

The JT Group Materiality and sustainability

Updating the Group materiality

We started our materiality assessment in 2013, and in 2015 for the first time through interviews with our external and internal stakeholders, we completed our original materiality assessment to cover the entire JT Group.

Since we selected our original materiality topics, external circumstances and the business environment in which we operate have changed. In 2021, we began updating the Group's materiality framework by identifying and analyzing our materiality topics.

Through interviews with internal as well as external

stakeholders, we have selected and prioritized our materiality topics and updated the materiality matrix accordingly. We then identified issue groups for the Group materiality consideration to set out the JT Group Materiality.

Our materiality is based on the concept of double materiality, taking into account the significance to and impact on our stakeholders and the society, and the significance and impact to the JT Group for sustainable growth. The whole process was conducted in accordance with the advice of an external consultant.

Updating the JT Group Materiality – the process

The JT Group Materiality was updated through the following four phases.

Phase 1

Identifying materiality topics

- Identifying topics that may have impact on the sustainable growth or sustainability challenges of our Group, bearing in mind the changes in our external operating environment and the business challenges.
- Identifying topics by researching and analyzing a wide range of information including but not limited to sustainability disclosure standards or frameworks such as SDGs, SASB or GRI, risk factors found through our enterprise risk management process, or materiality coverage of our competitor firms, among others.

Phase 2

Stakeholder interviews and desktop searches

- Integrating internal and external stakeholder opinions by conducting interviews and surveys, using the topics identified in the phase 1 process.
- Prioritizing the topics for our external and internal stakeholders through desktop analysis of information issued by external rating agencies, global mega-trends or media reports, ensuring there are no gaps and that all relevant topics have been included.
- Conducting interviews with a wide range of stakeholders to maintain quality of the materiality assessment, bearing in mind that the priority of materiality topics may vary depending on the individual stakeholder.

Track record of stakeholder interviews, surveys

- Primarily senior vice presidents of corporate and business functions of the Group: 119 SVPs or others in similar positions
- Suppliers, customers, NGOs, other external parties: 27 cases
- Investors, banks: 38 cases
- Employees and others: Approximately 450 cases

Phase 3

Plotting the matrix and prioritizing

- Plotting the matrix: As with our original matrix, we first set out the materiality matrix of our tobacco business, which was subsequently expanded to include the entire Group.
- Visualizing individual materiality topics by plotting priorities of significance to and impact on our stakeholders on the vertical axis and, priorities to our Group's long-term business on the horizontal axis.

▶ Read more about the materiality analysis on [JT.com](https://www.jt.com).

Phase 4

Identifying the issue groups

- Selecting priority topics or issues for the JT Group as well as for our stakeholders for sustainable growth of the Group and our society.

Then arranging the topics into five groups with similar issues or expected effects, namely, preserving our environment, product and services, people, supply chain management and governance.



The JT Group Materiality and sustainability

As nature, society and people’s lives are intertwined, sustaining our ways of living, and the activities of entities, will depend on the sustainability of the environment and society in which we exist. The JT Group’s management principle is the 4S model. In pursuing this principle and by realizing the JT Group Purpose, we are contributing to the sustainability of our environment and our society, through our commitment to working on the five groups of material issues identified.

Having discussed these material issues with the Board of Directors, we have set them out as the JT Group Materiality as shown below.

Based on the JT Group Materiality, the Group sustainability targets and the targets for each business segment will be reviewed accordingly.

The JT Group Materiality will be examined regularly at Sustainability Advisory Forum and will be updated as necessary.

The JT Group Materiality

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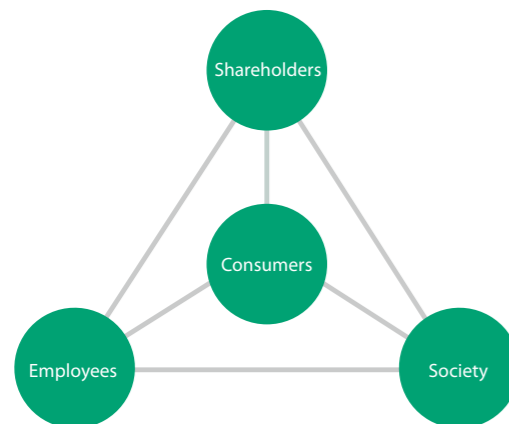
In realizing the JT Group Purpose, we are contributing to that sustainability through our commitment to working on the issues identified in our materiality.

JT Group Purpose

Fulfilling Moments, Enriching Life

Our management principle

The 4S model



Living with the Planet	Value Creation that Exceeds Consumer Expectations	Investing in People and Provide Motivation	Responsible Supply Chain Management	Good Governance
<p>Preserve a harmonious relationship between our environment, people, and corporate organizations through initiatives to improve our impact on our environment</p> <ul style="list-style-type: none"> Undertake initiatives to tackle climate change and conserve our environment Promote resource recycling and develop sustainable products with high environmental value 	<p>Create diverse products and services beyond consumer expectations</p> <ul style="list-style-type: none"> Develop innovative products and services and offer variety of situations to experience our products <ul style="list-style-type: none"> Develop and offer RRP (Reduced-Risk Products) Develop innovative original drugs Develop food products in response to diverse consumer values and interests Research, explore and create seeds for future business centered on the concept of “enriching life” 	<p>Invest in people to support their development with attention to diversity, and enhance human capital by fostering a corporate culture that maximizes individuality and ability of each person</p> <ul style="list-style-type: none"> Establish a fair and safe working environment, provide each employee with the opportunity for growth and promote diversity, equity and inclusion Establish a structure that encourages our employees to participate in and create with our society 	<p>Create a sustainable supply chain capable of withstanding sudden changes in the business environment, by tackling social issues such as respecting human rights or preservation of our environment</p> <ul style="list-style-type: none"> Engage with the suppliers through human rights/environmental due diligence Deliver initiatives that contribute to resolving social issues together with our suppliers 	<p>Enhance our governance by improving our stakeholder satisfaction and continue to be a trustworthy corporate entity</p> <ul style="list-style-type: none"> Construct and implement a framework for transparent, fair, prompt, and decisive decision-making Engage proactively with diverse stakeholders

The JT Group Materiality and sustainability

Setting out the JT Group Materiality: Stakeholder comments

Through the process of updating our materiality matrix and identifying the JT Group Materiality, we engaged with a variety of stakeholders in order to gather their views and opinions. Here are some in their own words:

“We provide advice and proposals to a wide range of companies facing sustainability issues. Materiality is the starting point of prioritizing your sustainability issues and a vital process which could influence on mid- to long-term sustainability initiatives of a firm. Our role was to provide feedback to the JT Group post its materiality selection. By looking at the process that the Group has taken in selecting its materiality, we learned that not only was the firm concerned with its own business issues, but it also took into consideration issues that our society is currently facing, checking them one by one. The stakeholder interview was thoroughly conducted with high awareness for the challenges to the JT Group in identifying its materiality.”

External stakeholder

“Agricultural Labor Practices (ALP) is one of key programs for our leaf supply chain management and integral part of our Leaf Supply Chain Due Diligence process. The ALP program started in 2012, by launching ALP guidance, with minimum expectation vs. Child Labor Elimination, Improving Rights of Workers and Health and Safety conditions on a farm level. JTI extended the implementation of the ALP program from own operations to third party suppliers in 2015. The program has evolved through continuous learning and engagement with all the stakeholders (growers, International Labour Organization, OECD, own operations, third-party suppliers etc.). ALP today is a part of the broader Leaf Supply Chain Due Diligence process. We continue to deliver against JT Group ALP target ‘we will implement ALP in all sourcing countries by 2025’. A significant progress made is full ALP implementation in newly acquired businesses in Bangladesh and Ethiopia. Supply chain management was a very high material issue in our original materiality assessment. JTI’s latest materiality assessment emphasized the need to further strengthen the efforts against mapped challenges in our leaf supply chain.”

Leaf supply chain due diligence director, tobacco business, JT International

“In the processed food business, we strive to pursue the JT Group Purpose of ‘Fulfilling Moments, Enriching Life’ through food experiences. To support the Group Purpose, we have set our Business Purpose “Bringing joy to meals and fun to the table.” This Business Purpose will be the cornerstone in working through the challenges faced by our society in relation to food. We want to make this journey together with all our stakeholders, be it our colleagues or our consumers, while pursuing to provide value that only our firm can deliver. The five topics of materiality identified will act as an important guide as we strive to accelerate our initiatives.”

Team leader, Sustainability, food business planning division, processed food business, JT Inc.

“In updating our materiality, I gave a great deal of thought to the relationship between the environment, society, people's lives, and corporate activities. For the pursuit of sustainability, I strongly felt the need to work jointly, not only within the JT Group but also with all the stakeholders. Setting the materiality is the beginning of our journey. We will continue to engage with various stakeholders and accelerate our efforts together. Moreover, we will monitor the progress of the initiatives in place, and by capturing changes in the social and business environment, I hope that ‘our’ materiality can be updated jointly and flexibly with our stakeholders in the coming future.”

Hisashi Hamada, Materiality project leader, sustainability management division, JT Inc.

Sustainability Advisory Forum

Since 2020, we have held regular Sustainability Advisory Forums to discuss the Group’s sustainability issues. With our Chief Sustainability Officer acting as Chairman, the forum is attended by heads of the JT Group’s businesses and corporate functions. In 2022, two forums were held. We discussed and shared information about sustainability issues such as updating the Group’s materiality, checking the progress of and revisiting our Group Environment Plan 2030 including our work on climate change, progress on enterprise risk management, integrated reporting, and assistance for Ukraine, among others. Discussions at the forum are appropriately reported to the CEO and Board of Directors.



● Progress of our sustainability initiatives in 2022

Progress of the JT Group [Environment Plan 2030](#) or KPI progress by each business segment are reported to the Board of Directors every year.

Focus areas, aspirational goals, targets and progress of each business for 2022 are shown below.

Targets and progress by business segment		
Tobacco		▶ JT.com
Pharmaceutical	Focus areas, aspirational goals, targets and progress, related SDGs	▶ JT.com
Processed food		▶ JT.com