

Sustainability Strategy of Tobacco Business

4 Strategic Focus Areas	Aspirational Goals	Targets*1	Progress*2	SDGs									
Products and Services	We will be a total tobacco company offering consumers an even greater choice of products by focusing on quality, innovation, and reduced-risk potential.	Reduced-Risk Products Reduced-Risk Products (RRP) offer real benefits to consumers and society. Our responsibility as a manufacturer is to continuously develop and launch RRP that meet consumer expectations and to provide information on them. We will lead in providing the widest range of consumer choice in the RRP category.	At the end of 2019, our Reduced-Risk Product portfolio was present in 28 countries, with a choice of three tobacco vapor offerings (T-Vapor) and five types of e-cigarettes (E-Vapor).										
People	We will be the employer of choice by investing in people.	Zero Injuries In line with our vision of zero workplace injuries, we will reduce injury rates by 25% by 2023 and 50% by 2030. (Baseline year: 2015).	Recordable injury rate*3 declined 31.2% from 0.72 in 2015 to 0.49 in 2019.										
					Community Investment Between 2015 and 2030 we will invest US\$600 million to help make communities inclusive and resilient, with our employees contributing 300,000 volunteering hours.	Since 2015, we have invested US\$300 million in our communities and employees volunteered 119,349 hours on company time.	  						
								Employer of Choice We will be a certified employer of choice every year in at least 60 locations by focusing on talent management, rewards, and empowerment.	We were certified as a Top Employer in 63 locations, an increase of 5 locations from the prior year. We were also awarded with local certifications in 8 locations.				
Supply Chain	We will reduce environmental and social risks, and enable transparent and responsible practices across our supply chain.	Greenhouse Gas Emissions We will reduce greenhouse gas emissions from our own operations by 35% and from our direct leaf supply chain by 40%, between 2015 and 2030.	Since 2015, we have reduced greenhouse gas emissions from our own operations by 14.5%. Greenhouse gas emissions from our direct leaf supply chain increased by 6.8%*4.										
					Water and Waste We will reduce water withdrawal by 15% and waste by 20%, in relation to our own operations, between 2015 and 2030.	Since 2015, we have reduced water withdrawal by 8.8% and waste by 3.6%, in relations to our own operations*4.							
								Forestry 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.	Based on our 2019 sustainable tree planting activities in Tanzania, Zambia and Brazil, we estimate that we are on a path to achieve 59% renewable wood sourcing by 2026.	 			
											Agricultural Labor Practices We will implement our Agricultural Labor Practices (ALP) program in all sourcing countries by 2025.	In 2019, 81% of our supplying entities reported against ALP. [58%*5 of our directly contracted growers and 98% of our leaf merchants were covered by ALP; leaf merchants data come from reporting entities only and excluding India and China.] 74% of our volumes were covered by ALP.	
Regulatory Environment and Illegal Trade	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.	Engagement We will always protect our ability to participate in public policy debate with the aim of achieving balanced regulation that meets social concerns and supports business growth.	During 2019, we engaged openly and transparently in public policy debate and made our views known to regulators, NGOs and other relevant stakeholders in the countries where we operate.										
					Illegal Trade 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.	In 2019, our Anti-Illicit Trade team provided 1,129 intelligence reports to law enforcement agencies, and advised 2,687 law enforcement officers on counterfeit recognition.							



*1 The above are targets for our tobacco business, except for Community Investment which is a Group-wide target.

*2 Progress shown above are 2019 preliminary results, except for progress for "GHG Emissions" and "Water and Waste" which are 2018 results.

*3 Recordable injury rate = Recordable injuries/200,000 hours worked. Some data from newly acquired business have been excluded, as newly acquired business needs 18 months to integrate the JT Group Health and Safety Standards.

*4 In May 2020, we will replace 2018 data with data from 2019, based on a new calculation methodology and in line with our recalculation policy. Data for GHG emissions are based on calculation methodology used in 2018. The main reason for the increase in GHG emissions from our direct leaf supply chain is the increased volume sourced from Zambia and Tanzania, both of which use wood for curing that currently is predominantly non-renewable. We expect that the impact of initiatives to reduce leaf-related emissions will be seen from 2022 onwards, with curing barn upgrades and the increase in proportion of renewable wood used for curing in Zambia and Tanzania.

*5 The decrease from 96% in 2018 to 58% in 2019 is due to new acquisitions.

*6 Results for our international tobacco business.