhancing the compliance system, taking action on priority issues, carrying out training and seminars, handling the Reporting Concerns Mechanism, and holding Compliance Promotion Month, which takes place in June every year. The aim is to raise employees' awareness of this important subject, through information sessions in every workplace, e-learning, and seminars for managers.

The Legal and Compliance Division oversees all divisions to ensure that compliance is functioning appropriately. It also promotes compliance by running various training programs for executives and employees. Employees can report any violations or consult about possible violations of the Codes of Conduct by calling internal or external hotlines. The Legal and Compliance Division is responsible for investigating reported cases, and in the case of proven violations, each work division must implement corrective measures. Serious cases are reviewed by the JT Group Compliance Committee and reported to the Board of Directors as necessary.

Similarly, in our tobacco business* we have our own Compliance department led by the JTI Chief Compliance Officer. JTI Compliance department supports employees with various compliance programs and training courses to guide them to act with integrity and make decisions in compliance with all applicable laws and internal policies, and to mitigate reputational, legal and financial risks for our international business.

* Tobacco business excluding Japan market

Related links

Our
responsibilities
to stakeholders

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graph TD; A[Our responsibilities to stakeholders] --- B[Our compliance system];
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Our compliance
system

Our Codes of
Conduct

Compliance risk
management

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Compliance risk management



We make every effort to ensure that all of our business operations are carried out in an appropriate way, and that we focus on compliance risk management to maintain our stakeholders' trust.

In our Japanese operations, every division in the tobacco, pharmaceutical, and processed food businesses is required to assess their compliance risks and submit action plans to address any risks identified. A compliance survey is conducted every year and each organization incorporates the results into their action plan.

Anti-bribery and corruption

With operations spanning the world, some of our businesses are conducted in jurisdictions with a high prevalence of bribery and corruption. Our Codes of Conduct clearly prohibit bribery and forbid corrupt practices in any form. Taking into account legislation such as the Unfair Competition Prevention Act of Japan, U.S. Foreign Corrupt Practices Act, U.K. Bribery Act, and anti-bribery laws in China, we have introduced the JT Group Anti-Bribery Policy.



We take a zero-tolerance approach to bribery, corruption, and other financial crime, and actively manage risks related to these areas.

In Japan, we run an e-learning course on anti-bribery and corruption periodically. Through this program, we aim to gain a better understanding of corruption with a view to preventing it at the JT Group and reducing the risk of becoming involved in corruption cases. The course focuses on business dealings with government bodies, etc. that use agents and where the risk is particularly

high. The participation rate for the e-learning course in 2024 was 99.2%.

In our tobacco business*, we take a zero-tolerance approach to bribery, corruption, and other financial crime, and we actively manage risks related to these areas.

In 2023, as part of our annual focus on training, we provided training on Introduction to Compliance to 2,534 new employees, and Anti-bribery and corruption training to 2,847 employees.

To mitigate the risks of bribery and corruption, we have also updated several corporate compliance procedures, including employee disclosure and declarations, understanding your business partner, and preventing financial crime.

* Tobacco business excluding Japan market

[JT Group Code of Conduct \(Tobacco Business in Japan\)](#) 

[JT Group Code of Conduct \(Pharmaceutical Business\)](#) 

[JT Group Code of Conduct \(Processed Food Business\)](#) 

[JT Group Code of Conduct \(Corporate\)](#) 

[JTI Code of Conduct](#) 

[JT Group Anti-Bribery Policy](#)

Gifts, hospitality, and entertainment

We do not encourage the exchange of gifts, hospitality, or entertainment (GHE), but we recognize that occasional GHE is a common business practice. We must always be transparent when exchanging GHE, as such action could otherwise be interpreted as a bribe or conflict of interest.

To mitigate and prevent such risks, we have established internal GHE policies and procedures. These help to prevent bribery and conflicts of interest. They also help to ensure an appropriate level of GHE exchange, which must be transparent and reasonable and must respect local regulations. Where our standards are stricter than local laws, we require our local offices to comply with our standards.

We provide regular training and run communication campaigns to ensure that compliance is well embedded within our organization.

Anti-competitive behavior

Compliance with competition laws is covered by our Codes of Conduct, which require employees to compete fairly in all markets.

In our tobacco business*, we have a policy with detailed guidelines in place to ensure that our business is conducted fairly and in compliance with competition laws at all times. The policy requires our employees to conduct business in an ethical manner and in compliance with competition laws. For example, all personnel are required to determine JTI's commercial strategies and take decisions independently from our competitors and in the interest of JTI alone, without consultation, influence by, or access to competitors' competitively sensitive information.

In addition, we do not enter into agreements with competitors or third parties operating at different levels within the supply chain (e.g., trade customers, such as distributors or retailers) that have as their aim or effect the prevention, restriction or distortion of competition. Our customers must be free to make their own business decisions concerning their customers and how they compete in the market.

We have developed extensive training materials. Our employees are required to attend regular training sessions on compliance with competition laws and our policy.

* Tobacco business excluding Japan market

Preventing financial crime

We do not tolerate any form of financial crime. We perform policy controls and provide training programs to our employees. We also publish communications on the subject regularly. Our global policy sets out principles and guidelines to prevent employees from being involved in any form of financial crime, including money laundering, tax evasion, and facilitating tax evasion.

Tax compliance

The JT Group Tax Policy outlines our approach to tax compliance, tax risk management, the utilization of external tax advisors, and our relationship with tax authorities. Read more on tax practices.

[The JT Group Tax Policy](#)

[Tax practices](#)

Related links

Our
responsibilities
to stakeholders

Our compliance
system

Our Codes of
Conduct

Compliance risk
management



Our Codes of Conduct

The JT Group has established the JT Group Compliance Policy, which summarizes the JT Group's values and ethics that are common globally, to carry out compliance. In addition, we have tailored the Codes of Conduct to the unique environments and characteristics of each corporate and business unit, which serve as the basis for our employees' daily actions. Our Reporting Concerns Mechanism allows employees and business partners to report concerns in a confidential manner. We take a zero-tolerance approach to bribery, corruption, and other financial crime, and we actively manage risks related to these areas.

We train employees on the codes, and there are communication channels for employees to report concerns about potential breaches or violations.

[JT Group Compliance Policy](#) 

[JT Group Code of Conduct \(Tobacco Business in Japan\)](#) 

[JT Group Code of Conduct \(Pharmaceutical Business\)](#) 

[JT Group Code of Conduct \(Processed Food Business\)](#) 

[JT Group Code of Conduct \(Corporate\)](#) 

[JTI Code of Conduct](#) 

[JT Group Supplier Standards](#)

Living our Codes of Conduct

Our Codes of Conduct guide us to conduct business ethically and be a responsible corporate citizen. To ensure that the codes are communicated effectively throughout the entire business, we run various training courses for employees.

Our employees sign an acknowledgment form to show their commitment to following our Codes of Conduct. In the biannual performance appraisal of employees at JT, confirmation of compliance with our Codes of Conduct is integrated into the process.

Our Codes of Conduct are reviewed every few years and revised when necessary, considering the environments in which we operate. We revised and updated the Codes of Conduct in 2012, 2015, and 2018. In 2021, we reviewed the codes in their entirety and evaluated the need for revision. As a result, after consulting with relevant divisions, we determined they were sufficient at that time, and left them unchanged. In 2024, we established the JT Group Compliance Policy, which summarizes

the JT Group's values and ethics that are common globally, to carry out compliance. In addition, we have tailored the Codes of Conduct to the unique environments and characteristics of each corporate and business unit, which serve as the basis for our employees' daily actions. In the future, we will continue to review the codes periodically and revise them when necessary. In our tobacco business*, the JTI Code of Conduct has been digitalized into an accessible, easy-to-read document, including a decision-making guide to assist employees in making the right choices. It is available in 42 languages.

* Tobacco business excluding Japan market

Training and communication

We continued to provide training on the Codes of Conduct to our employees in 2023. We provide training programs to all employees, regardless of their employment status (e.g., directly or indirectly employed, full or part time).

In our Japanese operations, 99.2% of employees completed the online courses.

To ensure that the JTI Code of Conduct is communicated effectively throughout the entire tobacco business*, we run various communication campaigns, initiatives and training courses for all employees. We also use an interactive Code of Conduct video in multiple languages to guide our employees to make the right choices.

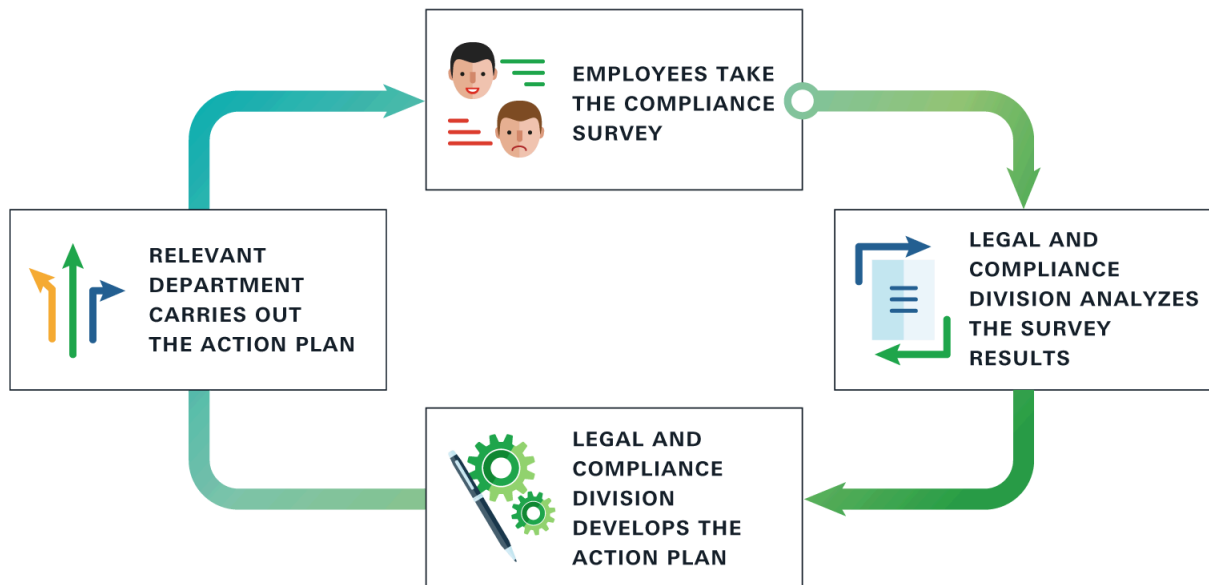
* Tobacco business excluding Japan market

Compliance survey in Japan

In order to better implement compliance in our workplaces, each department in our Japanese operations makes Compliance Action Plans. These action plans are rolled out on a yearly basis, which means they are based on the results of the compliance survey and the status of our initiatives in the previous year.

We conduct a compliance survey every year. In 2023, 96.7% of employees completed the survey. Survey results are analyzed by JT's Legal and Compliance Division, and reported to the head of each department while ensuring confidentiality. Next, JT's Legal and Compliance Division develops an Annual Compliance Action Plan based on the results of the analysis. The relevant departments then introduce remediation plans to address any issues raised, using quantitative targets to evaluate the effectiveness of the plan.

COMPLIANCE SURVEY ROLE



Based on the survey results and compliance-related matters in 2023, we set priority issues in 2024 which are deemed necessary for each division, such as preventing harassment. We will provide training programs incorporating these issues during Compliance Promotion Month in June and strengthen and implement necessary measures with related departments.



* Harassment includes sexual harassment and bullying.

Reporting concerns

Across the JT Group, each of our operating companies has specially trained members who handle compliance matters. If an employee is concerned about a potential violation of our Codes of Conduct, they can contact their line manager, their HR lead, or a

* In our Japanese operations, we distribute a Reporting Concerns Booklet to all employees with detailed information about the process for reporting concerns.

member of the compliance team. We also provide an external concern-reporting service, run by an independent provider and available 24/7. In addition, the Audit & Supervisory Board members in our Japanese operations have established a consultation and reporting contact independent of business operations. Every reported concern and investigation report is treated on a strictly confidential basis, and retaliation against anyone reporting a concern will not be tolerated. Employees can file a report anonymously if they prefer. Our approach is explicitly described in our internal policy and employee handbook so that our employees can be aware of their rights and free of fear.



[JT reporting concerns \(for business partners\).](#)

JT reporting concerns*

[JTI reporting concerns](#) 

We believe that everyone should be able to raise concerns and have their voice heard, even if they do not have access to a company computer and/or the company network. That's why we ensure secure access to the reporting system for all of our employees, at all times and from anywhere.

We offer multiple communication channels for employees, customers, and business partners to confidentially raise concerns about potential violations of our Codes of Conduct or policies. We review all concerns raised, launch investigations as needed, and take appropriate corrective actions.

Employees are informed of our Reporting Concerns Mechanism through various channels, including the JT Group intranet. In our Japanese operations, the mechanism is available in five languages (Japanese, English, Chinese, Vietnamese, and Nepalese) to meet the needs of our diverse workforce.

Any concerns are then dealt with by specially trained contact persons, who all follow a mandatory training course.

In our tobacco business*, we are committed to achieving and maintaining the highest standards of

ethical behavior and acting responsibly in all we do. JTI Reporting Concerns Mechanism, called “Your Voice”, helps meet these standards by allowing employees and business partners to confidentially report behavior related to our business, which they believe is in breach of the JTI Code of Conduct, JTI policies and procedures, or applicable laws.

We believe that everyone should be able to raise concerns in relation to our business and have their voice heard. We ensure secured access to the Your Voice for all of our employees and business partners, either via a portal run by an independent provider, accessible 24/7 in more than 70 countries and 50 languages with a computer or phone, or via a dedicated email address.

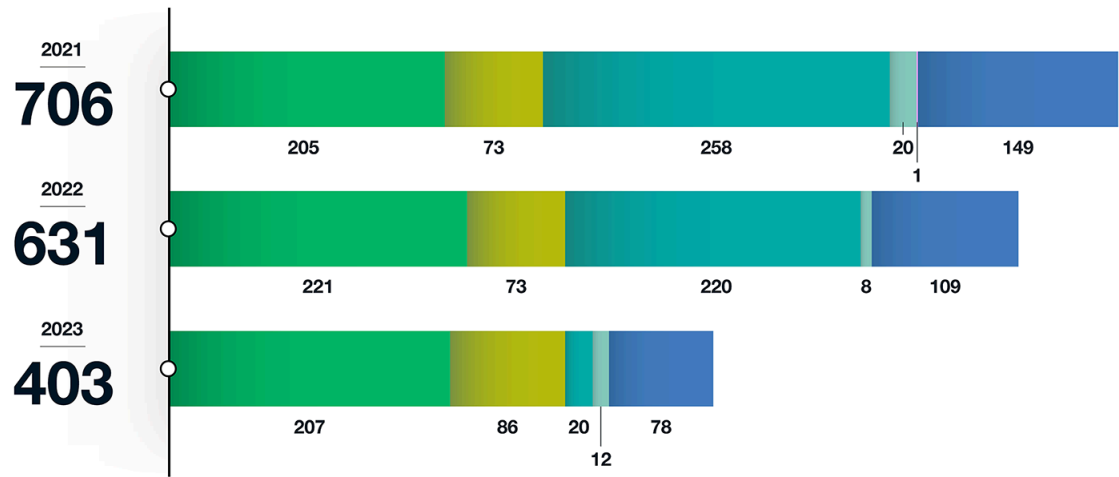
Every reported concern and investigation report is treated confidentially. All substantiated instances of misconduct are addressed appropriately, and retaliation against anyone reporting a concern is not tolerated.

Examples of the types of issues that can be reported through our Reporting Concerns Mechanism are: human rights concerns, fraud, corruption, money laundering, illicit trade, discrimination, moral and sexual harassment, or other forms of inappropriate behavior.







In 2023, we received 403 reports across the JT Group. In a total of 136 cases, violations of our Codes of Conduct we discovered, and we implemented remedial action in the form of dismissal, verbal or written warnings, financial penalties, or other measures. For instance, we took remedial action in 57 cases concerning labor practices (excluding human rights) and 40 cases concerning human rights. More specifically, we took remedial action in 4 cases concerning corruption, 5 cases concerning conflicts of interest, and 1 case concerning discrimination. Regarding data privacy violation, money laundering and insider trading, there were no substantiated cases, thus no remedial action was taken.

* Tobacco business excluding Japan market

BREAKDOWN OF REPORTED CASES



Cases related to:

	Labor practices (excluding human rights)		Corruption
	Human rights		Anti-competitive behavior
	Fraud and misuse of Company assets		Other

Related links

Our responsibilities to stakeholders

Our compliance system

Our Codes of Conduct

Compliance risk management



Our policies

Our management approach is underpinned by our 4S model. Consumers, shareholders, employees, and society represent the four stakeholder groups (4S) at the heart of everything we do. The policies and principles below define our commitment to these four stakeholder groups.

Governance and compliance

[The JT Corporate Governance Policy](#)

[The JT Group Code of Conduct](#)

Human rights

[The JT Group Human Rights Policy](#)

Environment

[The JT Group Environment Policy](#)

Community investment

[The JT Group community investment policy](#)

Supply chain

[The JT Group Responsible Procurement Policy](#)

[The JT Group Supplier Standards](#)

[The JT Group Principles in Leaf Tobacco Production](#)

Tobacco business

[Our tobacco principles](#)

[Our global tobacco marketing principles](#)

Related links

Good governance

Our policies

Tax practices

Risk management

Information security

Transparency and stakeholder engagement



Tax practices



The JT Group is committed to being a responsible corporate citizen across all areas of our operations, and in all countries in which we source, manufacture, or sell our products. This is an essential component of how we work as a business and who we are as a company.

This global commitment is driven by a management philosophy that puts key stakeholder groups at the heart of our everyday decisions and actions. Our 4S model ensures that we strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can. Effective compliance, audit and risk management play important roles in how we conduct ourselves, everywhere.

This is particularly true in the increasingly complex area of taxation. Our tax commitment is unequivocal: “We are fully committed to paying our fair share of taxes within both the letter and the spirit of the law.” In doing so, we aim for our tax affairs to be transparent and sustainable in the long term, and we do not engage in aggressive tax planning, or tax avoidance schemes. We neither use legal entities, secrecy jurisdictions, or tax havens, purely for tax purposes, nor will we undertake tax planning for tax avoidance reasons or without commercial justification. We undertake to meet all legal requirements and make all appropriate returns and payments on time. We communicate closely and transparently with tax authorities to enhance their understanding of our business.

In areas of uncertainty, we seek to discuss our interpretation of tax rules with tax authorities and, where appropriate, obtain tax rulings. Where disputes arise with tax authorities with regard to the

interpretation and application of legislation, we are committed to addressing the issues promptly and resolving them in an open and constructive manner.

Our Group Tax Policy

The JT Group Tax Policy (hereinafter, the “Policy”) outlines the framework for ensuring appropriate conduct of tax affairs to enhance the corporate value through our “4S” model. This policy provides general guidance in respect of tax compliance, tax management and the use and engagement of external tax advisors, and relationships with tax authorities and business partners within the JT Group. This policy is approved by the JT Group CEO.

Basic Policy

A) Tax Compliance

JT Group will:

- Comply within both the letter and spirit of local laws and regulations in every country and region in which JT Group conducts business
- Use the arm's length principle for all transfer pricing
- Submit tax returns accurately and in time
- Make tax payment when due
- Retain adequate documentation supporting its tax filings and payments
- Comply with IFRS and / or local GAAP accounting as appropriate to their business, in respect of Taxes
- Comply with Operating Guidelines related to the Policy
- Report to JT management on regular basis in order to confirm compliance

B) Tax Risk Management

JT Group will:

- Seek a consistent and balanced approach regarding Tax Risk Management

- Demonstrate the highest level of integrity and abide by the highest standards and comply with laws, regulations and other rules

JT Group will not:

- Use an entity only for tax purposes
- Use secrecy jurisdictions or tax havens only for tax purpose
- Undertake tax planning for tax avoidance reasons or without commercial justification.

C) Utilization of External Tax Advisers

JT Group establishes and maintains relationships with External Tax Advisers for the followings:

- Achieve the highest quality of Tax Compliance and Tax Risk Management
- Ensure efficient and effective utilization of External Tax Advisers
- Ensure the highest standards of service at the lowest cost level
- Reduce the reliance on External Tax Advisers in order to develop the internal capabilities within the JT Group
- Where necessary for attorney/ client legal privilege, ensure consideration is given to use of a legal firm as External Tax Advisers

D) Relationship with tax authority

JT Group will:

- Maintain the appropriate level of relationship with tax authorities to ensure a high standard of corporate reputation
- Maintain a proactive, open and transparent communication with tax authorities in order to enhance their understanding of the JT Group business and resolve matters in a constructive manner where disputes arise with regard to the interpretation and application of tax legislation

Our tax control framework

Our objective is to manage tax risk and pay what is rightly due.

The main areas of tax risks we identified relate to tax law changes, compliance and reporting:

- Tax law changes: exposure driven by tax law changes enacted unexpectedly, retroactive legislation, changes in interpretation or application of tax laws by authorities.
- Compliance: non-compliance with global or local tax laws and regulations, including wrong application of tax regulations, errors / delays in tax filings, documentation and reporting, incorrect interpretation of transfer pricing guidelines and/or taxation laws by JTI employees, advisers or regulatory bodies.
- Reporting: inability to estimate existing or future tax obligations and record appropriate provisions.

All risk areas are monitored and managed closely via our tax control framework:

Tax affairs within the JT Group are managed by our experienced in-house tax team, who are actively involved in all major commercial and operational transactions. To control the tax risks JT Group's tax team uses external consultants; conducts tax health checks; keeps up to date via tax literature, newsletters, external training, and membership of tax professional organizations; and mandatorily and regularly applies web-based tools to capture changes in existing and new tax positions and compliance status.

Significant tax positions, and the risks arising from these - together with potential mitigating actions - are considered by the relevant level of management when strategic decisions impacting each company are taken. We also seek advice from external professional advisers or look for pre-alignment with tax authorities for material transactions where appropriate, to minimize potential risk.

The allocation of responsibility is clearly set out in the JT Group Operating Guidelines and the JT Group Tax Policy. Material transactions and issues are considered by relevant boards. There is a regular review of material transactions and tax positions by senior management. Adherence to our operating guidelines in respect of authorization and approval levels for all transactions and compliance tax matters is mandatory.

The JT Group Tax Policy is reviewed and approved by the JT Group CEO. The tax strategy of each entity is reviewed regularly. The responsibility for this - as well as management of tax risks, rests with the Chief Financial Officer of each entity, together with the Global Tax Vice President.

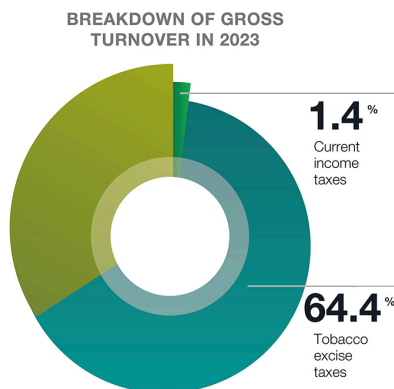
Our effective tax rate

The effective statutory tax rate in Japan is 30.43% (FY23). However, as we, as a Japanese multinational, also have operations outside Japan, the profits we generate cannot be taxed in Japan only. In order to come to a logical effective tax rate, we use a blended rate representing a blend of the local statutory rates applicable for each market, of which most have a lower tax rate than the effective statutory tax rate in Japan. As mentioned in our Group Tax Policy, we use international transfer pricing standards to safeguards that all markets have the opportunity to levy tax upon the profits allocable to their markets and get their fair share of taxes.

The amount of corporate income taxes, including deferred income taxes, amounted to 136,292 million yen, which represents the effective tax rate of 21.93% in 2023. Adjustments will be seen as the reported profits will not fully align with the taxable profits in the markets due to the applicability of local tax laws. The reconciliations between the effective statutory tax rate in Japan and the calculated effective tax rate (ETR) for JT can be specified as follows:

	(%)
Effective statutory tax rate in Japan	30.43
Different tax rates applied to foreign subsidiaries	(12.16)
Non-deductible expenses	1.53
Non-taxable incomes	(2.99)
Valuation allowance	2.49
Tax credits	(1.55)
Retained earnings	0.93
Withholding tax in foreign countries	1.45
Other	1.81
ETR in 2023	21.93


Our tax contribution



As one of the world's largest tobacco companies, we make significant contributions to government revenues through taxation. In 2023, approximately 65.7% of 9,732,611 million yen gross revenue flowed back into global society through tobacco excise and corporate taxes. We accrued 6,263,681 million yen in tobacco excise taxes, amounting to 64.4% of global revenues; and 132,566 million yen in current income taxes (corporate tax), accounting for a further 1.4% of revenue. Besides this, we are responsible for the collection and payment of other taxes including employment taxes and other indirect taxes. Collectively, we believe these taxes paid contribute to funding many essential services on which current and future generations may depend.

Tax has also been recognized as an important sustainability subject by the JT Group's senior leadership. This is reflected in the JT Group sustainability strategy.

To help the Group to grow, and to build a sustainable future as a member of the society in which we operate, we have identified high-priority material issues. Tax practice is one of these topics. It is also a focus area of "Good governance and business standards", one of our group's sustainability initiatives. Read more on "[Materiality](#)".

The above tax statement is also published for and on behalf of all U.K. sub-groups and qualifying U.K. entities in our Group, in accordance with the requirement to publish a tax strategy for each financial year under section 161 and paragraph 19 of Schedule 19 to the Finance Act 2016 in relation to the year ended 31 December 2024. The above references to tax authorities include the U.K.'s HMRC. A link to the above information, which applies to all UK entities, is included in the [JTI UK website](#). 

Related links

Good governance

Our policies

Tax practices

Risk management

Information security

Transparency and stakeholder engagement



Risk management

Our group operates a diverse business which includes tobacco, pharmaceuticals, and processed food. We also operate on a global basis with offices in Europe, CIS, Africa, and the Middle East, among others. Due to this diversity and as we operate in a changing business environment, we are exposed to various risks.

We look at emerging risk such as increase in cyber/IT security risk, risk of natural disasters arising from climate change or increase in political risk. We examine financial and business risks such as the effect of currency fluctuation or impact of regulatory developments. Our approach to addressing key risks is detailed in our latest integrated report under 'Risk Factors'. We also address compliance risk as we strive to ensure all of our business operations are carried out with integrity.

[Corporate governance >](#)

[Integrated report >](#)

Risk management system

Our risk management system is based on four pillars – Identify, Assess, Plan, and Monitor. This circular approach ensures a systematic approach to risk management and allows us to be conscious of, and appropriately address, more complex, wide-ranging risk factors. The JT Group CEO appoints a person who oversees the comprehensive review of all risks related to our Group (hereinafter 'risk management officer') amongst senior vice presidents.

- Identify

Our risk management officer is responsible for the comprehensive review of all risks related to the JT Group.

- Assess

Senior vice presidents perform a risk impact assessment under their own responsibilities and evaluates all of the risks to identify the key risks for our business operations. The key risks identified are reported to the risk management officer. The risk management officer determines the key risks to our Group are based on reports issued by each business division, then reports these to the JT Group CEO.

- Plan

Senior vice presidents develop an action plan to address the JT Group's key risks. The plans are

reported to the risk management officer and CEO.

- Monitor

We continue to monitor the implementation of our action plans in every relevant division. Senior vice presidents report progress to the risk management officer and CEO periodically.

Our key financial and business risks are considered by the Board of Directors on a quarterly basis. Internal audits are carried out by a division independent of the business, which reports directly to the JT Group CEO.

Crisis risk management

We have a crisis management and disaster response protocol, whereby a project team, headed by the JT Group CEO, can be swiftly called upon in times of crisis or disaster.

Compliance risk management

The JT Group Compliance Committee plays a significant role in the Group's governance. Its aim is to oversee and promote compliance throughout the Group and, as a deliberative body, to ensure accountability to the Board of Directors. The head of the JT Group Compliance Committee is the CEO, and the committee includes the external expert and Executive Vice President.

We make every effort to ensure that our business operations are carried out in an appropriate way, and to gain a high level of trust and confidence from our stakeholders.

[Group compliance >](#)

[Information security >](#)

[Tax practices >](#)

Enterprise risk management

We recognize the need for a Group-wide global risk management framework: this would allow us to be conscious of, and appropriately address, more complex, wide-ranging risk factors. We are establishing more systematic ways to analyze and respond to risk factors surrounding our Group and our stakeholders, with a view to further strengthening our risk governance.

Related links

Good governance

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Tax practices

Risk
management

Information
security

Transparency
and stakeholder
engagement

Integrated report



2023 2022 2021 2020 2019

Beginning FY2019, we will publish our Integrated Report as a substitute of both our Annual Report and Sustainability Report.

The report provides our stakeholders with both key financial and non-financial information in order to have clearer and deeper understanding of the JT Group's sustainable corporate value growth.

Integrated Report • Latest information

2024/06/27 [Integrated report HTML version](#) > (NEW)

2024/06/27 [Integrated report 2023 PDF](#) (NEW)

2024/02/13 [JT Group Sustainability Targets](#)

Questionnaire

Thank you for reading JT Group "Integrated Report". We would greatly appreciate any feedback or thoughts you may have, as they will help guide our future activities and enhance our next report.

Investors

Management information

Results and reports

For shareholders

Stock information

IR Calendar

For debt investors

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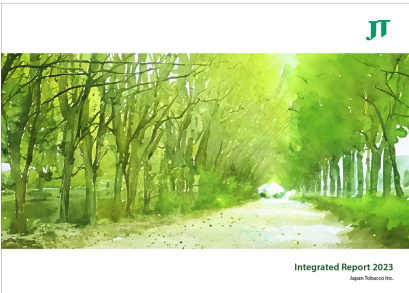
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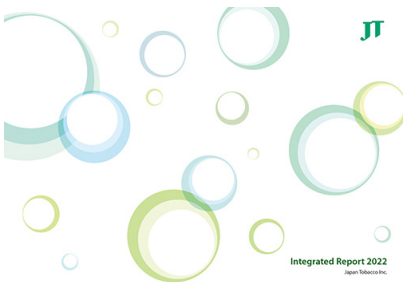
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Integrated Report 2021
Japan Tobacco Inc.

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The JT website
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Information security

Our information security risks relate to all the valuable data we hold. This not only includes details about our customers, consumers, suppliers, and employees, but also information on our business strategy, and our engineering and experimental data, including results from research. The danger is that this important information could be stolen, leaked, or damaged in some way.

In order to minimize this risk, we are committed to continually enhancing our information security framework. We understand the importance of awareness and the role every employee can play in keeping our data safe. We ensure that our regularly updated policies and procedures are shared with and understood by employees, as education is a key component of our broader cyber defense strategy.

IT risk management

The JT Group IT Governance Policy is the top of our hierarchy of IT policies and procedures. This is the bedrock of information security governance. We operate IT controls to support relevant legal and regulatory requirements, specifically how personal and financial information is controlled and processed. IT risk and cyber security have been selected as parts of the main risks by our Board during the top down ERM in 2023. The Senior Vice President, Information Technology has managerial responsibility over the JT Group's IT Governance systems. We take proactive initiatives by communicate with and report to our board members on a regular base.

Personal information protection

To appropriately protect and ensure the responsible use of data, handling of personal information is conducted in accordance with appropriate laws and regulations specifically as it relates to applicable data protection legislation. In addition, our internal policies set out guidelines for collection, processing, and use of personal information. Through employee awareness and protection technologies, labeling and classifying personal information have now become essential elements in controlling, tracking and protecting information.

Monitoring system

Our IT infrastructure and information security management systems are continuously monitoring to detect cyber threats. Existing security detection systems are systematically assessed by internal

and external auditors, ensuring our practices meet the highest standards. As part of our continual improvement strategy to harden our security posture and adapt to an ever-changing threat landscape, we instruct third-party providers to perform vulnerability testing. Simulated cyberattacks are a valuable part of our strategy to find areas for improvement, as well as simultaneously testing our incident response procedures.

Business continuity and incident response

One of our key focus areas is ensuring continuity of critical business processes and reducing risk to financial and/or reputational damage. In the event of a disruptive incident or cyberattack, we have a robust response structure, which is based on the following aspects:

- Our IT Business Continuity Policy describes the efforts of our IT team to support business process continuity. The most important of these processes are detailed below.

Disaster recovery procedures and plans	Critical IT infrastructure, such as our data centers, has recovery and rehearsal procedures in place to simulate disaster scenarios. This enables us to understand how well procedures are operating and identify any areas for improvement.
IT service availability	IT controls are in place to ensure the availability of business-critical IT services in worst-case scenarios.
Data backup and restoration	We have efficient data backup and restoration procedures to restore business-critical data within the required timelines. Controls are also in place to protect confidential data and data integrity, in order to minimize business disruption.
Incident management	Robust procedures and service level agreements (SLAs) are in place in the event of an incident. Clear investigation and incident post-mortem processes are in place. These help us to understand the root cause of such incidents and prepare for similar scenarios in the future. They also help us avoid repeating the same mistakes.

Information security training

Our information security awareness strategy empowers our employees to be the first line of defense against cybercrime and attacks. It provides the tools and know-how they need to identify threats and take appropriate action to protect the JT Group.

The JT Group implemented a global bespoke i-secure program, which was established to promote a

culture of cybersecurity awareness both at home and at work. This annual learning program is executed at 100% of our locations worldwide, and 88% of all our employees have received information security e-learning. Key behavior indicators allow us to constantly measure the effectiveness of our program. This learning initiative supplements our technological defenses against cybercrime, by ensuring that all employees understand how to better protect our information. We also pay special attention to the cybersecurity risks surrounding executives.

JT GROUP ANNUAL INFORMATION SECURITY AWARENESS CAMPAIGN



100%
JT GROUP
LOCATIONS INVOLVED



88%
JT GROUP EMPLOYEES
PARTICIPATING IN E-LEARNING

As we increasingly move towards the use of cloud services for data processing, we are re-evaluating risks and strengthening our security defenses. We continually assess the threat to our company using a variety of security intelligence methods. The JT Group realizes “fulfilling moments” through our evolving business operations. This will require technological advances, which in turn will bring new and complex security challenges.

It is the role and responsibility of Information Security to constantly adapt to the ever-changing technical landscape. We are making great efforts to continually improve the security of all areas of our business, with a focus on global collaboration to ensure that the best security practices and defense technologies are used across the JT Group.



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Transparency and stakeholder engagement

We regularly engage with consumers, shareholders, employees, and members of wider society to understand the issues that matter to them most, and to meet their needs and expectations. This engagement is vital in helping us to make decisions that will drive long-term sustainability. Listed below are our key stakeholder groups and how we engage with them.

Customers and consumers

- Our sales force interacts with our retailers and consumers on a day-to-day basis to better understand their needs and preferences (e.g. visiting retailers, interactive sampling of new products where legally permitted, etc.)
- We respond to product and business enquiries from consumers through our consumer hotline service
- Our tobacco business will make its RRP available in an increasing number of countries worldwide.

Read more about how we engage with our [consumers through the hot-line service](#) , or about our [products and services](#).

Shareholders

- We hold an annual general meeting every year and present our financial results to our shareholders
- We are in regular contact with institutional shareholders to discuss the issues of concern to them

Read more about how we engage with our [shareholders](#).

Employees

- We have defined human capital as a combination of “our people,” “organizational culture” and “ownership”.

- Moreover, we have set '6 human capital growth themes' consisting of 'Diversity, equity and inclusion', 'Talent attraction', 'Attractive working conditions', 'Health and safety', 'Development support' and 'Internal and external control'.
- We will engage with our employees on each of the above growth themes.

Read more about how we engage with our [employees](#) or about our [reporting concern mechanism](#).

Suppliers

- The JT Group will screen all key suppliers against ESG criteria.
- Our tobacco business will screen 100% of its key suppliers against environmental, social and governance criteria by 2023. The tobacco business will also implement Agricultural Labor Practices (ALP) program in all leaf-sourcing countries by 2025.

Read more about how we engage with our [suppliers](#).

See also [JT Group Sustainability Targets](#)  (Supply chain targets)

Trade associations

- We engage with trade associations by participating in working groups and policy commissions in order to achieve a better business environment not only for us but also for other member companies

Communities

- We support the development of inclusive and sustainable societies by voluntarily engaging with charitable organizations in the communities where we operate
- We provide post-disaster support to local communities

Read more about how we engage with the [communities](#) in which we operate.

Non-governmental, regional, and international organizations

- We partner with non-governmental organizations and non-profit organizations to deliver our community investment programs
- We partner with organizations supporting the communities where we buy tobacco leaves

Read more about how we engage with the [communities](#) in which we operate, or with the [tobacco leaf communities](#).

Governments and regulators

- Our tobacco business will always protect its ability to participate in public policy debate with the aim to achieve balanced regulation that meets societal concern and support business growth.
- The tobacco business will also engage in dialogue with law enforcement agencies, with the goal to exchange intelligence regarding illegal tobacco products, in order to support the reduction of these products.

See also [JT Group Sustainability Targets](#)  (Governance targets)

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