

The Group's sustainability initiatives

Improving our environmental impact

Our approach

Climate change and other environmental issues are of increasing societal concern. Our operations impact the environment through resource usage, emissions, and waste generation, as do most industries. The environment also directly impacts our business. As a global organization, we recognize that we have a key role to play in reducing our impacts in own operations and across our value chain. Our sustainable business practices allow us to conserve resources, reduce waste, manage costs, and meet the growing consumer demand for eco-friendly products.

▶ Read more about our approach in the [JT Group Environment Policy](#).

The JT Group Environment Plan 2030



Our JT Group Environment Plan 2030 sets objectives and targets to address our key environmental risks and opportunities across three focus areas: energy and Greenhouse Gas (GHG) emissions, natural resources, and waste. The targets for GHG emissions reduction by 2030 are in line with science-based thinking and in 2022 the JT Group attained validation of its targets from the Science Based Targets initiative

(SBTi). The JT Group Environment Plan 2030 includes qualitative and quantitative targets. We regularly disclose our progress toward targets and our environment-related activities on [JT.com](#).

▶ Read more about our targets and progress in the [JT Group Environment Plan 2030](#).

Achieving Net-Zero in our entire value chain by 2050

We have now set new targets to help decarbonize our business operations. We are making steady progress toward achieving our 2050 goal – see our road map on [P. 79](#).

	Target	Progress
Energy 	We will increase the proportion of renewable electricity that we use to 50% by 2030 and 100% by 2050.	The proportion of renewable electricity that we used in 2022 has increased by 24% from the 2019 base year.
Emissions 	We commit to reducing absolute Scope 1 and 2 GHG emissions by 47% in line with a 1.5°C reduction pathway by 2030 from a 2019 base year. We commit to reducing absolute Scope 3 GHG emissions associated with purchased goods and services by 28% by 2030 from a 2019 base year.	Our 2022 Scope 1 and 2 emissions have reduced by 16% from the 2019 base year. Our 2022 Scope 3 emissions associated with purchased goods and services reduced by 11% from the 2019 base year.

Environmental management system and reporting

In our more complex operations, we align our approach to environmental management with internationally recognized standards – ISO 14001 and ISO 50001. In our smaller and less complex operations in Japan, we have implemented our own “JT Green System.” We use external disclosures and ratings

agencies, such as CDP, to review our approach and performance. We have been conducting climate scenario analyses since 2019, and we endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2020. Read the results of our latest scenario analysis on [P. 80](#).

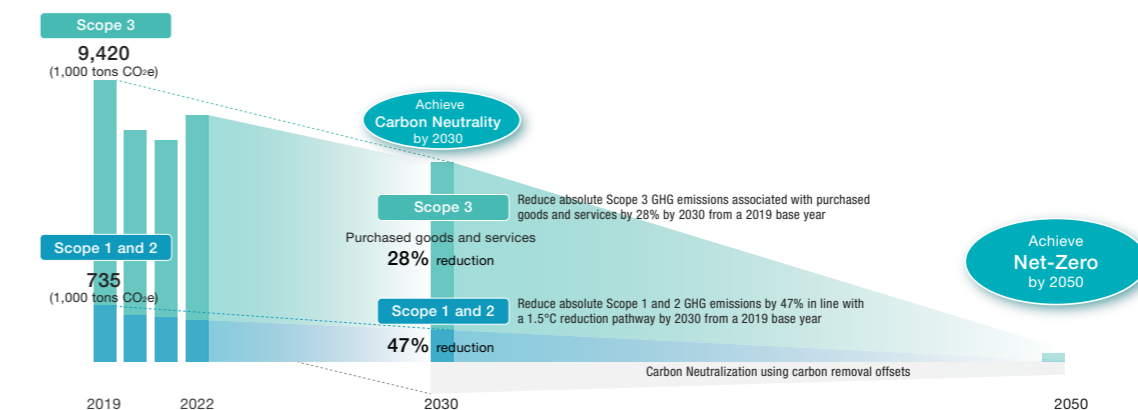
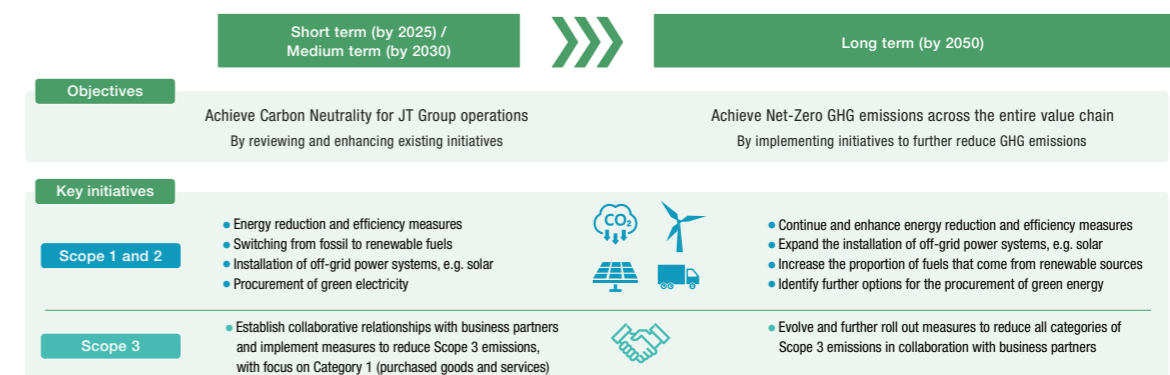


Road map to Net-Zero

Addressing climate change is nothing new for the JT Group and we've achieved a lot over the last decade. Now, we have set up science-based targets and a Net-Zero commitment

to accelerate our efforts. We will achieve Carbon Neutrality within the JT Group's own operations by 2030, and Net-Zero throughout the entire value chain by 2050.

How the JT Group plans to achieve Net-Zero



Note: These are the plans as of May 31 2023, and they are subject to revision in accordance with future business strategies

Conservation of biodiversity

For the JT Group, the conservation and enhancement of biodiversity starts with understanding how our business can impact, and can be impacted by, biodiversity and ecosystem services, such as pollination, soil fertility, water purification, and climate regulation. Our biggest impact is in the direct leaf supply chain. So this is where we focus.

evidence-based environmental investment decisions.

In Brazil, we have partnered with the LIFE Institute, adopting the LIFE methodology for business and biodiversity. This methodology enables a clear and objective analysis of impacts (positive and negative), risks and opportunities in a business's relationship with biodiversity. It also enables

We have used the LIFE methodology to evaluate our direct impacts, including those of more than 10,000 integrated farmers, for six years.

JTI Brazil participated and presented our efforts, as a LIFE partner, at the UN Biodiversity Conference, COP15, in Montreal in December 2022. It was recognized as the only case involving such a huge group of suppliers applying biodiversity metrics together. We aim to be the first company in this sector and agribusiness to attain LIFE certification.

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Climate change

Climate change is the biggest environmental challenge facing society and our business. The effects of climate change, such as global warming and modified weather patterns, will have serious implications for our supply chain, given that our products are mainly agriculture-based, but also for our own operations based in various locations around the world. We are committed to tackling this issue. That's why we are reducing our Greenhouse Gas (GHG) emissions to support the global action to address climate change, with the longer-term aim of achieving Net-Zero carbon emissions from our value chain. In February 2022, we committed to being Carbon Neutral for our own operations by 2030. We also aim to achieve Net-Zero for our entire value chain by 2050. In support of this, we have set more ambitious 2030 science-based reduction targets and in 2022 they were validated by the Science Based Targets initiative (SBTi) as being in line with the 1.5°C scenario.

Our approach to addressing climate-related risks is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures.

Indicator	Description
Governance	Climate-related issues are of strategic importance to our business. Through our business-wide enterprise risk management process, we have identified climate-related risk as one of our enterprise-level risks for our tobacco business, which also needs to be considered in local risk inventories and assessment processes. Board oversight is critical and climate-related issues, especially those that may have impacts on business strategy, are brought up in quarterly Board-level meetings. See P. 102 for ESG-related index to executive remuneration. ▶ Our corporate governance position and structure can be found on the JT website .
Strategy	Through climate scenario analysis performed in 2019, we identified two main risks: "potential cost increases due to governments raising carbon taxes to further reduce GHG emissions" and "the impact on leaf tobacco growing due to changes in environmental conditions." Our plan is to mitigate these risks by continuing to implement climate-related initiatives across our value chain and address areas for improvement. ▶ See the JT website for general information on environmental initiatives and Risk factors (P. 116).
Risk management	We consider climate-related risks and identify risk mitigation and management approaches through our enterprise risk management (ERM) process. We also include these risks in local risk inventories, assessment processes, and action plans, which are partly based on our ongoing country-level climate scenario analysis. We will compare business-wide risks from local assessments and identify the most critical ones. ▶ See the Country-Based Climate Scenario Analysis .
Metrics and targets	Our Group Environment Plan 2030 includes a commitment to reduce GHG emissions from our own operations by 47% (2030 versus 2019). We have also set a longer-term GHG emissions reduction target, as well as targets for renewable electricity, backed by our Group-wide climate scenario analysis. ▶ Read more about the JT Group Environment Plan 2030 , Environmental data/External verification and Data calculation, consolidation methods on JT.com.

Scenario analysis

Transition risk: Carbon pricing

Increases in carbon tax may increase procurement cost of tobacco leaf and other materials and services. It may also lead to additional company expenditure due to tax increases for the Group's direct operations. If a carbon tax is imposed on raw or secondary materials, or services used in each phase of the agricultural value chain (e.g. agricultural

chemicals, agricultural machinery, processing machinery, storage and distribution), then the JT Group will bear the additional cost and/or transfer cost to the price of finished goods.

See the [Details of Climate Scenario Analysis](#).

Impact	In our climate scenario analysis, we assumed that under a 4°C scenario, carbon tax will increase to 3,884 - 4,640 JPY/ton of GHG emissions. Based on a 2°C scenario, it would rise to 13,488 - 15,106 JPY/ton of GHG emissions in 2050, based on the IEA World Energy Outlook 2018. In real terms, the potential financial impact would be at least 700,000,000 JPY based on a 4°C rise and at least 7,500,000,000 JPY based on a 2°C rise. We calculate financial impact by multiplying forecast GHG emissions in 2050 in regions where carbon taxes may exist, by the carbon tax level in those locations. GHG emissions in 2050 are predicted based on our expected reduction in emissions and the Company's sales growth.
Mitigation plan	We manage this risk by reducing our energy consumption through capital investment and energy saving programs, as well as renewable energy programs (onsite generation of renewable energy, purchasing green energy). We are also decarbonizing our fleet and engaging with suppliers to understand their climate-related risks and develop appropriate mitigation measures, following the JT Group Environment Plan 2030.

Physical risk: The impact on crop growth conditions

Changes in atmospheric carbon dioxide levels could affect tobacco leaf growth. There is also a risk of shifts in the presence and prevalence of tobacco crop pests and diseases related to climate change. Other risk factors include water scarcity and higher-than-average temperatures and unusual precipitation

patterns. All of these could impact the availability and quality of key natural resources for the JT Group, including tobacco leaf. Such issues could occur in one or more of our tobacco sourcing countries. As a result, the cost of sourcing tobacco leaf would increase.

Impact	We assume that, based on a 2°C rise, the potential financial impact would be at least 32 billion JPY. If temperatures rise by 4°C, we could see a financial impact of up to 37 billion JPY.
Mitigation plan	We manage this risk by implementing action plans to reduce the financial impact on our business. These may include shifting leaf growing regions based on the climate-related impacts we identified and implementing climate change adaptation measures (e.g. smart agriculture and breeding). We may also introduce measures to improve yield in growing regions, and to mitigate increased costs and a potential decrease in procurement volumes. Primarily, to date, we have managed this risk by building strong relationships with our suppliers and having a geographically diversified supply chain (for example, the JT Group sources tobacco leaf from more than 30 countries).

The Group's sustainability initiatives

Investing in people

Our employees are assets to the Company; their skills and spirit are the driving force behind everything we achieve. We are recognized as an "employer of choice" around the world, and our positive workplace culture and environment help us to attract, retain, and develop talented individuals. We are also taking further steps to create a diverse, equitable and inclusive culture where everyone can feel comfortable and be themselves.

The JT Group human resources management philosophy

We believe that highly motivated employees with diverse skills and talent form the foundation of the JT Group's success and contribute to our sustainable growth. In light of this, the JT Group proactively takes steps to secure long-term engagement and employee satisfaction.



Developing and retaining talent

Today's business environment is evolving rapidly, and the COVID-19 pandemic created additional pressures. To attract, develop, and retain motivated employees with diverse talent, we provide all JT Group employees with growth opportunities, in addition to remaining flexible, for example by adapting to remote ways of working.

We have implemented various global and regional learning programs to upskill our diverse employees. Many of our courses are offered online, enabling employees to develop

new skills even remotely. We constantly invest in our employees, including at a managerial level, to ensure all employees flourish in their careers.

We believe that providing many different development and career opportunities combined with flexible ways of working is essential to improve employee engagement, which leads to long-term employee retention, increased productivity, and improved quality of work.

Employee engagement

We measure the effectiveness of the Company's people-come-first culture through an annual employee engagement survey at the regional or department level, and a Group-wide survey every three years. The feedback we receive from employees helps us to understand our

strengths, progress, and areas for improvement. It also helps us to make the JT Group an even better place to work, so that we can attract and retain the best talent.

In 2022, we conducted a Group-wide employee

engagement survey targeting more than 50,000 employees worldwide – using, for the first time, the same questions across all our JT Group businesses globally. The survey response rate was 92%, which is 17% higher than the external benchmark. Overall, the Employee Satisfaction (ESAT) score ("How happy are you working at this company?") was 77, below the Global Top 10% benchmark of 81. We can infer that

the impact of major internal and external changes in the working environment, such as transformation in Japan and changes in working patterns due to the COVID-19 pandemic have contributed to the low ESAT score. Given this result, we recognize that improving employee engagement is an urgent issue and will implement initiatives at the executive level with a focus on clear and transparent communication.

Diversity, equity and inclusion

Motivated employees with diverse talent are the bedrock of our success. The JT Group has employees of over 100 nationalities, and establishing a diverse, equitable and inclusive workplace for all our employees to enjoy their work and perform to the best of their abilities is therefore a top priority for us. We respect different backgrounds and values, such as age, gender, sexual orientation, disability, ethnicity, religion, and nationality, as well as experience and expertise. We believe that a diverse workforce brings a rich mix of viewpoints and perspectives, which can inspire new ideas, lead to solutions to complex issues, and drive our business forward. Our continuous efforts to promote a diverse, equitable and inclusive culture in our workplace have been recognized by numerous awards externally.

▶ Read more about our external recognition on [P. 128](#).

New Ways of Working (N-WOW)

Recognizing that different people have different working styles and needs, we promote a workplace environment that allows all employees to fulfill their potential. N-WOW is a movement to boost flexibility and employee retention.

In July 2021 our tobacco business set out its N-WOW global guidance for the employees, which became a global policy in July 2022, adopting a hybrid way of working that focuses on outcomes rather than time spent in the workplace. Employees now have the flexibility to work up to 50% of their time per month away from the office, benefit from flexible core hours, and work up to 10 days abroad, among other measures which redefine where and how work is done. In Japan, we introduced full-time flexible working and no-limit remote working in February 2020. Our approach towards new ways of working is still evolving.

Gender equality: Women in leadership

We are committed to promoting gender equality in our workplace to attract, develop and retain diverse skills and talent. To further empower women, we hold workshops for top management and line managers, as well as training and seminars for female employees. Our new Group-wide target for women's representation in leadership is to reach 25% by 2030. We find it desirable that this should be more than 40% over time.

A family-first approach

In 2021, we introduced a new family leave policy for our tobacco business. The policy grants 20 weeks of paid family leave, regardless of gender, sexual orientation, age, or location, when an employee becomes a parent via natural birth, surrogacy, or adoption. In Japan, we have provided paid parental leave and paid spouse maternity leave, and also financial support with childcare costs.

In addition to childcare, in some countries with an aging population, we offer support for employees who look after senior family members. We will continue to work on expanding programs to foster employees' well-being.

▶ Read more about investing in people on [JT.com](#).

The Group's sustainability initiatives

Investing in people: Health and safety

Our approach

We believe that our employees have the right to be protected from work-related injuries and illnesses. We are therefore responsible for providing a safe working environment and promoting a culture which prioritizes health and safety.

We focus on creating safe workplaces, building safety competence, and developing our safety culture. Our health and safety standards always meet—and usually exceed—the legal requirements. Their scope extends beyond our employees to cover contractors and visitors to our operations.

Our Health & Safety Policy

Our Health & Safety Policy is driven by the following guiding principles:

- **People come first**

The health, safety, and well-being of our employees, their families, and the communities in which we operate are at the heart of everything we do.

- **Safety is everyone's responsibility**

Everyone shares the responsibility for a safe and healthy workplace, and we each have a role to play in making it happen.

- **Nothing we do is worth an injury**

We aim to create an injury- and illness-free workplace where everyone goes home safe and healthy after each day's work and where business results shall never conflict with safety performance.

- **We do the right thing**

All our offices, sales operations and factories should always comply with all national and local laws and regulations. Where the local legislation and regulatory framework do not provide adequate controls, we will adopt our own standards to protect the health and safety of our employees, contractors and visitors.

Our health and safety commitment

We strive for zero harm among our employees and to carry out all our business activities in a safe manner.

Our publicly available Health & Safety Policy establishes our overall intentions and direction for maintaining health, safety and well-being in the work environment. The Policy applies to

all employees (direct and indirect) worldwide, and to contractors and visitors on site.

In our international tobacco business, all locations must have their own Health and Safety Policy reflecting the Corporate Safety vision and principles, including commitments to the prevention of incidents, compliance with local legal requirements, workers consultation and participation on safety matters and continuous improvement. The policies must be signed by senior management, yearly reviewed, and communicated to all staff and contractors.

Efforts to reduce the risk of traffic accidents

In some countries with poor infrastructure and traffic management, our people are more at risk of being involved in road traffic accidents. With this in mind, in 2019, we rolled out a new driver safety policy and implementation guidelines across our international tobacco business. Considering the growing number of female employees, the policy also includes maternity protection for female drivers, e.g. special safety belts, additional rest time. Focusing on driver behavior, the new guidelines require local offices to conduct a risk assessment to identify high-risk drivers. They must also send periodic progress reports and action plans. In 2020, we completed a driver safety compliance assessment. The results showed that our markets and leaf origins comply 80% on average with our global guidelines. In 2021, this average increased to 85%. The assessments also allowed us to identify best practices that were then integrated into a new Driver Safety standard. This will be published in Q2 2023.

In 2022, we trained 2,194 employees. Due to the pandemic, some of the driver risk assessments and training were conducted remotely, but we also organized on-the-road training for high-risk drivers where possible. We plan to train a further 4,300 drivers in 2023.

In the sales division of our Japanese operations, we have set "prevention of vehicle accidents during sales activities" as a priority issue within our Occupational Health and Safety Plan.



Supporting employee well-being

Employee well-being is essential for us to develop and retain motivated employees and enable them to fulfill their potentials. We run a variety of well-being programs across the Group, such as ergonomic assessments and ensuring general occupational hygiene.

To design these programs, we gather well-being data from our local offices. In 2018, we expanded our data scope by introducing new rules requiring all local offices to report their occupational health cases to our headquarters. This allows us to understand our global risks and develop a consistent approach to occupational health, while strengthening our existing protection measures.

Local managers are responsible for investigating reported issues and identifying the causes. If the issues are attributed to the work or workplace, we take appropriate measures immediately to protect employees' well-being and prevent recurrences.

In our Japanese operations, in addition to occupational safety and health activities, we are building a comprehensive health support system under the leadership of our CEO. For

example, we have recruited on-site health staff at 11 key locations across the country, to help employees take care of their physical and mental health. Since the onset of the COVID-19 pandemic, we have continued to offer employees one-to-one interviews with our health staff via video calls. We have also continued to run online programs focusing on sleep, diet, and exercise.

In 2020 we set up a Company-wide walking challenge program. It's a sponsored walk-run in collaboration with the global non-profit organization TABLE FOR TWO, and using the health management portal site Pep Up. This initiative has created a range of opportunities to promote health, contribute to society, and revitalize the organization. We've run this event in each of the three years since its inception and twice in 2022, May and October. 6,009 of our employees took part. For every 8,000 steps one of our employees completes in a day, we donate one meal to a developing country. In the 2022 financial year, we raised 1,858,860 yen for TABLE FOR TWO.

These programs have had a positive impact on employee productivity and the absenteeism rate in Japan, which has recently been below 1%.

We are pleased to announce that JT was named as a "White 500" company for the seventh year running. This award is presented by Japan's Ministry of Economy, Trade, and Industry. It recognizes large enterprises that are making outstanding progress towards better well-being among their employees.

▶ Read more about targets and progress for health and safety on [JT.com](https://www.jt.com).



The Group's sustainability initiatives

Improving our social impact

For our Group to grow sustainably, it is vital for us to contribute to the sustainable development of our society. The [JT Group Community Investment Policy](#) determines a common goal across the JT Group: "To contribute to the development of inclusive and sustainable communities." We believe that everyone should have the opportunity to participate in society, and that inclusive societies are better for business. In line with our community investment policy, and as a responsible local community member, we work with a wide range of stakeholders to resolve social issues.

Our focus areas

Through long-term partnerships with local and international organizations, we have 522 community investment programs in 65 countries. Based on global and local needs, these programs help communities to become more inclusive, sustainable, and resilient. We focus on three specific issues:

1. Reducing inequalities, e.g., helping underprivileged people gain access to food and education.
2. Improving community resilience in disaster-prone areas, e.g., providing access to clean water.
3. Protecting the environment, e.g., protecting and reinvigorating forests and green public spaces.

Measurement and management

To measure the social impact of our efforts, we use the [Business for Societal Impact \(B4SI\)*](#) Framework provided by Corporate Citizenship.

In 2022, we invested around 51 million US dollars in corporate community investment in countries where we operate. We encourage more accurate reporting and measurement to ensure all of our programs deliver social impact according to our policy.



* B4SI is the global standard in measuring and managing corporate social impact

Volunteering opportunities

Volunteering brings mutual benefits for employees, our business, and the community. It also enables our teams to make a positive impact in the communities where they live and work by sharing their skills and knowledge.

We actively encourage our employees to take part in

volunteering activities. We do this by organizing programs and events, or by providing the necessary resources (funds through corporate matching, employee time, in kind, or employee donations).

▶ Read more about improving our social impact on [JT.com](#).

Respect for human rights

We respect human rights across our value chain and recognize the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The [JT Group Human Rights Policy](#) follows the framework provided by the UN Guiding Principles on Business and Human Rights.

A five-pillar strategy

Our human rights strategy is based on five pillars listed to the right. This circular approach provides a systematic way of conducting ongoing due diligence and is in line with the UN Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development (OECD) guidelines, and the Food and Agriculture Organization (FAO) guidance on responsible agricultural supply chains.

1. Embed
2. Identify and prioritize
3. Respond
4. Measure
5. Report

Our human rights due diligence

In line with the UN Guiding Principles, we have made human rights due diligence an essential and integrated part of our business. This enables us to identify and assess actual and potential human rights risks. Embedding human rights due diligence – which is in part informed by our widely applied Human Rights Impact Assessments – is our responsibility. It helps us to prevent adverse impacts on

people and ensure the highest standards of behavior are upheld within our business and value chain. In 2022, we assessed two new markets: Bolivia and the Philippines. We also conducted three leaf supply chain impact assessments in Brazil, Indonesia and Tanzania.

▶ Read more about respecting human rights on [JT.com](#).

JT Group Human Rights Report

In 2021, to coincide with the 10th anniversary of the UN Guiding Principles, we published our first standalone JT Group Human Rights Report, which examines the potential JT Group human rights risks arising from our worldwide operations. The report identifies nine salient human rights issues. It sets out how we are going about improving our performance.

▶ Read the [JT Group Human Rights Report](#).

