



## Tobacco business

The industry can be divided in two product categories: combustible products and RRP (Reduced-Risk Products).


We believe that the RRP adoption trend will continue, as these products have potentially less risk for the adult consumer.

To create fulfilling moments and a better future, we have articulated a clear strategy for the tobacco business, prioritizing management resources towards HTS (heated tobacco sticks), the main RRP growth driver, and combustibles, the largest, most profitable category across the tobacco industry.

The combination of the JT Group's tobacco businesses into a single business segment is supporting this prioritization of resources, globalizing the Group's knowledge and expertise, driving increased agility, and accelerating strategic decision-making.

This strategy, moreover, confirms the tobacco business as the profit engine of the JT Group and strengthens its role as the main source of profit growth for the medium and long terms.



For more details on our approach to responsible marketing, please refer to our [Global Tobacco Marketing Principles](#). 

In the following four strategic focus areas, we cover our approach to sustainability across our tobacco business.

## Our tobacco business value chain



## The four strategic focus areas of our sustainability strategy



Consumer expectations (RRP) >

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## Smoking and health

We recognize that cigarettes are a legal but controversial product. People smoke for pleasure but there are real risks that come with that pleasure. Accordingly, we believe that tobacco products should be appropriately regulated.

We also believe in the freedom of adults to choose whether they want to smoke and that no one should smoke unless he or she understands the risks of doing so. These risks distinguish tobacco from most consumer goods and they place upon the industry a real responsibility. It's a responsibility for which we expect to be held accountable, together with governments and the rest of society.

Our positions on smoking and health are available on our websites, as are the lists of ingredients we use in our products.

[Ingredients list of JT products \(in Japanese\)](#). 

[Our attitude to smoking](#) 

[Our attitude to smoking \(in Japanese\)](#). 

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## RRP (Consumer expectations)

The RRP category is composed of different segments including HTS (heated tobacco sticks), Infused (infused tobacco capsules), E-Vapor and oral. As announced in 2021, we prioritize the allocation of resources to HTS, with the other segments viewed as exploratory opportunities.

## Reducing health impact through RRP

We try to minimize any negative impacts on local communities or the planet while making our products.

Reducing the health impact of our products is of notable importance, which is why reduced risk products (RRP) form an important part of our offering and are a competitive driver for our business.

While it is still too early to understand the long-term health effects of RRP, factors, including the elimination of combustion and the fewer toxicants found in the vapor, suggest there is potential for them to reduce the risks associated with smoking.

That's why we're committed to ensuring that all our RRP fulfill this potential, also offering consumers greater choice in this fast-moving category. We pride ourselves on an open approach that embraces scrutiny from consumers, regulators and the scientific community, and we regularly present our findings at scientific conferences and in peer-reviewed journals.

Providing our customers with more access to RRP is therefore the central component of our strategy in this area.

However, minors should not use or have access to tobacco or other nicotine-containing products. This belief is central to JT's Tobacco Business Code of Conduct, and marketing practices, operational policies and the way of doing business. JT's Tobacco Business is committed to playing its full part in youth access prevention, but ultimately success depends on all elements of society working together.

Read more about the science behind RRP at [www.jt-science.com](https://www.jt-science.com) 


## RRP sourcing

We have a dedicated RRP sourcing team specialized in sourcing RRP devices. These are manufactured by third party contract manufacturing organizations. Further to strict technological and quality requirements, we engage with our suppliers to address sustainability risks inherent to electronics industry.

We are a member of RBA, the world's largest industry coalition dedicated to corporate social responsibility. We commit to RBA Code of Conduct and leverage the available tools to ensure responsible manufacturing of our products. All our Tier 1 suppliers have undergone independent third party audits as part of RBA Validated Assessment Program.

We seek to ensure the metals contained in our products are responsibly sourced. We take risk-based approach and conduct due diligence in line with OECD Due Diligence Guidance for Responsible Sourcing of minerals. We leverage the tools available by RMI to increase our visibility further down our supply chain.


We take collaborative approach and support and build supplier capability to address identified sustainability issues in our value chain.

Read more about responsible procurement on [JT International sustainability website](#). 

Various information on Consumer expectations can be found at followings.

Read about [progress towards targets](#) 

Read more about RRP outlook, RRP return/collection scheme, and other details about our RRP products [in the Integrated Report 2023](#).

Read about product stewardship, circularity and waste on [JT International sustainability website](#). 

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## Supply chain

### Building sustainable supply chains

As part of the Group's continuous improvement efforts, we constantly review our global supply chain and our market operating models for efficiencies and better effectiveness.

Within the global supply chain, we explore opportunities to rationalize our manufacturing footprint and our leaf-sourcing channels, as well as logistical routes, closer collaboration with suppliers, and portfolio simplification.

#### Aspirational goal

We will reduce environmental and social risks, and enable transparent and responsible practices across our supply chain.

#### Targets and Progress

##### AGRICULTURAL LABOR PRACTICES

###### Target

We will implement our Agricultural Labor Practices (ALP) program in all sourcing countries by 2025.

###### Progress

In 2023, 100% of our directly contracted growers and 99.9% of our leaf merchants' growers were covered by ALP; leaf merchants data come from reporting entities only, excluding India and China. 89% of our volumes were covered by ALP and 99% of our supplying entities reported against ALP.

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## SUPPLIER SCREENING

Read about [Supplier screening progress towards targets](#) 

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## GREENHOUSE GAS EMISSIONS

### Target

We commit to be Carbon Neutral for our own operations by 2030 and achieve Net-Zero Greenhouse Gas emissions across our entire value chain by 2050. In support of this, by 2030, we will reduce emissions from our own operations (Scope1 & 2) by 47% and emissions associated with leaf and non-tobacco materials (Scope3 Category1) by 28%, against a 2019 base year.

### Progress

Since 2019, we have reduced greenhouse gas emissions from our own operations (Scope1 & 2) by 19%, and greenhouse gas emissions from our leaf and non-tobacco materials (Scope3 Category1) have increased by 3%.

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## WATER AND WASTE

### Target

We will reduce water withdrawal by 15% and waste by 20%, in relation to our own operations, between 2015 and 2030.

### Progress

Since 2015, we have reduced water withdrawal by 26% and waste by 20% in relations to our own operation.

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## FORESTRY

### Target

We will replace all wood from natural forests used in the tobacco curing process of our directly contracted growers with renewable fuel sources by 2030.

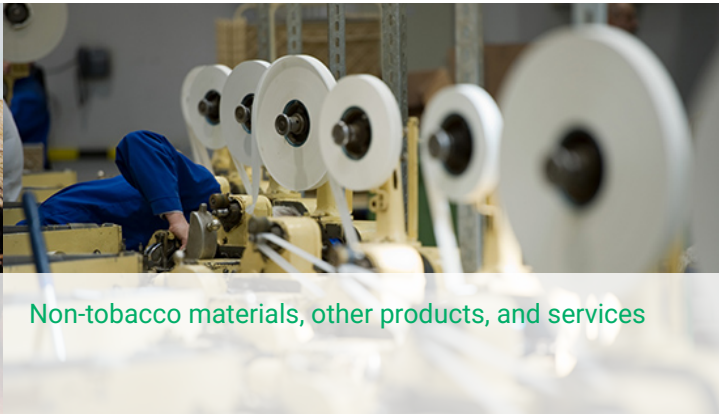
### Progress

Based on our 2023 tree planting activities in Tanzania, Zambia and Brazil, we estimate 103% renewable wood supply in crop year (CY) 2030, based on actual tree planting captured with the Agroforestry App in CY2023 (Nov 2022-Feb 2023).

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Sustainable farming practices and farmer livelihood

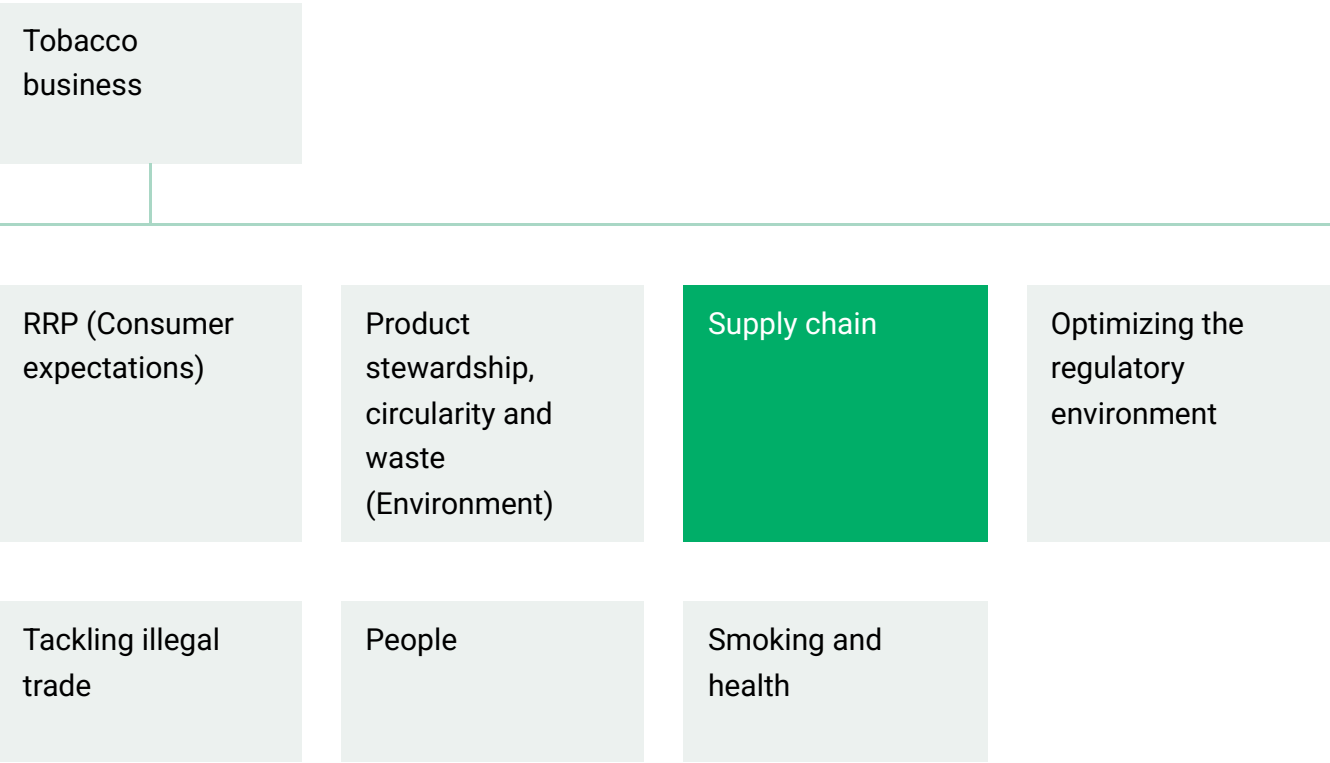


Non-tobacco materials, other products, and services

# Reducing our environmental impact in the tobacco value chain

Read more about [our targets on 'Greenhouse gas emissions', 'Water and Waste', and 'Forestry'](#).  
Read more about our approach to environment on [JT International sustainability website](#). 

## Related links






## Non-tobacco materials, other products, and services

Non-tobacco materials include packaging, filters, and cigarette-related materials. We also have a number of suppliers for factory machinery, spare parts, and logistics, including freight. We manage the sourcing of these centrally. Other products and services that flow through our supply chain include marketing-related services, facility management, IT, and other professional services, which are sourced globally, regionally, and locally.

We develop strong partnerships with our key suppliers in order to achieve mutual long-term success. Our strategic relationships are built on shared values and objectives. This allows us to find sustainable solutions together, ensure a stable supply in a dynamic environment, and adapt to innovative technologies.

Various information on Non-tobaccos material can be found at followings.

Read about [supplier screening towards targets](#) 

Read more about responsible procurement on [JT International sustainability website](#). 

### Related links

Supply chain

Supply chain  
policies and  
standards

Sustainable  
farming practices  
and farmer  
livelihoods

Non-tobacco  
materials, other  
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# Optimizing the regulatory environment

Read about [Engagement progress towards targets](#) 

Read about [our views on specific regulatory topics](#) 

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## Tackling illegal trade

The illegal tobacco trade is no trivial matter - taken as a whole it constitutes the third largest 'supplier' of tobacco in the world, and the estimated loss of tax revenues around the globe is approximately USD 40 billion. That means that for every 1% we can 'take back' from the criminals, governments are effectively increasing their revenue by USD 400 million.

We firmly believe in our right to protect our brands, trademarks and business from criminal activity, and during the three-year period 2020 to 2022 our Anti-Illicit Trade Operations (AITO) team has assisted LEAs with seizures of over eight billion illegal cigarettes or grams of illegal tobacco.

It's essential that we - and the tobacco sector as a whole - are able to continue to play a role in the fight against illegal trade, working in partnership and cooperation providing authorities with industry expertise and quality information on criminal operations, locations and methods.

### Aspirational goal

We will ensure the Company is included in policymaking leading to fair and balanced regulation and enhance our cooperation with governments to combat illegal trade.

### Target

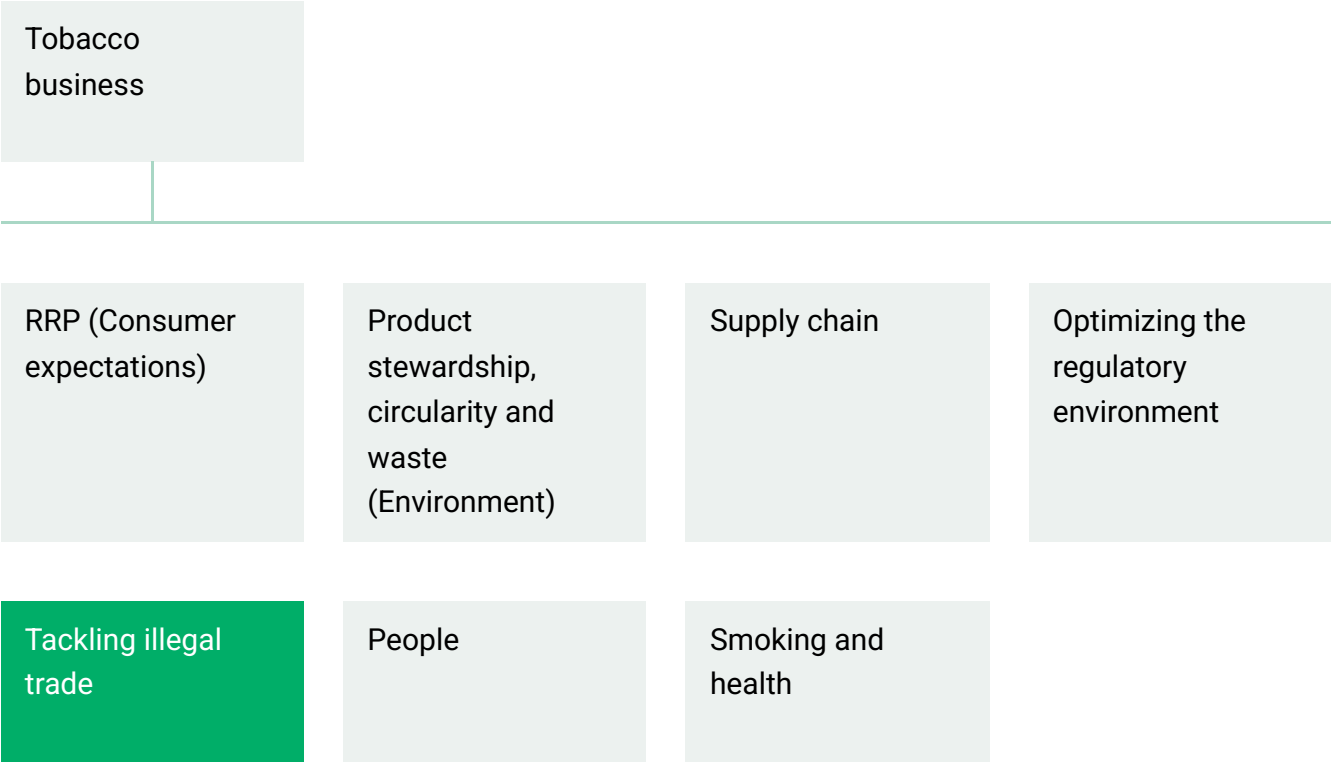
We will engage in dialogue with law enforcement agencies, with the goal of exchanging intelligence regarding illegal tobacco products, in order to support the reduction of illegal tobacco products.

### Progress

In 2023, our Anti-Illicit Trade team provided 2,143 intelligence reports to law enforcement agencies and advised 2,088 law enforcement officers on counterfeit recognition. Read more about our latest progress on the JT Group's tobacco business sustainability strategy.

Read about [What we're doing to fight illegal trade](#) 

Related links





# Product stewardship, circularity and waste (Environment)

## Aspirational goal

We will be a total tobacco company offering consumers an even greater choice of products by focusing on quality, innovation, and reduced-risk potential.

## Target

We will reduce the environmental impact of our products and packaging through design solutions, facilitating responsible collection and disposal, and consumer awareness and education. More specifically, we will reduce our packaging (including plastic) and ensure that the remaining is 85% reusable or recyclable by 2025, rising to 100% by 2030. In total, recycled content will account for 20% of our tobacco business packaging by 2025.

## Progress

We have carried several initiatives looking at design solutions and responsible collection and disposal, and consumer awareness and education.

In 2023, our efforts led to 88% reusable or recyclable packaging and 19% recycled content of packaging.

Read more about our environmental initiatives on [Product stewardship, circularity and waste](#)

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