

Tobacco business



“We started 2023 with a strong business momentum and the introduction of our new Purpose. Creating fulfilling moments. Creating a better future. This will be our North Star while continuing to deliver sustainable profit growth.”

Eddy Pirard
President & CEO
JT International S.A.

Tobacco industry overview

The industry can be divided in two product categories: combustible products and RRP (Reduced-Risk Products).

Combustibles

Cigarettes, FCT (fine cut tobacco), pipe, cigars and cigarillos are part of the combustibles category. While cigarettes contain pre-rolled tobacco, fine cut tobacco products allow adult consumers to roll or make their own cigarettes. The global combustibles industry volume totaled around 5.1 trillion stick equivalent units in 2022, representing a value of approximately 103 trillion Japanese yen. The largest markets are China—which accounts for over 45% of global volume—followed by Indonesia, the U.S., Russia, Turkey, Japan and Vietnam. While the global combustibles industry volume is declining, the industry value continues to increase driven by a positive price/mix variance.

RRP

Heated tobacco, E-Vapor and oral products are part of the RRP category. As they deliver nicotine without combustion, they have the potential to reduce risks associated with smoking.

HTP (heated tobacco products) include HTS (heated tobacco sticks), which generate an aerosol containing nicotine by heating a tobacco stick, and Infused (infused tobacco capsules), a hybrid system which creates a tobacco-enriched vapor using indirect heating.

E-Vapor products heat a nicotine-containing liquid instead of tobacco leaves and come in different formats: open tanks,

closed pods and disposables. Oral products are usually in the form of small pouches to be inserted in the mouth between the lip and the gum. If they contain tobacco they are referred as snus, if they don't as nicotine pouches.

The global RRP industry had an estimated value of approximately 9 trillion Japanese yen in 2022. The largest markets are Japan for HTP, the U.S. for E-Vapor products and Scandinavia for oral products. Unlike combustibles, the most successful Reduced-Risk Product varies from one market to another depending on consumer preferences. The overall RRP category, though smaller than combustibles, has been growing steadily over the last years, and we expect this growth to continue, notably in HTS.

Our view of the future

Over the last years, the main international tobacco players expanded their portfolio in both combustibles and RRP to offer more choice to consumers. The JT Group's tobacco business is ranked third in the world (excluding China) by volume and has a product offering across all combustibles and RRP segments.

We expect the global combustibles industry value to continue growing in the foreseeable future, while the global RRP industry is expected to grow both in terms of volume and value. Among RRP segments, we expect HTS to be the biggest growth driver, followed by E-Vapor and nicotine pouches. The growth rate will ultimately depend on innovation, consumer acceptance, regulation and taxation of RRP products.

Notes: 1. The word consumers used in the context of the tobacco business means adult consumers. Minimum legal age for smoking varies in accordance with the legislation in each country
2. This section is intended only to explain the business operations of the JT Group, not to promote sales of tobacco or nicotine containing products or encourage smoking or using nicotine containing products

Tobacco strategy

Our Purpose

Our Purpose—Creating fulfilling moments. Creating a better future—defines why we exist as a business and how we contribute to the broader JT Group Purpose. It is also a statement to wider society of our intent and the North Star guiding our tobacco business strategy.

Our strategy

We believe that the RRP adoption trend will continue, as these products have potentially less risk for the adult consumer.

To create fulfilling moments and a better future, we have articulated a clear strategy for the tobacco business, prioritizing management resources towards HTS, the main RRP growth driver, and combustibles, the largest, most profitable category across the tobacco industry.

The combination of the JT Group's tobacco businesses into a single business segment is supporting this prioritization of resources, globalizing the Group's knowledge and expertise, driving increased agility, and accelerating strategic decision-making.

This strategy, moreover, confirms the tobacco business as the core business of the JT Group and strengthens its role as the main source of profit growth for the medium and long terms.

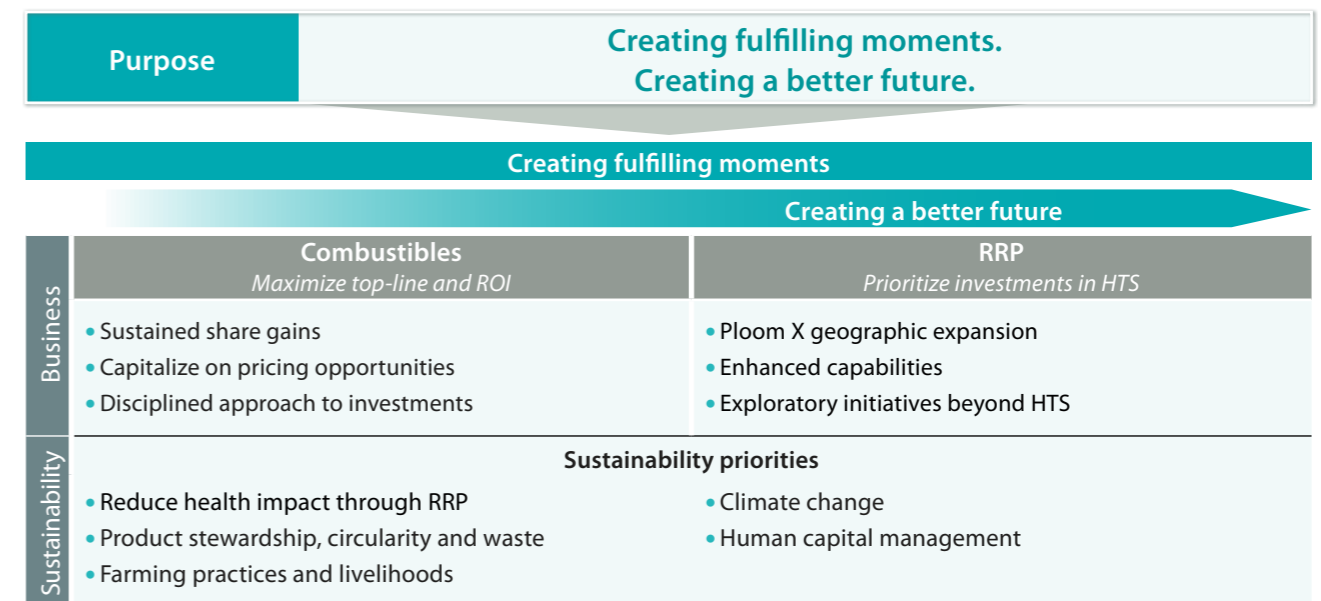
RRP: Prioritize investments in HTS

The RRP category has yet to mature with each product segment being in different stages of development as consumer acceptance varies from one market to another.

We expect HTS will offer the strongest growth profile among existing product segments in RRP. In this context, the Group is prioritizing investments towards HTS and accelerating efforts to increase share of this segment.

To more than double our RRP core revenue by 2025,* we will invest over 300 billion Japanese yen between 2023 and 2025 including commercial expenses, R&D and capital expenditures. Another investment area will address R&D efforts towards NGP (next-generation products), as we think the RRP category will continue to expand beyond the current product lineups.

* Compared to 2022



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In 2021, the JT Group launched its latest heated tobacco device—Ploom X—in Japan, followed by the U.K. in 2022 and Italy, Lithuania and Portugal so far in 2023. Since the launch, Ploom’s share of the HTS segment has more than doubled in Japan, renewing our confidence in our ability to offer superior-quality products in this growing segment. The Group is planning to roll out Ploom X and its dedicated consumables in 28 markets by 2024, with the ambition to reach a mid-teens share of the HTS segment in key markets by 2028*1.

This effort will be complemented by focused investments in other product segments, as one single solution doesn’t translate into sustainable success in RRP. These additional segments, notably Infused, E-Vapor and Oral, will be considered exploratory opportunities. The JT Group aims to gain a better understanding of the dynamics in each of these segments and collect relevant consumer insights ahead of future growth. Considering the entire RRP category, our ambition is to reach breakeven by 2028*2.

*1 Share of segment in key HTS markets, including Japan and Italy
 *2 Breakeven at brand contribution level representing gross profit less commercial expenditure and before allocation of overheads

Combustibles: Maximize top-line and ROI

We recognize the combustibles industry volume will continue to decline. However, combustibles users will remain the largest cohort of consumers within the industry for at least another decade.

The JT Group intends to continue satisfying the needs of these consumers, by exceeding their expectations. To do so, resources will be allocated in priority towards our GFB (Global Flagship Brands), with the intent of maximizing returns and supporting the investments in RRP. Initiatives to support this strategy include GFB equity building and strategic market roles.

Consistently investing in the strengthening of the equity of Winston, Camel, MEVIUS and LD is key to sustaining the JT Group’s market share gains in the combustibles category and leveraging pricing opportunities. In addition, we assigned each market to a strategic role (Earnings / Earnings & Share / Share) to enhance focus and guide decision-making.

Strengthening competitiveness

As part of the Group’s continuous improvement efforts, we constantly review our global supply chain and our market

operating models for efficiencies and better effectiveness.

Within the global supply chain, we explore opportunities to rationalize our manufacturing footprint and our leaf-sourcing channels, as well as logistical routes, closer collaboration with suppliers, and SKUs portfolio simplification.

In market-operating models, we optimize notably route-to-market and route-to-consumers in order to ensure we can respond quickly and with agility to changing adult consumer expectations.

We also consider corporate initiatives like the simplification of internal structures, the migration of legacy IT systems to global solutions and the empowerment of Global Business Service centers to better support markets. The aim is to continuously improve margins, while maintaining quality, and to enhance cash flow generation by optimizing working capital and capital expenditures.

Sustainability priorities

In 2022, we conducted a materiality review and engaged with over 150 key stakeholders and 450 employees to define our sustainability priorities. These are key enablers of our new JT Group Purpose, driving a better future for our people and society.

Within the tobacco business, we identified sustainability priorities to focus on in the coming years:

- Reduce health impact through RRP
- Reduce our products’ impact on the environment through product stewardship
- Improve farming practices and livelihoods
- Tackle climate change by reducing Greenhouse Gas (GHG) emissions
- Develop our employees through human capital management

Building business foundations

We believe that human resource development is the key driver of sustainable profit growth in the tobacco business. With business operations in more than 130 markets, our global employee workforce is very diverse, including over 100 nationalities.

The quality of human resources is the key to business activity and performance, so the JT Group will strengthen human resource development and enhance its ability to attract, develop, and retain employees on a global basis.

SWOT analysis of the tobacco business



Performance over the last five years

The tobacco business outperformed the industry volume over the last five years through continued market share gains driven by our GFB and acquisitions in tobacco markets that matter.

This performance, together with solid pricing and cost discipline, enabled the combined tobacco business to consistently grow core revenue and adjusted operating profit at constant currency.

GFB volume constantly grew over the last five years, reaching more than 360 billion sticks and almost 70% of our total volume in 2022.

The results of Winston, Camel, MEVIUS and LD were fueled by their strong brand equity, built by decades of sustained investments, and execution excellence.

Our portfolio architecture helped adult consumers in navigating the offering across different price points and segments, including cigarettes and FCT—where we are the #1 player.

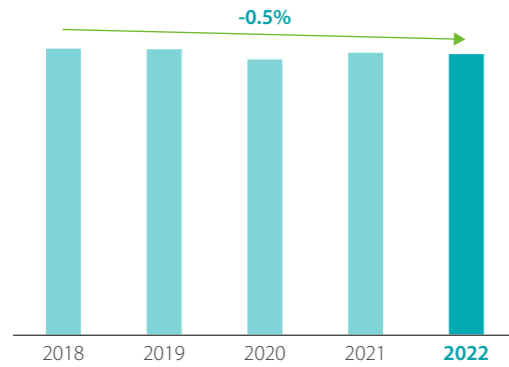
Despite the ever-changing environment, our pricing power remained intact over the period, demonstrating once more the resilience of the combustibles pricing model.

GFB (Global Flagship Brands)

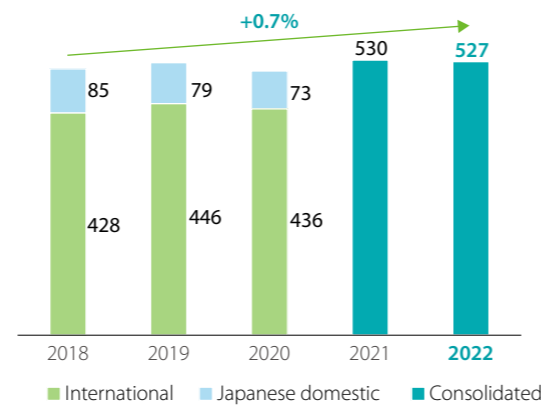


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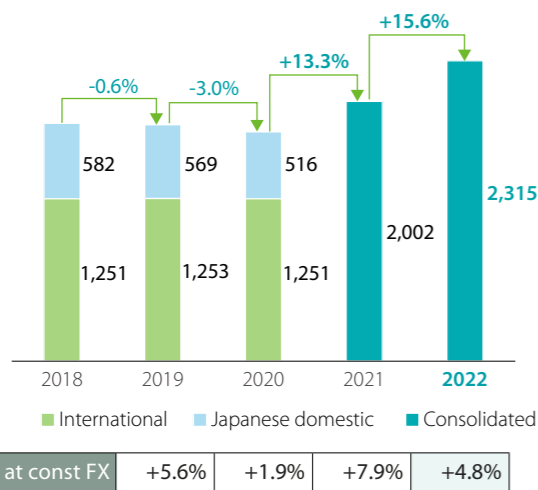
Total industry volume (BnU)*1



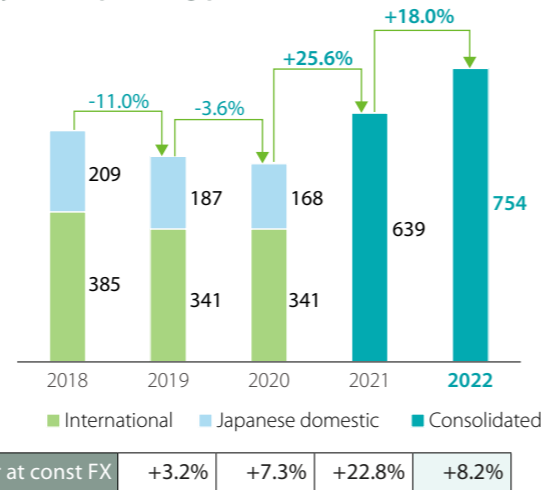
Total shipment volume (BnU)*2



Core revenue (JPY Bn)*2



Adjusted operating profit (JPY Bn)*2



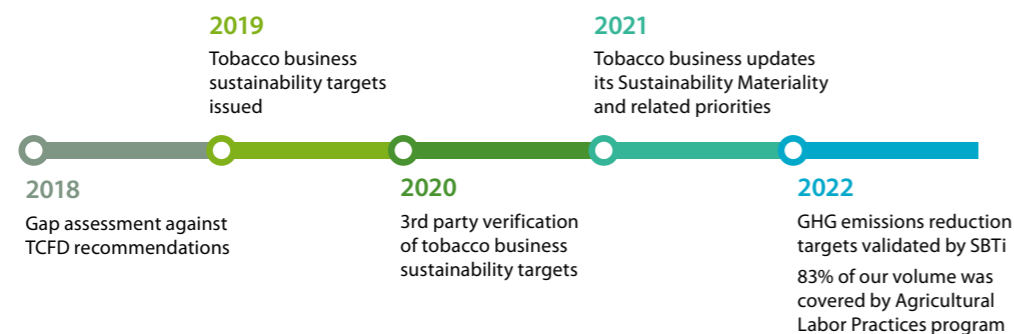
Var at const FX	2019	2020	2021	2022
	+5.6%	+1.9%	+7.9%	+4.8%

Var at const FX	2019	2020	2021	2022
	+3.2%	+7.3%	+22.8%	+8.2%

*1 Based on internal estimates excluding China

*2 The year on year variances from 2018 to 2020 of core revenue and adjusted operating profit are calculated based on the sum of the Japanese domestic and international tobacco businesses. From 2022, we consolidated the tobacco business, and 2021 figures are adjusted as well

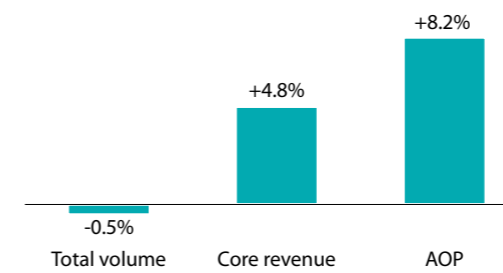
Sustainability journey



2022 performance

Overview

2022 variance vs. PY*1



In 2022, the tobacco business fully delivered on its role as the profit growth engine for the JT Group, overcoming numerous challenges including the Russia-Ukraine war and the semiconductor supply shortage limiting our HTS expansion plans.

Our share gains bolstered our business with total volume declining by only 0.5%. This performance was fueled by a limited combustibles volume decline of 0.7%, outperforming the estimated industry decline, combined with double-digit RRP volume growth. GFB volume grew by 1.9%, mainly driven by Winston and Camel, which grew by double digits in 30+ markets.

Importantly, RRP was our fastest growing category in terms of volume, albeit from a small base, as we made significant inroads into the HTS segment in Japan.

Coupled with solid pricing, this performance drove our strong top-line growth, resulting in a robust adjusted operating profit increase.

We began the year with the One Tobacco integration, unifying our tobacco businesses and building a stronger and more united organization. The drive and energy of our employees around the world was a fantastic success driver. The One Tobacco integration consolidated our expertise and knowledge globally, established greater collaboration and faster decision-making and further enhanced our business fundamentals.

In 2022, we also made progress towards our 2030 sustainability targets:

	2022 results	2030 targets
Water use reduction	23%	15%*5
Packaging recyclability	82%	100%

*1 Core revenue and adjusted operating profit (AOP) at constant currency

*2 Based on cigarettes + FCT + HTP

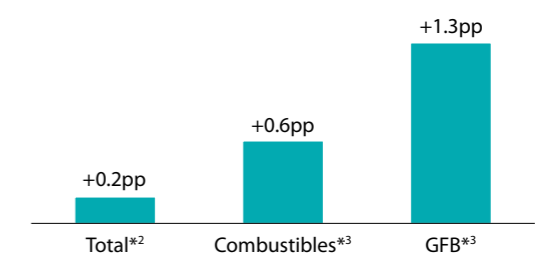
*3 Based on cigarettes + FCT

*4 Contribution to core revenue growth at constant currency. 2018-2021 price/mix assumed equal to the sum of international and domestic price/mix for illustrative purposes

*5 Against 2015 baseline year

Share of market

Share of top 30 markets

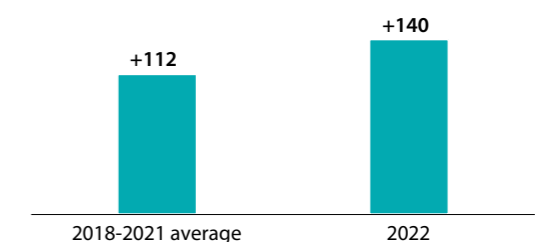


Our consumer focus, strong execution and excellent engagement with the retailers and distributors delivered another year of market share gains in the combustibles category globally, and in HTS in Japan.

In combustibles, we grew share 0.6 percentage points across our top 30 markets. In cigarettes, we grew our share in the mid-price segment, where Winston continued to register gains, and in the value price segment, where Camel kept its growing momentum. In FCT, we strengthened our leading position, notably with Winston, Camel, and Sterling in the U.K. GFB were a key contributor to share gains, growing 1.3 percentage points and registering a new record-high share.

Price/Mix

Price/Mix variance (JPY Bn)*4



In 2022 we generated 140 billion Japanese yen in favorable price/mix variance to core revenues despite the challenging environment.

This is above our 2018-2021 average and compensated for the unexpected cost increases due to the macroeconomic and geopolitical environments.

In terms of pricing, key markets of Japan, the Philippines, Romania, Russia, Spain, Taiwan, Turkey and the U.K. registered a strong contribution. In terms of mix, the unwinding of COVID-19 trends, notably in the U.K., and ongoing down-trading, partially offset the pricing contribution.

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Key markets

In 2022, we moved from five to three clusters: Asia, with Japan, Taiwan and the Philippines as key markets; Western Europe, with Italy, Spain and the U.K. as key markets; and EMA, with key markets Romania, Russia and Turkey.

The majority of our key markets grew combustibles share in 2022, while initiatives were taken in Japan, the U.K. and Romania to limit share losses.

Combustibles SoM	2022 vs. PY
Asia	
Japan	-0.9pp
Taiwan	+0.8pp
The Philippines	+0.4pp
EMA*	
Romania	-0.3pp
Russia	+0.1pp
Turkey	+0.1pp
Western Europe	
Italy	+0.8pp
Spain	+0.7pp
U.K.	-0.6pp

Japan

In 2022, total tobacco industry volume was down year on year by 1.5%. In combustibles, volume decreased by 7.2% due to growth of the RRP category, October 2021 excise tax-led price increases and secular decline.

RRP grew to account for 34% of the total tobacco industry in 2022, driven by changing consumer behavior, new heated tobacco product launches and marketing initiatives.

Our volume underperformed the industry due to consumers shifting towards RRP and downtrading in cigarettes.

In cigarettes, we strengthened our portfolio in the value segment with Camel Craft. In only six months since the launch, Camel became the #1 brand in the value segment and exited 2022 as the #2 combustibles brand. We also strengthened the #1 position of MEVIUS with the E-Series expansion in the mid-price segment.

In RRP, the innovations of Ploom X translated into significant share gains in the HTS segment, growing from 3.2% before the rollout to reach 8.2% in December 2022.

In 2023, we forecast total tobacco industry volume to decline by approximately 2%, with the RRP category expected to expand moderately.

Russia

On March 10, 2022 we suspended new investments in Russia, including the planned launch of Ploom X.

In 2022, total tobacco industry volume declined 3.7% following excise tax-led price increases. Our total volume decreased by 2.6%, and by 1.9% when excluding inventory movements.

GFB volume declined by 0.6%, as the continued Camel performance almost fully offset the volume decline. Total market share was almost flat at 36.6%, with share gains by Camel.

Core revenue at constant currency increased, driven by a robust price/mix contribution, more than offsetting a negative volume variance.

United Kingdom

In 2022, combustibles industry volume contraction was significant due to the unwinding of COVID-19 trends. However, when looking at the average decline over the last three years, this was broadly in line with historical trends.

While our volume underperformed the industry, we maintained undisputed market leadership through a balanced approach in managing share and profitability.

In combustibles, we strengthened our offerings in the value segment to address incremental consumer demand by launching two new products: Mayfair Silver in cigarettes and Benson & Hedges Blue in FCT.

In RRP, we launched Ploom X in London at the end of October 2022 and early consumer feedback is positive.

In 2023, we forecast total tobacco industry volume to decline by high single digits due to the continued recovery of non-U.K.-duty-paid volume. Going forward, we are confident to grow earnings through pricing while maintaining our market share leadership.

* Eastern Europe, Middle East, Africa & Americas

RRP

The RRP category is composed of different segments including HTS (heated tobacco sticks), Infused (infused tobacco capsules), E-Vapor and oral.

As announced in 2021, we prioritize the allocation of resources to HTS, with the other segments viewed as exploratory opportunities.



* Ongoing R&D of Next-Generations Products (NGP)

2022 RRP performance

RRP volume increased 10.3% year on year to 7.9 billion stick equivalent units, as Ploom X provided a step change in our HTS performance.

Ploom X is our first truly global product and our most important launch in several years. In Japan, our first Ploom S device was launched in 2019, followed by the second generation in 2020 and a completely new device—Ploom X—launched in August 2021. The JT Group has endeavored on an accelerated journey with major upgrades along the way, both in relation to devices and to consumables.

The innovations of Ploom X, including our proprietary HEATFLOW system, significantly improved the consumer experience and translated into significant share gains in the HTS segment in Japan, growing from 3.2% before the rollout, to reach 8.2% in December 2022.

More importantly, retention rates have increased since the launch, highlighting the competitiveness of our offering.

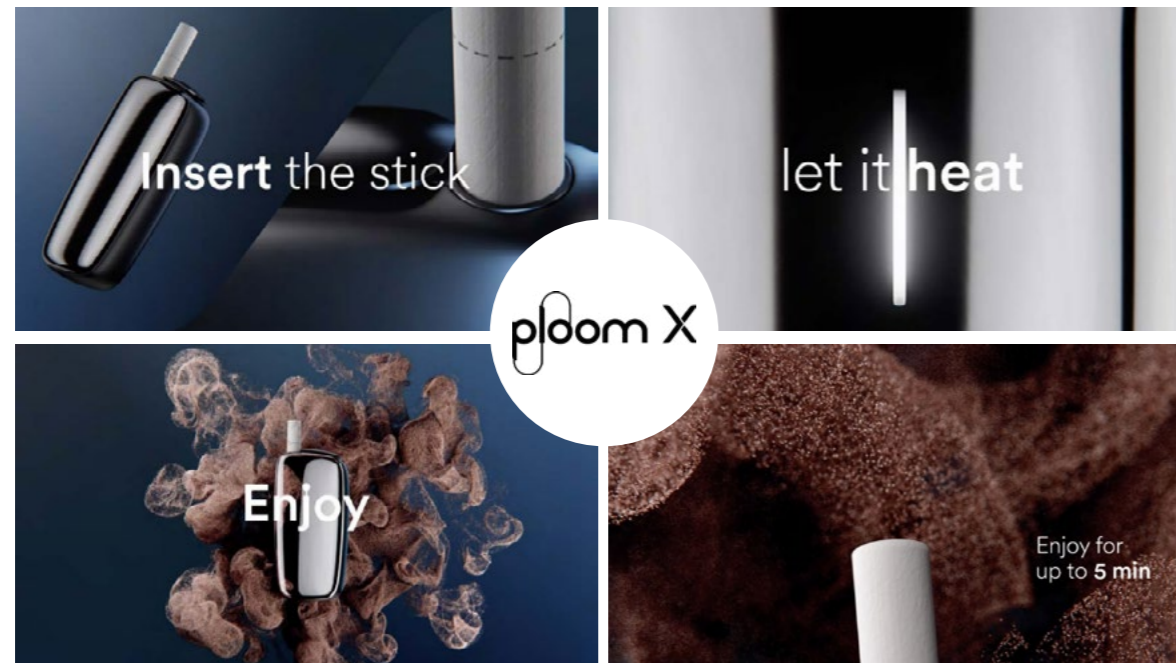
This was enhanced by the introduction of new flavored SKUs, promotions in response to aggressive offers prevailing in the market, best-in-class customer care, as well as the improvement of Ploom Club.

Ploom Club is part of our e-commerce platform, offering a personalized experience based on each adult consumer's preferences. A point-based system allows consumers to unlock promotions and participate in initiatives accessible only to club members. A subscription model is also available and gaining traction.

We also launched Ploom X in London and created a joint venture with Altria to commercialize Ploom in the U.S., the world's largest RRP market in terms of value. As part of the agreement, we also signed a non-binding memorandum of understanding to explore commercial opportunities with Altria for a wide range of RRP globally.



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RRP outlook

In the second half of 2023 we will accelerate the Ploom X expansion plan bringing the number of markets where it is on sale to 14 by year-end.

This builds on the successful rollout of Ploom X this April in Italy, the biggest HTS market in Europe, and in Lithuania, followed by Portugal in May.

Our expansion plan focus will be on established HTS markets, where we can benefit from existing high levels of category awareness among adult consumers. This focused investment strategy will allow us to optimize our investments compared to markets where larger resources would be required to inform and convert adult consumers to HTS.

In 2024, we intend to maintain the expansion pace with launches in 14 additional markets. Also, in 2025 we are planning to submit a Premarket Tobacco Product Application (PMTA) and Modified Risk Tobacco Product (MRTP) application in the U.S. through our joint venture with Altria.

This accelerated expansion plan is in line with our global tobacco strategy, which prioritizes HTS among RRP segments, with the ambition to reach a mid-teens share of the HTS segment in the key HTS markets in 2028*¹.

Ploom X geographic expansion is just one pillar of our RRP investment strategy. Equal focus is placed on enhancing our internal capabilities with strategic investments, product innovation, R&D, science, and consumer acquisition and retention,

to significantly scale up our competitiveness in HTS.

These investments, that will exceed 300 billion Japanese yen over the 2023-25 planning period, also include exploratory initiatives in Infused, E-Vapor, oral and NGP to identify scalable and sustainable business opportunities.

In these segments, the aim is to gain better consumer understanding, experiment with distinctive consumer propositions and explore potential geo-expansion. For example, in the second quarter we are launching our improved pod-system in the U.K. and Ireland, under the Logic brand. In Oral, in May we launched Nordic Spirit as a test in the Philippines and we are planning to launch our new nicotine pouch formula in the U.K. this year. In addition, we will roll-out the next-generation of our infused products in Q3 in Japan.

For NGP in particular, a central team will be in charge of incubating new consumer-centric ideas, with the optionality to promote them to exploratory if their business potential is proven.

All in all, we are confident in our ability to turn the RRP category into the JT Group's future profit growth engine, supported by our ambition to reach breakeven in 2028*².

*1 Share of segment in key HTS markets, including Japan and Italy

*2 Breakeven at brand contribution level representing gross profit less commercial expenditure and before allocation of overheads

Reducing health impact through RRP

While it is still too early to understand the long-term health effects of RRP, factors, including the elimination of combustion and the lower level of toxicants found in the vapor, suggest there is potential for them to reduce the risks associated with smoking.

That's why we're committed to ensuring that all our RRP fulfill this potential. We pride ourselves on an open approach that embraces scrutiny from consumers, regulators and the scientific community, and we regularly present our findings at scientific conferences and in peer-reviewed journals.

Our approach is supported by the most up-to-date understanding of the subject and grounded in evidence-based observations.

As part of our joint venture with Altria, we will combine our scientific and regulatory expertise to jointly prepare a PMTA and MRTP for the Ploom version to be launched in the U.S. The parties currently expect to submit the PMTA and MRTP by the end of 2025.

► Read more about the science behind RRP at www.jt-science.com.

RRP sourcing

We have established a dedicated supply chain for our RRP, building strong supplier partnerships that support business expansion and meet the demands of our increasingly sophisticated portfolio.

In addition to our in-house production capabilities, we source from different global manufacturers. These include the world's largest Electronics Manufacturing Service (EMS) companies, which are renowned for their high quality and technology.

We are committed to carrying out social and environmental due diligence in our RRP materials. We are a supporter member of the Responsible Business Alliance (RBA) and fully embrace its vision and mission.

RBA is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. RBA members commit and are held accountable to a common Code of Conduct and utilize a range of RBA training and assessment tools to support continuous improvement in the social, environmental and ethical responsibility of their supply chains.

► Read more about our responsible procurement on JT.com.

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RRP return/collection scheme

RRP present new and specific challenges from an environmental perspective, such as electronic waste. Batteries and metal parts from used devices are recyclable.

To encourage consumers to safely recycle or dispose our products, we inform them on how to dispose their old products in a responsible and sustainable manner. In all our Ploom markets, consumers have access to responsible disposal of electronic devices and can drop their old device in Ploom stores and pop-up stores.

In Japan, we launched a program in 2019 to collect used Ploom devices, capsules and cartridges via convenient collection boxes at around 300 shops in Tokyo. In 2020, this program was extended to include additional tobacco players and it was launched throughout Japan in 2021. Since then, around 1,200 collection points have been established in all 47 prefectures.



Sustainability priorities

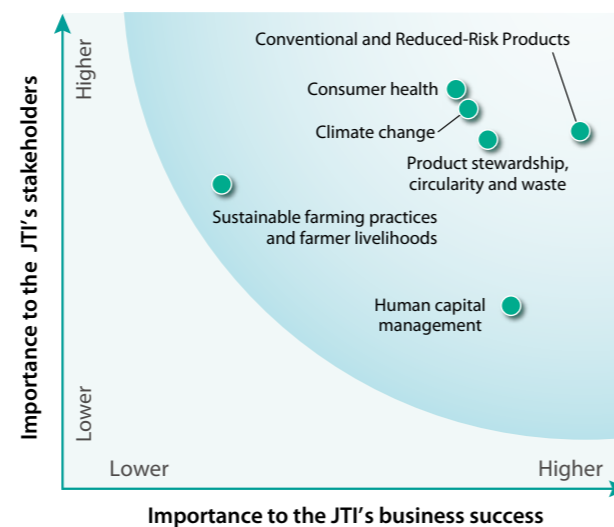
In 2022, the tobacco business conducted a thorough materiality review that identified the long-term sustainability priorities.

Through this review, we engaged with over 150 key stakeholder groups—financial institutions, civil society organizations, suppliers, consumers. More than 450 employees also took part in sharing their views and expectations.

Our highest priorities are linked to our product impact and strengthen our commitment to widely provide consumers RRP offerings. This year, we also put an additional focus on product stewardship, circularity and waste—guiding our development teams to make environmentally sustainable design decisions.

At the same time, we will continue to ensure that we uphold the highest standards of human rights and environmental due diligence throughout our value chain. We are working with our grower communities and suppliers to address Greenhouse Gas (GHG) emissions and make sure that people, from employees to farmers, can thrive.

We strongly believe that sustainability is everybody's business, and that we will all play our part in leading the business towards a better future.



Reduce our products' impact on the environment

We are committed to continuous improvement in our approach to product and packaging sustainability.

Targets: We committed to reducing the environmental impact of our products and packaging through design solutions, facilitating responsible collection and disposal, and consumer awareness and education. We will reduce our packaging (including plastic) and ensure that the remaining material 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.

Continuing efforts on materials optimization and improving design of packaging structures in 2022, we achieved 82% packaging recyclability and 18% of recycled content in total packaging materials.

Total sustainability investments in materials and packaging in 2022 amounted to more than 4 millions U.S. dollars.

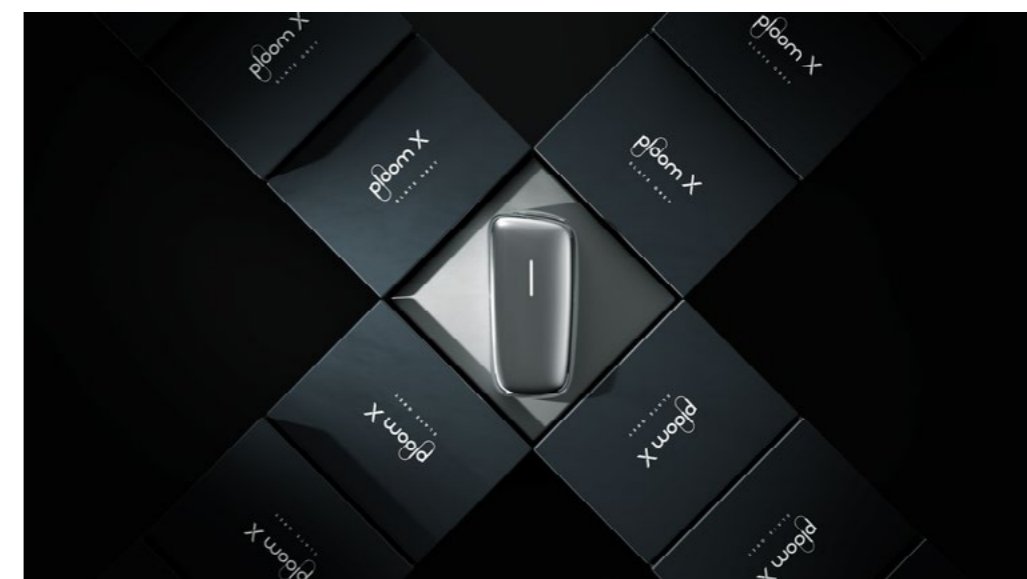
In 2022 we also introduced a new sustainability governance model with a focus on product stewardship, circularity and waste, which covers both products and packaging. It aims to manage the safety and environmental and social impact of our products and their packaging at all stages of the product life cycle, avoiding waste through product circularity or reducing it by operating an effective waste management system.

▶ Read more about improvements of our packaging and about our approach to circularity, post-consumer waste management and anti-littering on [JT.com](https://www.jt.com).

RRP materials and packaging

We are working to reduce the environmental impact of our products and their packaging. We are striving to use more environmentally friendly materials and addressing the issue of litter with waste prevention measures such as improving the design, composition and recyclability of our products and packaging.

These will be achieved by increasing the recycled content and recyclability of our packaging and reducing the amount of plastic we use.



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1. Reducing the amount of material

We leveraged synergies with our combustible products and approved in 2022 a thinner polypropylene overwrap for Ploom refills that will be rolled out in our markets as of 2023.

2. Improving packaging recyclability

We are assessing alternatives to replace the aluminum inner liners of Ploom refills with paper inner liners while maintaining the same level of barrier protection required to maintain product quality.

We continuously investigate innovative solutions to end the use of plastic overwraps in our devices' boxes and to increase the recyclability of our packaging.

3. Integrating recycled content

Since 2022, all Ploom refill shipping cases produced in Poland are made with 100% recycled content.

We continue looking into adding recycled content in our packaging while securing the quality standards of our products.

We have developed an internal design guidebook for RRP devices with circular principles to help our development teams make environmentally sustainable design decisions.

The main component of Ploom heated tobacco stick filters is cellulose acetate. We are committed to looking for better alternatives and are actively investigating innovative filter solutions that will meet consumers' expectations, regulatory demands and operational constraints while reducing the environmental impact.

In parallel, we have conducted Ploom product and packaging life cycle assessments to help us better measure Ploom's environmental impacts and identify improvement areas.

Improving farming practices and farmer livelihoods

Our leaf sustainability framework, driven by our leaf Supply Chain Due Diligence (SCDD) process, takes into account social, environmental and economic impacts.

▶ Read more about our SCDD on [JT.com](https://www.jt.com).



Agricultural Labor Practices

Our Agricultural Labor Practices program (ALP) allows us and leaf merchants to identify potential labor challenges on tobacco farms and implement improvements. It also contributes to the social aspects of grower communities and supports sustainable agriculture overall.

Targets: We committed to implementing our Agricultural Labor Practices (ALP) program in all sourcing countries by 2025.

Key progress in 2022

In 2022, we strengthened implementation of our SCDD process. All our contracted growers have now implemented our Agricultural Labor Practices. We conducted Supply Chain Impact Assessments (SCIA) in Brazil and Tanzania with our contracted growers, and in collaboration with other manufacturers and tobacco leaf merchants in Indonesia.

Our approach to sourcing

We source tobacco through two supply models either directly contracted growers or tobacco leaf merchants, each supplying approximately 50% of the total volume.

Sustainable Tobacco Program (STP)

JTI is one of the seven global manufacturers participating in the Sustainable Tobacco Program. Two manufacturers joined the program in 2022. Six focused pilot assessments were executed in 2022 in six countries. Most of the action plans have been submitted by the leaf merchants and progress will be monitored.

Addressing child labor

In 2022, we developed a new holistic child labor elimination framework in which ARISE (Achieving Reduction of Child Labor in Support of Education) plays a key role to prevent and remediate child labor risks. We expanded ARISE in 2022 by setting up a new program in Ethiopia. Since 2011 the program has withdrawn or prevented 65,317 at-risk children from child labor and enrolled them in education.

Tackling climate change through Greenhouse Gas emissions reduction

We are a global company and climate change represents a real threat to the future of our business, as well as to communities all around the world. We are working hard to reduce our contribution to climate change and help to address this global issue.

Our initiatives include improving energy efficiency, increasing the use of renewable energy and prioritizing alternative fuels and vehicles.

Across our value chain, we work with our tobacco growers to reduce emissions associated with tobacco growing and curing, we engage with our suppliers to reduce emissions, and we monitor external factors and innovations in technology.

Targets: We committed to being Carbon Neutral for our own operations by 2030. We also aim to achieve Net-Zero Greenhouse Gas (GHG) emissions for our entire value chain by 2050.

In support of this, by 2030, we will reduce emissions from our own operations by 47% and emissions associated with leaf and non-tobacco materials by 28%, against a 2019 base year. Based on 2022 results, we reduced GHG emissions from our own operations by 16% and from leaf and non-tobacco materials by 12%.



▶ Read more about the JT Group's environmental initiatives on P. 78 and our programs and initiatives specifically related to our tobacco business on [JT.com](https://www.jt.com).