



ISO 26000: Organizational Governance

Governing with integrity

*The JT Group
promotes
transparency and
accountability,
creating a solid
framework for
doing business on
a global scale.*

Supporting businesses with transparent and sound governance



The JT Group structures its corporate governance to enable prompt, high quality decision-making and proper business conduct. Enshrined within this structure are clearly defined roles and responsibilities that allow the Group to respond to changing business environments and manage activities effectively and efficiently. Additionally, this structure is complemented through compliance, internal audits and risk management strategies.

All employees are expected to represent their organization in a socially responsible and ethical manner. They must adhere to

the principles and processes set out by the JT Group, in relation to organizational governance. These clearly detail stringent personal and professional standards, based upon the Group's values and operating philosophies.

Open channels of communication are maintained among the JT Group's boards, management teams, employees and other interested parties. Transparent and regular reporting, governed by regulatory and internal control mechanisms, achieves stability; which helps drive the business forward on all fronts.

Solid governance supports the JT Group's business operations, internally and with the external world.

Ensuring effective decision-making and accountability

The JT Group comprises different commercial entities, operational in over 120 countries. Every company within the Group applies rigorous and transparent policies to enable effective corporate and organizational governance.



Delivering efficient business execution

In Japan, JT employs a corporate governance system that facilitates proper and efficient decision-making, while adhering to relevant laws and regulations, including the Companies Act of Japan and the Japan Tobacco Inc. Act.

The corporate governance system is a top-down structure, beginning with the General Meeting of Shareholders where decisions are taken relating to legal requirements and items embodied in the Articles of Incorporation. Decisions then cascade down to the Board of Directors, which is responsible for Group-wide management strategies, as well as overseeing the execution of all business activities.

In addition, the Audit & Supervisory Board ensures accountability and transparency in the conduct of proper business and accounting audits. The Compliance Committee further enhances corporate governance by deliberating and acting on important Group-wide compliance matters. The Advisory Committee includes external experts and outside directors, who bring an invaluable external perspective, advising on the Group's mid- to long-term direction. The Compensation Advisory Panel consists of outside directors, outside auditors and the Chairman; and reviews the policy and the rules relating to compensation for board members and executive officers.

The Executive Committee consults on important management issues on behalf of the Company's President. This includes reviewing management policies and plans in relation to overall business operations.

JT's Executive Officer system manages Group-wide business activities. Executive Officers, who are appointed by the Board of Directors, are assigned duties in their respective areas of responsibility which cover business execution, relationship management and signing business contracts.

Abiding by the JT Group's Codes of Conduct

Appropriate behavior, and an awareness of what is expected of each employee are essential. To this end, companies within the JT Group each have a Code of Conduct in place. These publications clearly set ethical standards by which all employees must abide. Reporting mechanisms are in place so employees can report suspected misconduct or violations of the Code of Conduct, or other operational guidelines.

The Group's Compliance Officers are tasked with investigating reported violations and are provided as dedicated contacts for employees at each entity. Concerns can be reported quickly and in full confidence, ensuring the privacy of employees who raise concerns. Detailed cases are reported to Compliance Committees and/or the Board of Directors. Raising awareness and communicating by these mechanisms has resulted in an increase in early-stage reporting, enabling Compliance staff to take prompt and appropriate actions. Following an investigation into a reported breach of conduct, appropriate measures are implemented if necessary to prevent the recurrence of verified misconduct, following consultation with the relevant departments and divisions.

Enhancing organizational governance with internal control systems

The JT Group has established a wide range of internal control systems that underpin its ethical and legal approach to business operations. Systems relate to compliance, internal audits and risk management, and are continually reviewed and revised to ensure the highest standards of self-regulating organizational governance.



Compliance news bulletin 'Kawara-ban'

Raising awareness of compliance in Japan

In every JT workplace, compliance meetings are regularly held for employees to conduct a 'self-check' in relation to their roles and activities. During the meetings, employees discuss compliance

issues and make suggestions to improve procedures that might strengthen compliant behavior.

JT's Compliance Office has also created a set of educational tools for employees, to encourage high standards of behavior in business operations. Materials are available on and offline.

Over the past three years, JT's Compliance Office has issued a quarterly compliance news bulletin. This includes summaries of cases relating to the Code of Conduct, such as misuse of company property, or inappropriate disclosure of company information via social media platforms.

Available on the intranet, it is often printed and displayed on bulletin boards in offices and factories in Japan.

Defining the proper direction and control of all international entities

JTI is made up of hundreds of legal entities in operation globally. Through the publication of a set of guidelines and policies, the Company brings a unified approach to all entities, enabling them to abide by the laws and regulations of their place of incorporation, while operating within JTI's own organizational norms.

The Corporate Governance Management System (CGMS) is the JTI policy, which defines the information that must be reported by the CGMS Coordinators, who are also tasked with uploading information into a database, so that up-to-date information pertaining to any JTI entity is constantly available.

The 'On Board' publication acts as a guideline, setting out the JTI standard model for the composition of a Board of Directors of a JTI entity, as well as the roles and responsibilities of the Directors. It explains what is required in appointing a Board Secretary, along with their duties, and details 'how, when and where' Board meetings should be conducted. Finally templates are provided, illustrating business reports, Board meeting agendas and how to record the minutes of a Board meeting.



François Dugast, JTI Corporate Secretary

François Dugast, JTI Corporate Secretary, underlines why the policy and the guidelines are essential to the smooth running of the business, including safeguarding the actions of those in positions of responsibility: "Directors of JTI entities are given the privilege of making decisions on behalf of the Company. However, the position comes with considerable legal obligations and responsibility. JTI Directors who act in accordance with domestic legislation are offered the appropriate level of protection with respect to their potential liability by JTI, insofar as such cover is legally permitted locally. Having our own policy and guidelines, driven from headquarters, assures us that our entities are aligned within a framework that gives employees adequate levels of security, while delivering effective global corporate governance."