









Sustainability strategy of tobacco business

Four strategic focus areas	Aspirational goals	Targets*1	Progress	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 a range of consumer choice in the RRP category.	In 2021, we offered products (RRP) with the potential of risk reduction, social consideration, convenience, and affordability, such as Heated Tobacco Sticks (HTS), infused tobacco products, e-cigarettes and oral products. In an effort to increase the presence of JT Group in reduced-risk products, we will be accelerating the level of investment, mainly towards heated tobacco sticks. In the last three years, we invested approximately JPY 200 billion towards R&D, marketing and capital expenditures.	
	Product Materials and Packaging 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.	We have carried several initiatives looking at design solutions and responsible collection and disposal, and consumer awareness and education. Read more here. In 2021, our efforts led to: <ul style="list-style-type: none"> • 84% reusable or recyclable packaging • 16% recycled content of packaging 	 	
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*2 declined 54% from 0.72 in 2015 to 0.33 in 2021.	
	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 invested US\$399 million in our communities and employees volunteered 164,280 hours on company time.	  	
	Employer of Choice We will be a certified employer of choice every year in at least 60 countries by focusing on talent management, rewards, and empowerment.	We were certified as employer of choice in 67 countries (66 with Top Employer and 1 with other local employer certifications). In addition, 14 countries hold more than one certification.		

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Supply chain	We will reduce environmental and social risks, and enable transparent and responsible practices across our supply chain.	<p>Greenhouse Gas Emissions</p> <p>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.</p>	<p>Since 2015, we have reduced greenhouse gas emissions from our own operations by 27%, while greenhouse gas emissions from our direct leaf supply chain increased by 9%*³ in 2021.</p> <p>2015 2021 2030 -27% -35%</p> <p>Greenhouse Gas emissions from our own operations</p> <p>2021 2015 2030 +9% -40%</p> <p>Greenhouse Gas emissions from our direct leaf supply chain</p> <p>Following announcement of JTG Net-Zero target in February 2022 “JT Group Environment Plan 2030” and Tobacco Business Sustainability Strategy was updated. Read about the updated GHG related targets on JTI.com. Progress against new targets will be reported in 2023.</p>	
		<p>Water and Waste</p> <p>We will reduce water withdrawal by 15% and waste by 20%, in relation to our own operations, between 2015 and 2030.</p>	<p>Since 2015, we have reduced water withdrawal by 16% and waste by 15%, in relations to our own operation.</p> <p>2015 2030 2021 -16% -15%</p> <p>Water withdrawal</p> <p>2015 2021 2030 -15% -20%</p> <p>Waste generation</p>	
		<p>Forestry</p> <p>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.</p>	<p>Based on our 2021 tree planting activities in Tanzania, Zambia and Brazil, we estimate that we are on a path to achieve consolidated 81% renewable wood sourcing by 2028.</p> <p>2015 2028 2030 81% 100%</p> <p>Renewable fuel for tobacco curing</p>	

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Supply chain	We will reduce environmental and social risks, and enable transparent and responsible practices across our supply chain.	<p>Agricultural Labor Practices</p> <p>We will implement our Agricultural Labor Practices (ALP) program in all sourcing countries by 2025.</p>	<p>In 2021, 97% of our supplying entities*4 reported against ALP.</p> <p>ALP coverage rate: Supplying entities base</p> <p>84% of our directly contracted growers and 97% of our leaf merchants' growers*5 were covered by ALP.</p> <p>Directly contracted growers</p> <p>Leaf merchants' growers</p> <p>79% of our volumes were covered by ALP.</p> <p>ALP coverage rate: Volume base</p>		
		<p>Supplier Screening</p> <p>We will screen all key suppliers against environmental, social, and governance criteria by 2023.</p>	<p>At the end of 2021, 100% of our key suppliers were screened against ESG criteria.</p> <p>Supplier screening implementation rate</p>		
		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.	<p>Engagement</p> <p>We will always protect our ability to participate in public policy debate with the aim to achieve balanced regulation that meets societal concern and supports business growth.</p>	<p>During 2020, 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.</p>	
			<p>Illegal Trade</p> <p>We will engage in dialogue with law enforcement agencies, with the goal to exchange intelligence regarding illegal tobacco products, in order to support the reduction of illegal tobacco products.</p>	<p>In 2021, our Anti-Illicit Trade team provided 1,627 intelligence reports to law enforcement agencies, and advised 2,238 law enforcement officers on counterfeit recognition.</p>	

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

*2 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.

*3 Increase in emissions is due to increased leaf volume sourced from Zambia and Tanzania, where currently wood used for curing is predominately non-renewable. Initiatives are in place to improve curing barn efficiency, reduce wood consumption, and increase the proportion of renewable wood used. We expect that impact of these initiatives will be seen from 2022 onwards.

*4 ALP coverage in grower base is calculated based on the data reported by 97% of our leaf merchants.

*5 Growers from India and China are excluded.