



JT Group Sustainability Report

FY2014

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JT Group and sustainability



Our approach to sustainability is governed by our "4S" model, which balances the interests of four stakeholder groups: consumers, shareholders, employees, and wider society.

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How we do business

We provide training and monitor progress to ensure that everyone within the JT Group complies with integrity standards in our Codes of Conduct, covering areas such as bribery and corruption, discrimination, human rights and environmental protection.

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The bigger picture



We contribute to communities in which we operate through financial contributions, volunteering, and charitable activities.

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Our people



To attract and retain the best employees, from diverse backgrounds, we strive to provide safe working environments that allow people to thrive and to develop their talent.

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Responsible supply chain



We expect all suppliers to uphold high standards of integrity, quality and safety. Our work with tobacco farmers is focused on providing a sustainable income and enabling good labor practices, including child labor prevention.

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Environment

Environmental protection is a critical aspect of our responsibility to society, and key to the sustainability of our business. We aim to make progress in four areas: greenhouse gas (GHG) emissions, sustainable water use, effective resource use, and protecting biodiversity.

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Product and consumer impacts



We produce a wide range of products with varying degrees of impact on consumers and society which we address accordingly.

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Scope of data and information presented in this report

Unless the context indicates otherwise, references in this report to 'we', 'us', 'our', and 'JT Group' are to Japan Tobacco Inc. and its consolidated subsidiaries. References to 'Torii Pharmaceutical' are to Torii Pharmaceutical Co., Ltd., our pharmaceutical subsidiary. References to 'TableMark' are to TableMark Holdings Co., Ltd., our processed food subsidiary, and its consolidated subsidiaries.

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. It is not yet in accordance with the GRI G4 'Core' Guidelines and we have not made disclosures in all areas.

Due to the diverse nature of the JT Group, we do not have Group-wide figures for all information presented in this report. As a result, we use the following notation to show the scope of the data and information reported:

***A** = the entire JT Group including subsidiaries

(i.e. international tobacco, Japanese domestic tobacco, pharmaceutical, beverage and processed food businesses)

***B** = solely Japan Tobacco Inc. (JT)

(includes Japanese domestic tobacco, pharmaceutical, and beverage businesses, and excludes processed food business, international tobacco business, and subsidiaries of all businesses)

***C** = Japan Tobacco Inc. (JT) and Japanese domestic Group companies

(includes subsidiaries of Japanese domestic businesses, excludes international tobacco business)

***D** = Japan Tobacco Inc. (JT) and Japan Tobacco International (JTI)

***E** = solely Japan Tobacco International (JTI)

(our international tobacco business)



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CEO statement



Despite heightened geopolitical tensions and difficult economic circumstances, 2014 was another year of success for the JT Group. We also faced challenges associated with increased regulation and rapidly evolving consumer trends around the globe.

I am convinced that our greater focus on sustainability has helped to deliver this encouraging progress. All the management decisions that we take in the interests of the Group have been underpinned by the "4S" model, our management principle. This provides us with a framework to balance the concerns and expectations of consumers, shareholders, employees, and wider society, always with a view to fulfilling our responsibilities toward these stakeholders.

From 2014 to early 2015 we took measures to respond to ever-changing market dynamics; we announced a proposed restructuring of two factories in Europe as well as the withdrawal from manufacturing and sales in our beverage business in Japan. We took these tough decisions only after evaluating them in the context of our "4S" model.

At the same time we embarked on a number of new sustainability initiatives in 2014 that will reap further rewards in the future. In our tobacco businesses we strengthened our efforts on innovation – represented by emerging products such as e-cigarettes and tobacco vapors – by setting up a global team to oversee developments in that area. We also enhanced our community support programs in areas where we directly procure tobacco in order to help farmers improve their livelihoods. Our efforts focus on growing tobacco sustainably and addressing societal and environmental issues such as child labor and resource depletion. We will continue to develop such efforts in partnership with governments, NGOs, and industry peers in the coming years.

Across the Group we accelerated the development of our overarching sustainability strategies that will be implemented by our dedicated Corporate Social Responsibility (CSR) departments. At present our strategies are based on a materiality assessment of our international tobacco business, but we have also begun to analyze key material issues for the entire Group.

These measures, and others, have not only helped us to understand and respond to the expectations of our key stakeholders; they have also helped us to gain external recognition for doing so – including, for the first time, our inclusion in the Dow Jones Sustainability Asia/Pacific Index last year.

Nevertheless, we are only at the beginning of our journey, and we recognize that there is much more to do. We must – and will – make further strides on sustainability if we are to continue our success. As we implement improvements in the years to come, we look forward to an even more prosperous future that will benefit not only the Group but society in general.

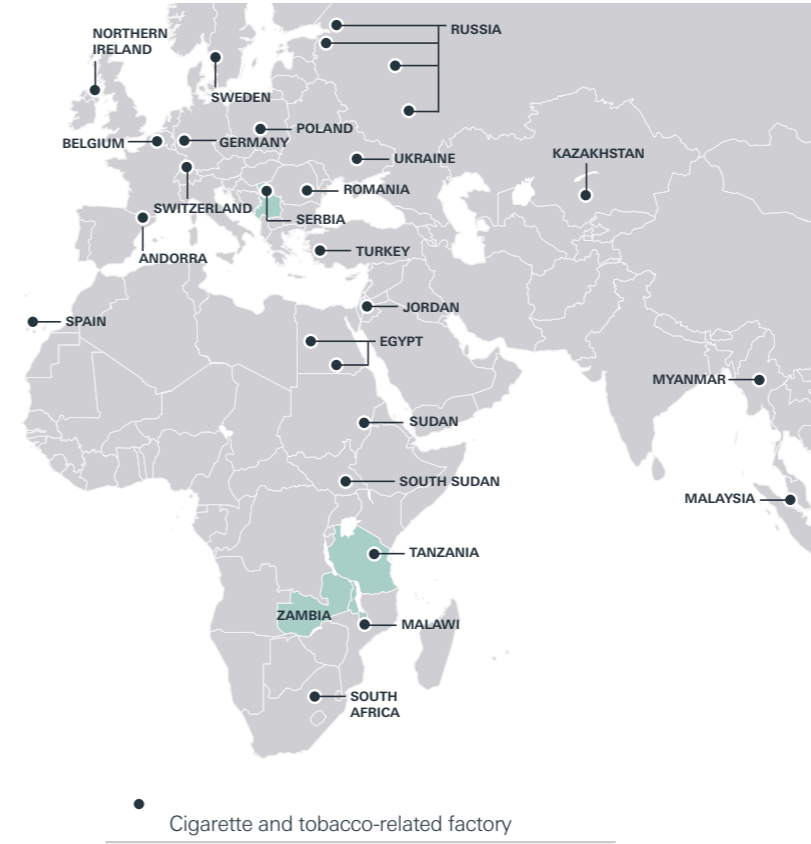
Mitsuomi Koizumi
President and Chief Executive Officer
Japan Tobacco Inc.



Corporate profile

About the JT Group

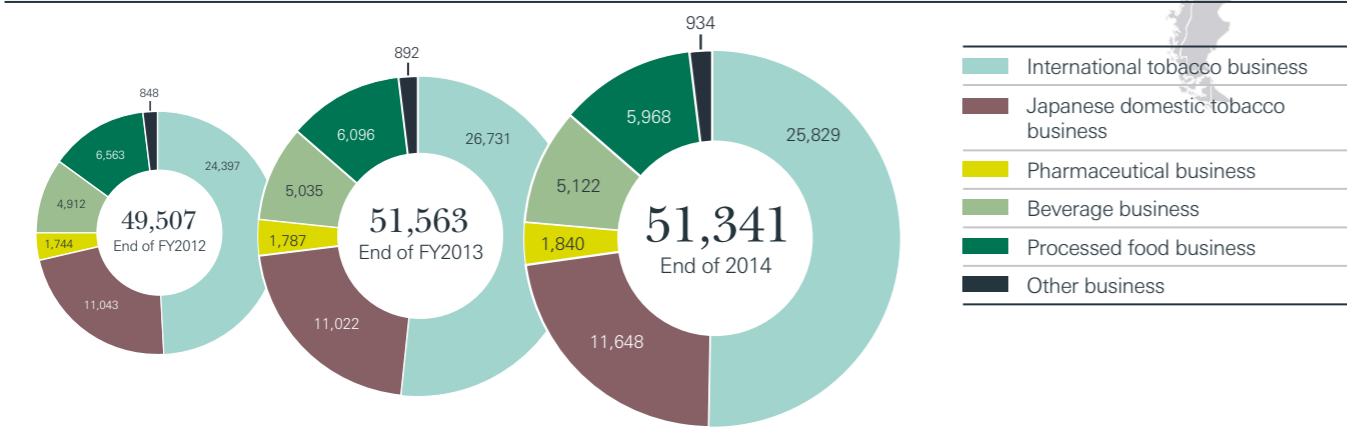
We are the third-largest international tobacco products manufacturer in the world by market share, with offices and factories in more than 70 countries. Our products are sold in more than 120 countries, and we own three of the top ten global cigarette brands by sales volume: Winston, Mevius, and Camel. We also operate pharmaceutical, beverage and processed food businesses. Headquartered in Tokyo, JT is listed on the Tokyo Stock Exchange and is made up of five main business units: international tobacco, Japanese domestic tobacco, pharmaceutical, beverage, and processed food.



International	30
Japanese domestic	12
Total	42
<i>Countries in which we directly source tobacco</i>	
	7



Number of full time employees (*A)



Revenue (billions of Yen *A)

	FY2012	FY2013	2014
International tobacco business	1,010.7	1,270.0	1,328.0
Japanese domestic tobacco business	687.1	710.3	685.9
Pharmaceutical business	53.2	64.4	65.8
Beverage business	185.5	184.5	181.3
Processed food business	168.7	156.9	161.2
Other business	15.0	13.6	11.3
Total	2,120.2	2,399.8	2,433.5

International tobacco business

From its headquarters in Geneva, Switzerland, our international tobacco business runs 30 tobacco-related manufacturing facilities around the world and sold 398.0 billion cigarettes in 2014. Its global flagship brands are Winston, Camel, Mevius, LD, Benson & Hedges, Glamour, Silk Cut, and Sobranie. Key markets are France, Italy, Russia, Spain, Taiwan, Turkey, and the U.K.

*Employees' data excludes locations not currently on our SAP HR Management System.

International tobacco business in 2014



Japanese domestic tobacco business

JT is the sole manufacturer of tobacco products in Japan. Total sales volume was 112.4 billion cigarettes in 2014, and we held a 60.4% market share in Japan based on sales volume, as reported by the Tobacco Institute of Japan. Our main brands are Mevius, Seven Stars, and Pianissimo. Our Japanese domestic tobacco business also sells cigarettes in China, Hong Kong, and Macau.

Japanese domestic tobacco business in 2014



Pharmaceutical business

Our pharmaceutical business conducts research and development both in Japan and the U.S.A., and its key market is Japan. It focuses on three areas: glucose and lipid metabolism, virus research, and immune disorders and inflammation. Our products include Remitch Capsules (anti-pruritus), Truvada Combination Tablets (anti-HIV), and Stribild Combination Tablets (anti-HIV). In Japan, sales and marketing is conducted by our subsidiary, Torii Pharmaceutical.

Pharmaceutical business in 2014

Sales: **¥65.8** billion
 Employees: **344** females and **1,496** males
 Production sites: **1**

Beverage business

Our beverage business focuses on the Japanese market only, and produces non-alcoholic beverages such as ready-to-drink coffee and other soft drinks that are sold in convenience stores and supermarkets. Our beverage business also owns one of Japan's leading vending machine operators and sells many of its brands through vending machines across the country. Brands include Roots and Momono Tennen-sui.

Beverage business in 2014

Sales: **¥181.3** billion
 Employees: **549** females and **4,573** males
 Production sites: **30** business partner manufacturers (contracted manufacturing not owned by the JT Group)

Processed food business

Our processed food business focuses mainly on the Japanese market and is operated by our subsidiary, TableMark. Key brands are Sanuki Udon noodles, Takitate Gohan packed cooked rice, and Bakers Select frozen baked bread and pastries. We also operate a production facility for seasonings, as well as the Saint-Germain bakery chain in Japan.

Processed food business in 2014

Sales: **¥161.2** billion
 Employees: **2,768** females and **3,200** males
 Production sites: **31**



Our key issues and impacts

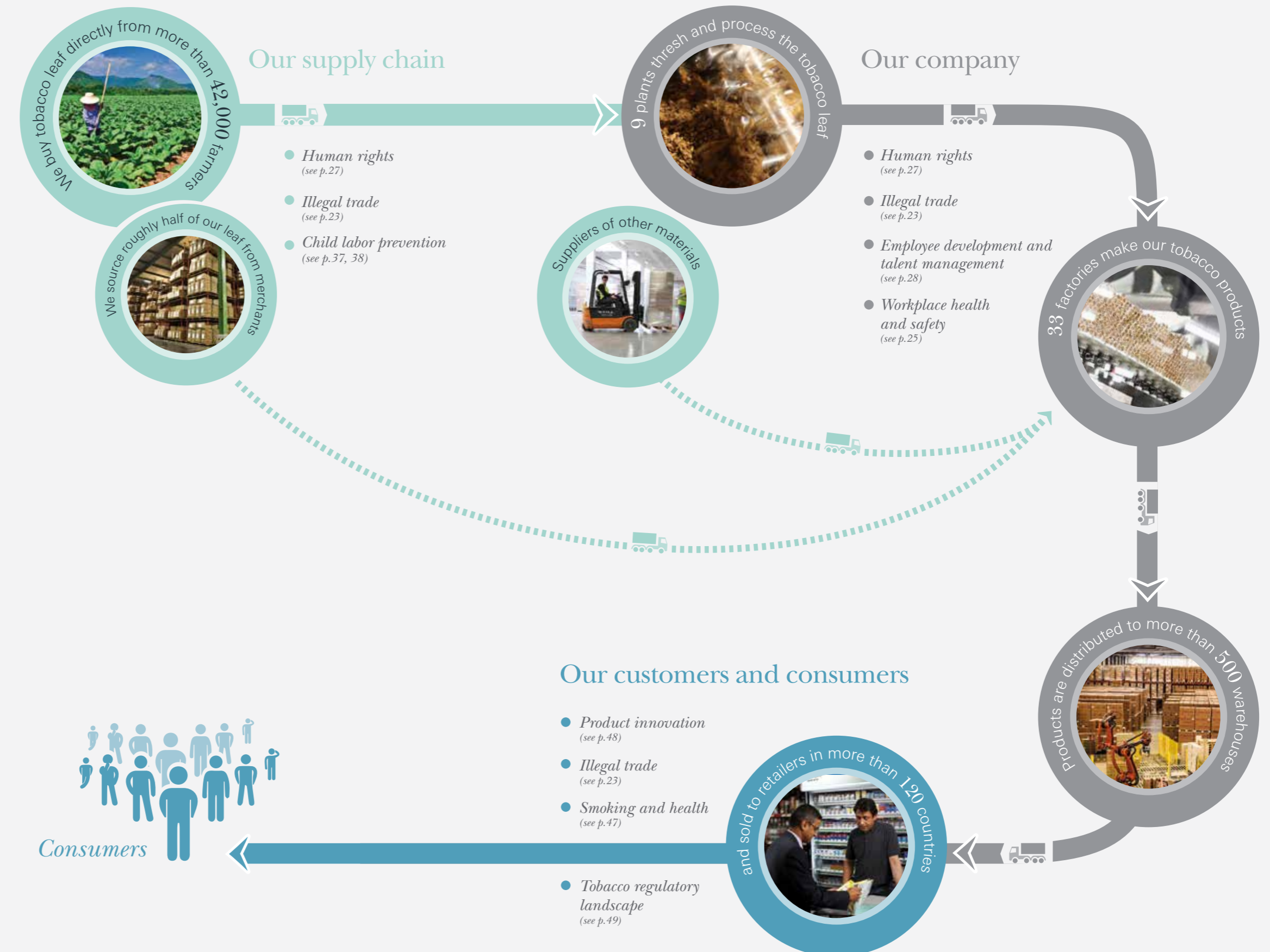
As a global company we have many impacts – some big, some less significant. To make a real difference on sustainability, we need to focus on tackling the bigger issues – and to do so across our entire value chain, from the starting point where our raw materials are sourced to the end point where our products are thrown away.

This means we must take measures to exert our positive influence and to reduce our negative impacts, not just in areas where we have direct control and involvement – such as manufacturing and marketing – but in spheres where we have only indirect influence, such as with suppliers and consumers.

Although our pharmaceutical, beverage and processed food businesses face some significant issues – including around the ethics of research and development and food safety – the majority of our important impacts are in our tobacco businesses, where smoking and health, child labor, and illegal trade are among the major causes of concern for our stakeholders. Here we map out what those issues are, and where they occur along our tobacco value chain.

For the full list of material issues in our international tobacco business see page 19.

Our tobacco value chain





2014 at a glance



JT Group and sustainability



In 2014 we accelerated the development of our Group-wide sustainability strategy, a process that began in 2012. As a first step, we are developing and implementing the strategy in our international tobacco business, reflecting its size and potential impacts. We now have dedicated CSR departments in JT and our international tobacco business. Since 2013 we have a Senior Vice President for CSR in JT, reflecting the seriousness of managing CSR issues across the Group.

- We were included for the first time in the Dow Jones Sustainability Asia/Pacific Index, and were placed on the Japan 500 2014 Climate Disclosure Leadership Index (CDLI) by the CDP for the depth and quality of the climate change information we disclosed in 2014.
- We held around 60 interviews

with external stakeholders to seek their views on sustainability issues that affect our international tobacco business, and will use the results to shape our future strategy.

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Our people

There were five occupational fatalities in our international tobacco business during the year. Two employees died in incidents while traveling on company business. Three contractors died as a result of accidents during construction and maintenance activities. In addition, there were two third party fatalities, one as a result of a collision with a company vehicle and one as a result of an accident on the construction of a building that will be occupied by the business on completion. All reportable incidents are investigated to determine root causes so as to identify actions that could be taken to reduce the chance of a similar incident occurring. For further information see page 25.



- Our lost time incident (LTI) rate – which measures the number of LTIs per 200,000 hours worked was 0.32^(*), up from 0.26 in FY2013. The increase was largely a result of incidents in business locations that were recently acquired.
- In JT, female representation within management increased to 2.6%^(**) from 1.4% two years ago, against our aim of reaching 10.0% by 2023.
- Our international tobacco business was recognized as a Top Employer in 33 countries around the world, including the top 3 position in Europe, and is certified by Investors in People in 17 countries.
- 98.0%^(**) of management positions were filled through internal hires.

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How we do business



We revised the Code of Conduct of our international tobacco business to provide more information on areas such as anti-bribery and corruption and human rights.

Over the year, 99.5% of employees required to adhere to the JT Group Code of Conduct participated in compliance training.

- There were 402 cases of alleged Codes of Conduct breaches reported across the JT Group, up from 375 in FY2013. We believe this rise is evidence of increasing confidence in the reporting system rather than an underlying jump in the number of breaches.
- We established a Group-wide anti-bribery policy.
- Our Anti-Illicit Trade team gave more than 850^(**) tip-offs about illegal tobacco trade to law enforcement agencies – a 60% increase from FY2013.

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Responsible supply chain

We updated our Agricultural Labor Practices (ALP), which have been in place for two years and apply to all contracted tobacco farmers outside Japan, so that they now contain a clear definition of what constitutes hazardous work. In 2014 ALP covered 7% of our directly contracted farmers. We will also extend our ALP to cover third party tobacco leaf suppliers from 2016.

- There were 5,470 children withdrawn from child labor in Brazil, Malawi, and Zambia thanks to our ARISE program, which helps tobacco farmers send their children to school. We also engaged with Human Rights Watch on eliminating child labor in the U.S.A. and chaired a group in the U.S.A. to coordinate tobacco industry efforts in that sphere.
- Implementation of our new profit model, designed to help tobacco farmers improve their livelihoods, was completed in all countries outside Japan in which we directly source tobacco leaf.
- During 2014, as part of a pilot program, we helped farmers in Malawi and Zambia build 3,130 live barns in total by planting trees that grow to form the main structure of a curing barn, thereby doing away with the need to cut down trees to make the barn.
- Our international tobacco business issued 205 merchandise suppliers with a questionnaire about issues such as child labor and the environment. Around 65% proved to be fully compliant with our requirements.

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2014 at a glance



Environment

We reduced Scope 1 and 2 greenhouse gas (GHG) emissions by 1.2% ^(*) compared with FY2013, largely by introducing energy action plans at our sites. By the end of the year we had achieved a 12.6% cut in GHG emissions over our baseline of FY2009, putting us well on track to achieve our 20% emissions reduction target for 2020.



- We consumed 10,096 terajoules (TJ) of energy across the JT Group, down from 10,468 TJ in FY2013, and we are making cuts in energy use through efficiency programs.
- The amount of water we withdrew fell by 0.2 ^(*) million m³ compared with FY2013.

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The bigger picture

We invested ¥8,923 ^(*) million in corporate citizenship and community activities, including through donations to the Eliminating Child Labor in Tobacco Growing Foundation and a range of community support activities within our tobacco supply chain.



- Our international tobacco business provided support to 314 programs worldwide.
- In the U.K., volunteering by our employees benefited more than 13,000 vulnerable people.
- In Japan we provided ¥94.3 million to support 24 reconstruction projects arising from the Great East Japan Earthquake.

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Product and consumer impacts

We further strengthened our efforts on emerging products – such as e-cigarettes and tobacco vapors – by setting up a global team to focus on bringing together all our functions and know-how in this area. We also introduced Ploom, a heated tobacco product based on vaporization technology, into two new markets – France and the U.K. – and acquired the U.K. company Zandera, which makes the e-cigarette brand E-Lites.



- In the U.K. our youth access prevention program of more than 6,000 test purchases led to a 7% increase in the number of retailers requesting ID.
- In Japan our beverage and processed food businesses conducted extra inspections of all factories, partly in response to major food safety incidents involving some other companies in Asia.
- Our pharmaceutical business provided refresher training for medical representatives on how they can better inform health workers about the effectiveness and possible side effects of our prescription drugs.

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JT Group and sustainability

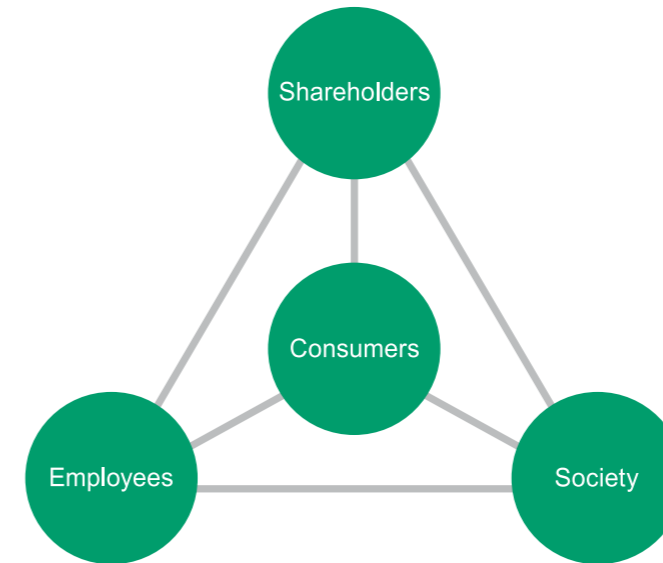


Our approach to sustainability is governed by the JT Group “4S” model, under which we balance the interests of four stakeholder groups: consumers, shareholders, employees, and wider society.

We consider the interests of our four stakeholder groups before making business decisions. By doing so, we aim not only to fulfill our responsibilities toward these groups, but to exceed their expectations of us.

Strategy and approach

The “4S” model



Our mission

To create, develop, and nurture unique brands to win consumer trust, while understanding and respecting the environment and the diversity of societies and individuals.

The “4S” model

We have built strong relationships with the four stakeholder groups in the “4S” model, and through engagement are able to reflect their views in our business activities.

Developing our strategy

In 2014 we accelerated the development of our Group-wide sustainability strategy, a process that began in 2012. As a first step, we are developing and implementing the strategy in our international tobacco business, reflecting its size and potential impacts. We now have dedicated CSR departments in JT and our international tobacco business. Recognizing the seriousness of managing CSR issues, in 2013 we appointed a Senior Vice President for CSR in JT, who is also an Executive Officer.

Since 2013 we have conducted regular engagement with stakeholders to identify the most important sustainability

issues for our international tobacco business, and to monitor whether these material issues are changing over time. This approach will be extended across the JT Group in 2015.

The JT Group is looking to adopt global standards on sustainability, and in 2014 our reporting began referencing GRI, a body that provides sustainability reporting guidelines. We aim for our FY2015 report to be in accordance with GRI G4 ‘Core’.

The JT Group’s progress on sustainability is being recognized: in 2014 we were included for the first time in the Dow Jones Sustainability Asia/Pacific Index,

which evaluates companies’ approach on sustainability in their sectors. We were also placed on the Japan 500 2014 CDLI by the CDP – a global body that helps companies measure, manage, and disclose environmental performance – for the depth and quality of the climate change information we disclosed in 2014.

Business-specific sustainability issues

Different parts of the JT Group have developed specific approaches to sustainability linked to their level of exposure to risks. In our tobacco businesses, for example, stakeholder engagement has shown us that we need to continue to focus on the health impacts of our products. In our tobacco leaf supply chain, improving the environmental and social conditions of farming communities and respecting human rights are among

the most material issues, while in our pharmaceutical business, where patients are our most important stakeholders, we focus on an ethical approach to research and development and responsible marketing of products. In our beverage and processed food businesses, food safety is a key issue. For detail on how we identify our most important sustainability issues in the tobacco business see ‘Our material issues’ on page 19.





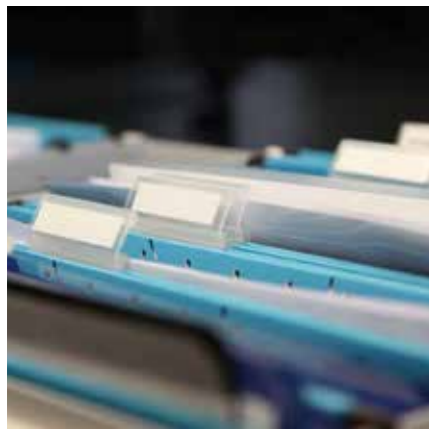
JT Group governance

The JT Board of Directors holds ultimate responsibility for the administration and supervision of our activities and is supported by a governance structure that includes bodies such as the JT Group Compliance Committee and the Compensation Advisory Panel.

Since April 2014 our Board of Directors consisted of eight Directors, two of which were independent. Five members of the Board also served as Executive Officers and three were

non-executive, including the JT Group Chairman. The separate Audit & Supervisory Board consisted of four members, two of which were independent.

Our corporate governance framework features internal controls, such as audit and risk management, with results of these activities reported regularly to the Board. [Our Annual Report](#) provides further details on our governance structures.



Compliance and audit

We outline our compliance requirements in the [JT Group Code of Conduct](#), under which all Directors and employees must fully comply with applicable regulations, internal rules, social norms, and other compliance standards. The JT Group Compliance Committee discusses important compliance-related issues and reports to the Board, while the Audit and Supervisory Board conducts audits on operations, including compliance-related issues, and on accounting.

Risk management

Our approach to addressing key financial and business risks is detailed in our Annual Report. These risks are reported to, and discussed within, the Board of Directors at least every quarter. As part of our risk management process, internal audits are conducted by the independent Operational Review and Business Assurance Division, reporting directly to the President of JT. We also have crisis management and disaster control systems in place.

Identification and mitigation of sustainability risks is incorporated into our Group risk management approach. Key Group-wide sustainability risks include instability in the procurement of key materials, pressure from illegal trade, and natural disasters.



Sustainability governance

A group of Board Members and relevant Executive Officers, along with the CEO and the Senior Vice President for CSR, regularly discuss Group-wide sustainability issues. The CSR Division helps with these discussions as well as Group-wide management of sustainability – including identifying and evaluating sustainability issues, measuring and reporting on non-financial performance, and encouraging employees to pursue sustainability objectives in their work. Businesses and corporate functions have ultimate responsibility for planning and implementing their own sustainability initiatives.

JT Group sustainability governance structure



Top Level Management Committee

Discussion and decision making on the Group-wide policies and themes that are relevant to the JT Group's social and environmental responsibilities



CSR Division

Develop an understanding of global CSR trends; conduct gap analyses on the JT Group approach and performance; make recommendations to the JT Group management; and assist businesses in incorporating CSR into their respective businesses

Establish the Group-wide CSR policies and carry out related initiatives

Internal and external CSR communications

Monitor CSR-related activities and management (including those of other functions)



Businesses

Plan and conduct CSR-related initiatives based on their respective strategies



Corporate functions

Plan and conduct CSR-related initiatives based on their respective strategies

Stakeholder engagement

Under our "4S" model we talk to stakeholders across the JT Group on a daily basis, but also engage with them in special forums. In 2014 we held a series of around 60 interviews with stakeholders – including consumer groups, employees, investors, NGOs, trade union representatives, and suppliers

– to seek their views on sustainability issues that affect our international tobacco business. We are using the results to shape our future strategy, and the views expressed by stakeholders have also fed into the development of this report. This exercise will be expanded to Group level in 2015.

Engaging with our stakeholders throughout the value chain

Our supply chain

Our company

Our customers and consumers



Shareholders

One of the main forums for engagement with shareholders is our General Meeting of Shareholders (GMS). There has been a growth in interest at GMSs in our sustainability activities, and this continued in 2014 with a focus mainly on tobacco product innovation. During the year we also dealt with an increased number of requests from institutional investors wanting to talk about sustainability. We discussed these issues both at regular and ad hoc meetings with shareholders.

Consumers

We communicate with consumers on a daily basis through our sales force and our call centers, and we aim to make product improvements based on consumer feedback. We also receive feedback via our website. Stakeholder engagement conducted in 2014 by our international tobacco business showed that key issues for consumers were health risks of smoking, responsible marketing, product innovation, illegal trade, and environmental impacts of products. For details on how we have responded to such concerns see page 46.

Employees

The most important channel for communicating with employees is in their everyday work, including through performance appraisals and face-to-face meetings with line managers. We gather staff opinions via the intranet and through our Employee Engagement Survey, which highlights our strengths as well as areas for improvement. Our 2014 survey (*) showed that key strengths included the strong commitment of employees to company goals and values. Potential areas for improvement vary from function to function, and rather than taking a one-size-fits-all approach, each division takes its own initiatives to improve the workplace. Additionally, employees can report concerns on potential violation of our Codes of Conduct confidentially through our reporting concern mechanism (see page 21).

Society

The list of our stakeholders in wider society is long, including governments and local authorities, NGOs, trade unions, academics, retail customers, and suppliers. We talk and listen to these groups in different ways and through various forums, but often our contact – such as with retail customers and suppliers – is on a daily basis.

One key way of interacting with stakeholders in society is through our involvement in organizations concerned with societal issues, such as the Industrial Federation for Human Rights, Tokyo, and the Institute of Business Ethics in the U.K.

Formal stakeholder engagement to understand material issues for our international tobacco business in 2014 showed that concerns of stakeholders in wider society were particularly focused on the health risks of smoking, bribery and corruption, human rights, and illegal trade.



Memberships and endorsements

In 2014 our international tobacco business became a member of BusinessEurope, an advocacy group that campaigns on issues affecting businesses in Europe. We sit on multiple BusinessEurope working groups – including one on the European Union’s Tobacco Products Directive and another on plain packaging of tobacco products.

We are also a member of the U.S.-based Farm Labor Practices Group, a multistakeholder organization that focuses on improving conditions for farm workers in the U.S.A. We chair a group to coordinate efforts among tobacco-buying companies to tackle child labor in the U.S.A.

JT is a member of the Business Ethics Research Center in Japan, which helps participating corporations consider ethical issues in the workplace, including by sharing experiences with other Japanese companies.

The JT Group is a member of the Eliminating Child Labor in Tobacco Growing Foundation, and in 2014, signed the Foundation’s Pledge of Commitment and Minimum Requirements on combating child labor. The Pledge affirms that Foundation Board members respect and recognize the principles and rights enshrined in the International Labour Organization (ILO) Conventions and Recommendations

on child labor. It further affirms a sector-wide commitment to uphold a robust policy on child labor, minimum requirements on tackling child labor, and implementation consistent with the United Nations (UN) Guiding Principles on Business and Human Rights.

Our international tobacco business is also a member of the UN’s Child Labour Platform, a multisector, multistakeholder forum for sharing experiences and lessons learned in eliminating child labor, particularly in the supply chain.

Our material issues

Identification

We conducted our first materiality assessment in 2013 for our international tobacco business by drawing on, among other things, internal policies, reports and surveys, and media communications. This resulted in a preliminary list of 43 sustainability-related topics that are relevant to our tobacco business. After discussions with internal and external stakeholders, these were then prioritized to 20 topics. The final list was reviewed and validated internally by senior management.

Calibration and stakeholder feedback

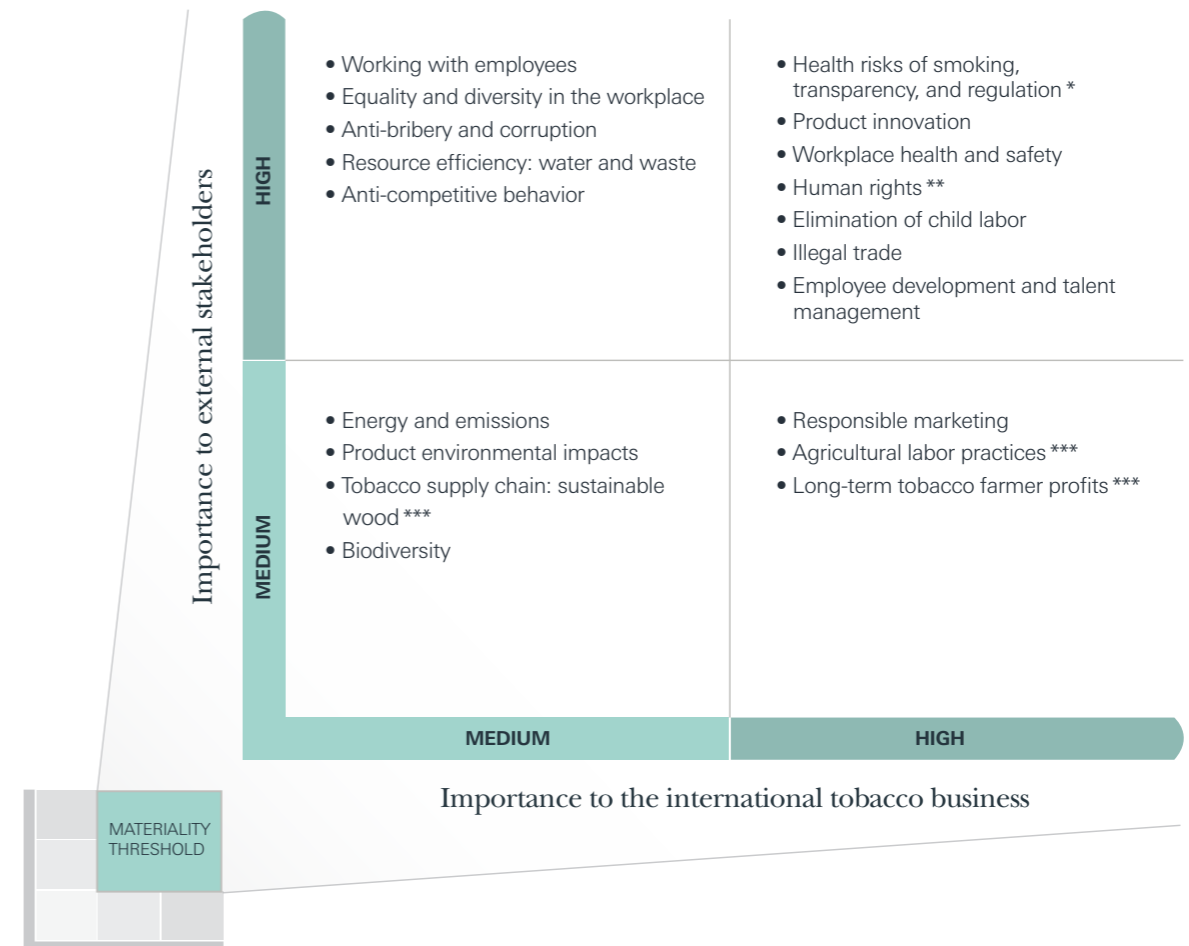
In 2014 we engaged with 60 external stakeholders, as well as relevant employees, to calibrate the list of material issues for our international tobacco business. This helped to refine the matrix below, which shows the 19 most material issues and how they rank in relative importance among both external and internal stakeholders. The final list was reviewed and validated internally by senior management.

Going forward

Work on identifying our material issues will, from 2015, expand to cover the whole JT Group. Once this has been completed, we will carry out annual assessments with stakeholders to monitor any changes in materiality over time. In the absence of such a detailed process for our non-tobacco operations in 2014, for the purposes of this report we selected issues material to our pharmaceutical, beverage and processed food businesses via internal discussions and by examining the approach of peer companies.



Our material issues in the international tobacco business



Engaging with governments and regulators

We seek open and transparent dialogue with governments and regulators so we can express our point of view on regulation that affects our business, and, within our international tobacco business, have clear guidelines for political engagement embedded within the Code of Conduct. If we see an issue or oversight within a government’s proposed course of action, we offer alternative solutions wherever possible. We have certain responsibilities when

we are consulted by governments or take part in consultation processes. Among these are:

- To be respectful of each country’s decision-making process.
- To offer alternative solutions, whenever possible, that meet the principles of better regulation if issue is taken with a government’s proposed course of action.

- To provide credible evidence substantiating our positions and arguments.

We believe participation of this kind is critical to ensuring regulation is effective, proportionate, and meaningful. Open and honest engagement results in better and more informed regulation and is in the best interests of all parties. See page 49 for further details.

*Content on health risks of smoking, transparency, and regulation can be found within the following sections in the report: Tobacco: smoking and health (page 47); Tobacco: regulatory landscape (page 49).

**Human rights issues in the matrix include those in the supply chain (page 37) as well as in our workplace (page 27).

***Supplier standards and practices were identified as an issue of high importance by stakeholders, and were included in our materiality matrix in the FY2013 report. During the internal validation process in 2014, this issue was agreed to be a management approach rather than an ‘issue’ in itself. Long-term farmer profits, agricultural labor practices, biodiversity, and sustainable wood are material issues within our supply chain approach. Therefore, these have replaced supplier standards and practices within the matrix. Please refer to page 33 for further details on how we manage our relationships with suppliers, which remain a key element of our sustainability approach.



How we do business

All operations and employees within the JT Group must comply with the high standards of integrity laid down in our Codes of Conduct, which underpin how we do business. Our Codes also outline our responsibilities to stakeholders, which include preventing bribery and corruption, avoiding discrimination, respecting human rights, environmental protection, data privacy, and fair competition.

Employees are trained on our Codes, and there are mechanisms for them to report concerns about potential breaches or violations.



99.5%^{(*)C}

2014

98.9%

FY2013

of employees trained on the JT Group Code of Conduct

We have signed

42^{(*)E}

agreements with government authorities in 34 countries to help counter illegal tobacco trade internationally

1.7%^{(*)A}

2014

2.9%

FY2013

of reported concerns related to corruption

Code of Conduct

The JT Group Code of Conduct outlines our responsibilities toward consumers, shareholders, employees, and society. Our international tobacco business and our pharmaceutical subsidiary have their own Codes of Conduct, based on the JT Group Code but reflecting their operating circumstances.

Every employee across the Group receives the relevant Code when they join, or when there is an update to the Code. We also require all commercial partners in our international tobacco business to act in accordance with our standards. Our Codes of Conduct outline our legal and ethical obligations and describe practices and procedures that must be followed to meet these obligations. By doing so, they protect our business from actions that might lead to fines or criminal

penalties, loss of business, and reputational damage.

The Code of Conduct of our international tobacco business was revised in 2014 to provide more information on areas such as anti-bribery and corruption and human rights. The JT Group Code is being revised in 2015.

During 2014, 99.5%^{(*)C} of employees who are required to adhere to the JT Group Code of Conduct participated in compliance training, an increase from FY2013 (98.9%). To meet the needs of various employees, compliance training is provided face-to-face, online, or on the job.

Compliance

In our Japanese domestic tobacco, pharmaceutical, and beverage and processed food businesses, every division is required to assess compliance risks and submit plans to address them. An annual compliance survey feeds into each division's action plans for addressing compliance risks, and each division must hold a compliance meeting at least once a year. Approximately 28,300 employees¹ (96.2%,^{(*)C}) responded to the 2014 compliance survey.

As a result of feedback gathered from the survey, we have, among other things, reported the outcomes to senior management, encouraged them to deliver compliance-related messages and to participate in management meetings, and carried out a review of the Reporting Concern Mechanism user guide.

In our international tobacco business, almost 20,000 employees responded to the 2014 JTI compliance survey – a response rate of 86%. More than 80% of responses were positive for the majority of topics covered, making our international tobacco business one of the best ranked companies when compared to similar industries. The survey also showed a high level of awareness among employees about the Code of Conduct, with most saying they found it relevant to their work and that it was properly enforced.

However, the survey revealed some areas that require attention. For instance, a significant number of respondents were concerned about possible retaliation when raising compliance concerns, and only 37% of employees who believed they had witnessed a violation of the Code of Conduct actually reported it. Only two-thirds of those who did report their concerns said they had a positive experience.

¹Excluding Torii Pharmaceutical.

96.2%^{(*)C}

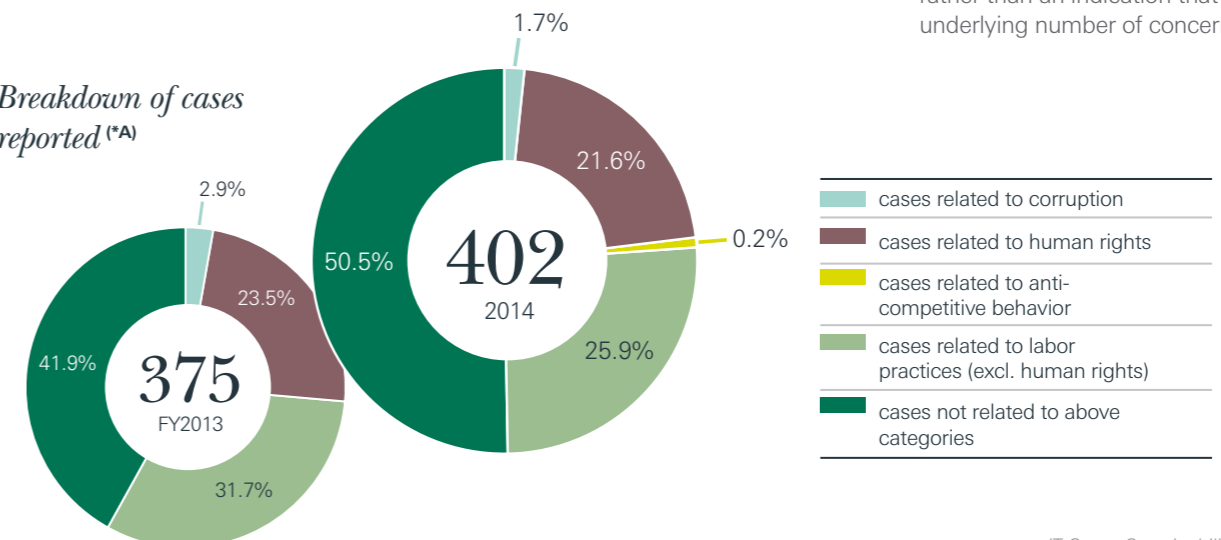
responded to the 2014 compliance survey

Reporting concerns

If an employee is concerned about a potential violation of our Codes of Conduct, they can contact their line manager, human resources lead, a member of the compliance team, or in some countries, including Japan, an external concern-reporting service. All concerns are treated confidentially.

We follow up on all reports across the JT Group and, where necessary, launch investigations and take corrective action. In 2014, 402 cases were reported across the JT Group, up from 375 in FY2013. We believe this is a reflection of increasing confidence in the system rather than an indication that the underlying number of concerns is rising.

Breakdown of cases reported^{(*)A}





Anti-competitive behavior

Competition laws and fair competition are covered by our Codes of Conduct, which prohibit employees from discussing business operations with competitors.

In our international tobacco business, for example, if an employee is in a conversation with a competitor and sensitive commercial information is discussed, they must end the conversation, express disagreement with discussing such topics, leave immediately, and report the matter to the legal department.

We provide employees with guidelines on our anti-trust and competition law policy, and all employees in our international tobacco business are required to attend annual training events on anti-competitive behavior.

We have one case pending for alleged anti-competitive behavior in Tanzania. This was filed by the Tanzania Fair Competition Commission in 2008 against a local subsidiary. The allegations are rejected and the case is ongoing.



Anti-bribery and corruption

Our Codes of Conduct set out a zero tolerance approach to corruption in our operations. Our international tobacco business provides employees with online training, runs anti-corruption compliance workshops for regional and local management teams in its manufacturing operations, and includes anti-bribery and corruption clauses in all its supplier contracts. We also encourage employees to report concerns about bribery or corruption.

The JT Group established a Group-wide anti-bribery policy in 2014 that takes into account legislation such as the Unfair Competition Prevention Act of Japan, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010, and anti-bribery laws in China.

In 2014 our international tobacco business, which is most exposed to risks in this area, commissioned a law firm to identify any gaps in its anti-bribery and corruption efforts. In 2015 we will use the results of this exercise to make adjustments to our policies and procedures, and to engage with employees. Employees in our international tobacco business are kept up to date on anti-bribery and corruption via training both on the [Code of Conduct](#) and on our gifts, hospitality, and entertainment policy.



Gifts, hospitality, and entertainment

We do not encourage a culture of exchanging gifts, hospitality, and entertainment (GHE) as this may damage the JT Group's reputation. We believe the purpose of GHE should be to promote healthy business relationships, not to seek preferential treatment, and we comply with all local laws in this area. We updated the JT Group's GHE policy in 2014, and our international tobacco business will adjust its policy in 2015.

As a rule, approval must be sought for all GHE exchanges for any JT Group company including those with government and public officials. In our international tobacco business all GHE exchanges with non-governmental third parties above US\$250 must receive prior

approval. For government and public officials, all requests, regardless of amount, must be approved. The number of GHE requests in 2014 rose to 772 ^(*), from 673 in FY2013.

GHE policies and procedures are contained in the [Code of Conduct of our international tobacco business](#), which all employees are required to confirm that they have received and read. Users of our GHE software must take part in specialized online training on GHE. In 2014, 304^(*) employees underwent such training.

Tackling illegal trade

Illegal trade is a major issue for the tobacco industry and governments. According to Euromonitor, around 570 billion cigarettes – or 10% of the world's supply – are produced illegally each year, leading to annual tax revenue losses of US\$39.0 billion and funding organized crime. The diversion of product into illegal channels remains a constant threat. We seek to combat this criminal activity by raising awareness among consumers, retailers, and the authorities, and by working closely with law enforcement agencies and governments.

Our international tobacco business has signed 42 agreements with government authorities in 34 countries to help counter

illegal activity internationally. These include a 15-year European Union 'Cooperation Agreement' and a similar agreement with the Government and Provinces of Canada.

It is important that we tackle illegal trade across our entire value chain and in conjunction with others in the industry. For instance, we need to work with suppliers to prevent tobacco being diverted straight from farms into illegal channels. Key programs such as Know Your Supplier (page 34) and Know Your Customer ensure that we only buy from, and sell to, reputable business partners.

Our approach

As with any business, it is in our own interests to ensure that our products are not diverted from their planned route. One way to do this is by supplying products only in quantities that reflect legitimate consumption levels in their intended market of sale. We study market demands so that we can adjust supply accordingly.

Our international tobacco business investigates the smuggling of its products and takes action to stop this criminality. This includes providing information and support to law

enforcement officials that can lead to the prosecution of illegal traders.

Our Anti-Illicit Trade team focuses on prevention as opposed to reaction. We provided more than 850 ^(*) tip-offs to law enforcement agencies in 2014 (a 60% increase from 2013), including notification of 324 illegal shipments, leading to 389 seizures of illegal products. In Russia alone we have helped to reduce seizures of genuine JT Group product from 24.7 million cigarettes in 2010 to 149,000 in 2014. The number of genuine JT

Group product seizures notified by the European Anti-Fraud Office (OLAF) worldwide has fallen by 77% in the four years up to the end of 2014.

We invest heavily in developing technology to combat illegal trade. In many markets we use 'Codentify' track-and-trace technology to help determine where our tobacco products may have been deviated from their intended distribution route into illegal channels.



Our people

Our employees are a critical factor in our success, and are one of the key stakeholder groups in our “4S” model. We need to attract and retain the best, from a diverse range of backgrounds, which means providing working environments that offer people the opportunity to thrive and to develop their talent. We have rules and standards to govern the fair treatment of employees – and aim to ensure they are safe and healthy at work. We also engage in open dialogue with employees to generate mutual respect.



77.8%

2014

85.4%

FY2013

of cigarette and tobacco-related factories certified to OHSAS 18001 safety management standard

5^(D)

2014

1

FY2013

fatalities

0.32^(D)

2014

0.26

FY2013

lost time incident rate per 200,000 hours worked

9.4%^(A)

of management positions held by women at the end of 2014

98.0%^(D)

2014

95.9%

FY2013

management positions filled by internal hires

8^(A)

alleged cases of workplace discrimination in 2014

Workplace health and safety

We believe that effective health and safety management goes well beyond complying with legislation. Our company standards often exceed local legal requirements and our scope extends beyond our employees to cover contractors and visitors to our operations.

All Japanese domestic cigarette and tobacco-related factories owned by JT and 69.7% in our international tobacco business are certified to the OHSAS 18001 safety management standard.

We have a uniform understanding of the importance of health and safety, but each business has its own policies and takes an approach that best suits its situation, maintaining robust management systems and systematic assessment procedures that identify workplace risks. We are committed to continual improvements in performance on health and safety, and to eliminating all accidents.

Target
Certify all cigarette and tobacco-related factories to OHSAS 18001 by 2017

Workplace health and safety data ^(D)	FY2011	FY2012	FY2013	2014	Target
Number of fatalities	1	1	1	5	0
Number of lost time incidents (LTIs)	105	92	92	113	N/A
LTI rate (number of LTIs per 200,000 hours worked)	0.31	0.28	0.26	0.32	N/A
% of cigarette and tobacco-related factories certified to OHSAS 18001	90.0	89.7	85.4	77.8	100

Safety in our Japanese domestic businesses

JT is two years into a five-year Occupational Safety Hazard Prevention Plan that has set a target to eliminate all occupational accidents by 2017. Although ten out of 12 cigarette and tobacco-related factories reported no lost time incidents (LTIs) in 2014, there were a total of 27 ^(B) LTIs, which means we still have some way to go if we are to meet our target. In particular, we need to reduce accident rates among our sales staff.

Target
Eliminate occupational accidents in JT by 2017

Training is an essential part of achieving our goal, and our Japanese domestic tobacco manufacturing operations are provided with Kiken Yochi, or risk prediction training. This brings together small groups of employees to identify operational risks, determine root causes, and develop risk mitigation approaches and goals for their factory. Awareness-raising training programs will also be extended to our sales staff.

Safety in our international tobacco business

In our international tobacco business, our strategy is to build a sustainable safety culture that delivers an incident-free work environment – and to do this by encouraging employees to adopt safe workplace behaviors. However, given the vast differences in safety culture we face across the countries in which we operate, this is not a simple task.

company vehicle and one as a result of an accident on the construction of a building that will be occupied by the business on completion. All reportable incidents are investigated to determine root causes so as to identify actions that could be taken to reduce the chance of a similar incident occurring. We have carried out a review of incidents and audit findings in order to identify our highest risks. We are developing and implementing programs to further address these, which include working at height, working with machinery and equipment, managing contractors, and fleet and vehicle safety.

international tobacco business increased in 2014 from 0.24 to 0.33. A major factor in this increase was incidents that occurred in recently acquired businesses, and we are prioritizing efforts to address this.

In 2014 there were five occupational fatalities in our international tobacco business. Two employees died in incidents while traveling on company business. Three contractors died as a result of accidents during construction and maintenance activities. In addition, there were two third party fatalities, one as a result of a collision with a

Unfortunately, having made progress in previous years, the LTI rate in our

The 2014 vehicle accident frequency rate in our international tobacco business improved slightly, from 6.1 to 5.8 accidents per million km. Road traffic accidents are an important factor in our accident and fatality statistics. One way to improve our performance is through our Fleet Safety Program, which provides safe driver training and guidance to reduce road traffic collisions.



<i>International tobacco business road safety data</i> ^{(*)E}	2011	2012	2013	2014	Target
Number of vehicle accidents	1,757	1,508	1,362	1,318	N/A
Vehicle accident frequency rate (accidents per million km)	8.4	7.1	6.1	5.8	N/A

Employees' health

The well-being of our employees is important to us, as a healthier workforce is more productive.

In our international tobacco business we have a wellness strategy focused on identifying health risks within our manufacturing operations. In 2014 we piloted a program to provide more consistent monitoring of employee exposure to occupational health risks, allowing us to identify areas where risk

exposure may occur and helping us to develop plans to address them. We also set up a global program to develop a database of all hazardous substances at our facilities, helping us to protect our employees from exposure to such materials.

In JT we provide a full time medical staff of 14 doctors and 36 public health nurses across 11 office locations, providing legally required medical

examinations as well as health checks and consultations to help employees with lifestyle-related health issues. During 2014 our priorities in Japan included ensuring that all staff received health checks, educating employees about lifestyle diseases, and mental health.



Online stress checks

As part of a new focus on mental health, in 2014 employees of JT were given the opportunity to complete a pilot online stress check. The web-based system asked employees to answer a series of questions and then made a basic assessment of their well-being, highlighting any potential issues and keeping the information on file so those who took part can gauge any changes in their mental health status over time.

Although individual results have remained confidential, underlying data

has been made available to company doctors, who will use it to identify trends, monitor overall mental health status, and consider areas where preventative strategies are advisable.

As well as offering practical help for employees right now, the system is preparing both the business and its staff for the future, as Japanese companies will be required by law to provide employees with individual stress checks from the end of 2015.

Human rights in the workplace

The two main human rights issues in our workplaces are freedom of association and the right to collective bargaining, and non-discrimination. We promote both, as we are a healthier business when we work in partnership with

employees and make full use of the skills, knowledge, and perspectives they offer – regardless of an individual's race, nationality, creed, religion, gender, sexual orientation, or physical ability.

Working with trade unions

As part of our commitment to freedom of association, we aim for open and constructive relations with trade unions and works councils. Within our Japanese domestic group, 28 companies have a union and 95.1%^{(*)C} of eligible employees are covered by collective bargaining agreements. In our international tobacco business, trade unions or local works councils represent the workforce in 22 countries. Our European Works Council, consisting of employees and managers, operates as an employee information and consultation body and meets several times a year.

We regularly assess our arrangements in each country to ensure that we continue to respect the rights of our employees to freedom of association and collective bargaining.

In 2014 we announced the proposed closure of our factories in Wervik, Belgium, and Lisnafillan, Northern Ireland between 2016 and 2018, potentially affecting around 1,100 jobs. Consultations with employee representatives, trade unions and the European Works Council about the proposed closures have been a key

focus over the last months and have been concluded.

95.1%^{(*)C}

of eligible employees are covered by collective bargaining agreements



Non-discrimination

We are committed to maintaining work environments that are free from any form of unfair or illegal discrimination. We do not allow considerations of age, gender, disability, ethnic origin, marital status, nationality, race, religion, beliefs, or sexual orientation to influence decisions relating to the career progression of any employee, nor in areas such as recruitment, compensation and benefits, or succession planning. Our Codes of Conduct guide the way the JT Group deals with discrimination in the

workplace. In 2014 we had eight alleged incidents of workplace discrimination. We reviewed all cases and only one required the implementation of a remediation plan.

8^{(*)A}

alleged incidents of workplace discrimination in 2014

Human rights reporting concerns



Our employees are encouraged to report any breaches of human rights via their manager, their compliance office and/or human resources department, or through a confidential Reporting Concerns Mechanism (RCM), which provides a breakdown of any allegations to the Board once a year. Please see page 21 for further details.

In all, 87^{(*)A} cases of human rights violations have so far been reported to the RCM. We recognize the need to ensure that employees feel comfortable about speaking up if they witness something they are unhappy about.



Employee development and talent management

Employees are a cornerstone of our success, and we invest in them accordingly. We employ more than 57,000 people in more than 70 countries, around 80% of them on permanent contracts.

To develop and retain talent, we generally fill open positions with internal candidates. We filled 98.0%^(D) of management positions by internal hires in 2014.

We run a Talent Partnership Program that builds up employee skills and experiences by switching them between our Japanese domestic and international tobacco businesses. As of December 31, 2014, 192 people took part in such exchanges. As part of the program, in 2014 we also ran an Exchange Academy for 25 employees from around the world who participated in a two-week joint training program, with

one week in Japan and one in Switzerland. During the program they worked in teams analyzing the results of our Employee Engagement Survey and made recommendations to senior executives.

Employee training is provided through a mixture of on-the-job learning, formal courses, and e-learning. In our international tobacco business we have centralized training academies that ensure a consistent approach, regardless of geography, in areas such as marketing and leadership development. In 2014 we sent more than 400 employees on leadership courses run by independent business schools and training companies. Performance appraisals are also an important way of developing employee potential: in 2014, 67.3%^(A) of our workforce received such appraisals.



External recognition

Our commitment to employee development often receives external recognition. The JT Group now has the highest level of certification from

the Top Employers Institute, which is given only to organizations that globally demonstrate the highest standards of HR practices and employee offerings.

In addition, we have received individual Top Employers certifications from the Institute across three regions and in more than 30 countries.

Top Employers 2015

Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, France, Georgia, Germany, Greece, Hungary, Iran, Ireland, Italy, Jordan, Kazakhstan, Lithuania, Moldova, Netherlands, Poland, Romania, Russia, Spain, Sweden, Switzerland, Taiwan, Turkey, Ukraine, United Arab Emirates, United Kingdom



Investors in People

Cyprus, Jordan, Lebanon, Nigeria, Philippines, Russia, Saudi Arabia, Serbia, South Africa, Tanzania, Turkey, United Arab Emirates, U.K., as well as JTI World Wide Duty Free offices in Switzerland, Ukraine, Singapore, and the U.S.A.

Working with our employees

We strive to provide an open, fair, and stimulating work environment in which we provide growth opportunities for all employees and ensure we have the right person to fill the right position. We see this as an investment in our future success.

We aim to have compensation packages that attract, motivate, and retain employees. Although each of our businesses designs its own compensation policy, our international tobacco business strategically positions its compensation levels at 75th percentile versus premier companies with which we compete for talent. According to geographical location, we also offer several benefits, including healthcare, defined contribution pension plans, life and disability insurance, and parental or nursing care leave. In our international tobacco business we are piloting an employee share purchase scheme that will be made available to all permanent employees over the course of the next three years in all jurisdictions where the scheme is legally feasible. A similar scheme is already in place in JT and some of our Japanese domestic businesses.

Aside from providing attractive compensation, communication is key to our aim of being a responsible employer, and we engage in open dialogue with employees. Across the JT Group we communicate with employees irrespective of whether or not a trade union is in place, using everything from notice boards and face-to-face meetings to web-based channels and electronic communications for our sales forces.

Our Japanese operations carry out an annual Employee Engagement Survey to gather employee views on their working environment, the way we do business, and the business unit or function they belong to. Each function uses the results to make changes as necessary. In 2014, 96.9% of our workforce in Japan participated in the survey, up slightly from 96.1% in 2013.





Equality and diversity

Employing a diverse workforce is a strong source of competitiveness within an international marketplace, as it provides us with different perspectives and outlooks that feed into our business, helping us do things in new ways and with new outlooks. In 2014 we employed more than 100 nationalities. Beyond national diversity, we value diversity of opinion, allow people to express their own personalities,

and create a work environment that fosters creativity and innovation.

Our commitment to equal opportunity and anti-discrimination is reflected in our Codes of Conduct and human resources policies.

Gender diversity

The JT Group takes a gender-neutral approach to recruitment and aims to create workplaces that are attractive to women. While 24.7% of JT Group employees are women, only 9.4% of our management (excluding Executive Officers) is female. We have therefore set targets to increase this proportion and have begun to implement plans to deliver against these targets.

In JT we have a Diversity Development Department and have extended gender diversity awareness-raising workshops to all managerial employees. In Japan we hold seminars on female

empowerment in the workplace and have a section on our intranet dedicated to promoting diversity.

Female representation within management at JT increased from 1.4% at the end of March 2013 to 2.6% at the end of December 2014 against our aim of reaching 10% by 2023.

In 2014 our international tobacco business set up an advisory group to examine the reasons for low female representation in management. As a result of its findings, we are looking at how to ensure locally competitive

working arrangements are in place, and are considering the launch of a development program to increase the number of women in key positions in all functional areas as well as at general management level.

Our international tobacco business is aiming to have 30% female Directors by 2020, with longer-term aspirations to have the same balance at Vice President and Executive Committee level. At the end of 2014, 27.0% of Directors were women.

<i>Employees by position and gender</i> ^(*)	<i>Female</i>	<i>Male</i>	<i>Total number</i>
Executive Officer	2.8%	97.2%	72
Management (excluding Executive Officers)	9.4%	90.6%	4,099
Employees (excluding Management)	26.2%	73.8%	44,468

^{*}Data is at the end of 2014 and excludes locations not currently on our SAP HR Management System.

Generational diversity

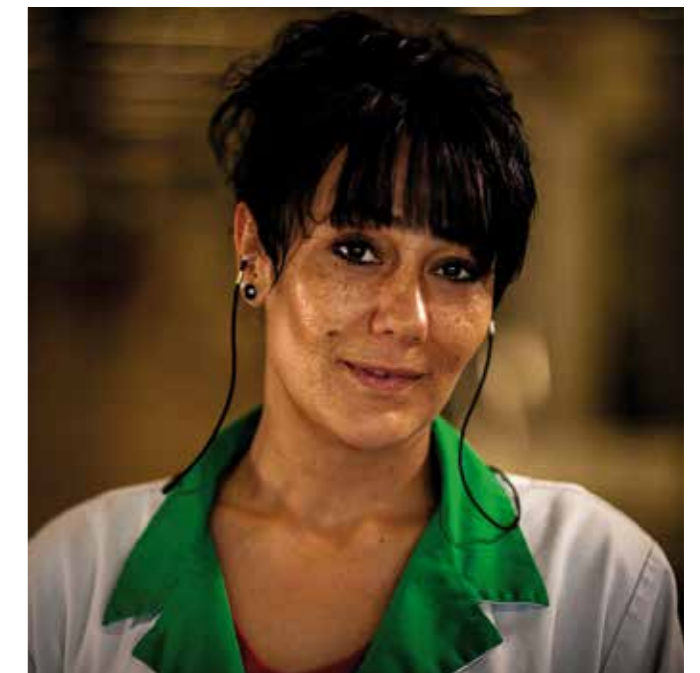
Just as gender diversity introduces new perspectives and experiences into the JT Group – to the benefit of our business – so does generational diversity. We do not

discriminate on the basis of employee age or generation, and we adopt ways of working that are appropriate to all generations represented in our

workforce. We also promote a culture that values intergenerational learning and experience sharing.

<i>Breakdown of employees by gender and age group</i> ^(*)	<i>Female</i>	<i>Male</i>
Under 30	2,725	6,252
30-50	7,183	21,371
Over 50	2,018	8,912

^{*}Data excludes locations not currently on our SAP HR Management System and some companies in locations where registering employees' age is prohibited by law.





Responsible supply chain

Tens of thousands of suppliers provide us with the products, services, and raw materials needed for our tobacco, pharmaceutical, beverage and processed food businesses. We expect all suppliers to uphold the high standards of integrity, quality, and safety that are detailed in our Codes of Conduct, the JT Group Responsible Procurement Policy, the JT Group Principles in Leaf Tobacco Production and the JTI's Supplier Standards.

Farmer profit modeling implemented in

100%^(*)

2014

of countries in which we directly source tobacco leaf

7%^(*)

2014

of farmers covered under Agricultural Labor Practices implemented in countries where we directly source tobacco

5,470^(*)

2014

3,071

FY2013

children withdrawn from child labor

Supply chain management

Our supply chain is large and complex, and we recognize the necessity to work with our partners within it. In our international tobacco business, monitoring of compliance of suppliers against JTI's Supplier Standards has focused on those with potential exposure to illegal trade. Directly contracted tobacco farmers – as well as the merchants that we buy processed tobacco from – are a key component of our supply chain and are monitored through our Agricultural Labor Practices (see page 37). Tobacco merchants, as well as the companies that supply us with other materials, are additionally checked through our Know Your Supplier program. For other products and services, checks have begun on specific merchandising product areas.

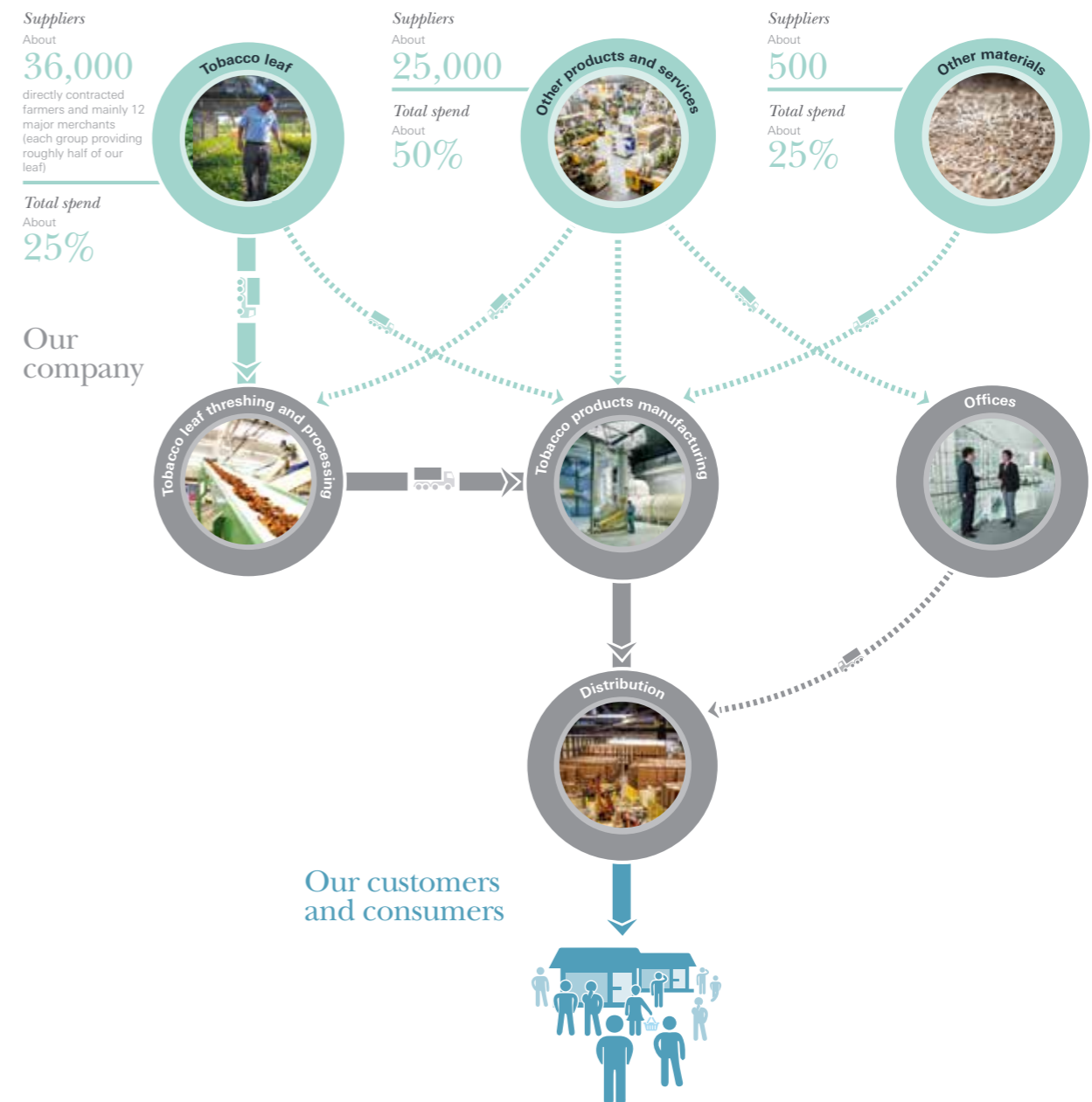
The next step will be to develop a program for assessing suppliers based on the risk of not meeting our standards. Using

new technology, the aim is to adopt a more tailored, risk-based approach over the next two years for those suppliers we have not already directly assessed.

We expect that increased monitoring of our suppliers will lead to a better understanding of the risks and challenges they face, and will allow us to help them increase their capacity to uphold our standards.

In our pharmaceutical, beverage and processed food businesses, we source ingredients for our products from various partners, with whom we work closely on improving supply chain resilience and maintaining the highest quality and safety of the products we sell.

Our international tobacco supply chain^(*)





Know Your Supplier

Our international tobacco business runs a Know Your Supplier (KYS) program for key suppliers that requires them to respect business integrity, equal opportunities, fair employment, health and safety, and the environment. KYS also aims to ensure that our supply chain is free from any association with the illegal tobacco trade (see page 23).

Potential suppliers have to complete an online questionnaire, with supporting evidence, to show they meet our KYS standards. If we discover suppliers have knowingly been involved in illegal trade in tobacco, their contract is terminated automatically.



Certification to Know Your Supplier program

Supplier certification ^{(*)E}	2012	2013	2014
Number of global and local suppliers in scope of KYS	Global: 297 Local: 292	Global: 566 Local: 507	Global: 588 Local: 251
% of total global and local suppliers certified	91%	65%	75%

The number of local suppliers covered by KYS dropped in 2014 due to a review that led to rationalization. In 2013 the number of local suppliers under KYS had increased by 73% on the previous year due to expansion of the program's scope to include textiles and electronics.



Merchandise supplier assessment

In 2014 our international tobacco business issued a questionnaire to 205 merchandise suppliers (those that supply us with products such as lighters and matches that help promote sales) to

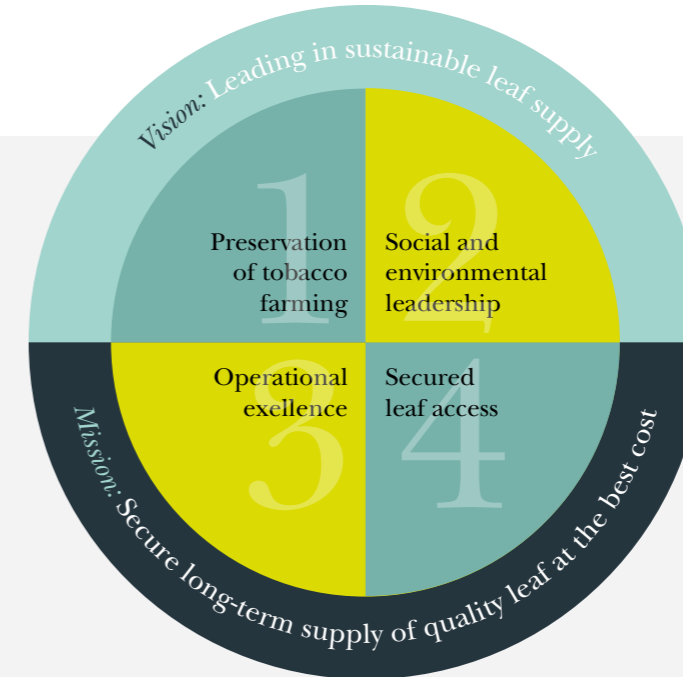
establish whether they have programs and policies on areas such as child labor and the environment. Around 65% of these suppliers proved to be fully compliant with our requirements, while

14% took corrective action to become compliant. The remainder took no such action, and despite our efforts to help them improve, we subsequently had to end our contracts with them.

Tobacco supply chain – strategy*

The foundation of our tobacco supply chain strategy is to maintain a supply of quality tobacco leaf over the long term. Only by doing this will we create value both for the JT Group and for the tobacco farming communities with which we

work. Our vision for international tobacco procurement is to 'lead in sustainable leaf supply' and is underpinned by four key strategic goals:



1. Preservation of tobacco farming
Our business will not succeed unless the farmers who supply us are able to make a profit and can continue to grow the tobacco we need.

We have implemented a farmer profits model in all countries where we directly source tobacco leaf. Under this model, we work closely with farmers to ensure they have access to the right growing materials and that they use the best methods to maximize the quality and yield of leaf. We also encourage crop rotation to provide an alternative income, improve food security, and promote soil preservation.

Through our work with farmers we aim to make tobacco farming profits sustainable.

For an explanation of how we work to improve long-term farmer profits see page 36.

2. Social and environmental leadership

We can contribute to improvements in social conditions in tobacco farming communities not just by helping farmers to maintain profitability in the long term but by making targeted social investments that enhance the quality of

life in their communities. We do this in a number of ways, such as by improving access to clean water and creating new educational opportunities.

We also aim to reduce the environmental footprint of our tobacco supply chain, chiefly by encouraging farmers to reduce the amount of agrochemicals and energy used in farming, and to adopt good forestry practices. Both of these measures bring benefits that extend beyond tobacco growing, as many farming communities rely on wood as a vital fuel source and building material.

For more on our approach to agricultural labor practices see page 37. For detail on eliminating child labor see page 38, and for further information on sustainable wood see page 39.

3. Operational excellence

We need to make sure our operations are well equipped to support our supply chain. To help us do this, in 2014 we introduced a set of key performance indicators that give us a real-time overview of our performance and provide a way to manage the unexpected, allowing us to deliver on our business commitments. We use

custom-made enterprise resource planning (ERP) software to help us collect and interpret tobacco growing and processing data that are essential to determining yields and quality. ERP software also allows us to monitor health and safety performance in our factories and labor practices in the fields. This in turn enables us to ensure an uninterrupted supply of quality tobacco.

4. Secured leaf access

By working in close partnership with our farmers, we put ourselves in a better position to address the economic, social, and environmental factors that influence the long-term supply of tobacco leaf. We therefore build up direct relationships with farmers and, wherever possible, purchase tobacco directly from them, rather than from traders on auction floors. This also helps secure access to high-quality tobacco leaf in a responsible manner. In addition, we form partnerships with NGOs, leaf merchants, governments, and other stakeholders to help us responsibly tackle potential issues in our tobacco supply chain.

* The initiatives and data in the tobacco supply chain section of this report primarily relate to farmers directly contracted by our international tobacco business.



Tobacco supply chain – long-term farmer profits

If we are to secure a lasting supply of high-quality tobacco leaf, we must deliver long-term profits to the farmers who supply us. This is not always easy, as some of the factors that feed into profitability – such as the weather – are out of our control. However, we can influence areas such as cost of production, yield, quality, and price. To do this, we take a ‘modular design approach’ rather than a one size fits all solution, adapting our methods to local situations. We work directly with farmers on three key areas to help them improve their profits:

- Price
- Input management, concentrating on production cost savings
- Best farming practices with emphasis on efficiency and innovation

Managing direct relationships with farmers

Our local farming experts build and maintain strong relationships with our directly contracted farmers in order to help them improve tobacco production techniques and thereby increase their profitability. Across Brazil, Zambia, Malawi, and Serbia in 2014 we had 368 farming experts in place, up from 319 in 2013, providing support to all small-scale farmers.

We developed comprehensive minimum agronomic standards in 2010, and since then have worked with all our farming experts to ensure they are adopted. Relevant supporting materials have been tailored to the needs of different countries.

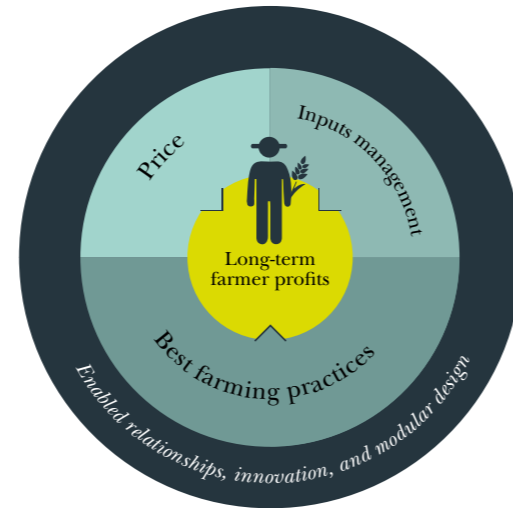
In 2014 we prepared to buy tobacco leaf directly from farmers in Tanzania, and we intend to train enough farming experts there to ensure all future contact with farmers is with our own directly employed experts. We have set up a training program for farming experts in Tanzania to make sure this happens.

Modeling sustainable farmer returns

In 2014 we introduced our farmer profits tool into Malawi, Zambia, the U.S.A., and Serbia after it had been piloted in Brazil. The tool takes into account various factors – including local conditions, costs, risks, and quality – to help us settle on a price that we negotiate with farmers each year. We also use it to check that the average price paid over multiple crop cycles delivers progress toward a sustainable profit for farmers. Our goal is to enable farmers to earn sustainable profits; we will aim to monitor and report progress on this over the next few years.

Supporting production cost savings

We help farmers save money and increase profits by enabling them to become more efficient in the way they grow, harvest, and cure tobacco leaf. By encouraging farmers to adopt our minimum agronomic standards, we can help to cut costs through more efficient use of fertilizers and agrochemicals. This can lead, in some cases, to cost reductions of around 20%. We also buy many input materials in bulk and pass the savings onto our



farmers. The materials we buy are also of a better quality and reliability, and might be safer to use than farmers can normally source.

Innovation and better farming practices

Our Agronomy, Development, Extension, and Training (ADET) center in Brazil, which will be supplemented in 2015 with a similar new center in Zambia, explores new ways of improving quality and productivity in tobacco farming. During 2014 the Brazil center carried out trials on topics such as irrigation methods, curing efficiency, mechanization, and agroforestry. The results of research are passed on to farmers, including through training – with the aim of continually working toward best farming practices.

Outside our ADET program, our farming experts also hold training days at farms where a local farmer has been recognized for particular skill and commitment in applying our recommended agronomy practices – allowing other local farmers to learn from their example. By the end of 2014, for instance, we had 108 such ‘model farms’ in Zambia.

	2012	2013	2014	Target
Farmer profit modeling implemented ^{(*)E}	Piloted in Brazil	Redeveloped model to be simpler and more user-friendly	Implemented across all countries	Implement across all countries where we source tobacco directly from contracted farmers by the end of 2014



Harvest delay pays dividends

Adair José Reis, who has been growing tobacco in southern Brazil for more than 20 years, had a particularly good season in 2013–2014 – thanks to advice from our farming experts. The 40-year-old listened to one of our field technicians,

who suggested delaying his harvest as much as possible so that the tobacco had more time to mature. Adair’s patience paid dividends, as his 60,000 tobacco plants produced a much higher quality product than usual, securing him a 29% increase in revenue per hectare.

Tobacco supply chain – Agricultural Labor Practices, including child labor prevention

Alongside improving growing standards, we work with our farmer communities to address a range of other important issues. These include ensuring the rights and safety of tobacco farmers and those who work on their farms through

[Agricultural Labor Practices \(ALP\)](#), enhancing living conditions and livelihoods through our Grower Support Programs (GSP), and eliminating child labor through our [Achieving Reduction of Child Labor in Support of Education \(ARISE\) program](#).

Agricultural Labor Practices

Our ALP defines minimum requirements for preventing and eliminating child labor, respecting workers’ rights, and applying health and safety measures at the workplace. We work with farmers who are committed to continuous improvement in agricultural labor practices.

In 2014 ALP covered 7% of our directly contracted farmers against our target of 100% by 2018. We made a decision to extend the scope of ALP to cover third party tobacco leaf suppliers from 2016.

Our farming experts, who are fully trained on ALP and have specially designed materials to help them communicate ALP standards to farmers, observe labor practices during farm

visits and provide advice on making improvements. They also play a crucial role in changing attitudes and cultural perceptions around labor practices.

We are also working with the International Labour Organization (ILO) to develop training materials to help farmers comply with ALP, with particular emphasis on tackling child labor.

In 2014, with the support of the ILO, we developed a list of ten hazardous activities mostly applicable to agricultural production, including tobacco growing, such as handling chemicals, working at night and under intense weather exposure. These clarify the types of work that are hazardous and require specific attention for all workers but are also unacceptable for children to undertake, even when old enough to do some work on a farm.

Grower Support Programs

Our Grower Support Programs (GSP) deliver community projects focused on school, education, water, and community well-being. In 2014 we ran 30 programs benefiting 140 communities: nine in Brazil, seven in Malawi and 14 in Zambia. We also launched a GSP-related ‘sponsor a teacher’ scheme that improves the skills of teachers and creates conditions where both they and their students can succeed.

Additionally, in 2014 we published a handbook for local managers outlining the best way to implement GSPs, with advice on policies and procedures and how to avoid inefficient use of funds. In 2015 we will carry out an impact assessment of the benefits of GSPs.

ALP rollout	2013	2014
% of farmers covered under ALP implemented in countries where we directly source tobacco	1%	7%
Update on progress	Pilots run in Serbia and Brazil	<ul style="list-style-type: none"> • Implemented in Brazil (10% of farmer base) and Serbia (100%) • U.S. Tobacco Good Agricultural Practices (GAP) Program (industry-wide labor practices related program) implemented in the U.S.A. • Pilots run in Zambia and Malawi • Agreed pilots for Tanzania, Italy, and Turkey in 2015
% of farming experts trained	30%	94%



Child labor prevention

In addition to our work with all directly contracted farmers through our ALP, we have the ARISE program. This was developed in partnership with Winrock International (an NGO that specializes in agricultural development) and the ILO. The program tackles social and economic factors that tempt farmers to employ children. Originally launched in Brazil and Malawi, it was then expanded into Zambia in 2013. From 2015, the program is extended to include Tanzania.

ARISE educates and engages with tobacco farming communities through

the distribution of educational materials, after-school tutoring, and mentoring or vocational training for older children. In this way it hopes to improve understanding of the value of education as well as the prospects and prosperity it can bring.

ARISE works to replace lost income from child laborers through Family Support Scholarships, which enable parents or guardians to send their children to school.

While progress is being made through ARISE, changing behaviors and cultural perceptions that underpin child labor in remote rural communities is a long-term project. Since its inception in 2012, ARISE takes four children out of child labor every day. Nonetheless, we recognize that we have started a process that requires continued attention over many years.

ARISE	Total 2013	Total 2014	Brazil	Malawi	Zambia
Children withdrawn or prevented from child labor	3,071	5,479	998	2,697	1,784
Children and youth enrolled in formal and informal education	2,981	5,512	998	2,697	1,817
Households with improved livelihoods	976	1,162	97	730	335
Mothers with access to income-generating activities, and conditional capital investments	528	1,001	93	908	0
Community members educated in child labor elimination	2,092	17,990	4,199	3,342	10,449

Tobacco supply chain – sustainable wood

Wood is used for tobacco curing in many regions, both as a fuel and for building barns. A sustainable supply of wood is therefore key to ensuring a long-term supply of leaf tobacco. We work with tobacco farmers to educate them on the environmental and economic value of wood, helping them not only to use less of it, but to replenish forestry stocks.

We train and support farmers to plant and maintain enough trees for their needs, both now and in the future. By 2018 all wood will be from sustainable sources on all the farms that directly supply us with tobacco. In Brazil that aim has already been achieved, and in Zambia and Malawi it is likely to be achieved before the target date of 2018.



100% sustainable wood sourcing in Brazil

All flue-cured Virginia contracted farmers have access to sustainably produced wood for use in tobacco production, either from their own woodlots or through commercial suppliers.



Tree planting initiative in Western Province of Zambia

There were 1.1 million trees planted in 2014, based on our tree seedling nurseries and our contracted growers' commitment and engagement in their own tree seedling production and

woodlot establishment. We pursue an achievable target of 100% sustainable planting/usage rate by 2016.



The Chief of Kaoma, Zambia at the school opening in March 2015

Quick-build schools in Africa

There is an urgent need for new school facilities in many parts of rural Africa, but often local materials to build them with are scarce. So sometimes imaginative solutions are needed. In 2014, as part of our GSPs in Zambia and Malawi, we contracted a specialist South African company to put up two prefabricated school buildings in remote parts of each country. The buildings, which created capacity for 500 children in Zambia and 1,000 in Malawi, were assembled in just 20 weeks. We are now looking to replicate this approach in other areas where needs are identified by our farming experts through ALP reporting.

Child labor in the U.S.A.

A 2014 report from Human Rights Watch alerted us to the risk of child labor in the U.S.A. As a result, we had several discussions with Human Rights Watch, and have worked with them to review how we can address this issue. These talks led directly to us clarifying and reinforcing our ALP.

We also agreed to chair the child labor task force of the U.S.-based Farm Labor Practices Group. Additionally, we support Human Rights Watch in their efforts to improve legislation and bring higher standards of protection to farm workers in the U.S.A. in line with international labor standards.



Barn construction techniques

Wood is a common fuel for flue-curing, and is often used to build barns for curing. So we can help farmers reduce their use of wood in both these areas. To help make flue-curing more efficient, one solution we have developed is a low-tech barn design that reduces wood consumption by 70%.

'Live barns' are built by planting trees, which after three years grow to form the main structure of an air-curing barn. This avoids the need for maintenance and a continuous supply of wood for

construction. During 2014, as part of a pilot program, farmers in Malawi and Zambia planted 3,130 live barns in total.

Target

Establish 16,500 live barns across Malawi and 4,700 in Zambia by 2018.

Reforestation

Aside from our focus on sustainable wood supply for tobacco farming, our reforestation program regenerates

deforested areas in locations where we have directly contracted farmers living in communities that depend on wood for fuel or timber. Figures gathered in 2014 showed that during 2013 we exceeded our reforestation targets in Zambia's Eastern Province. We raised 3,595,281 seedlings and planted 3,304,679 trees against a target of three million in each case.

At the end of a four-year period ending in 2014, we had funded the planting of 24 million trees across Malawi, Zambia, and Tanzania.



Environment

Environmental protection is a critical aspect of our responsibility to society, and key to the sustainability of our business. We work to reduce our environmental impacts not just because it is the right thing to do, but because it delivers business benefits such as cost reduction and enhanced reputation. We pay attention to impacts across a wide spectrum, from procurement of raw materials to production, distribution, and sales.

Market conditions sometimes make it difficult for us to make consistent improvements, but we aim to make progress in four areas: greenhouse gas (GHG) emissions, sustainable water use, prevention of waste and promoting recycling, along with effective resource use, and protecting biodiversity.



5,847^(*A)
2014

5,950
FY2013

thousand tons of CO₂e across the value chain

0.72
2014

0.73
FY2013

GHG emissions intensity for tobacco business

10,096^(*A)
2014

10,468
FY2013

TJ of energy consumed

130^(*A)
2014

129
FY2013

thousand tons of waste generated

10,330^(*A)
2014

10,507
FY2013

thousand m³ of water withdrawn

82%
2014

87%
FY2013

ISO 14001 certified cigarette and tobacco-related factories

Environmental management

Three things drive our commitment to reducing environmental impacts: the law, business performance, and our responsibility as a corporate citizen.

Compliance with all relevant laws is our baseline, but beyond that there are sound business reasons for exceeding legal requirements. By doing so we can reduce costs, preserve resources that we are reliant upon, improve our overall performance, and enhance our reputation. As a corporate citizen, we also recognize our obligation to conserve the environment so that future generations can enjoy the same opportunities we benefit from today.

Our approach to environmental management is described in our [Environment Charter](#), which requires that we reduce our environmental impacts in all the countries we operate in – as well as across our entire value chain. The Charter is supported by the [JT Group Long-term Environment Plan 2020](#), which sets out our targets.

Responsibility for environmental management rests with our Executive Deputy President, with the Group Executive body monitoring performance.

Environmental management systems

We have a formal environmental management system (EMS), based on the ISO 14001 standard, which ensures a consistent approach across the business. All our manufacturing sites are encouraged to obtain ISO 14001 certification, while other facilities, such as distribution centers, can either seek certification or customize their own ISO 14001-based EMS. Smaller sites and offices can also do this on a more simplified level. By using different levels of EMS, we take account of the nature and scale of each operation.

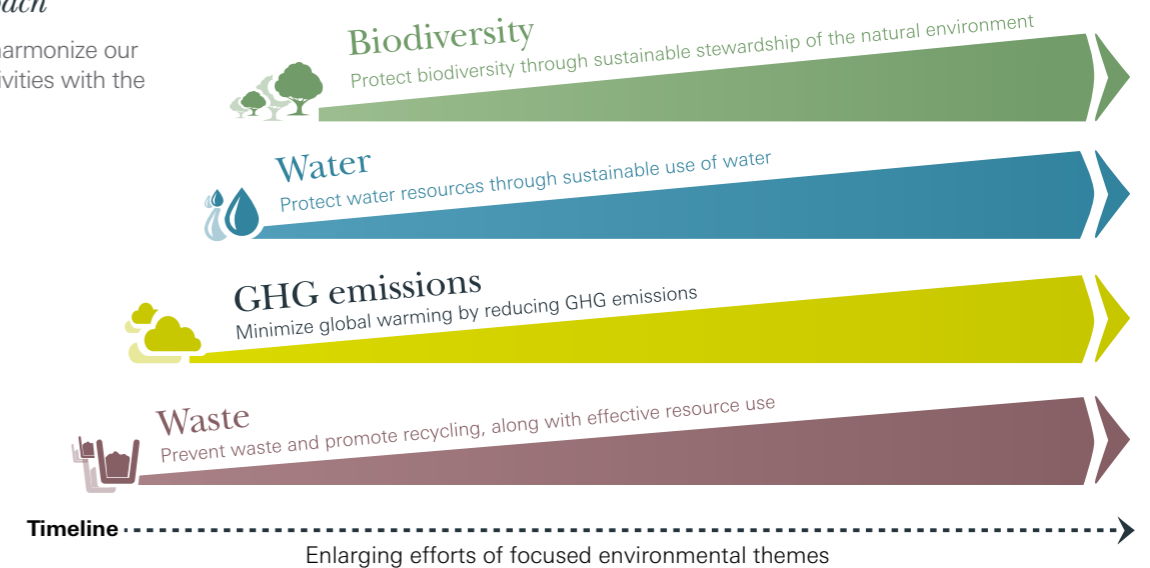
In 2014, 100% of our Japanese domestic tobacco business factories and 72% of our international tobacco business factories were ISO 14001 certified.

Six key elements of our Environment Policy in the Environment Charter

Management systems	Compliance	Products and services
Establish effective environmental management systems and continually improve them	Comply with environmental laws and regulations everywhere we operate	Reduce environmental impacts of products and services in their development phase, taking into account potential impacts on biodiversity
Process and supply chain	Environmental education	Environmental communication
Reduce environmental impacts and optimize the use of natural resources at all stages of our activities, taking into account potential impacts on biodiversity, and encourage suppliers to understand and abide by our Environment Charter	Develop environmental awareness among employees through education and training and encourage them to take personal responsibility for the environment	Openly communicate our environmental performance and engage with our stakeholders to build trust

Our approach

We strive to harmonize our corporate activities with the environment.



For historical data on our environmental performance, please visit www.jt.com/csr/environ/data/index.html.



Energy and GHG emissions

Climate change could have a negative impact on growing patterns and crop yields across our supply chain, as well as on the production of many of the non-tobacco materials found in our products and packaging.

corporate responsibility – to reduce energy use and GHG emissions. Our ability to do this depends on market conditions, as well as our ability to collect accurate data on emissions across our value chain.

Given the close links between climate change, GHG emissions, and energy use, it is in our interests – as well as part of our

Managing our own energy and GHG emissions

All our sites are required to have action plans with quantified emissions reduction targets. This gives us a continual focus on performance and on identifying opportunities for improvements.

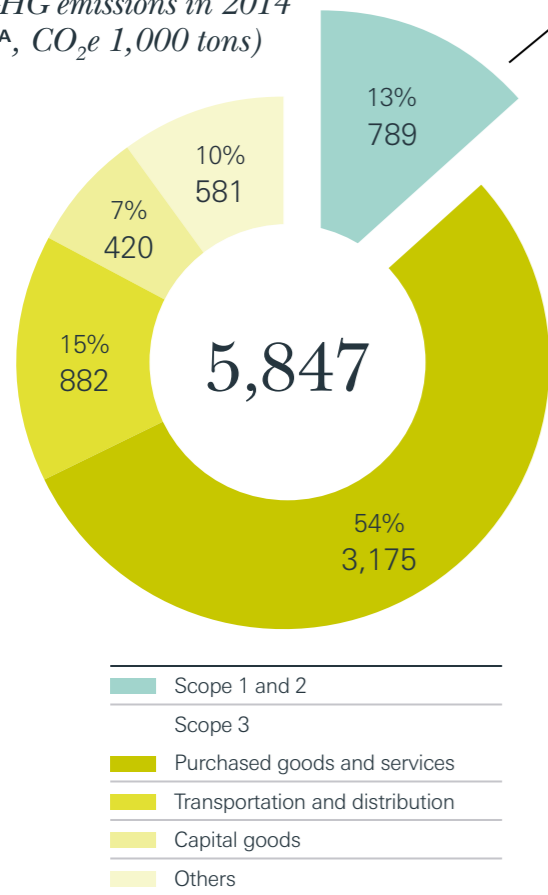
energy such as electricity (Scope 2) – by 20% between FY2009 and 2020. We aim to deliver on this target through efficiency programs, including those identified by an ongoing energy survey in our production facilities.

We have a target of reducing our absolute GHG emissions – both those that we are directly responsible for (Scope 1) and those produced by our consumption of third party-produced

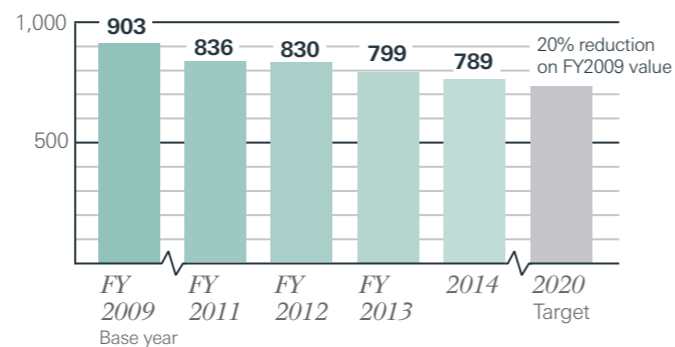
We are also examining ways to replace existing energy sources with renewable energy, which can have a significant impact on GHG emission levels.

In 2014 we consumed 10,096 TJ of energy across the JT Group, down from 10,468 TJ in FY2013, and reduced Scope 1 emissions by 2.1% and Scope 2 by 0.4% over FY2013. Savings were largely achieved by implementing energy action plans at our sites, which included energy efficiency programs in various parts of our businesses.

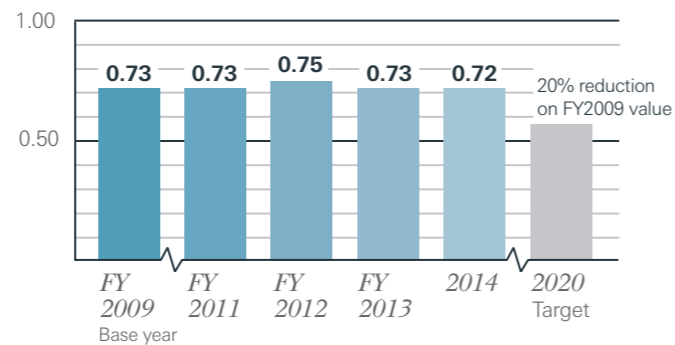
GHG emissions in 2014 (*A, CO₂e 1,000 tons)



Combined Scope 1 and 2 GHG emissions (CO₂e 1,000 tons)



GHG emissions intensity for tobacco business (tons/million cigarettes equivalent)



The diagram shows performance on Scope 1 and 2 emissions across the JT Group. Our Scope 1 and 2 emissions have steadily decreased over the past few years due to an increased focus on monitoring and improvement measures. With a reduction of 12.6% in emissions

over our baseline of FY2009, we are well on track to achieve our 20% emissions reduction target for 2020.

Our GHG emissions intensity is currently not reducing in line to achieve our 2020 target. Market conditions sometimes

make it difficult for us to make consistent improvements. However, this is an area we will be focusing on.



Initiatives to reduce our own GHG emissions

At our factory in Yelets, Russia, we have installed two gas-fired generators that recover exhaust heat, cutting CO₂ emissions by around 700 tons a year. In our Dagmersellen factory in Switzerland, we have replaced old fuel-oil boilers with new gas versions, resulting in a 20% reduction in CO₂ emissions each year.

At Tablemark's Niigata Uonuma factory in Japan, which produces packed cooked rice and noodles, we have replaced an oil-fired boiler with a gas-fired version, reducing GHG emissions by approximately 4,000 tons a year.

Managing GHG emissions in our value chain

We have also begun to address Scope 3 GHG emissions that are outside our immediate control, and are engaging with stakeholders to monitor and eventually reduce these emissions

across our value chain. Our international tobacco business is using life cycle assessments to better understand and assess carbon emissions associated with certain products, and is looking at

how material selection and specification can influence and potentially reduce emissions.



CDP – update

In the three years that we have been reporting our Group-wide GHG emissions and climate change related information to the CDP, our disclosure and performance scores have increased year-on-year. In 2014 our scores rose again, putting us comfortably into the

top quartile of reporters. The JT Group's disclosure score is 99 out of 100, while our performance score is A- (top mark: A).

Initiatives to reduce Scope 3 GHG emissions

Our processed food business has developed a range of frozen noodles that can be microwaved rather than boiled, theoretically cutting Scope 3 GHG emissions by 13.6kg for every thousand packs cooked in this way. However, we need to do more work to educate consumers about how microwaving can cut energy use.

In 2014 we reduced the amount of material we use in plastic bottles for some of our beverage products, reducing Scope 3 GHG emissions by more than 200 tons across the year.





Resource efficiency – water and waste

Overconsumption of resources – leading to the creation of waste and excessive use of water – can be a cost to business that reduces earnings and shareholder returns. It also affects the environment and can have a negative impact on the

communities within which we operate. It therefore has the potential to damage both our reputation and our relationships with stakeholders.

Managing water

Many of our operations, in particular in our processed food business, are water intensive. Our factories are located in relatively water-rich areas, but if this is not the case then we implement measures that reduce the amount of water used. This reduces water risks both for our business and for the communities within which we operate. Cutting back on use is a challenge, as water saving measures are often expensive and it is difficult to pass costs on to consumers. We record and report water withdrawal and wastewater discharge on a monthly basis at our factories, and take into consideration the framework on water reporting set out by the CDP. Over the next few years we will expand our program of water risk assessments to all relevant parts of our business, and will start to assess water-related risks in our value chain.

Our overall water withdrawal in 2014 decreased by 1.7%.

Managing waste

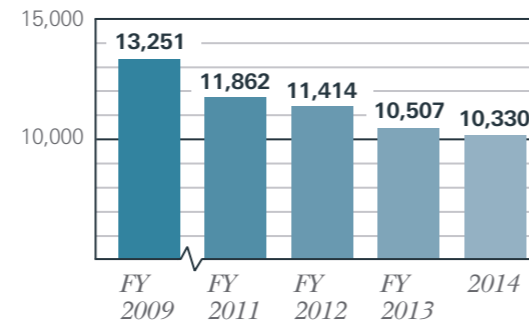
Our [Long-term Environment Plan](#) prioritizes waste prevention according to the 'Reduce, Reuse, Recycle' waste hierarchy. By taking steps to reduce waste we conserve natural resource and energy, reduce our environmental impacts, and cut disposal costs.

We have been recording waste data since 1995 and have programs aimed at improving our waste management practices. However, we need to collect more detail through our waste

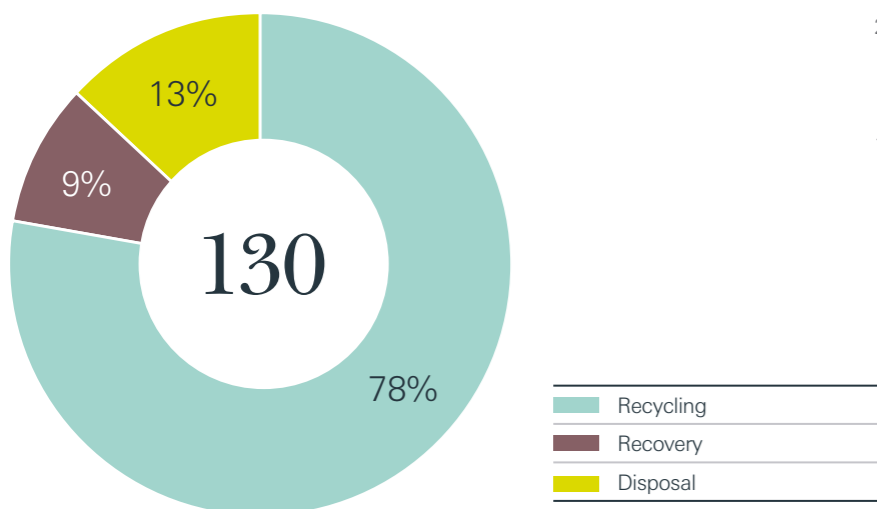
monitoring so that we can better identify areas of good practice to share between operations.

Most of our waste is generated by factories. But it is also created throughout our value chain, including by producers of raw materials and by consumers when they dispose of our products. We are addressing this: for instance, our international tobacco business works with farmers to help them reduce their waste, and we have

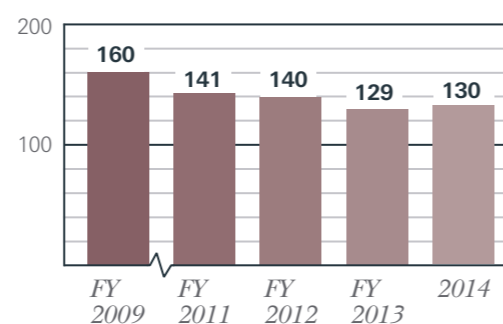
Water withdrawal (*A, 1,000 m³)



Breakdown of waste generated in 2014 (*A, 1,000 tons)



Waste generation (*A, 1,000 tons)



Initiatives to reduce waste

In Malawi our international tobacco business has helped non-tobacco farmers use pelletized leftover parts of tobacco plants as a soil improver. Among other things, the pellets are use as fertilizer to help establish the tree seedlings that are part of our agroforestry activities. Pelletization reduces fine dust associated with transportation and makes the waste easier to handle. Farmers were previously unsure how much of this material – if any – they could safely

use. So we carried out research that showed them how much they should put down to deliver the best nutrient levels while avoiding overload to the soil, and to which crops the material could be applied. As a result, we estimate that 1,000 tons of waste tobacco material have been reused in Malawi since 2013. This waste material was historically sent to a waste site, where there were associated environmental and health impacts.

Biodiversity

Biodiversity is important to us as it plays a key role in natural processes that are critical to agricultural productivity, including crop pollination. Tobacco is usually grown in biologically

diverse areas, and we work with farmers to try to maintain this diversity.

Managing biodiversity

Our [Long-term Environment Plan](#) outlines our commitment to assess the impact of our worldwide operations on biodiversity. Once we understand our impacts better, we can establish

measures to protect biodiversity. As a starting point, our ADET center in Brazil is developing a way of assessing biodiversity on tobacco farms. A final model will be developed in 2015, to be

tested with around 30 farmers in that year. The aim is to introduce the model to all farmers from 2016 onward.



Working on biodiversity with tobacco farmers

In our international tobacco business, we focus on biodiversity where we can make a direct difference. We do this in four areas:

On farms

We encourage farmers to understand that managing biodiversity makes their businesses more economically viable, more socially acceptable, and environmentally sustainable.

Tree planting

Planting trees ensures a sustainable supply of wood for use in barn construction and tobacco curing, while maintaining local ecosystems.

Agricultural practices

Good agricultural practices help improve biodiversity: integrated pest management, for instance, allows farmers to reduce the use of pesticides that may threaten biodiversity.

Endangered forests in Brazil

We have adopted a 100-hectare area of the Araucaria forest for five years as part of our support for the Society for Wildlife Research and Environmental Education (SPVS) in Brazil. This allows time for environmental improvements to be made to the land based on an SPVS conservation plan.



Product and consumer impacts

We produce a wide range of products with varying degrees of impact on consumers and society. In our tobacco businesses, the most significant issue expressed by our external stakeholders is health risks of tobacco products.

In our pharmaceutical business, key issues are the ethics surrounding research and development and the responsible marketing of our products, while in our beverage and processed food businesses, food safety and transparent product information are of great importance to our stakeholders.



Training events in Russia targeted
10,000
retailers on preventing youth access to tobacco in 2014



All tobacco vending machines in Japan are now equipped with an adult identification system

Across Japan we have helped to set up more
than **5,000**
smoking facilities to create better environment both for smokers and non-smokers

We introduced **Ploom**,
an electronically heated tobacco product, into two new markets in 2014

¥28.9 billion
FY2013
pharmaceutical R&D spending

100%
100%
FY2013
frozen food factories certified to ISO 22000

Tobacco – *smoking and health*

People smoke for pleasure, but there are real risks that come with that pleasure. Smoking is a cause of serious diseases, including lung cancer, coronary heart disease, emphysema,

and chronic bronchitis. These risks distinguish tobacco from most consumer goods and place a particular responsibility both upon us, our industry, and public authorities.

Our approach

Our tobacco business principles include a commitment to openness about the health risks of smoking and to being transparent about our products. This is what consumers demand, and by providing them with the necessary information, they can make informed decisions on whether to smoke or not. We will continue our work to ensure we remain true to our commitments.

A scientific approach

We take a scientific approach to understanding the quality, health risks, and development of our products. To help us do this, we apply global standards developed by ISO and/or by scientific societies such as the industry-supported Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA). Where relevant standards do not exist, we have developed our own research and testing programs. We also review emerging science to ensure all standards we apply are updated and adapted to new findings and techniques. Our tobacco ingredients go through risk

assessments that make use of published research, and if circumstances warrant, may then be put through additional testing programs to ensure ingredients do not increase the inherent health risks of tobacco products.

We constantly monitor the new scientific publications, and other information, on the health effects of tobacco products and e-cigarettes and look into the new issues or claims once they appear. In 2014 we examined new data on e-cigarettes, residual tobacco smoke, and some specific substances in tobacco, either through expert internal reviews or through the commissioning of independent external reports.

Product transparency

The JT Group believes everyone should be appropriately informed about the health risks of smoking. Our tobacco businesses explain our positions on smoking and health through our websites, and we respond to consumers' demands to know about

product ingredients. The number of countries in which the JT Group provides voluntary disclosure of ingredients has risen from 30 in 2010 to 54 in 2014, comprising our major international markets and areas of business. The scope of products involved has increased to include cigarettes, roll your own, and snus.

We provide information online by tobacco product type, brand, and location, including materials and ingredients such as cigarette papers, filtration materials, adhesives, inks, and flavorings. We also provide ingredient information when requested by governments while ensuring our trade secrets are respected and protected.

The JT Group's voluntary disclosure country list is reviewed annually to reflect the JT Group's major markets and those where it has significant market share.

Potential reduced-risk products

While the health risks of tobacco use cannot be completely eliminated, the JT Group is committed to developing potential reduced-risk products that are acceptable to adult users of tobacco products.

We believe it is in the common interest of public authorities and tobacco product manufacturers to make a success of reduced-risk

tobacco products that meet consumer expectations. That means allowing adult users of tobacco products to evaluate such products, if they wish to do so.

We also believe that public health bodies, regulatory authorities, the scientific community, and the tobacco industry should collaborate to develop policies and frameworks for the development and sale of such

products. In the current absence of clear guidance, we have been developing our own framework for the assessment of reduced-risk products, covering everything from how to assess the chemical composition of our products through to clinical studies.

Environmental tobacco smoke

Environmental tobacco smoke (ETS), also known as second-hand smoke, is a mixture of the smoke that comes from the burning end of a cigarette and exhaled smoke from smokers nearby. Compared to the smoke that a smoker inhales, ETS is aged and highly diluted.

In poorly ventilated areas, ETS can irritate eyes, noses, and throats. It may also worsen respiratory tract infections, as well as asthma. However, based on scientific evidence, we do not believe it is a cause of diseases such

as lung cancer, coronary heart disease, emphysema, and chronic bronchitis. We promote ways of avoiding ETS, such as properly ventilated smoking facilities in public spaces, and our international tobacco business has worked with airport authorities to develop more than 180 smoking facilities in 24 international airports. By promoting such initiatives, we not only address concerns about exposure to ETS but build awareness among adult smokers of the availability of smoking facilities.

In Japan, since 2004, we have provided free advice and practical help for local governments and private businesses to help them create a better environment that respects both smokers and non-smokers. We have also responded to around 13,000 requests for advice and assistance, and have helped to set up more than 5,000 smoking facilities.



Tobacco – product innovation

Product innovation is critical to the JT Group as it underpins growth and profitability. Coming up with innovations helps us respond to rapidly evolving consumer trends. Our product innovation work focuses on conventional tobacco products

and emerging products based on existing regulation of potential reduced exposure or risk products. We also put resources into developing innovations on filter technology, packaging, and manufacturing processes.

Our approach

The driving force behind product innovation in traditional products is to respond to the evolving demands of consumers. We closely monitor market trends so we can spot new technologies and concepts that meet consumer demands and may provide us

a competitive advantage with existing adult smokers. We also take account of industry analysis, market data, and changes in the regulatory landscape – such as the European Union’s Tobacco Product Directive – to help define the

focus of our product research and development.

When it comes to innovation in emerging products, we have five main approaches:



Striving to offer satisfaction and pleasure to meet consumers’ evolving needs

Developing a product portfolio and pipeline focusing on three areas:

e-cigarettes

tobacco vapor

other novel smokeless products

Pioneering early commercial launches, as with Ploom and Zero Style (smokeless tobacco products)

Conducting scientific assessments of potential reduced-risk products

Engaging with regulators in markets where we launch our emerging products

In 2014 we further strengthened our efforts on emerging products by setting up a global team that will focus on bringing together all our functions and know-how relating to this category. We introduced Ploom into two new markets – France and the U.K. – during 2014, and will continue to expand its availability globally. We will also look to increase the availability of E-Lites in the

U.K. and take the product into markets elsewhere. **Innovation in product and packaging design** By changing our product and packaging design, we can improve resource efficiency and reduce environmental impacts. In 2014 our international tobacco business completed a life cycle

analysis study to compare the carbon emissions and other environmental impacts of using different packaging materials. From 2015 onwards we will use the results of this analysis to identify ways to reduce environmental impacts of our packaging by working with suppliers.

Tobacco – regulatory landscape

Regulatory landscape

Due to the health risks associated with tobacco products, we believe regulation of the tobacco sector is necessary and right.

We strive for constructive dialogue with governments on regulations to ensure that it is based on solid evidence, will achieve its desired effect, and will not disproportionately affect the development, appearance, and placing of our product on the market.

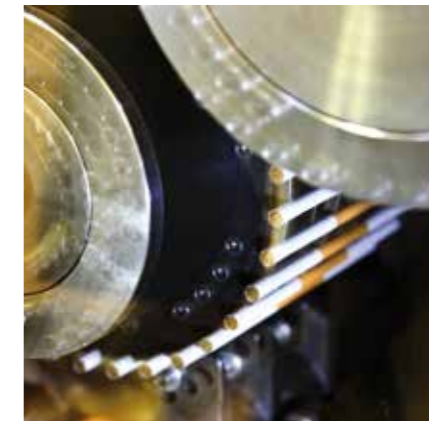
When we are consulted by governments, or take part in consultation processes, we aim to be respectful of each country’s decision-making process and to provide credible evidence substantiating our positions.

For example, in 2014 we contributed to the U.K. Government’s review of plain packaging for tobacco products by meeting the independent reviewer, Sir Cyril Chantler, and submitting a comprehensive, evidence-based response. We also encouraged meetings between Sir Cyril and two professors, on whose expert views we relied in our response. After submitting our views on plain packaging in Ireland during 2014, we also spoke at the Parliamentary Committee hearing on the subject.

Using evidence gathered by a world-renowned legal expert, we also wrote to the World Health Organization (WHO) in 2014, urging it to include tobacco companies in its discussions about regulation – in particular on the WHO’s Framework Convention on Tobacco Control.

We have clear guidelines for political engagement and an anti-bribery policy embedded within the Code of Conduct in our international tobacco business.

We comply with all requirements pertaining to our relationship with governments, for example with the U.K. Bribery Act and the EU Transparency Register. We were one of the first tobacco companies to sign up to the latter and have been in compliance since signing.





Tobacco – responsible marketing

We market our tobacco products to adult smokers in order to maintain brand loyalty and to encourage adult smokers of competitor brands to switch to our products. We do not market tobacco products to minors, nor do we encourage anyone to take up smoking – or discourage anyone from quitting. We support better regulation principles governing the responsible marketing of tobacco products, providing it is

evidence-based, practical, effective, and proportionate – and that allows us to communicate with adults who use our products. For example, we are concerned by proposals that would affect our ability to compete or differentiate our products by restricting the use of brand names, or would reduce our ability to communicate distinctions and attributes of different products and product types to adult smokers.

Our marketing standards

Our international tobacco business complies with all local laws and regulations affecting its tobacco product marketing, and also applies internal global marketing standard across every country in which it operates. These cover all aspects of marketing, including print, billboards, electronic media, promotional events, brand sponsorship, and health warnings on packaging.

Our Japanese domestic tobacco business complies with an industry self-regulatory marketing standard set by the Tobacco Institute of Japan, as well as local laws and regulations.

Compliance

The Code of Conduct in our international tobacco business requires all employees, agencies, and suppliers to comply with its global marketing standard.

Marketing programs have to be reviewed and approved, and compliance reviews are carried out internally to ensure that we meet both regulatory obligations and appropriately apply our internal marketing standards. In some countries these standards are stricter than national laws and regulations.

Preventing youth access

The JT Group believes minors should not smoke and should not be able to obtain tobacco products. We do not market to minors, and we support measures that prevent them from obtaining tobacco products, including supporting regulation that imposes fines or licensing restrictions on retailers who sell to minors. We also support the criminalization of proxy purchasing by adults, and we promote ‘proof of age’ programs.

Working with retailers

We support retailers in their efforts to prevent minors from buying tobacco, including through initiatives such as the U.K.’s ‘No ID, No Sale!’ program, which we initiated with other tobacco manufacturers in the U.K.

In our international tobacco business we focus activities on Retail Access Prevention programs, which educate retailers on how to refuse tobacco sales to minors. In Russia, together with other tobacco companies, we held around 370 training events targeting 10,000 retailers across 19 cities in 2014.

In our Japanese domestic tobacco business we have worked with the tobacco industry and the Japanese Vending Machine Association to ensure all tobacco vending machines are equipped with an adult identification system such as those based around ID cards.

In the U.K., in 2014, we completed a £400,000 pilot program, run by an

independent organization, of more than 6,000 test purchases in shops to check if ID was being requested. The program, which achieved a 7% increase in the number of retailers requesting ID, will now be extended across the U.K.



Litter campaigns

Litter from tobacco products is an issue that calls for collective action to educate adult consumers to act responsibly in relation to tobacco litter. A litter-free environment benefits everyone, smokers included.

We adopt a two-pronged approach on this issue: creating awareness through campaigns and providing smokers with facilities to easily throw away their cigarette butts.

This is well illustrated in the Netherlands, where in 2014 we ran an awareness campaign aimed at beachgoers in the municipality of Den Helder and, in parallel, placed around 70 cigarette butt drop-pits along the coastline of

the region. After the campaign, a study showed a 33% reduction in smoking-related litter.

In Japan, since 2004, we have run a ‘Pick up and you will love your city’ campaign, operating in collaboration with more than 3,300 organizations, including local governments, private companies, and volunteer groups as well as local citizens. We have organized more than 1,600 events in which an estimated 1.5 million people have participated since the launch of the initiative.



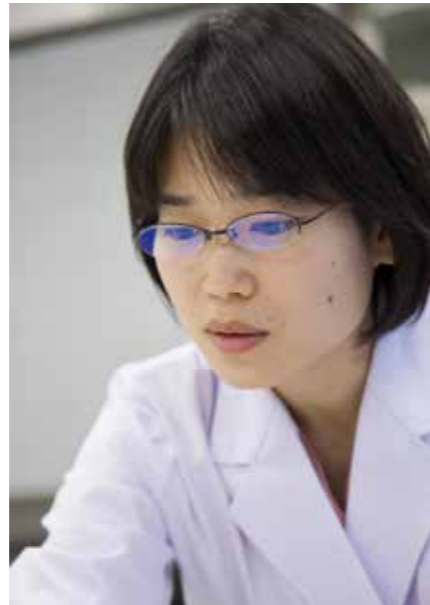
Litter awareness campaign in the Netherlands



Pharmaceutical – *product responsibility*

Our approach

In order to efficiently create new drugs, we focus research and development (R&D) mainly on three areas: glucose and lipid metabolism, virus research, and immune disorders and inflammation. During 2014 we spent ¥28.9 billion on R&D and put drugs into preclinical trials. After obtaining manufacturing and marketing approval in 2014, we began marketing a new drug, Riona Tablets 250mg, for treatment of hyperphosphatemia in patients in Japan.



Our mission

Our pharmaceutical business has a mission to create, through world-class research and development, innovative drugs that tackle diseases in a safe and secure manner.

Ethical considerations in research

Animal testing is an essential part of pharmaceutical research and development for determining the safety and efficacy of drugs. We have established in-house standards for managing animal testing and the breeding of laboratory animals in accordance with relevant laws and guidelines.

We have established an Animal Testing Committee, which reviews animal testing and ensures it is conducted in accordance with the '3R' concept: replacing the use of animals where possible, reducing the number of animals used in testing, and refining tests so animals do not suffer unnecessary pain. Our practices for the proper management of animal testing have been certified by a third party.

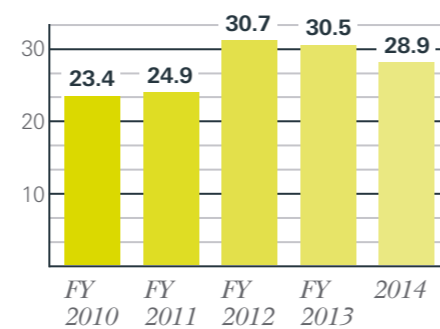
We also established an Ethics Review Committee for Clinical Studies to conform with the Ethical Guidelines for Clinical Studies in Japan. The committee's role is to examine the ethical and scientific validity of our research projects utilizing human-origin samples.



Responsible research and development

Our pharmaceutical business has a direct impact on human life, and therefore our R&D is guided by a strong sense of responsibility and ethics. Any divergence from this path could result in loss of life or damage to health – as well as diminished trust in the business. Our research activities are carried out in an appropriate and ethical manner and comply with all laws, regulations, and industry standards.

Pharmaceutical R&D expenditure (billions of Yen)



Responsible marketing

Medical representatives (MRs) play a key role in selling and promoting drugs to healthcare professionals. In Japan, Torii Pharmaceutical markets prescription drugs through a team of 499 MRs. Outside Japan we license drugs to other pharmaceutical manufacturers and do not have a sales function.

The JT Group is a member of the Japan Pharmaceutical Manufacturers Association (JPMA), and we comply with its code of practice, which promotes high ethical and transparency standards in the promotion of prescription drugs. Part of that code requires JPMA members to establish their own code of practice in this area.

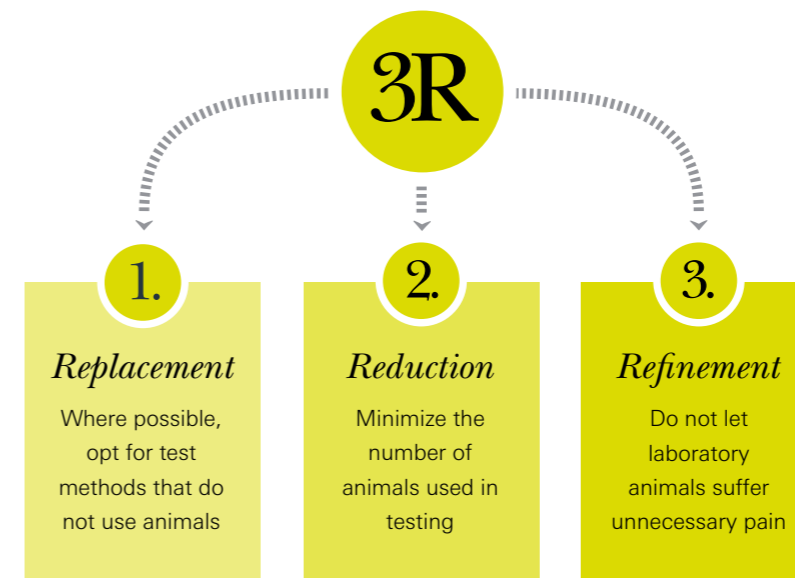
Torii Pharmaceutical's own code is backed up by training to ensure that employees and MRs understand and abide by it. In 2014 Torii Pharmaceutical provided refresher training for MRs on how they can better inform health workers about the effectiveness and possible side effects of prescription drugs.

Complying with pharmaceutical regulations and standards

We have a rigorous system of checks in place to ensure new drug development complies with all relevant laws, regulations, and industry standards. In-house audits make sure our procedures are correctly followed and that we control safety within drug development and trials. We also gather data to monitor the efficacy and side effects of drugs on the market to help guide future drug developments and drug safety.

Managing chemical substances

We comply with all relevant laws and regulations on the control of designated chemical substances, and our employees are made aware of chemical safety risks and management. Torii Pharmaceutical, our pharmaceutical subsidiary, separates chemicals into different categories requiring different levels of management. The company has specific rules and procedures that respond to the characteristics and safety risks of different groups of chemicals.



Transparency on cooperation with institutions

Cooperation with research institutes, universities, and medical institutions is essential if we are to realize our mission. We are transparent about financial contributions to these bodies and disclose such payments online.



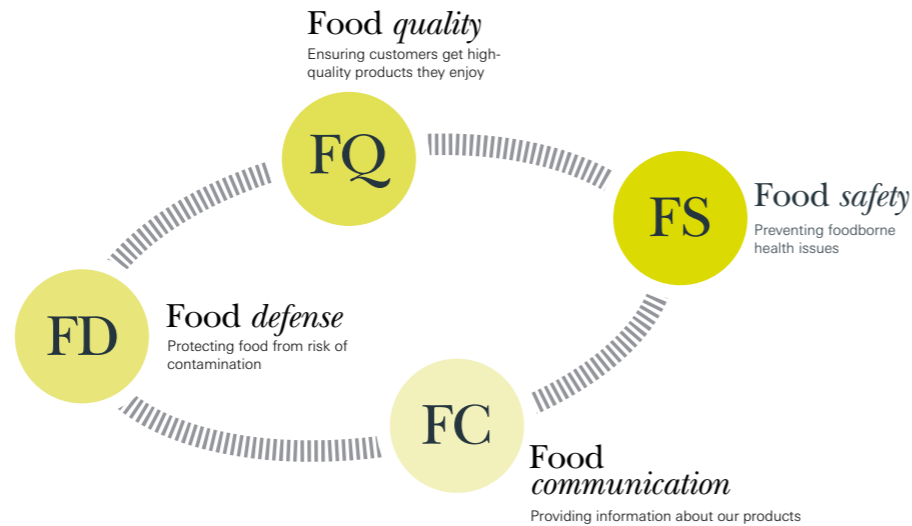
Beverage and processed food – product responsibility

In our beverage and processed food businesses we aim to meet consumers' needs – and preserve our good reputation – with the highest-quality and best-tasting products. Food safety

is a priority, and we maintain the highest standards of control to provide safe and reliable products.

Delivering safe, high-quality products

We have a rigorous quality and process control system focused on four areas: food safety, food defense, food quality, and food communication. This guarantees safety in every part of our beverage and processed food businesses, from the buying of raw materials to manufacturing and distribution. Given heightened consumer awareness of food safety in Asia during 2014 and the imminent enforcement of new food labeling regulations in Japan, we have reviewed our procedures in this area to ensure we operate in an appropriate way.



Food safety

Each of our beverage and processed food businesses has a division to control food safety, and each holds a quarterly meeting to review food safety initiatives and share best practices.

We analyze product-specific safety risks and conduct inspections and audits in line with these risks. All our own frozen food factories are certified to the ISO 22000 food safety management

system, as are those owned by our third party frozen food contractors. Factories are subject to external certification audits.

Our beverage business outsources its production to third parties. With our encouragement, 68.8% of these manufacturers have certified their factories to the FSSC 22000 food safety management system. In addition to

those already certified to FSSC 22000, we inspect food safety systems of our contracted partners ourselves.

In 2014 we conducted extra inspections of all factories, partly in response to major food safety incidents involving some other companies in Asia. We assessed risks and, where necessary, implemented improvements.



100%

ISO 22000 certified frozen food factories

68.8%

FSSC 22000 certified beverage business partner factories



Food defense

Food defense is about protecting our manufacturing processes and products from contamination. Our beverage business, as well as our processed food subsidiary, TableMark, have developed and adopted food defense guidelines that apply to factories and distribution centers as well as contract manufacturers.

Partly in response to incidents of disgruntled factory workers at other companies in Japan tampering with products, these guidelines are now being updated to emphasize the importance of motivating employees. During 2014 we held seminars for manufacturing partners that focused on lessons learned from recent food safety scandals in Asia.

Food quality

We ensure quality management through certification to ISO 22000 or FSSC 22000. Our beverage business has also developed its own quality assurance system.

TableMark has a quality improvement committee that responds to consumer opinions. In 2014, for instance, such feedback led TableMark to provide more comprehensive cooking instructions for its packed cooked rice.

Our consumer complaints management system is compliant with ISO 10002, the international standard for customer satisfaction.

Food communication

We provide information to consumers about our products, including disclosure of ingredients and where they come from.

In our processed food business we disclose the factory where products are made and the origin of main ingredients. We also offer toll-free numbers on product labels so consumers can request additional information. In Japan we are preparing for new regulations that will require changes to labeling. We give details of food safety control programs, and publish frequently asked consumer questions on our websites.

We also communicate with consumers by allowing them to visit factories, where we explain what we do and how we do it. In 2014, for example, 1,499 people – mainly students – went on tours of our Unuma Mizunosato noodle and rice factory in Japan.

Our food defense guidelines

Tight control of facilities, water sources, and toxic substances

Restricted areas for both employees and visitors

Restrictions on personal belongings in factories



The bigger picture

It is our responsibility as a corporate citizen to contribute to the communities in which we operate. We help to improve the quality of life in communities in various ways, including through financial contributions and investments, employee volunteering, and the endowment of a charity, the JTI Foundation (www.jtifoundation.org).

We are guided in this area by the JT Group Corporate Citizenship Activity Policy, which focuses on four areas: social welfare, arts and culture, environmental protection, and disaster relief. In 2015 we are adopting the LBG measurement model to better assess the real value and impact of our community investment to both business and society.



¥8,923 ^(*A) million
2014

¥7,780 million
FY2013

invested in community activities

28

2014

programs to which the JTI Foundation made financial contributions through 21 partner organizations in 19 countries

314

2014

programs supported worldwide by our international tobacco business

In the U.K., charities supported by employees benefited more than **13,000** vulnerable people

¥94.3 million
2014

provided to support 24 post-earthquake reconstruction projects in Japan

60

university scholarships agreed to be provided over six years (from 2012 to 2018) to adult orphans on low incomes through our support of the Al Aman Fund in Jordan

Continuous post-earthquake support in Japan

Many communities in the Tohoku region of Japan are still suffering from the after-effects of the earthquake and tsunami that hit East Japan in 2011.

While support from elsewhere is dropping away, the JT Group continues to help affected areas that have not fully recovered from the disaster. Our programs include the JT Reconstruction Support Project, launched in 2013, which provided ¥94.3 million to support 24 projects in 2014.

We continue to support the rebuilding of agriculture in Rikuzentakata, one of the most affected communities, through our 'Takata no yume' project.

Takata no yume is a new rice variety, developed by the JT Group to suit the region's climate and donated to the city with its ownership rights. In 2014, 21 farmers harvested 260 tons of this rice, a significant rise from one ton in 2012.

"Takata no yume has resurrected agriculture in our community. Having someone who continues to support us is encouraging and comforting."

Futoshi Toba, Mayor of Rikuzentakata



Caring in the community

Five employee-led Community Care Committees within our international tobacco business make a difference across the U.K. by supporting local charities that address the needs of communities where each committee is based: in Manchester, Crewe, Weybridge, Lisnafillan, and within the nationwide sales force. In 2014 alone, thanks to project support and employee volunteering, the committees changed more than 13,000 people's lives for the better. Projects included finding supported accommodation for homeless people (with Elmbridge Rentstart and Simon on the Streets), delivering professional work placements for adults

with a learning disability (the Kingsley Organisation), providing free transport for isolated older people (Byfleet Care), and offering support and rehabilitation for survivors of domestic abuse (Women's Aid and Survive).

"It's the little things that mean so much, and the generosity of JTI volunteers floors us every time."

Christine Harmes, Counselling Co-ordinator, Survive (sexual abuse charity)

Helping young musicians

No matter how musically talented someone is, they will find it difficult to make their way in their chosen profession if they have little money. In South Africa we provide financial support for the Johannesburg Philharmonic Orchestra's academy, which helps people from disadvantaged backgrounds with tutoring and work experience that sets them on the road to becoming a professional musician. Each year ten 'cadets' are chosen for a ten-month program that allows them to receive musical tuition at the orchestra, take part in rehearsals, perform in

concerts, and receive advice on life skills such as money management and how to carry out contractual negotiations.

"My time as a cadet with the academy was great. I never imagined how much I could learn in such a short space of time."

Dineo Matsepe, 2014 academy cadet (violin)





About this report

We report annually on our sustainability activities and performance and have been publishing environmental or CSR reports in various forms since 1998. Our last report, 'JT Group Sustainability Report FY2013', was published in June 2014. We follow the principles of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, and though we are not yet in accordance with the G4 'Core' Guidelines, we are working toward this goal in future reports.

We defined the content of this document using a materiality assessment in our international tobacco business, with peer benchmarking and an internal prioritization exercise in our other businesses.

In 2014 the JT Group moved its reporting period to the calendar year ending December 31. In the past, Group companies outside Japan reported their financial performance from January to December, while in Japan our business took its financial year to be from April 1 to March 31. Due to this transition, the JT Group's FY2014, excluding its international tobacco business, only consisted of a nine-month period from April 1 to December 31. However, for comparability of the JT Group's year-on-year performance, in this report data indicated as 2014 covers January to December 2014, unless otherwise stated. Historic data indicated with 'FY' covers fiscal year from April 1 to March 31 for our Japanese domestic operations. From 2015 all the JT Group companies will report performance spanning from January 1 to December 31.

Changes in structure, size, or ownership

There were no major changes to the size or structure of the JT Group within the reporting period.

However, in 2014 we announced the proposed closure of factories in Wervik, Belgium, and Lisnafillan, Northern Ireland, potentially affecting around 1,100 jobs.

In November 2014 we completed the acquisition of the U.K. company Zandera, which makes E-Lites e-cigarettes.

In February 2015 we decided to cease the manufacture and sale of JT brand beverages by the end of September 2015.

In February 2015 JT announced that 1,754 employees agreed to take voluntary retirement under a program announced in late 2013.

Notes on data

Although we report overall JT Group figures wherever possible, in some areas this has not been possible. In such instances we have made it clear to which part of the business the data applies.

The Japanese Yen exchange rates against the U.S. Dollar used in this report are the same used in our consolidated financial reporting.

Environmental, health and safety data measurement

We measure Group-wide GHG emissions using the WRI/WBCSD GHG Protocol, an international guideline that recommends reporting across three areas:

- Scope 1: Direct GHG emissions from corporate activities, such as burning of fossil fuels at factories.
- Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat, or steam.
- Scope 3: Other indirect emissions, including from the manufacture of products bought from other companies.

For GHG reporting, in Japan we use conversion factors set by the Japanese Act on the Promotion of Global Warming Countermeasures, 2009. In our international businesses we use conversion factors set by the International Energy Agency for 2009.

Environmental data is collected from all functions within the business using actual data, whenever it is feasibly available, or using estimated data where actual data is not available.

Health and safety data for the international tobacco business is collected from all functions via monthly or quarterly reporting and those for JT is reported to the headquarters when a health and safety incident takes place.

For further details on our environmental, health and safety data methodology, please refer to the GRI G4 Content Index on our website.

External verification and assurance

This report is not externally assured, although some of the data within it has been externally verified. This includes Group-wide Scope 1 and 2 GHG data and some Scope 3 GHG data. In future we will consider expanding the scope of assurance of our non-financial data.

Other publications

Websites

Japan Tobacco Inc. (global site): www.jt.com
Japan Tobacco International (international tobacco business): www.jti.com
Torii Pharmaceutical Co., Ltd. (pharmaceutical subsidiary): www.torii.co.jp/en
TableMark Co., Ltd. (processed food subsidiary): www.tablemark.co.jp (in Japanese)

Publications

JT Annual Report:
www.jt.com/investors/results/annual_report/index.html

Awards and recognition

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

We are a member of the Dow Jones Sustainability Asia/Pacific Index (www.sustainability-indices.com) and of the Morningstar Socially Responsible Investment Index (MS-SRI) (www.morningstar.co.jp/sri, in Japanese).

We have also been awarded with a position on the Japan 500 2014 CDLI, run by the CDP, a global body that helps companies measure, manage, and disclose environmental performance. This is recognition for the depth and quality of the climate change information we disclosed (www.cdp.net).

Contacts and feedback

Japan Tobacco Inc. (Headquarters)

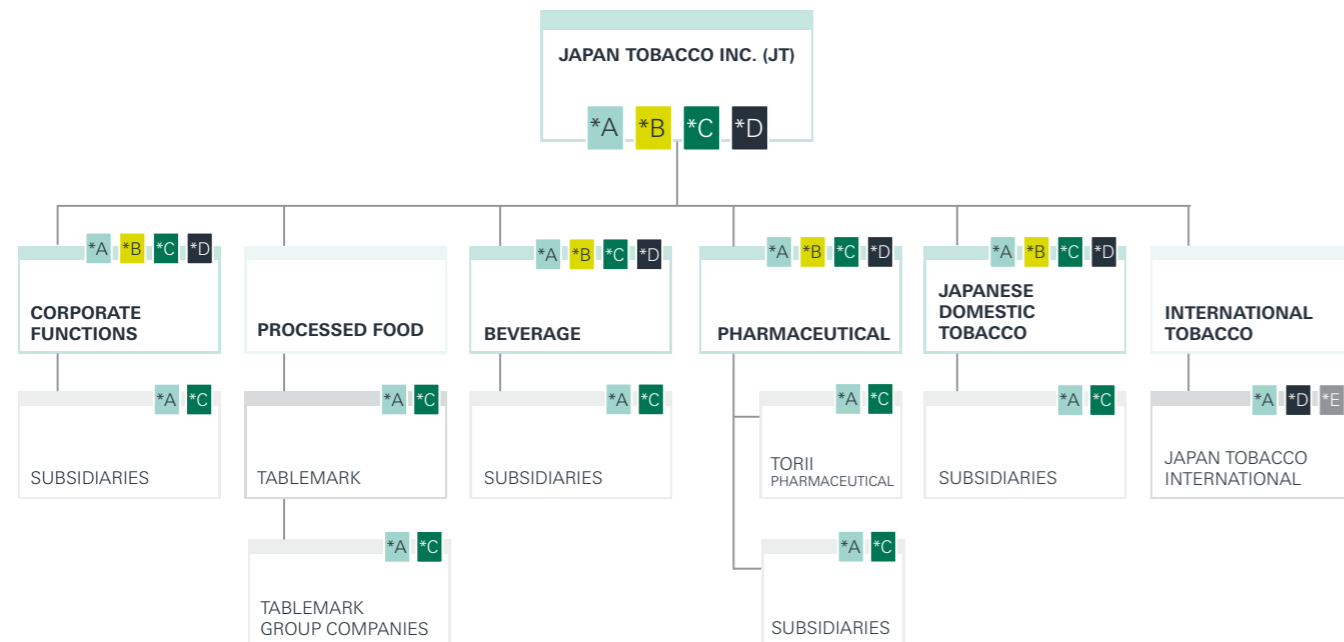
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For more information or to provide feedback on this report, please email:

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*A = the entire JT Group *B = solely Japan Tobacco Inc. (JT) *C = Japan Tobacco Inc. (JT) and Japanese domestic group companies
 *D = Japan Tobacco Inc. (JT) and Japan Tobacco International (JTI) *E = solely Japan Tobacco International (JTI)



GRI G4 content index summary

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. However, our reporting is not yet in accordance with the GRI G4 'Core' Guidelines and we have not made disclosures in all areas.

The identification of Specific Standard Disclosures is based on a materiality assessment in our international tobacco business only.

We aim for our FY2015 report to be in accordance with GRI G4 'Core'.

For a full GRI G4 content index (hereafter 'GRI Index') with more details around our disclosure, please visit www.jt.com/csr/report/index.html.

The index below provides the list of Standard Disclosures for which we have either provided information in this report or in other public documents, such as our [Annual Report](#). We also provide a self-assessment of whether these Standard Disclosures have been fully disclosed (marked with ■) or partly disclosed (■).

General Standard Disclosures

Strategy and analysis		Organizational profile					
G4-1	G4-3	G4-4	G4-5	G4-6	G4-7	G4-8	
p.4-5	p.6-7, AR	p.6-7	p.6-7	p.6-7	p.6-7,58-59, AR*	p.6-7	
Organizational profile							
G4-9	G4-10	G4-11	G4-12	G4-13	G4-14	G4-15	G4-16
p.6-7, AR, GRI Index	p.6-7,30-31	p.27	p.8,9,11,32-39	p.6-7,58	p.41, GRI Index	p.10,18,22-23,38,43-44, 49-51,56	p.18,52
Identified material aspects and boundaries							
G4-17	G4-18	G4-19	G4-20	G4-21	G4-22	G4-23	
p.2, AR	p.8-9,19,58	p.8-9,19	GRI Index	GRI Index	p.25, GRI Index	p.19,58, GRI Index	
Stakeholder engagement				Report profile			
G4-24	G4-25	G4-26	G4-27	G4-28	G4-29	G4-30	G4-31
p.17	p.15,17	p.17	p.17-19	p.58-59	p.58-59	p.58-59	p.58-59
Report profile		Governance	Ethics and integrity				
G4-32	G4-33	G4-34	G4-56				
GRI Index	p.59	p.16, AR	p.14-15,20-23,25-27,32-33,41,47,49-50,52-55				

* AR stands for Japan Tobacco Inc. Annual Report FY2014.

Specific Standard Disclosures

Economic		Environmental					
Indirect economic impacts		Procurement practices		Materials		Energy	
DMA	G4-EC8	DMA	DMA	G4-EN1	DMA	G4-EN3	
p.36-38		p.33	p.39		p.39,42,59, GRI Index		

Environmental

Water		Biodiversity		Emissions				
DMA	G4-EN8	DMA	DMA	G4-EN15	G4-EN16	G4-EN17	G4-EN18	G4-EN19
p.44		p.45		p.42,59, GRI Index				

Environmental

Effluent and waste			Supplier environmental assessment		Employment			Labor/management relations	
DMA	G4-EN22	G4-EN23	DMA	DMA	G4-LA1	G4-LA2	DMA		
p.44, GRI Index			p.33-34,42		p.29, GRI Index			p.27,29,37	

Labor practices

Occupational health and safety		Training and education		Diversity and equal opportunity		Supplier assessment for labor practices		Labor practices grievance mechanisms	
DMA	G4-LA6	DMA	G4-LA11	DMA	G4-LA12	DMA	DMA	G4-LA16	
p.25-26,37, GRI Index		p.28		p.30, AR		p.33,37-38		p.21	

Human rights

Non-discrimination		Freedom of association and collective bargaining		Child labor		Forced or compulsory labor		Assessment		Supplier human rights assessment	
DMA	G4-HR3	DMA	DMA	G4-HR5	DMA	DMA	DMA	DMA	DMA	DMA	
p.27		p.27		p.37-38		p.37-38		p.21,27, GRI Index		p.33,37-38, GRI Index	

Human rights

Human rights grievance mechanisms		Local communities			Anti-corruption			Public policy		
DMA	G4-HR12	DMA	G4-SO1	DMA	G4-SO4	G4-SO5	DMA	G4-SO6		
p.21,27		p. 32,36-37,56-57, GRI Index			p. 21-23,49, GRI index			p.18,66, GRI Index		

Society

Anti-competitive behavior		Compliance		Supplier assessment for impacts on society		Customer health and safety		Product and service labeling	
DMA	G4-SO7	DMA	G4-SO8	DMA	DMA	G4-PR1	DMA	G4-PR4	
p.22		p.21, GRI Index		p.33,37-38		p.47-48, GRI Index		p.47,49-51,55, GRI Index	

Product responsibility

Marketing communications			Compliance		
DMA	G4-PR6	G4-PR7	DMA	G4-PR9	
p.47,49-51,53,55, GRI Index			p.21,47,49-51, GRI Index		