

JT Group Sustainability Report FY2015

BASIS OF REPORTING

Introduction

This Basis of Reporting document outlines the scope and the way we define, calculate, and consolidate specific environmental, human resources (HR), and health and safety related data within Our planet and Our people sections of the JT Group Sustainability Report FY2015. We will aim to update the Basis of Reporting document each year and to expand the list of data in the future.

KEY

DEFINITIONS

In this section we clarify the meaning we attach to specific terms used as part of our performance data points.

SCOPE

This section states the scope of the data (correct for the business structure of the JT Group as of December 31, 2015) and any exclusions if applicable. We report data for the entire JT Group including subsidiaries, wherever possible. In the middle of 2015 the JT Group withdrew from the beverage business. As a result, we excluded this business from reported data for 2015, or stated otherwise where that was not possible or appropriate. In addition, some of the historical data presented in the FY2015 report has been restated to reflect the changes in the organization retrospectively. We use the following scope notations:

*A = the entire JT Group including subsidiaries (i.e. international tobacco, Japanese domestic tobacco, pharmaceutical, and processed food businesses)

*B = solely Japan Tobacco Inc. (JT) (includes Japanese domestic tobacco and pharmaceutical businesses, and excludes international tobacco business, processed food 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)

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

In this section we provide information for the calculations, formulas, consolidation method, and any assumptions or estimates used.

ASSURANCE

In this section we provide, where applicable, information on the standard against which specific indicators are assured and the level of assurance or verification.

Human resources

ORGANIZATIONAL PROFILE

GRI G4-10 – Workforce information

DEFINITIONS

Workforce consists of people working for the company at the end of 2015 as follows:

- Full-time employee is defined according to national legislation and practice regarding working time (such as national legislation defines that 'full-time' means a minimum of nine months per year and a minimum of 30 hours per week).
- Part-time employee is defined as an employee whose working hours per week, month, or year are less than 'full-time' as defined above.
- Supervised worker is defined as an individual who performs regular work on-site for, or on behalf of, the organization but is not recognized as an employee under national law or practice.
- Permanent contract is defined as a contract for an indeterminate period.
- Temporary contract is defined as a contract for a limited duration or determinate period.

SCOPE

The scope of this data covers the entire JT Group including subsidiaries ^{(*)A}, excluding employees in non-SAP entities. For the breakdown of supervised workers the scope is only JT and Japanese domestic Group companies ^{(*)C}. Workforce information broken down by JT Group businesses includes non-SAP entities to ensure consistency with JT Annual Report FY2015. The beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015, are also included.

Currently, the gender breakdown of temporary part-time employees cannot be provided by JT and Japanese domestic Group companies as we calculate this number based on full-time equivalent (FTE).

The gender breakdown of supervised workers cannot be disclosed as it is deemed legally inappropriate.

No substantial portion of our work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

The figures are calculated based on exported data from our HR systems.

GRI G4-11 – Percentage of total employees covered by collective bargaining agreements

DEFINITIONS

An employee is covered by a collective bargaining agreement if the employee declares his intentions to be part of a trade union and pays periodical union dues.

SCOPE

The scope of this data includes JT and Japanese domestic Group companies ^{(*)C}, including 23 Group companies and excluding 23 Group companies. The beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015, are also included. Data from our international tobacco business is excluded because the law in some of the countries where we operate prohibits us from investigating whether an employee is unionized.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

The figures are calculated based on exported data from our HR systems.

ECONOMIC - MARKET PRESENCE

GRI G4-EC5 – Ratios of standard entry-level wage by gender compared to local minimum wage at significant locations of operation

DEFINITIONS

Standard entry-level wage is defined as the theoretical lowest wage in the location and is therefore equal to or lower than the actual lowest wage paid in the entity.

Local minimum wage refers to compensation per hour or other unit of time for employment allowed under law. For Tokyo we use the official minimum wage of the Tokyo metropolitan area. For Moscow we use the official minimum wage of Moscow City. For Trier we use the official German minimum wage.

Significant locations are defined as JT Tokyo HQ, JTI Geneva HQ, JTI Moscow, and JTI Trier factory. Tokyo and Geneva are our headquarters, and Moscow is the HQ office of the JTI Russia market – this market has the highest number of employees in our international tobacco business. As a change from our FY2014 report, we have designated Trier, our second largest factory in terms of number of employees, as a significant location, rather than our Petro factory in Saint Petersburg, Russia, which has the largest number of staff. We have done this in the interests of reporting on a greater geographical diversity of facilities.

SCOPE

Significant locations of operations have been identified, as mentioned above, at Group-level including subsidiaries ^(*A). The data includes the beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015. For our international tobacco business, the scope includes permanent full-time and part-time employees and temporary full-time employees. However, there is no official minimum wage in Geneva; therefore, it will be disclosed as N/A. In JT, the scope includes only permanent full-time and part-time employees, and temporary full-time employees are not included.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

For the data reported under Tokyo the basis for calculation is hourly minimum wage and monthly entry-level wage. For the data reported under Germany the basis for calculation is hourly minimum wage and hourly entry-level wage. For the data reported under Moscow the basis for calculation is yearly minimum wage and yearly entry-level wage.

GRI G4-EC6 – Proportion of senior management hired from the local community at significant locations of operation

DEFINITIONS

Senior management is defined as:

- All people that report directly to the General Manager (including himself/herself)
- All people that report to the head of Marketing & Sales
- The Head of IT, who reports to the Chief Financial Officer
- The Security Director and Anti-Illicit Trade Director who report to the Head of Legal

Significant location of operation for this indicator is defined based on the number of employees. In 2015 our biggest market in terms of employees was the Russian market.

SCOPE

The scope for this indicator includes full-time and part-time senior managers, but currently all senior managers are full-time employees.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

The proportion is calculated as the number of management hires from the local community as of the end of 2015 divided by the total management as of the end of 2015.

LABOR PRACTICES AND DECENT WORK - EMPLOYMENT

GRI G4-LA1 – Total number and rates of new employee hires and employee turnover by age group, gender, and region

DEFINITIONS

New employee hire is defined as the number of new employees joining the company from outside of JT Group companies.

Employee turnover is defined as the number of employees who left the company for any reason, voluntarily or not. Employee's age is classified in three groups: under 30, between 30 and 50, and above 50 years of age. Regions are defined as the geographical business areas specified within our Annual Report.

SCOPE

The scope of this data is detailed below, and all figures include the beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015, and exclude employees in non-SAP entities:

- The number and rate of turnover by age: the entire JT Group including subsidiaries ^(*A), and includes permanent full-time and part-time employees and temporary full-time employees
- The number and rate of turnover by gender: the entire JT Group including subsidiaries ^(*A), and includes permanent full-time and part-time employees and temporary full-time employees
- The number and rate of turnover by region: the entire JT Group including subsidiaries ^(*A), and includes permanent full-time and part-time employees and temporary full-time employees
- The number and rate of new employee hires by age: JT and JTI ^(*D), and includes permanent full-time and part-time employees and temporary full-time employees
- The number and rate of new employee hires by gender: the entire JT Group including subsidiaries ^(*A), and includes permanent full-time and part-time employees and temporary full-time employees
- The number and rate of new employee hires by region: the entire JT Group including subsidiaries ^(*A), and includes permanent full-time and part-time employees and temporary full-time employees

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data for these indicators is collected in our HR systems.

The turnover and new employees' numbers are based on exported data from our HR systems, at the end of 2015.

Turnover rate is calculated as the total number of turnover divided by the total number of employees at the end of 2015 for the defined scope above.

New employees' hire rate is calculated as the total number of new employee hires in 2015 divided by the total number of employees at the end of 2015 for the defined scope above.

GRI G4-LA2 – Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

DEFINITIONS

Significant locations for this indicator include JT Tokyo HQ and JTI Geneva HQ.

SCOPE

For data reported under Tokyo the scope is solely JT ^(*B). The scope of data reported under Geneva is JTI ^(*E).

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Benefits for temporary part-time employees in Geneva have been stated pro rata.

LABOR PRACTICES AND DECENT WORK – LABOR/ MANAGEMENT RELATIONS

GRI G4-LA4 – Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

DEFINITIONS

Minimum notice periods are defined as those required, if any, by law in the country where the operational change occurs.

SCOPE

We disclose significant operational changes that have substantial consequences for a large proportion of employees. The reported information corresponds to closures or withdrawal from business publicly announced in 2015 or earlier but which had not been completed yet during the reporting period.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Notice periods are disclosed for each specific case of operational change. Notice periods are calculated and disclosed in two different ways: the number of months between the announcement of the closure and the first redundancies, and the number of months between the announcement of the closure and the closedown.

LABOR PRACTICES AND DECENT WORK – TRAINING AND EDUCATION

GRI G4-LA10 – Programs for skills management and lifelong learning that support the continued development of employees and assist them in managing career endings

DEFINITIONS

We consider skills management programs that take account of employees' needs and future career opportunities, as well as requirements of the business.

SCOPE

We disclose global development programs that have wider coverage within JT and JTI ^(*D), including the beverage businesses that were part of JT as of December 31, 2015.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

The report includes examples of programs that apply within JT and JTI.

GRI G4-LA11 – Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

DEFINITIONS

We consider an employee to receive regular performance and career development review if the employee has an opportunity to have their development and business objectives as well as competences evaluated by their superior at least once a year.

SCOPE

The scope for the percentage of employees receiving regular performance and career development reviews is the entire JT Group including subsidiaries ^(*A). However, the scope for the breakdown by gender and employee category is JT and JTI ^(*D). The scope of employees includes permanent full-time and part-time employees and temporary full-time employees but excludes employees in non-SAP entities. This data includes the beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of employees who received a performance and career development review in 2015 divided by the total number of employees at the end of 2015.

LABOR PRACTICES AND DECENT WORK – DIVERSITY AND EQUAL OPPORTUNITY

GRI G4-LA12 – Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

DEFINITIONS

Employee's age is classified in three groups: under 30, between 30 and 50, and above 50 years of age. The following definitions are used for employee categories in our international tobacco business:

- Employees that are members of the Executive Committee are categorized as Executive Officers.
- The Vice President and Director-level employees are categorized as Management.
- Persons of Manager level and Associate level are categorized as Employees.
- And for JT and Japanese domestic subsidiaries, the following definitions are used:
- Executive Officers are persons who are appointed by the Board of Directors, are assigned certain responsibilities, and delegate relevant authorities in accordance with the Rules Defining the Extent of Responsibility and Authority.
- Management is defined as persons in positions of supervision or management according to national legislation and practice and excluding Executive Officers.
- Employees are persons who are not in management positions.

SCOPE

The scope of this data includes the entire JT Group including subsidiaries ^{(*)A}, excluding employees in non-SAP entities. Akros Pharma Inc. is included in the data by position and gender, but excluded from the data by age group and gender. This data includes the beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015. The data consists of permanent full-time and part-time employees and temporary full-time employees. We store information only for the gender and age of our employees.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

The figures are calculated based on exported data from our HR systems.

LABOR PRACTICES AND DECENT WORK – EQUAL REMUNERATION FOR WOMEN AND MEN

GRI G4-LA13 – Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

DEFINITIONS

Significant locations for this indicator include JT Tokyo HQ and JTI Geneva HQ.

Unless specifically stated, the following definitions are used for employee categories in our international tobacco business:

- Vice President
- Director
- Manager
- Associate

And for JT and Japanese domestic subsidiaries, the following definitions are used:

- Executive Officers are persons who are appointed by the Board of Directors, are assigned certain responsibilities, and delegate relevant authorities in accordance with the Rules Defining the Extent of Responsibility and Authority.

- Management is defined as persons in positions of supervision or management according to national legislation and practice and excluding Executive Officers.
- Employees are persons who are not in management positions.

SCOPE

In JTI Geneva HQ the scope includes permanent full-time employees and excludes those who manage their salary with non-CHF currency. In JT Tokyo HQ the scope includes permanent full-time and part-time employees and temporary full-time employees.

DATA CALCULATION, CONSOLIDATION METHOD AND ASSUMPTIONS

The figures for both JT Tokyo HQ and JTI Geneva HQ are calculated based on 'annual base salary.'

For JTI Geneva HQ, we calculate the average annual base salary by gender for each employee category defined above. This average is used to calculate the ratio of annual base salary of women to men within each category.

In JT Tokyo HQ, each of the categories defined above (Executive Officers, Management, and Employees) includes multiple grades. We select grades that include both female and male employees to calculate the ratio of annual base salary of women to men. Then, those pay ratios are consolidated into the above three categories based on the weighted average of employees within each grade.

OTHER EMPLOYEE - RELATED DATA

PERCENTAGE OF MANAGEMENT POSITIONS HELD BY WOMEN AT THE END OF 2015

DEFINITIONS

In our international tobacco business, an employee is categorized at a position of management if the employee is Director level or above. In JT and Japanese domestic subsidiaries, an employee is categorized at a position of management if the employee is in a position of supervision or management according to national legislation and practice.

SCOPE

The scope of this data includes the entire JT Group including subsidiaries ^(A), excluding employees in non-SAP entities. This data includes the beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015. Data consists of permanent full-time and part-time employees and temporary full-time employees.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of women holding a management position at the end of 2015 divided by the total number of employees who have a management position at the end of 2015.

PERCENTAGE OF MANAGEMENT POSITIONS FILLED BY INTERNAL HIRES

DEFINITIONS

In our international tobacco business, an employee is categorized at a position of management if the employee is Director level or above. In JT, an employee is categorized at position of management if the employee is in a position of supervision or management according to national legislation and practice. We defined internal hires as current employees who would be reassigned to a new position by promotion or internal transfer.

SCOPE

The scope of this data includes JT and JTI ^(D), excluding employees in non-SAP entities. Data consists of permanent full-time and part-time employees and temporary full-time employees.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of management positions filled by internal hires in 2015 divided by the total number of management positions filled in 2015.



TOTAL NUMBER OF TALENT PARTNERSHIP PROGRAM EXCHANGES

DEFINITIONS

Total number of our Talent Partnership Program exchanges is defined as the sum of employees who are transferred as functional or development assignees from JT to JTI or vice versa at the end of 2015.

SCOPE

The scope of this data includes JT and JTI ^(*D).

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as a sum of the number of functional assignees and development assignees seconded between JT and JTI at the end of 2015.

NUMBER OF COMPANIES WITH A UNION / NUMBER OF COUNTRIES WHERE EMPLOYEES ARE REPRESENTED BY A UNION OR WORK COUNCIL

DEFINITIONS

A union is defined as an organization that has as one of its purposes to collectively bargain the wages, hours, and conditions of employment of a particular group of employees.

SCOPE

The scope of this data includes the entire JT Group including subsidiaries ^(*A).

This data includes the beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 31, 2015.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as of the end of 2015.

Health and safety

OVERVIEW OF HEALTH AND SAFETY DATA

ASSURANCE

Our international tobacco business commissioned an independent services body to provide limited-level verification over occupational health and safety performance data, including vehicle fleet safety performance, based on the agreed-upon procedures principle, focusing on the accuracy, comparability, and timeliness of the data, as well as the reliability of underlying data management systems for how data should be measured, recorded, and reported.

RESTATEMENT

The number of factories reported as having OHSAS 18001 certification has been restated as we found a misalignment in the scope of the numbers reported in the JT Group Sustainability Report FY2014. Applying the correct scope in calculating the 2014 data would have resulted in 81.0%, instead of 77.8%.

We would also like to restate the number of vehicle accidents (*E) reported in the JT Group Sustainability Report FY2014 from 1,318 to 1,341.

LABOR PRACTICES AND DECENT WORK INDICATORS

GRI G4-LA6 - Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

DEFINITIONS

We define lost-time incidents (LTIs) as a sum of lost-time injuries, lost-time illnesses/occupational diseases, and fatalities. Lost-time injury is a work-related injury that results in an individual being unable to work on a subsequent scheduled workday or shift. Lost-time illness/occupational disease is a work-related illness/occupational disease resulting in an individual being unable to work on a subsequent scheduled workday or shift. Fatality is a death resulting from a work-related injury or illness/occupational disease.

We record and report the following fatalities:

- Fatal occupational injuries and/or fatal work-related ill-health cases that occur on, or across the immediate external perimeter of, our site/office to our employee while he/she is on duty, a contractor while he/she is working for us (including on-site third-party operations), or a person visiting our site/office.
- Fatal occupational injuries or work-related ill-health cases that occur while an employee is away from our site/office but on company business (i.e. while on duty).
- All fatal accidents involving members of the public that are associated with the JT Group's own operations and/or associated with a JT Group employee while she/he is on duty.

SCOPE

The scope of this data includes the entire JT Group including subsidiaries ^(*A), which covers all companies and sites. This data includes the beverage business and its subsidiary, JT Beverage Inc., which were part of the JT Group as of December 3, 2015.

The scope of health and safety data we state in the report is broken down as follows:

- Number of fatalities: Group-level data is for employees only. For our international tobacco business, we also report the number of contractor fatalities, and third-party fatalities resulting from an incident involving an asset, such as a facility or a vehicle being driven for business purposes.
- Number of LTIs: Group-level data covers employees, while data for contractors, and in some instances supervised workers, is only captured in our international tobacco business. Currently, outside of Japan, lost-time illness/occupational disease only covers reported cases from the UK market.
- LTI rate: Group-level data is for employees only. Contractors and supervised workers, who are not under our direct supervision, are not included in our LTI rate as we do not have reliable data on the number of hours worked.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

In our international tobacco business, health and safety data is collected at individual sites and locations, and reported internally on a monthly basis. Calculation is performed in the following manner:

- Number of fatalities: a sum of all fatalities within our defined scope
- Number of LTIs: a sum of all LTIs within our defined scope
- LTI rate: the number of LTIs divided by 200,000 hours worked for our defined scope

In our Japanese domestic operations, health and safety data is reported to headquarters by individual functions and Group companies on an annual basis, while serious incidents are reported immediately. The number reported is based on the number of health and safety related events that were submitted to and are recognized by relevant Japanese authority as such.

- Number of fatalities: a sum of all fatalities within our defined scope (employees only)
- Number of LTIs: a sum of all LTIs within our defined scope
- LTI rate: the number of LTIs divided by 200,000 hours worked for our defined scope

OTHER DATA

VEHICLE ACCIDENTS AND VEHICLE ACCIDENT FREQUENCY RATE

DEFINITIONS

A vehicle accident is defined as any incident involving a fleet vehicle that results in a death or an injury to an employee and/or third party, and if no injury occurs but property damage results, from one of the following events:

- Collision between vehicles in motion
- Collision of fleet vehicle with stationary object
- Single-vehicle incidents (events that involve a driver/rider overturning, spinning, skidding, and/or running off the road)
- Collision with pedestrian
- Collision with animal

SCOPE

The scope of data covers:

- Number of vehicle accidents: covering vehicles and motorcycles used by our employees on company business in our international tobacco business.
- Vehicle accident frequency rate: number of vehicle accidents per million kilometers driven in our international tobacco business. The Global Supply Chain business is excluded from the vehicle accident frequency rate due to relatively small fleet size.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Vehicle accident data is collected at individual sites and locations, and reported internally on a quarterly basis. Calculation is performed in the following manner:

- Number of vehicle accidents: sum of all vehicle accidents within our defined scope
- Vehicle accident frequency rate: the number of vehicle accidents divided by million kilometers driven within our defined scope

PERCENTAGE OF CIGARETTE AND TOBACCO-RELATED FACTORIES CERTIFIED TO OHSAS 18001 SAFETY MANAGEMENT STANDARD

DEFINITIONS

Cigarette and tobacco-related factories include all our leaf processing, cigarettes, and tobacco product manufacturing facilities.

SCOPE

The scope of this data is JT and JTI ^(*), excluding market, R&D, and other support services within the international tobacco business.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Certification information is collected at individual factories. The percentage is calculated as the number of certified factories and locations divided by the total number of all factories within scope.

Environment

OVERVIEW OF ENVIRONMENTAL DATA

SCOPE

We use operational control approach to determine the scope and boundaries of our environmental data reporting.

ASSURANCE

We commissioned independent services bodies to provide an assurance of Group-wide Scope 1 and Scope 2 greenhouse gas (GHG) emissions and some Scope 3 GHG emissions, Category 1 (Purchased goods and services) of our tobacco business and Category 6 (Business travel) of our international tobacco business, against ISO 14064-3.

In addition, total energy consumption, water withdrawal, water discharge, waste generation, and percentage of recycled waste of our international tobacco business have also been verified.

RESTATEMENT

Historical environmental data for the period FY2009 through 2014, which was disclosed in the FY2014 report, has been restated in accordance with the GHG Protocol Corporate Standard to reflect changes in the business since 2009.

ENERGY AND GHG EMISSIONS

GRI G4-EN3 – energy consumption within the organization

GRI G4-EN15 – direct ghg emissions (scope 1)

GRI G4-EN16 – energy indirect ghg emissions (scope 2)

GRI G4-EN17 – other indirect ghg emissions (scope 3)

GRI G4-EN18 – ghg emissions intensity

GRI G4-EN19 – reduction of ghg emissions

DEFINITIONS

We measure energy consumption and GHG emissions using the World Resources Institute/World Business Council for Sustainable Development The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004 revised edition) and Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard as guidance.

We report GHG emissions 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

The reporting unit for energy consumption is terajoules (TJ) and for GHG emissions is 1,000 metric tons CO₂ equivalent. GHG emissions intensity is reported in metric tons CO₂ equivalent per million cigarettes equivalent, which covers Scope 1 and 2 GHG emissions of our Japanese domestic tobacco and international tobacco businesses only.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

We calculate energy consumption and Scope 1 and 2 GHG emissions based on actual energy consumption at our sites and locations from invoices and meters. Where this information is not available, in our international tobacco business we use extrapolations based on actual data from a similar site or location to provide estimated energy consumption, which is then used to calculate associated GHG emissions. Production, floor area, or full-time equivalent (FTE) data are the main benchmarks used to calculate intensity metrics that are used in the extrapolation process.

For GHG reporting, in Japan we use GHG emission conversion factors set by the Japanese Act on the Promotion of Global Warming Countermeasures, 2009. In other countries we use GHG emission conversion factors provided by the International Energy Agency for 2009, the Department for Environment, Food and Rural Affairs, along with supplier-specific GHG emission conversion factors where electricity is sourced from low carbon energy sources.

For calculating Scope 3 GHG emissions, emissions factors come from a variety of sources, including emissions factors from third-party databases and our own life cycle assessments.

WATER

GRI G4-EN8 – Total water withdrawal by source

GRI G4-EN22 – Total water discharge by quality and destination

DEFINITIONS

We record and report water withdrawal and water discharge at our sites and locations, and take into consideration the framework on water reporting set out by CDP.

We report total water withdrawal and breakdown by source, and total water discharge and breakdown by destination.

The reporting unit for water withdrawal and water discharge is 1,000 m³.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Water withdrawal data and water discharge data are collected at our sites and locations from invoices and/or meters. If a site is unable to report volume of water withdrawal, we use extrapolations based on actual data from a similar site or location to provide estimated data. Production, floor area, or FTE data are the main benchmarks used to calculate intensity metrics that are used in the extrapolation process. In the absence of water discharge data, it is assumed that water discharge will be equivalent to water withdrawal.

WASTE

GRI G4-EN23 – Total weight of waste by type and disposal method

DEFINITIONS

Our sites manage their waste based on the following waste hierarchy: reduce, reuse, recycling, and recovery. If these methods are not feasible, a site will dispose of its waste (disposal being incineration without energy recovery, or landfilling).

We report total waste generation and breakdown by disposal method that includes both non-hazardous and hazardous waste.

The reporting unit for waste generation is 1,000 metric tons.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Waste data is collected at our sites and locations, and is reported by handling method, primarily from invoices. If a site is unable to report volume of waste generation, we use extrapolations based on actual data from a similar site or location to provide estimated data. Production, floor area, or FTE data are the main benchmarks used to calculate intensity metrics that are used in the extrapolation process.

OTHER DATA

PERCENTAGE OF ISO 14001-CERTIFIED CIGARETTE AND TOBACCO-RELATED FACTORIES

SCOPE

The scope of ISO 14001 data is cigarette and tobacco-related factories including subsidiaries such as non-tobacco materials manufacturing factories within our Japanese domestic tobacco and international tobacco businesses only.