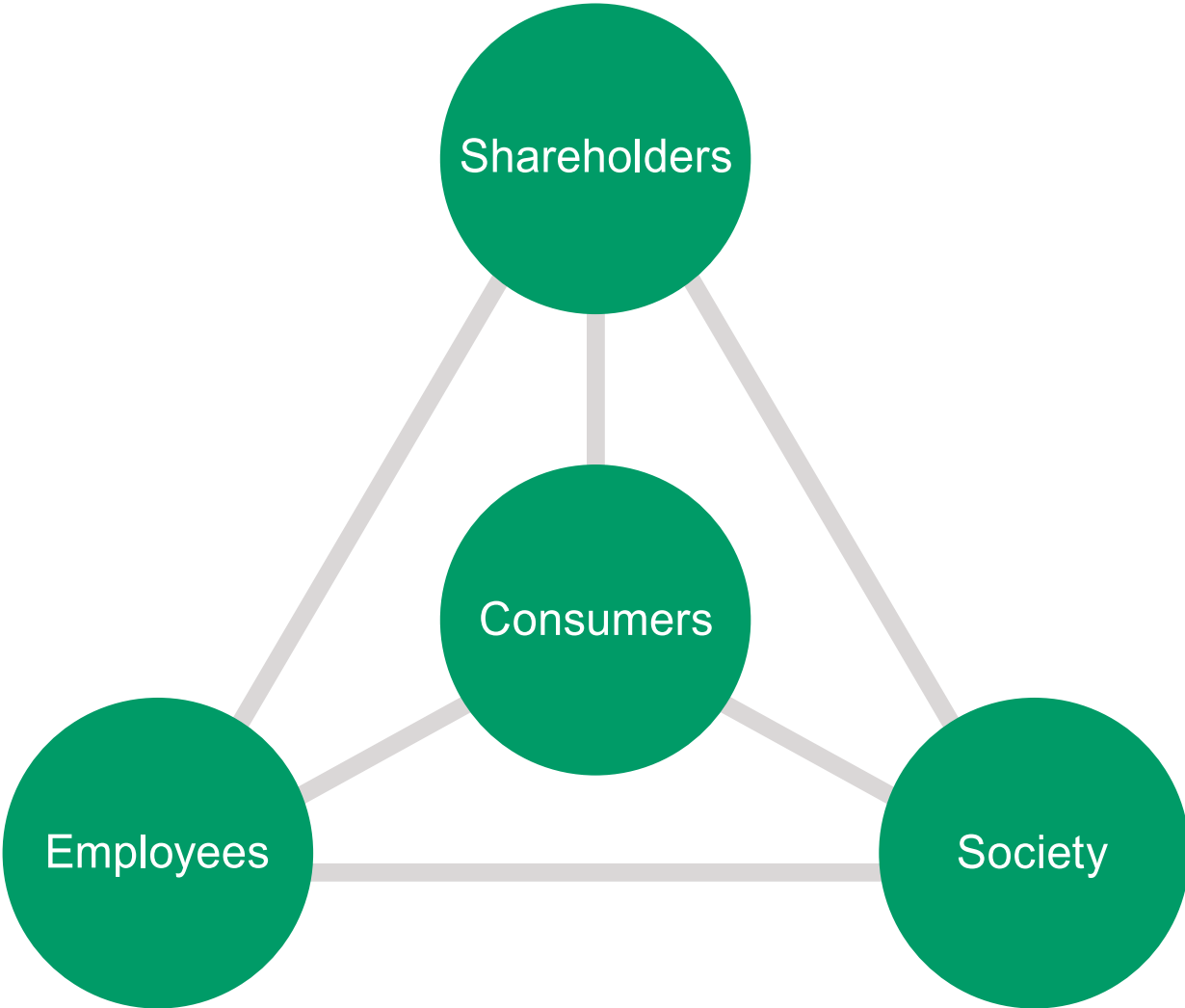




**OUR  
SUSTAINABILITY  
STRATEGY**

# 4S model

Our management approach and our approach to sustainability are underpinned by our 4S model. Consumers, shareholders, employees, and society represent the four stakeholder groups (4S) at the heart of everything we do. Our commitment to serving these groups is represented in this model and throughout the report. Based on the principles of the 4S model, we always strive to exceed the expectations of our four stakeholder groups, wherever we can.



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.

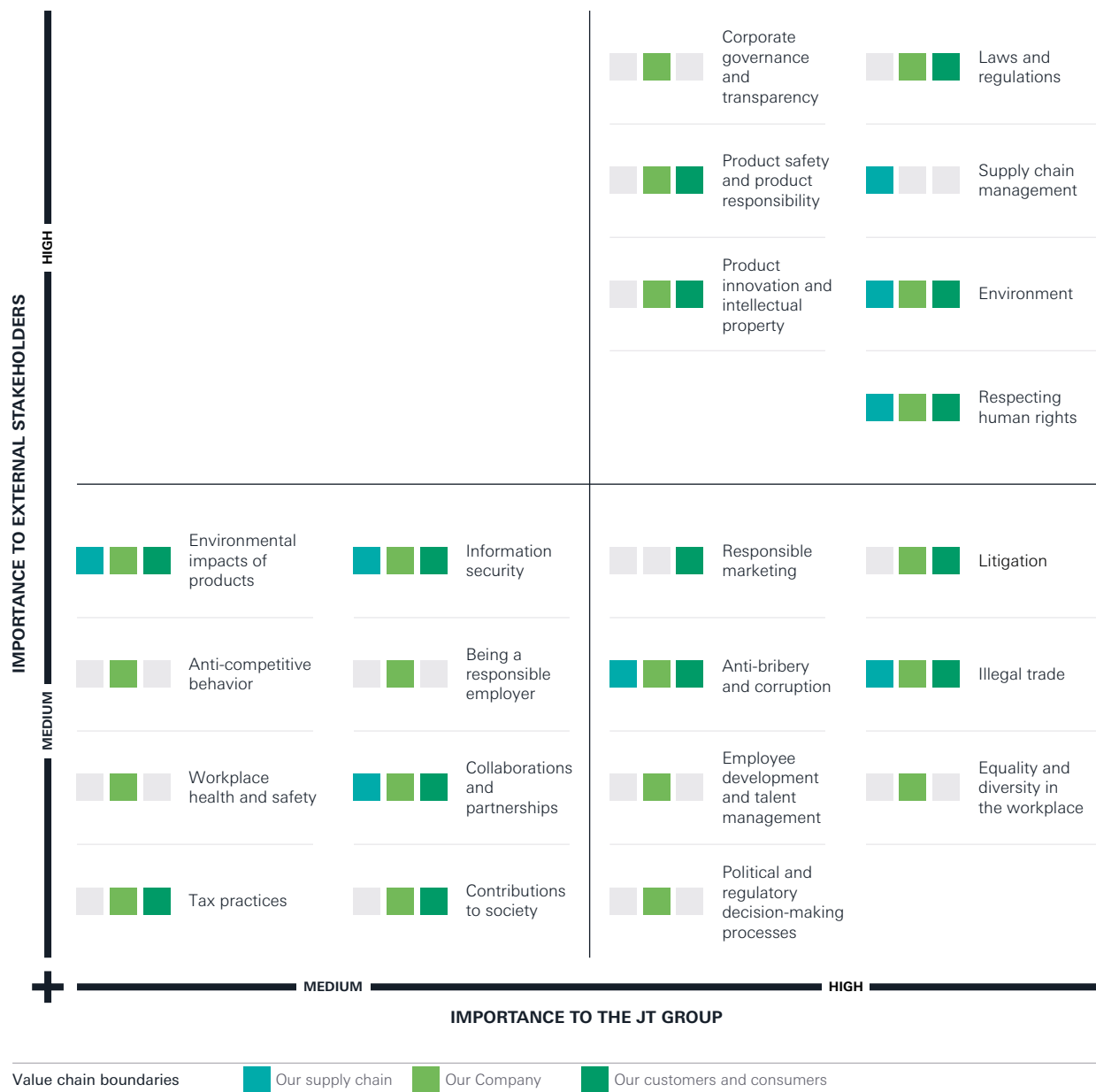


# Our material issues

For our Group to grow and build a sustainable future with our stakeholders, we have selected a list of material issues or key issues with high priorities. This list was compiled for the first time in 2015, by engaging internal and external stakeholders,

including employees, suppliers, investors, trade unions, non-governmental organizations (NGOs), and industry organizations. We are committed to carrying out materiality reviews on a regular basis in order to update issues that are important to us.

## THE JT GROUP MATERIALITY



Since the first materiality assessment was carried out, we have noted increasing concern about the adverse effects on our environment. We share this concern and have therefore repositioned 'Environment' from Medium-Medium to High-High in the above matrix. We will continue to strive to reduce environmental impact on our planet.

[Read more on JT.com](http://Read more on JT.com)

# The foundations of the JT Group sustainability strategy

Our sustainability strategy is based on our Group's materiality assessment and underpinned by our 4S model. It encourages us to look beyond our usual planning cycle period and think about the longevity of our business, the future of our planet, and the society we live in.

The foundations of our sustainability strategy, applying across the Group, are our **'Three absolute requirements for sustainability'**:

## Respect for human rights

We are committed to respecting human rights across our global operations and value chains, as expressed in the JT Group Human Rights Policy.



## An improved social and environmental impact

We are committed to protecting the environment and making a positive difference wherever we operate.

## Good governance and business standards

We are committed to promoting transparent, fair, and timely decision-making that carefully considers the respective interests of consumers, shareholders, employees, and the wider society.



# Tobacco business sustainability strategy

We formulated and introduced our tobacco business sustainability strategy in 2017. It illustrates the important choices we have been making for years – and will continue to make – across all of our markets and business functions to drive sustainability throughout the entire organization. We have chosen four focus areas which we consider to be essential for the sustainability of our tobacco business and for our stakeholders.

In 2018, our sustainability strategy evolved further, with eleven specific targets set for each of the four focus areas. These will provide a solid basis for measuring and benchmarking our sustainability performance, and support the sustainability of the JT Group. We will be updating our progress regularly, as we strive to contribute and fulfill our commitments that we have made to our stakeholders and to ourselves. To learn more about our targets, please see page 14.

## The four strategic focus areas



# Committed to the UN Sustainable Development Goals

## Our commitment

In order for our Group to achieve sustainable growth, it is essential for our business to contribute to the sustainable development of our society. We maintain ongoing dialogues with our stakeholders and work continuously on a variety of sustainability issues to fulfill our responsibilities.

Our Group supports the United Nations' Sustainable Development Goals (SDGs) and their related targets in the context of its own business and operational environments. Our commercial strategies and business practices support the global goals, and we have developed specific targets and initiatives that contribute to the SDGs' global agenda. We take our responsibility to manage our business sustainability very seriously. Our Group's three businesses – tobacco, processed food, and pharmaceutical – differ by sector, scope, and size, and therefore each one contributes to the SDGs in different ways.




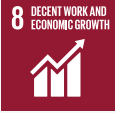



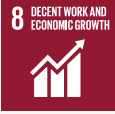




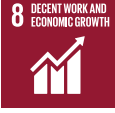
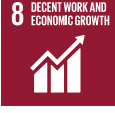


## Prioritization process

In 2018, we determined how our approach to sustainable business is aligned with the SDGs. We mapped the activities of our tobacco business against all 17 SDGs and concluded that our tobacco business contributes most significantly to the following nine goals. We intend to undertake the same process for the other two businesses in the Group.



# Driving sustainability across our tobacco business

The SDGs provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. The goals recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. That makes sense to us at the JT Group. We share and support these goals and here are the specific ways in which we believe, we can contribute to achieving some of the goals.

4 STRATEGIC FOCUS AREAS	ASPIRATIONAL GOAL	TARGET*	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.	<b>REDUCED-RISK PRODUCTS</b> 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.	
		<b>ZERO INJURIES</b> 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).	
PEOPLE	We will be the employer of choice by investing in people.	<b>COMMUNITY INVESTMENT</b> Between 2015 and 2030 we will invest 600 million U.S. dollars to help make communities inclusive and resilient, with our employees contributing 300,000 volunteering hours.	  
		<b>EMPLOYER OF CHOICE</b> We will be a certified employer of choice every year in at least 60 locations by focusing on talent management, rewards, and empowerment.	
SUPPLY CHAIN	We will reduce environmental and social risks, and enable transparent and responsible practices across our supply chain.	<b>GREENHOUSE GAS EMISSIONS</b> 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.	
		<b>WATER AND WASTE</b> We will reduce water withdrawal by 15% and waste by 20%, in relation to our own operations, between 2015 and 2030.	
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.	<b>FORESTRY</b> 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.	 
		<b>AGRICULTURAL LABOR PRACTICES</b> We will implement our Agricultural Labor Practices (ALP) program in all sourcing countries by 2025.	
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.	<b>SUPPLIER SCREENING</b> We will screen all key suppliers against environmental, social, and governance criteria by 2023.	
		<b>ENGAGEMENT</b> 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.	
REGULATORY ENVIRONMENT AND ILLEGAL TRADE		<b>ILLEGAL TRADE</b> 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.	



\* The targets are for the JT Group's tobacco business, except for Community Investment which is a Group-wide target.