

FY2017

JT Group Sustainability Report

IN FOCUS
24.
PLOOM TECH

IN FOCUS
30.
AGRICULTURAL LABOR PRACTICES

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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.

We report data for the entire JT Group including subsidiaries, wherever possible.

See our Basis of Reporting document for further detail.

FRONT COVER IMAGE

A view of the Bunda Hill in the vast plains of Lilongwe in Malawi, an area where live barns are a common practice on tobacco farms. This is part of our effort to improve environmental conditions in the tobacco growing communities, by saving vital wood resources.

In this report we use the following scope notations:

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

***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) (international tobacco business)

Any data without annotated scope in this report covers the entire JT Group including subsidiaries – *A.

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CEO statement



4S MODEL

Uncertainty in the business environment characterized most of 2017, caused by an unclear global economic outlook, changes to the political climate and increases in geopolitical tension. Nonetheless, we remained consistent in our commitment to sustainability in 2017 and to our management principle, the 4S model, under which we strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society. We achieve this by carefully considering the respective interests of these four key stakeholder groups and exceeding their expectations wherever we can.

In this light, our approach supports the Sustainable Development Goals set out by the United Nations. As we fulfil our responsibility to our stakeholders, we will continue to consider how we contribute to the goals of this global initiative.

SOLID PROGRESS ON SUSTAINABILITY STRATEGY

In 2017, our sustainability strategy took an important step forward with the development of our [Sustainable Business Framework \(SBF\)](#) for the Group's tobacco business. The SBF sets out four key strategic areas of focus and three key enablers to help focus our efforts in this strategically important area and to realize our goals. Our pharmaceutical and processed food businesses plan to set their respective SBFs, in due course.

COMMITMENT TO REDUCED-RISK PRODUCTS

Another notable development for our tobacco business this year was the redefinition of Emerging Products to 'Reduced-Risk Products' (RRP*). We believe RRP offer real benefits to consumers, society and our business, and we feel it is our duty to develop RRP, which have demonstrable potential for risk reduction. By prioritizing investment in RRP, we expect to drive the sustainable future growth of our tobacco business, although conventional tobacco products will continue to play an important role as another platform for future profitability.

ADDRESSING LABOR CHALLENGES ON TOBACCO FARMS

Throughout 2017, our Group remained committed to supporting and assisting the communities in which we operate, particularly our tobacco growing communities. The JT Group's Agricultural Labor Practices (ALP) program helps us to address the key labor challenges on tobacco farms. The program made robust progress in 2017 and now covers 90% of our directly contracted leaf growers and 70% of our leaf merchants.

TACKLING ILLEGAL TRADE

Tackling the illegal trade in tobacco products is another crucial aspect for the sustainability of our business. JT Group is committed to fighting all forms of illegal trade, and we continue to focus on securing our supply chain and working closely with law enforcement agencies as their credible partner.

BUILDING ON OUR PROGRESS

In order to respect human rights as stated in our policy, our initiatives focused on training and employee education and the company also commenced a human rights due diligence program in our operations.

Environmental protection also remained a priority for the Group. We are pleased to announce that the target set out in the JT Group's Long-Term Environment Plan 2020 for reducing total GHG emissions was achieved ahead of schedule.

We were recognized for our sustainability initiatives by a number of external institutions in 2017, and were selected as a member of the Dow Jones Sustainability Asia Pacific Index for the fourth consecutive year.

We also continued to place great emphasis on the health, safety and wellbeing of our employees. Our Japanese operations were commended by the Japanese Ministry of Economy, Trade and Industry last year, in recognition of the progress made towards the wellbeing and productivity among our employees. Our international tobacco business was awarded the Global Top Employer Award in 2017.

FOR A SUSTAINABLE FUTURE

As the uncertain global conditions look set to continue, we understand that it is no longer sufficient to simply respond or adapt to the changing conditions from one year to the next. In order to navigate and succeed in these challenging times, the ability to assess our strategy and manage our business will be the key. By focusing our efforts on achieving the goals set out by our SBF initiatives, the JT Group will continue to develop a strong and sustainable future, for our stakeholders and for our business, in the years to come.

Masamichi Terabatake
President and Chief Executive Officer
Japan Tobacco Inc.

* Reduced-Risk Products are products with the potential to reduce the risks associated with smoking.

INTRODUCTION

The year in brief



Reduced-Risk Products

In the JT Group's Business Plan 2018, we redefined Emerging Products as Reduced-Risk Products* (RRP). While conventional tobacco products will continue to play an important role as a platform of profitability, RRP will be the growth driver and the centrepiece of our tobacco business strategy, and we will be making prioritized investments of over 100 billion Yen within the next three years.

* Reduced-Risk Products (RRP) are products with the potential to reduce the risks associated with smoking.

+100 BILLION YEN to be invested within the next three years



Our people

Our international tobacco business was certified as a Global Top Employer for the fourth consecutive year*, in recognition of our rewarding work environments.

We were certified as a Top Employer by the [Top Employers Institute](#) in 50 countries around the world.

* We were certified as a 'Global Top Employer' company in February 2018, following the recognition in 2017.



Community investment

VOLUNTEERING REALLY TOOK OFF ACROSS THE JT GROUP:

9,785 employees volunteered 21,911 hours on company time

7,649 employees volunteered 28,608 hours on activities proposed by the company, but outside company time.



ARISE
ACHIEVING REDUCTION OF CHILD LABOR IN SUPPORT OF EDUCATION

15,095 children attended school through our ARISE program.



ALP
AGRICULTURAL LABOR PRACTICES

90% of our directly contracted leaf growers were observed by farming experts against our ALP standards.



Anti-Illicit Trade

We helped law enforcement agencies seize over one billion illegal cigarettes.

The seizure of genuine JTI products remained below 0.01% of our annual production.



Human rights

Having established the JT Group Human Rights Policy in 2016, we started implementing our human rights due diligence process in 2017.

We identified and assessed potential and actual human rights risks in our business, via gap analyses, self-assessment questionnaires, and site visits.



Environment

THE TOTAL GHG EMISSIONS REDUCTION TARGET IN JT GROUP'S LONG-TERM ENVIRONMENT PLAN 2020 WAS ACHIEVED AHEAD OF SCHEDULE.

21.2% **REDUCTION** in total Greenhouse Gas emissions between 2009 and 2017*.

Our Jordan factory is the first tobacco factory in the world to use direct solar steam generation for thermal energy for processing, building heating and also for cooling.

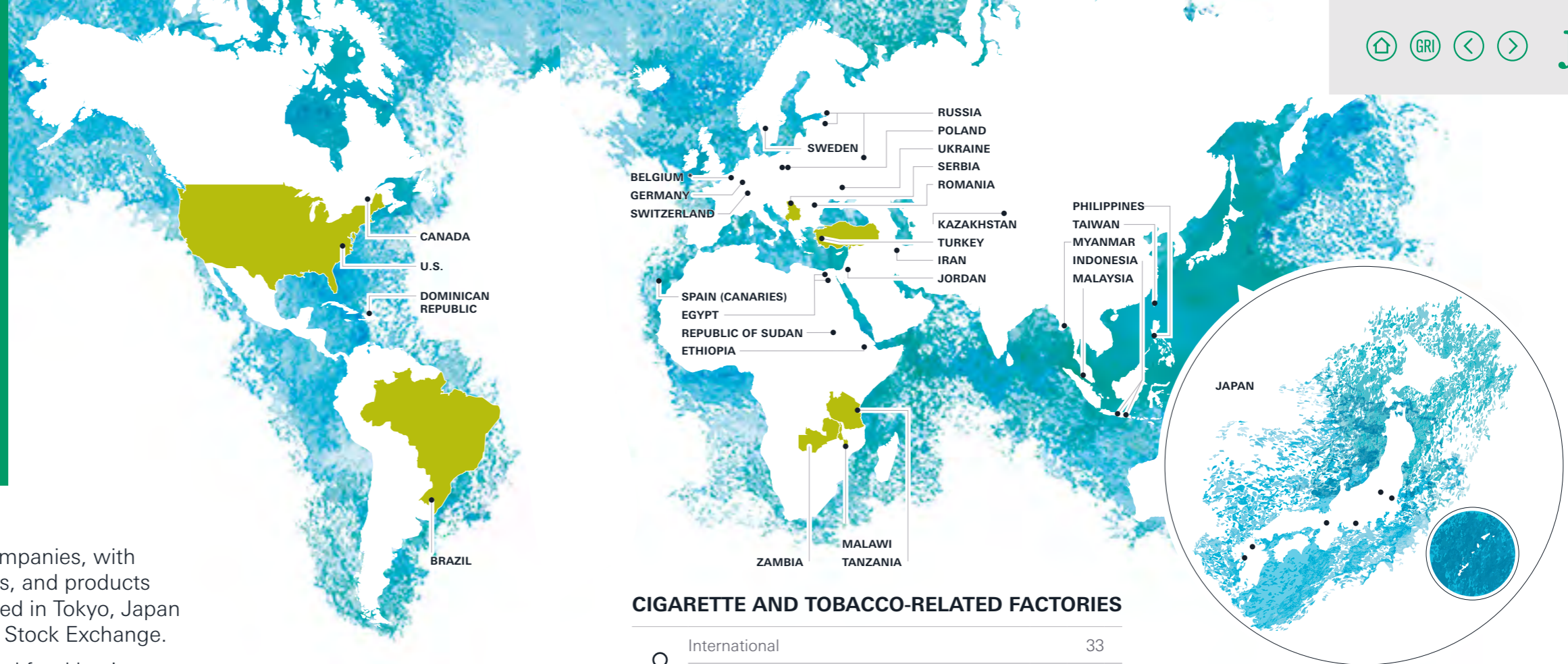
Our Taiwanese factory was awarded a Leadership in Energy and Environmental Design Certificate from Green Business Certification Inc. – a first for JTI.

Our Malawi factory reduced its electricity consumption by almost 65% between 2015 and 2017.

* Original reduction target: 20% reduction between 2009 and 2020

INTRODUCTION

Corporate profile

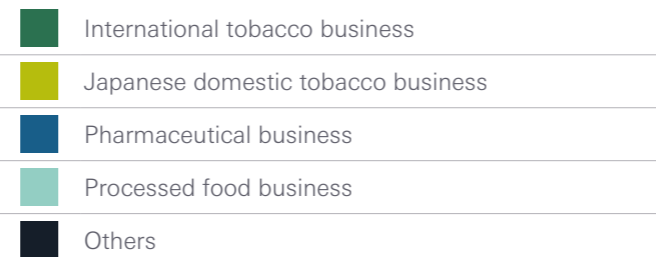
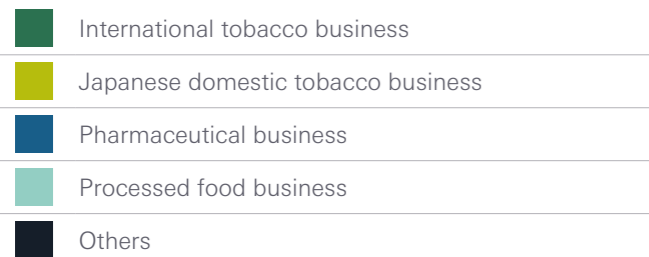
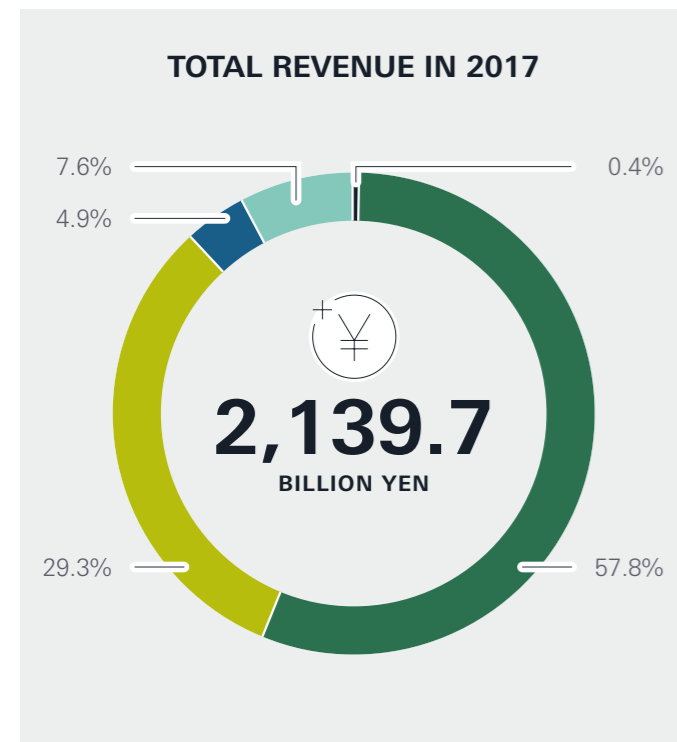


We are one of the world's leading tobacco companies, with offices and factories in more than 70 countries, and products sold in more than 130 countries. Headquartered in Tokyo, Japan Tobacco Inc. (TSE:2914) is listed on the Tokyo Stock Exchange.

We also operate pharmaceutical and processed food businesses.

CIGARETTE AND TOBACCO-RELATED FACTORIES

○ International	33
○ Japanese domestic	6
TOTAL	39
■ Countries in which we directly source tobacco	7



Our businesses

INTERNATIONAL TOBACCO

Our international tobacco business is headquartered in Geneva, Switzerland. We manufacture and sell cigarettes; cigars; cigarillos; snus; roll-your-own, pipe, and water-pipe tobacco; e-cigarettes; kretek; and other tobacco-based products.

Our main markets include France, Italy, Russia, Spain, Taiwan, Turkey, and the U.K.

The portfolio includes leading international brands in cigarettes and fine cut, such as Winston, Mevius, Camel and LD or, Ploom TECH and Logic for Reduced-Risk Products*.

PHARMACEUTICALS

Our pharmaceutical business focuses on the research, development, production, and sales promotion activities of prescription drugs, focusing on three therapeutic areas: metabolic diseases, viral infections, and autoimmune/inflammatory diseases.

JAPANESE DOMESTIC TOBACCO

Our Japanese domestic tobacco business is headquartered in Tokyo, Japan, and manufacturing and sales are largely focused on the Japanese market. We are the market leader in Japan, which is one of the largest markets in the world.

Japanese portfolio includes key brands such as Winston, Mevius, Seven stars and Natural American Spirit as well as Ploom TECH for Reduced-Risk Products*.

PROCESSED FOOD

Our processed food business manufactures and sells goods such as frozen noodles, frozen and packed cooked rice, frozen baked bread, pastries, and seasonings.

* Reduced-Risk Products are products with the potential to reduce the risks associated with smoking.

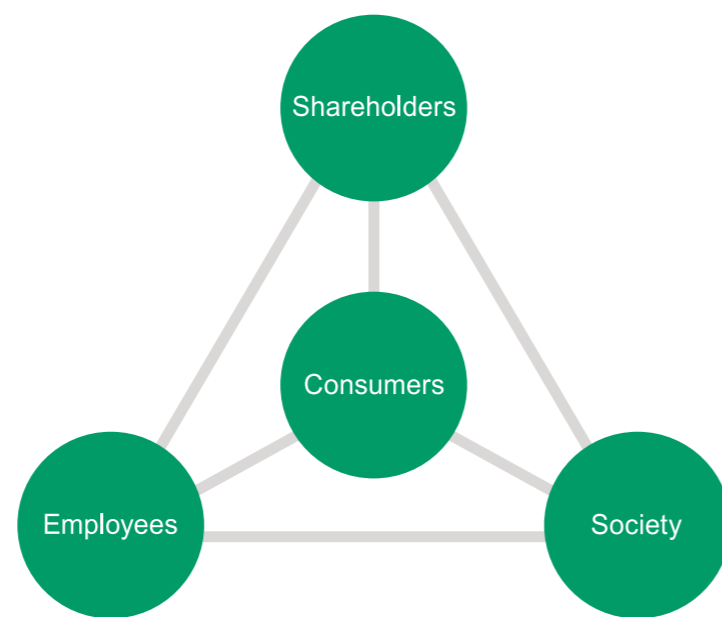
Our approach to sustainability

The 4S model

Our management approach and our approach to sustainability are underpinned by our 4S model. Consumers, shareholders, employees and society represent the four stakeholder groups (4S) at the heart of everything we do. Our commitment to serving these groups is represented in this model and throughout the report. Based on the principles of the 4S model, we always strive to exceed the expectations of our four stakeholder groups, wherever we can.



THE 4S MODEL



We strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

Corporate governance

JT's corporate governance is rooted in our adherence to the 4S model and our commitment to the four stakeholder groups. We have built a robust system of governance to support this commitment, in order to ensure transparent, fair, timely, and effective decision-making. This provides a framework for enhancing corporate value and achieving sustainable growth in the medium and long term.

Strong governance is as much about ensuring the successful operation of our business as it is about our role in society. Our aim is to continuously enhance our organization to build lasting value that we can share with our stakeholders. [The JT Corporate Governance Policy](#) fully reflects this objective, as do our commitments to ethical conduct, sustainability, and diversity. Our [Corporate Governance Report](#) is published annually and provides the status and latest updates for our Group's commitments and initiatives. Our [Annual Report](#) provides further insights into our governance framework and board structure.



Risk management

Our key financial and business risks are considered by the Board of Directors on a quarterly basis. Internal audits are carried out by a division independent of the business, which reports directly to the Group President.

We have a crisis management and disaster response protocol, whereby a project team, headed by the Group President, can be swiftly called upon in times of crisis or disaster. We recognize the need for a Group-wide global risk management framework: this would allow us to be conscious of, and appropriately deal with, more complex, wide-ranging risk factors. We are exploring more systematic ways to analyze and respond to [risk factors](#) surrounding our Group and our stakeholders, with a view to further strengthening our risk governance.



Our materiality issues

We have a list of material issues that are of medium and high-level importance to the Group and to our external stakeholders. The list was compiled by engaging internal and external stakeholders, including employees, suppliers, investors, trade unions, non-governmental organizations (NGO's), and industry organizations.

In 2017, we continued to address the highest priority issues, which form the foundation of our Sustainable Business Framework for our tobacco business (see page 15). We are committed to carrying out materiality reviews on a regular basis in order to update issues that are important to us.

JT GROUP MATERIALITY MATRIX



VALUE CHAIN BOUNDARIES: ■ Our supply chain ■ Our company ■ Our customers and consumers

Driving our sustainability agenda

In 2017, we established a Sustainable Business Framework for the Group's tobacco business. This strategic framework encompasses all of our material issues and is underpinned by our 4S model.

The framework covers four strategic focus areas for sustainability:

- › Exceeding expectation with **products and services**
- › Investing in **our people**
- › Building **sustainable supply chains**
- › Optimizing the **regulatory environment** and **combating illegal trade**

Whilst the strategic focus areas are dynamic and may change over time, they are supported by three key enablers that are at the heart of everything we do.

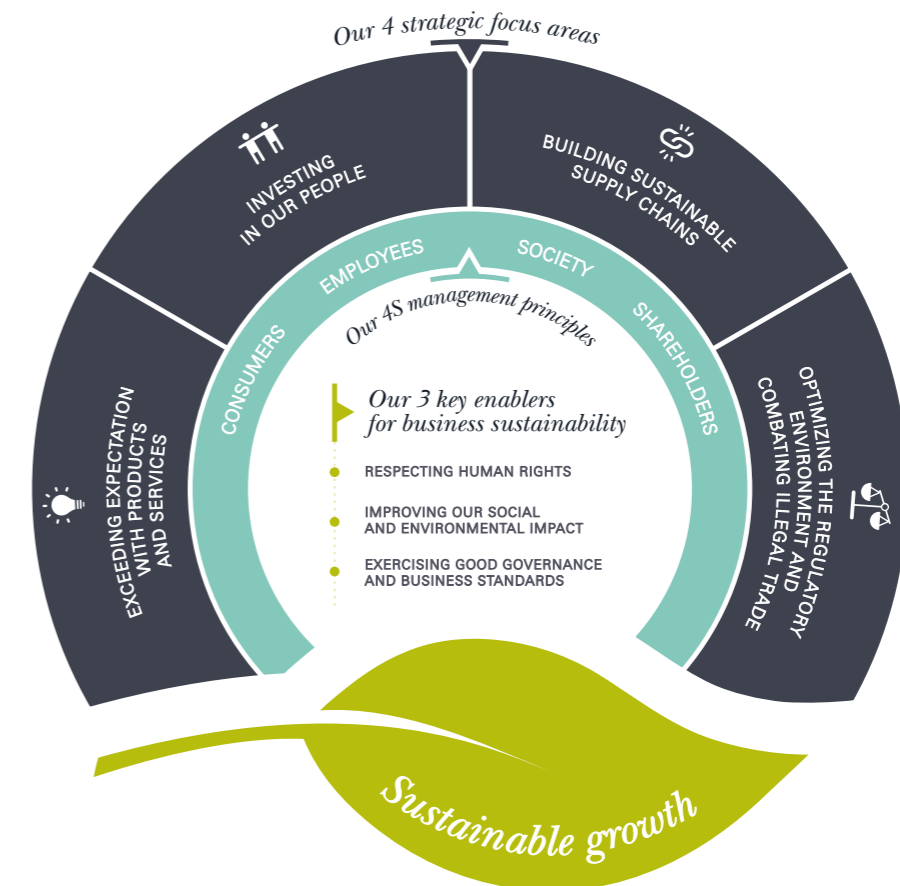
These are: **respecting human rights, improving our social and environmental impact, and exercising good governance and business standards.**

In 2018, we will establish long-term goals supported by targets for each of the focus areas in our tobacco business.

We will report on these in our next sustainability report.

Our pharmaceutical business, and processed food business both plan to perform the same exercise in order to establish their respective sustainable business frameworks. We will update you on their progress in future reports.

SUSTAINABLE BUSINESS FRAMEWORK



Stakeholder engagement

GUIDED BY PRINCIPLE AND STRATEGY

We understand that effective engagement with stakeholders is vital to the sustainability of our business. We consult widely with stakeholders on a daily basis, following the principle of our 4S model.

The Sustainable Business Framework established for our tobacco business guides our engagement with stakeholders by concentrating our efforts on four strategic focus areas, as described below. In addition to increasing transparency and accountability, our Framework will help us to align our sustainability efforts according to a shared vision.



PRODUCTS AND SERVICES THAT EXCEED EXPECTATIONS - ENGAGING WITH CONSUMERS AND SHAREHOLDERS

We believe in strong and continuous engagement with our stakeholders, and our goal is to exceed their expectations. The development of Reduced-Risk Products (RRP*) is a priority for the JT Group, and has led to increased engagement. For example, consumers and shareholders have expressed a keen interest in RRP, such as Ploom TECH, an innovative tobacco product with a number of unique features.

We took a great deal of care in the way that we communicated Ploom TECH to consumers. We launched it via a dedicated online store and through selected retail stores. We then expanded its sales reach through our own 'Ploom Shops' in the Japanese capital Tokyo, enabling consumers to visit us to purchase and learn about how the product works.

We also invested in ways for consumers to contact us; for example, we opened a dedicated customer service hotline for phone and online enquiries. In addition, we established a Ploom 'Owner's Club' online community to provide a forum for users to share opinions, provide us with feedback, and to access further information on the technology.

In 2017, our innovations in this space culminated in the launch of our science website – www.jt-science.com, a website profiling our scientific developments to both the scientific community and our consumers.

In 2018, we will continue our global roll-out of RRP. To achieve this, we will continue to engage with our stakeholders to ensure that this innovative product continues to exceed their expectations.

Our dedicated investor relations team, based in Tokyo and Geneva, continues to communicate with the Group's institutional shareholders on a daily basis. This engagement takes the form of one-to-one meetings, group meetings, and conference calls – more than 650 meetings are held throughout the year. A range of issues are discussed in these meetings, such as the Group's business strategy, financial performance, or sustainability issues. The team also organizes quarterly financial result presentations and investor roadshows, in Japan and overseas, to enable investors to address questions directly to our top management. Another key forum of engagement is the General Meeting of Shareholders, which was attended by 6,020 shareholders in March 2018.

INVESTING IN OUR PEOPLE – ENGAGING WITH EMPLOYEES

We engage with our employees regularly, to ensure we invest appropriately in their development. Performance appraisal goes far beyond simply reviewing results at the end of the year; instead, it is an ongoing process to help employees to identify and build their strengths, and focus on developing their skills.

We also carry out Employee Engagement Surveys every year in our domestic operations in Japan, and every three years in our international tobacco business, as part of organization development. In recognition of the need for stronger

engagement, our international tobacco business recently launched PULSE, a shorter survey that allows us to gather information and feedback more regularly.

The Sustainability Awards is our international tobacco business's flagship initiative that celebrates the hard work and dedication of our employees around the world in support of sustainable growth. The projects submitted demonstrate commitment that goes beyond day-to-day work. The Awards take place annually and contribute to embedding sustainability into the mindset of our people.

BUILDING SUSTAINABLE SUPPLY CHAINS – ENGAGING WITH SUPPLIERS, FARMERS, AND ORGANIZATIONS

We have a responsibility to ensure that our large and complex supply chain is transparent and managed responsibly.

We work with our suppliers through continuous training and face-to-face meetings, to address their concerns and support them in making the required improvements. We develop strong and direct relationships with our farmers during regular farm visits, and provide guidance on good agricultural practices. By working with farmers and their respective communities, we are able to identify social, environmental, and labor challenges, and develop plans to address them. We engage with governments, international organizations, and NGOs on issues related to environment sustainability, labor practices, and child labor, through both collaboration and long-term partnerships. Examples include, but are not limited to, our membership of the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation, a multi-stakeholder initiative of trade unions, leaf growers, and companies working together to eliminate child labor in the tobacco-growing sector, and of the industry-wide Sustainable Tobacco Program. This program was developed in collaboration with other tobacco companies to share best practice and drive continuous improvement in areas such as sustainable agriculture, labor standards, and safe working environments.



OPTIMIZING THE REGULATORY ENVIRONMENT AND COMBATING ILLEGAL TRADE – ENGAGING WITH GOVERNMENTS AND REGULATORS

We believe in regulation that is better for government, better for business, better for all.

We actively seek dialogue with governmental authorities around the world, as well as with business associations and the media on regulatory topics that will help to achieve a positive outcome for all stakeholders.

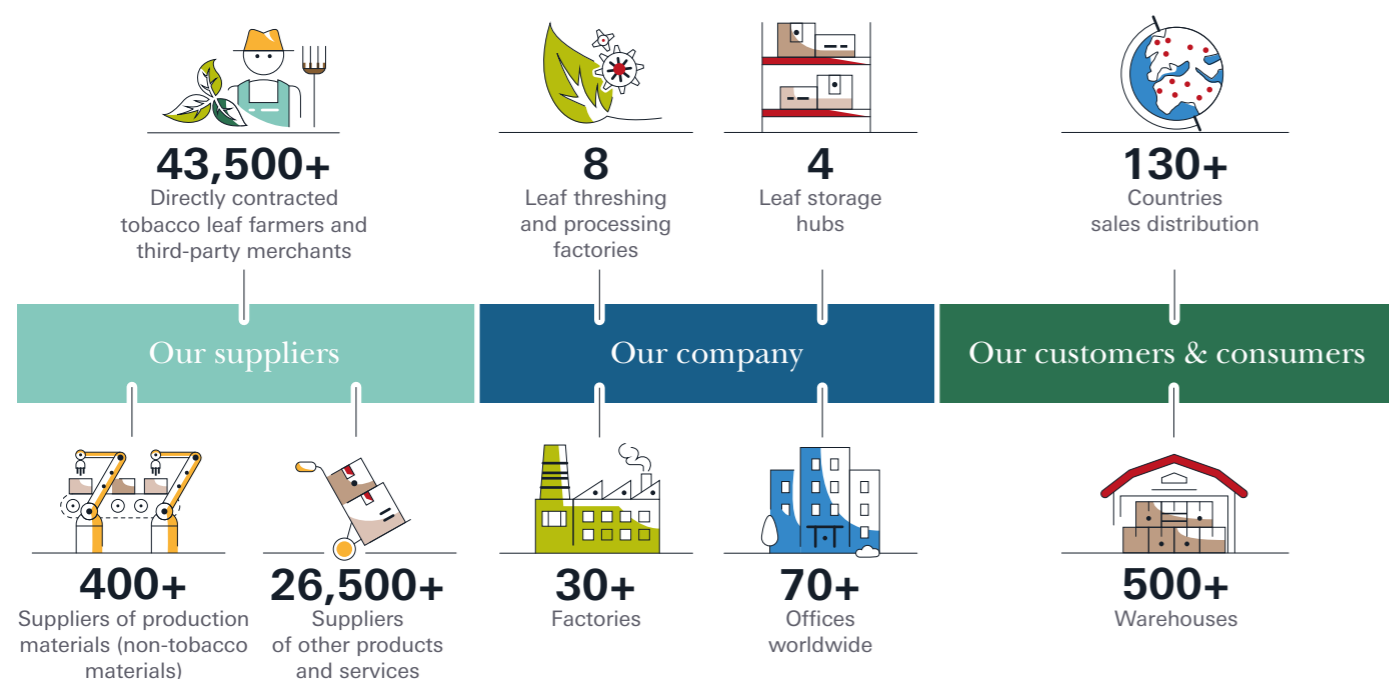
We engage with national governments and law enforcement agencies to tackle illegal trade, and our partnerships are recognized as best in class: we helped authorities seize more than 1 billion illegal cigarettes in 2017.

OUR BUSINESSES

Our tobacco business

Our core business is tobacco products, which generate nearly 90% of our consolidated revenue.*1 These are manufactured in over 30 cigarette factories around the world and distributed in more than 130 countries. In addition to conventional tobacco, we have a Reduced-Risk Products*2 portfolio which includes e-cigarettes and tobacco vapor products. In this section, we look at the key topics relevant to the future growth and sustainability of our tobacco business.

OUR TOBACCO BUSINESS VALUE CHAIN



Health risks, transparency and tobacco regulation

OUR TOBACCO PRINCIPLES

- 1 OPENNESS ABOUT THE RISKS OF SMOKING**
 Smoking is a cause of serious diseases, and everyone should be appropriately informed about the health risks of smoking.
- 2 TRANSPARENCY ABOUT OUR PRODUCTS**
 Smokers want to know what it is they are smoking, and we provide information about the ingredients we use.
- 3 REDUCED-RISK PRODUCTS**
 We believe products that do not involve combustion and do not produce tobacco smoke are products with the potential to reduce the risks associated with smoking. We are committed to developing and bringing to market Reduced-Risk Products*2 that meet consumer expectations. We will help adult consumers to make informed choices by providing factual information acquired through scientific assessment about the products they may wish to use.
- 4 YOUTH SMOKING PREVENTION**
 Minors should not smoke and should not be able to obtain tobacco products. This belief is central to our Code of Conduct, marketing practices, and the way we do business.
- 5 ACCOMMODATION BETWEEN SMOKERS AND NON-SMOKERS**
 Many people have concerns about exposure to environmental tobacco smoke. We advocate tailored, practical, and effective solutions, which separate smokers and non-smokers while accommodating the legitimate interests of both. Further to this, we are committed to developing and bringing to market Reduced-Risk Products*2 that also have the potential to reduce the impact of smoking to others.

SENDING THE RIGHT SIGNALS: SMOKING AND HEALTH

The JT Group is committed to being transparent about the health risks of smoking tobacco products. We do this by providing consumers with the right information to help them make informed decisions on whether or not to smoke. We monitor regulatory changes, and prepare for the

implementation of those changes well in advance. We also subject all of our ingredients to toxicological assessments, in line with stipulated requirements. Our [positions](#) on smoking and health are available on our websites, as are the lists of [ingredients](#) we use in our products.

*1 JT Group consolidated revenue in FY2017.

*2 Reduced-Risk Products (RRP) are products with the potential to reduce the risks associated with smoking.



RESPONSIBLE MARKETING OF TOBACCO PRODUCTS

We take responsible marketing very seriously, particularly when it comes to preventing youth smoking. We only market our tobacco products to adult smokers, never to minors (see our [position statement on youth smoking](#)). This focus is reflected in our [Global Tobacco Marketing Principles](#), a guiding document developed in 2016.

For tobacco retailers, we continue to support our retail partners by training staff and providing campaign materials to reinforce the message that underage sales are not allowed. During 2017, our targeted responsible tobacco-retailing programs (e.g. No ID, no Sale) in the U.K., Denmark, the Netherlands, and Ireland, showed strong progress in terms of tackling youth smoking, and retailers welcomed these programs as effective tools.

TOBACCO PRODUCTS, PLAIN PACKAGING AND RELATED REGULATIONS

As our operating environment is highly regulated, the JT Group has a number of position statements on a range of topics. These are available to read online: www.jti.com/our-views

➤ PLAIN PACKAGING

➤ HEALTH WARNINGS

➤ YOUTH SMOKING PREVENTION

➤ ATTRACTIVENESS

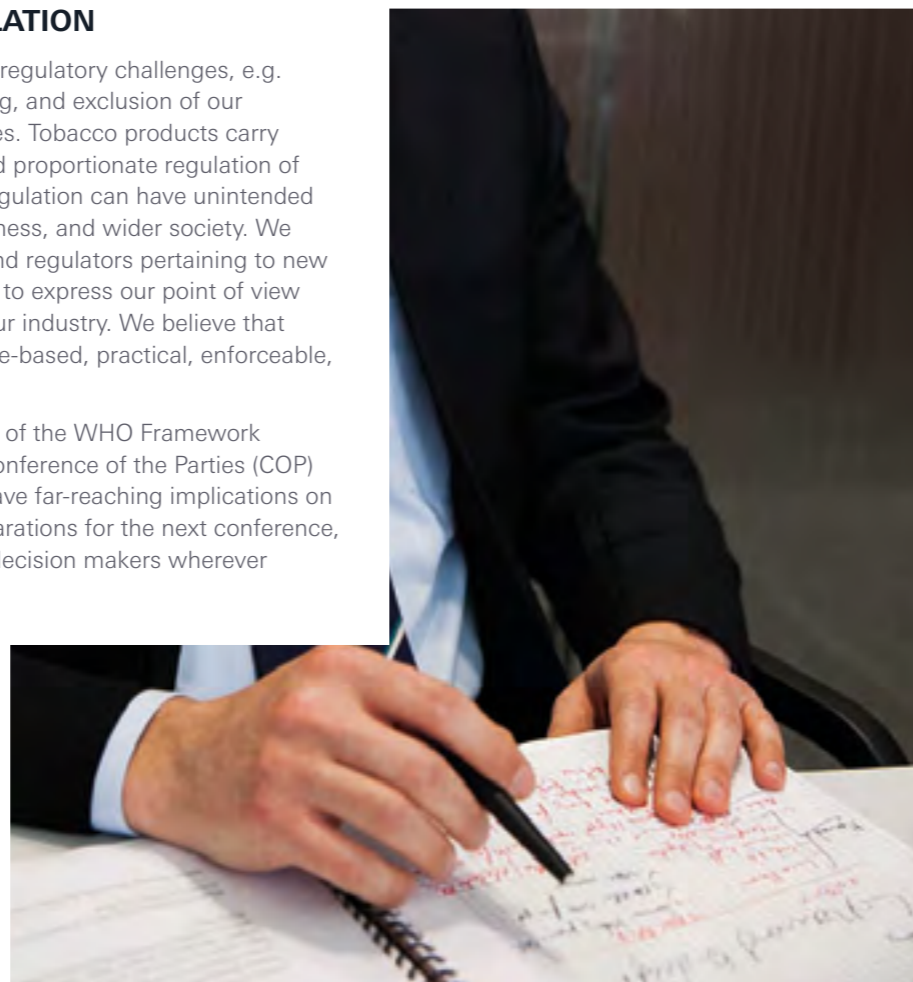
➤ PRODUCT DISPLAY BANS

➤ INGREDIENTS

DISCUSSING PROPORTIONATE REGULATION

As a tobacco company, we constantly face evolving regulatory challenges, e.g. public smoking bans, the adoption of plain packaging, and exclusion of our industry from regulatory and policy-making processes. Tobacco products carry risks to health. We therefore support appropriate and proportionate regulation of our products and our industry. However, stringent regulation can have unintended negative consequences for our consumers, our business, and wider society. We welcome constructive dialogue with governments and regulators pertaining to new legislation, but we have a right – and an obligation – to express our point of view regarding regulation that affects our products and our industry. We believe that tobacco regulation should be proportionate, evidence-based, practical, enforceable, and competitively neutral.

At a global level, we continue to follow the evolution of the WHO Framework Convention on Tobacco Control (FCTC). The FCTC Conference of the Parties (COP) takes place every two years, and its decisions can have far-reaching implications on our operating environment. We are monitoring preparations for the next conference, and will seek opportunities to share our views with decision makers wherever possible.



PLAIN PACKAGING REMAINS A PRIORITY REGULATORY ISSUE

With regard to tobacco product regulation, the issue of plain packaging, which is effectively a 'branding ban', remains one of the JT Group's top regulatory challenges. The branding ban should be a concern to all companies that value their intellectual property. The ability to build and use a brand is an important factor that allows businesses to thrive and economies to prosper. In order to defend our brands and their value to our business, we maintain a dialogue with stakeholders, and communicate our views widely. This type of engagement supports our appeals for reasonable regulations.

Proposals for plain packaging are not based on, or consistent with, a credible and scientifically rigorous understanding of the behavior of smokers. Evidence shows that plain packaging is not effective at reducing smoking rates or changing smoking behavior. In fact, the latest government data from Australia, which introduced plain packaging in December 2012, shows that the long-term decline in smoking rates has stalled. Since plain packaging was introduced, illegal tobacco consumption has increased.



Reduced-Risk Products

JT GROUP COMMITTED TO REDUCING HEALTH RISKS

In our Business Plan 2018, we redefined Emerging Products as Reduced-Risk Products (RRP). RRP are products that have the potential to reduce the risks associated with smoking. Health risks associated with smoking are believed to be caused primarily by potentially harmful constituents found in smoke from burning of tobacco. We therefore believe that RRP, which do not involve combustion or smoke, have risk reduction potential, and offer real benefits to consumers, society, and our business. It is therefore our duty to develop RRP with demonstrable risk-reduction potential that satisfy consumer expectations.

We market RRP as alternative choices for existing adult smokers. By providing easy-to-understand and easily accessible factual information about RRP, we allow adult consumers to make informed choices from our full portfolio.

We believe that RRP which do not involve combustion or smoke, have risk-reduction potential. Currently, among the scientific community and regulators, there are no globally agreed standards for assessing risk reduction of tobacco products and e-cigarettes, although some countries have set guidelines in this field.

Our Group continues to engage in research and development of evaluation methods that provide scientific evidence of risk-reduction through RRP. We will communicate our progress via our science website – www.jt-science.com



OUR RRP PORTFOLIO

The RRP market is comprised of several categories. We offer product choice in T-Vapor (Heated Tobacco and Tobacco Infused-Vapor), and E-Vapor (e-cigarettes*1).

Heated Tobacco has an affinity with tobacco and consumer behavior similar to traditional tobacco smoking, while E-Vapor is often characterized by its usability. The Tobacco-Infused Vapor is a hybrid of these two categories.

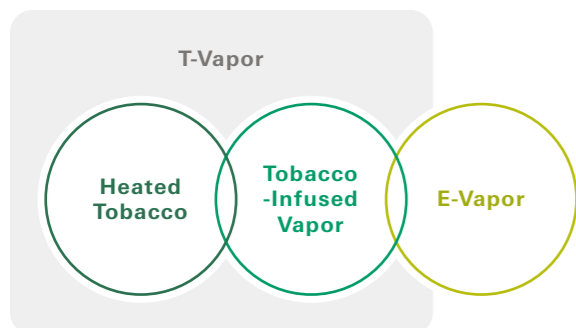
As for T-Vapor (Tobacco Vapor) products*2, we currently have Ploom TECH, which is a Tobacco-Infused Vapor product, available in four markets, including Japan. We are currently upgrading existing Ploom TECH products, and are working on the development of a Heated Tobacco product, which heats at a high temperature.

Our E-Vapor focus is on our Logic branded e-cigarettes, which are sold in markets such as the U.S., U.K., France, Ireland, Italy, Germany, Russia, South Korea, Greece, Belgium, and in a number of airports (World-Wide Duty Free).

To ensure ongoing business success in the RRP sector, and to keep meeting and exceeding consumer demands, our approach is to deliver new and inspiring RRP based on the development of new technologies.

Consumer electronics involving the use of batteries is a new area for our business. We are investing time and effort to ensure that best practices are applied.

TOBACCO AFFINITY ← → **USABILITY**



*1 E-cigarettes are electronic devices that typically contain a nicotine-based liquid. The liquid is heated electronically and released as a vapor. There is no combustion involved. 'Logic' is our flagship e-cigarette brand.

*2 T-Vapor products, unlike e-cigarettes, contain tobacco and create a tobacco-enriched vapor that can be inhaled. Importantly, the tobacco is not combusted during the use of such products.



LATEST DEVELOPMENTS IN RRP REGULATION

We witnessed two key regulatory developments in 2017. Firstly, the US FDA released a guidance for industry, providing an extension of compliance deadlines for 'newly deemed' products, such as e-cigarettes. As a result, manufacturers have been given an additional four years to submit applications to sell these products in the U.S. Secondly, several E.U. countries included reduced-risk related provisions in their national legislation setting out requirements to substantiate reduced-risk claims for novel tobacco products.

The JT Group remains committed to working with regulatory authorities, public health bodies, and the scientific community to create the best possible frameworks allowing these products to reach their full potential.

DISPOSAL AND RECYCLING OF ELECTRONIC PRODUCTS

E-cigarettes and Ploom TECH products contain physical components that require responsible waste management. While it remains a challenge, we continue to investigate more sustainable solutions for recycling and waste management.

Currently, we encourage consumers to dispose of these products responsibly. In some of our markets, dedicated schemes allow consumers to return items to points of sale, or to JTI, either directly or via a specialist collaboration partner/organization, to be disposed of responsibly.

This section is intended to explain the business operations of JT Group, not to promote sales of tobacco and nicotine delivery products to encourage smoking by consumers

OUR PROGRESS IN 2017

- › In 2017, we experienced another year of strong performance with Logic e-cigarettes in terms of geo-expansion, and rolled out Ploom TECH to new retail outlets in Tokyo, while introducing it in Switzerland and Canada as well as expanding availability in the U.S.A.
- › In the U.S.A., Ploom TECH is available under the name 'Vapeleaf'*. Vapeleaf has been expanded into four states, including New York, Texas, New Jersey, and Florida.
- › In July 2017, we also launched 'JT Science,' a dedicated website that showcases scientific progress in the realm of Reduced-Risk Products. This comprehensive website is a valuable resource to inform, educate, and collaborate with all those interested in learning about the science behind RRP – from consumers to scientists and the regulatory community. Visit www.jt-science.com for more.

* In the USA, Ploom TECH is sold by Logic Technology Development LLC, a member of the JT Group.

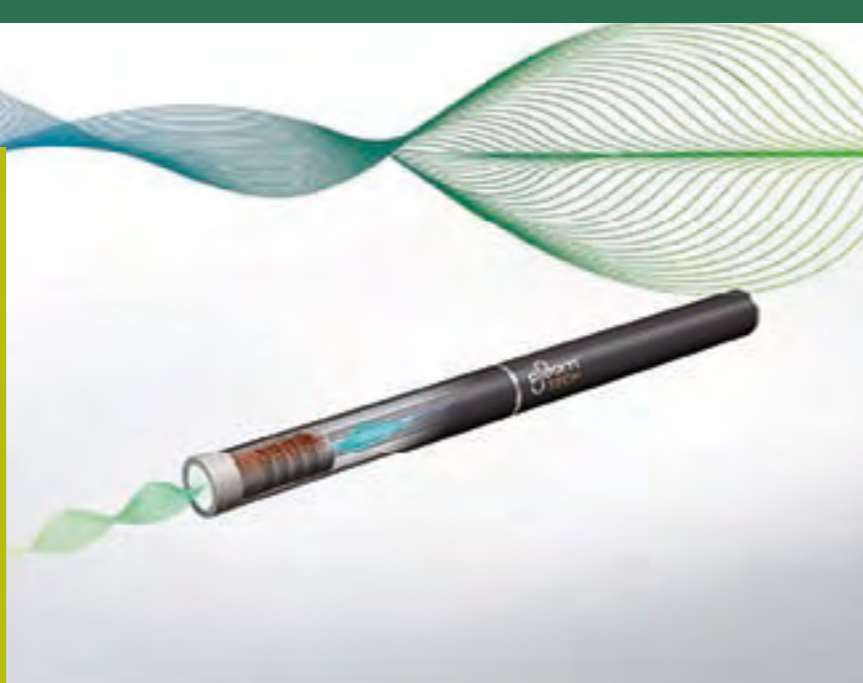


The Ploom TECH online store (in Japan) provides disposal guidelines, as do the local Ploom and Logic websites.

In Japan, following a pilot recycling program in Fukuoka in 2016, we carried out a second pilot program in November 2017. Recycling boxes were sent out to almost 16,000 people who purchased Ploom TECH online. The boxes can take up to 10 cartridges and 50 capsules.

IN FOCUS

PLOOM TECH



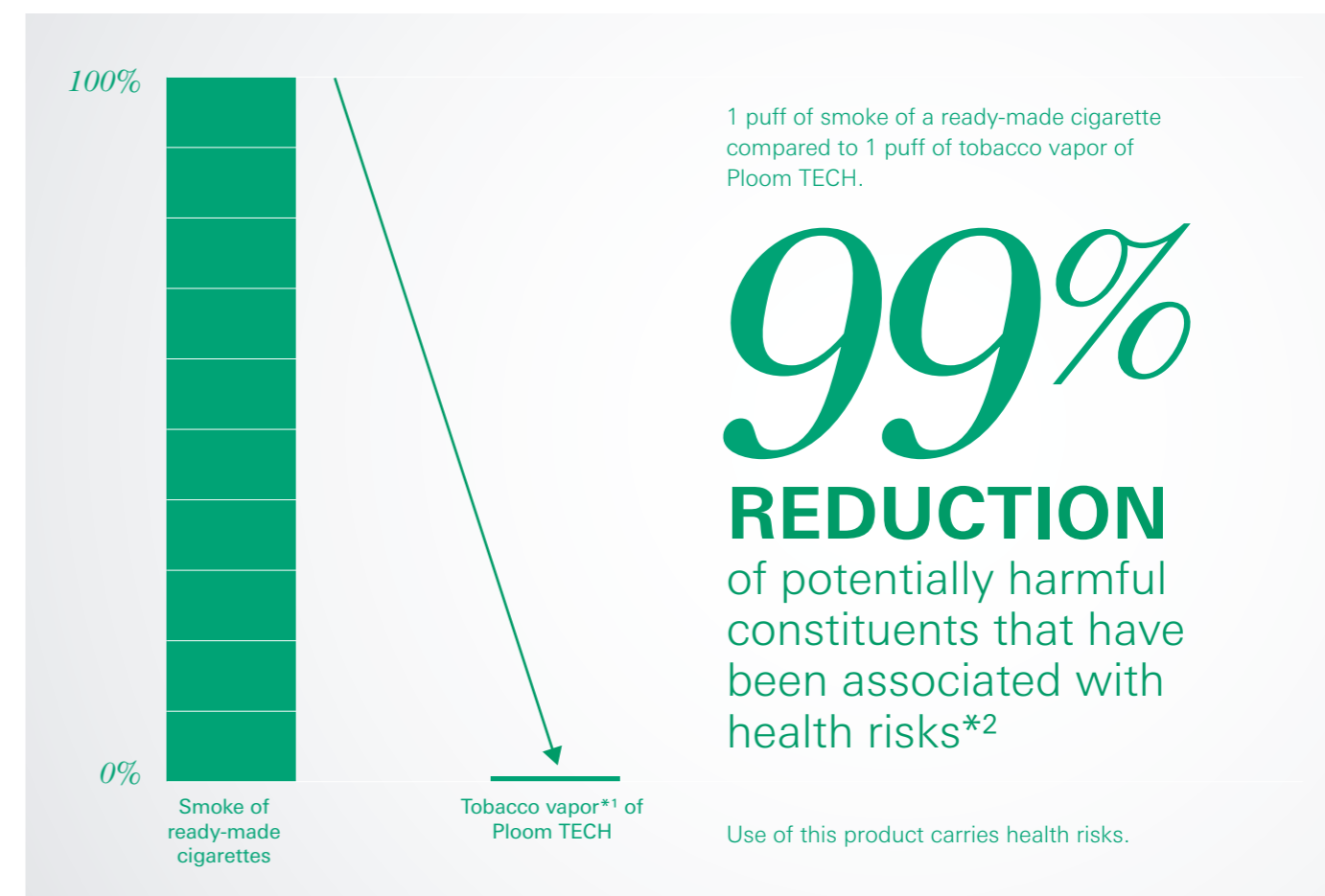
Ploom TECH is an innovative T-Vapor product*1 which enables consumers to experience tobacco without smoke, smell, or ash. When it was first launched in Japan in 2016, the demand was so strong that we immediately made further investment plans. In this In Focus section, we look at the unique features of Ploom TECH and its potential to reduce the risks associated with smoking.

Strong potential to reduce the risks associated with smoking

With Ploom TECH, there is no burning of tobacco and hence no smoke. When Ploom TECH's tobacco vapor was analyzed, almost none of the potentially harmful constituents that have been associated with health risks*2 were found. Recent studies*3 have shown that there is approximately a 99% average reduction in the levels of measured constituents compared to cigarette smoke. This means that we believe that Ploom TECH has the potential to reduce the risks associated with smoking, while retaining the features of tobacco, including its authentic flavor.

Our strategy is to provide consumers with a wide variety of high-quality products. Our continuous investments in this sector illustrate our strong commitment, and our challenge continues as we strive to change the future of tobacco.

RETHINK TOBACCO WITH PLOOM TECH



Tobacco-Infused Vapor – how it works



Ploom TECH is made up of three parts: the tobacco capsule, the cartridge, and the battery. Ploom TECH uses a hybrid technology to create a tobacco-enriched vapor by heating a non-nicotine liquid, which passes through a capsule containing granulated tobacco. In this way, the vapor is infused with nicotine and flavors from the tobacco blend; the tobacco inside the capsule is warmed at around 30 degrees Celsius. The device is activated by simply inhaling, so it can be used immediately, at any time.

When compared to traditional cigarettes, Ploom TECH allows consumers to experience an authentic, clear tobacco taste whilst significantly decreasing the smoke smell. Other unique attributes include the ability to use the device over several separate occasions without having to replace the tobacco capsule. Moreover, it is light in weight and has a long-lasting battery, which lasts through an entire refill pack before recharging is required.

*1 T-Vapor products, unlike e-cigarettes, contain tobacco and create a tobacco-enriched vapor that can be inhaled. Importantly, the tobacco is not combusted during the use of such products. See footnote 2 on p.22

*2 Based on the comparison of 9 harmful constituents, recommended as a priority for reduction by the World Health Organization in Cigarette Smoke, measured in the smoke of a standard reference cigarette (3R4F) versus the vapor from Ploom TECH. Use of this product does not mean it is necessarily safer than smoking regular cigarettes.

*3 Chemical analysis and in vitro toxicological evaluation of aerosol from a novel tobacco vapor product: A comparison with cigarette smoke. 2017. Takahashi et al. Regulatory Toxicology and Pharmacology.

IN FOCUS

PLOOM TECH

Retailing Ploom TECH

Ploom TECH was originally launched in Japan in 2016, in the city of Fukuoka, as well as online. In 2017, our sales reach expanded to Tokyo, with a total of seven stores opening in the capital, including the Ploom Shop in Ginza. Ploom TECH capsules are also available at tobacconists and convenience stores around Tokyo, and from our online store.

We are further expanding production capacity for Ploom TECH in Japan as a high priority, in order to take the product nationwide during 2018*. By offering a wide range of products to meet diverse consumer needs, and delivering on consumers' growing expectations, we aim to be the leader in the tobacco vapor products market in Japan, over the coming years.

* For further information about Ploom TECH nation-wide sales expansion, please check the latest JT press release, here: www.jt.com/media/news



Packaging and flavors

A Ploom TECH refill pack includes five tobacco capsules and one cartridge.



OUR PLOOM TECH SUPPLY CHAIN

Our supply chain for Ploom TECH is spread over several locations in Japan and China. The tobacco capsules are made in Japan, while batteries and cartridges are manufactured in China*. The supply chain presents new challenges to our group and we plan to provide updates of our initiative, as well as our progress, in future reports.

Ploom TECH in Switzerland, the first market outside Japan

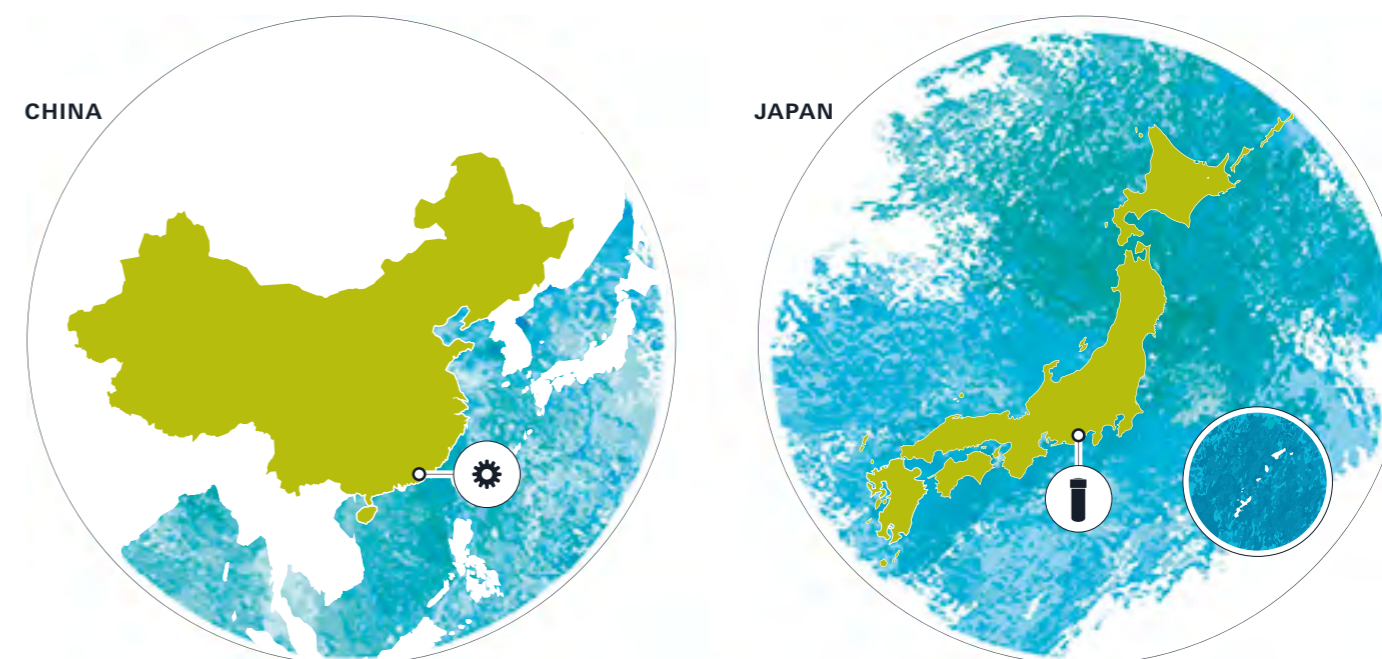
Our first international market launch for Ploom TECH was Switzerland, home to the headquarters of our international tobacco business. The product was launched in July 2017 and made available nationwide in over 1,500 stores. In 2017, we also introduced the product to Canada and expanded Ploom TECH availability in the U.S.*. We will continue to explore opportunities around the globe to further roll-out Ploom TECH.

Commenting on this product, Daniel Torras, JTI's Senior Vice President for Reduced-Risk Products states:

“ We believe that the technology behind Ploom TECH provides a real potential to reduce the health risks from smoking, while maintaining a true tobacco taste. Its innovative technology combines the best of both tobacco and e-cigarettes, adding an entirely new concept to our ever-growing portfolio.”



Daniel Torras
Senior Vice President, Reduced-Risk Products,
JTI International.



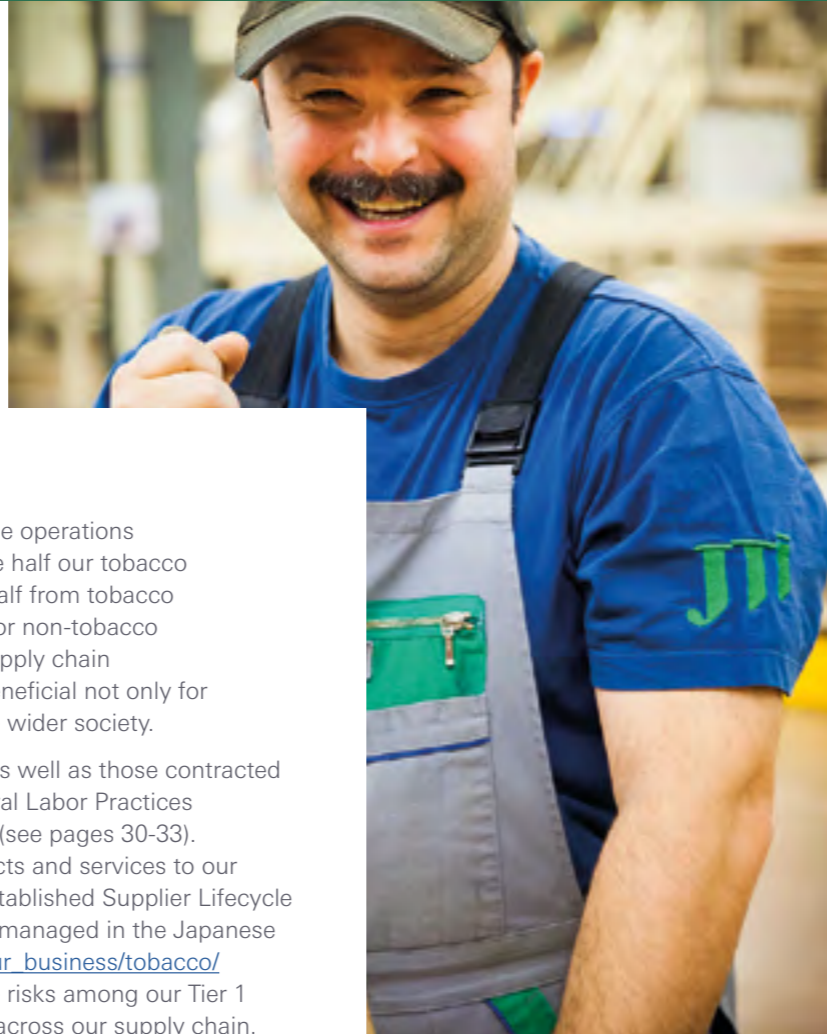
Supply chain as of December 2017

- Manufacturing of capsules
- Device manufacturing and assembly

* Our supplier factories in China are ISO 14001 and ISO 9001 certified.

This section is intended to explain the business operations of JT Group, not to promote sales of tobacco and nicotine delivery products to encourage smoking by consumers.

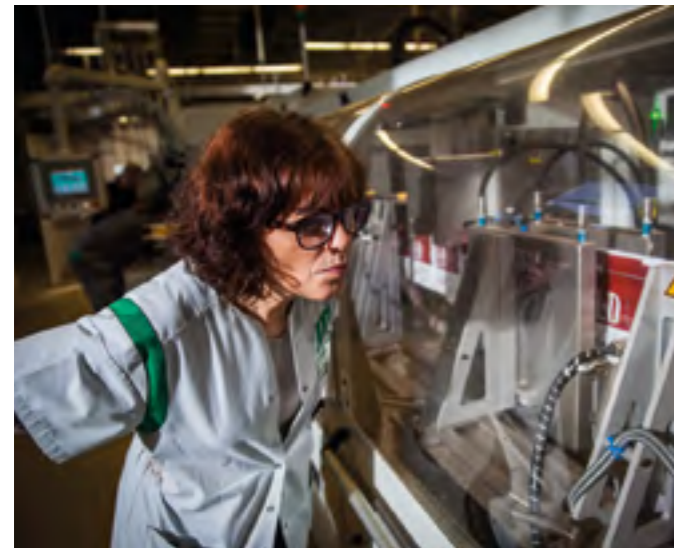
Supply chain management



MANAGING RISKS IN OUR SUPPLY CHAIN

Our supply chain is large and complex, as we have large-scale operations around the world. In terms of our raw materials, we purchase half our tobacco leaf from 43,500 directly contracted farmers, and the other half from tobacco leaf merchants. We also partner with over 27,000 suppliers for non-tobacco materials, and other products and services. Managing our supply chain responsibly is a priority for our business; we believe this is beneficial not only for our sustainable growth, but also for our stakeholders and the wider society.

Most of our tobacco leaf growers, both directly contracted, as well as those contracted by our tobacco leaf merchants, are covered by our Agricultural Labor Practices program, which addresses labor practices on tobacco farms (see pages 30-33). Suppliers who provide non-tobacco materials or other products and services to our international tobacco business are managed by our newly established Supplier Lifecycle Management (SLC) tool. For details about how suppliers are managed in the Japanese market, please visit our website www.jt.com/sustainability/our_business/tobacco_value_chain. As a result, we continue to identify and mitigate risks among our Tier 1 suppliers so that we establish and implement best practices across our supply chain.



AN INTEGRATED APPROACH TO SUPPLIER MANAGEMENT

The launch of SLC in 2017 by our international tobacco business will help us to identify and mitigate risk in our supply chain for non-tobacco materials suppliers. Before beginning a commercial relationship, suppliers must now go through a certification process. This process allows us to manage risks related to compliance, environment, health and safety, human rights and global economic sanctions, amongst others. Where supplier integrity is a concern, or when suppliers do not adhere to our JTI Supplier Standards, we offer collaboration and support around the steps required to make necessary improvements.

VISIBILITY ACROSS OUR BUSINESS

SLC is currently in its implementation phase and, as such, we are ensuring that employees and suppliers understand the new tools, and the importance of upholding our standards and policies. We are striving for a robust, easy-to-use certification process that will help us integrate new suppliers more quickly when we enter new markets. SLC will give us transparency across our supply chain, and will provide insights to help us better understand how we can support suppliers in meeting our standards.

A higher level of visibility on potential issues and risks in our supply chain will ensure we manage this integral part of our business responsibly and sustainably.



Our tobacco leaf supply chain

SUSTAINABLY MANAGING OUR SUPPLY OF TOBACCO LEAF

Sourcing a sustainable supply of tobacco leaf lies at the heart of what we do, and our tobacco leaf sourcing and growing operations are a key part of our supply chain. Securing a long-term supply of quality leaf, at the best cost, is critical to our future business growth. We source 50% of our tobacco leaf from merchants; the other 50% of our tobacco leaf is directly sourced from our contracted growers. These farmers and their communities hold a central position in our leaf-growing operations.



CREATING SHARED VALUE

We apply an integrated approach to working with tobacco leaf farmers, based on creating shared value. This means that, as our business thrives, our farmers reap higher profits, too. In addition to ensuring stable incomes, we work with the farmers to improve labor conditions, living standards, and environmental conditions. These positive impacts reach beyond the farm, and into the wider community.

ADDRESSING ENVIRONMENTAL ISSUES

We help promote a balanced farming environment through efficient and sustainable use of resources. This includes building live barns to avoid deforestation: live barns are an eco-friendly solution that avoids deforestation and at the same time improves leaf quality, allows more efficient stalk-cut harvesting, and is fairly low in cost and maintenance. Other examples include encouraging recycling through responsible disposal of empty containers used for crop protection agents, and tree planting. This latter initiative helps farmers become self-sufficient in their curing activities, which rely on wood, and helps them manage the process sustainably.

Turn to [page 54](#) to read more about our biodiversity activities.



TOBACCO FARMING CREATES STABLE LIVELIHOODS

Tobacco is fast becoming one of the most valuable and reliable crops in the areas in which we operate. We have partnered with farmers to improve yields and quality of tobacco leaf and, as a result, tobacco is now an attractive commodity, and farmers are thriving on tobacco growing. Thanks to close collaboration with our farming experts, farmers benefit from guidance on good agricultural practices and certified seeds. By working hand in hand, we can also map social, environmental, and labor gaps, and identify ways to address these through tailored programs and initiatives.

IN FOCUS

AGRICULTURAL LABOR PRACTICES



Improving labor conditions on tobacco farms

Our Agricultural Labor Practices (ALP) program was developed to improve labor conditions on tobacco farms. The program helps us to address labor challenges faced by the tobacco industry. These vary from country to country, and differ widely from developing to developed regions. In particular, given that it is widely known that agricultural labor practices could be improved in developing countries, ALP provides a robust framework with which to address this. ALP fosters good labor practice and takes into account the various challenges that we encounter. This strong, locally relevant approach helps ensure the right standards across our tobacco leaf supply chain. ALP is built on three fundamental pillars: Rights of Workers, Workplace Health and Safety, and Child Labor. Since problems rarely exist in isolation, ALP allows us to identify other issues such as access to education, water, or health facilities.

ALP was developed and piloted by JTI in 2013, and since 2015 the International Labor Organization (ILO) has provided support in the areas of training and impact assessment.

In 2017, 90% of our directly contracted leaf growers were observed by farming experts against the ALP standards. As for our leaf merchants, 70% reported on ALP in 2017.



COVERAGE OF ALP

- › ALP is implemented in all the farming regions where we directly operate, namely Brazil, Serbia, Malawi, Tanzania, Zambia, the U.S., and Turkey
- › We have a long-standing relationship with leaf growers in Japan. In order to further address labor issues on tobacco farms, ALP was piloted in Japan in 2017.
- › We are engaging with leaf growers and merchants in 90% of the countries where we source tobacco leaf, including, but not limited to, the following, where we directly engaged on the ground in 2017: Greece, India, Indonesia, Zimbabwe, Spain, Germany, Argentina, Brazil, Malawi, Tanzania
- › We receive ALP reports for the majority of countries we source tobacco from, and we engage most deeply with those listed above, as they are where the majority of our tobacco leaf is sourced
- › Currently, we observe 90% of our 43,500 directly contracted leaf growers against our ALP standards.
- › 70% of our third-party suppliers reported on ALP in 2017




100%
OF OUR FARMING EXPERTS UNDERWENT TRAINING IN 2017


90%
OF OUR DIRECTLY CONTRACTED LEAF FARMERS WERE OBSERVED BY FARMING EXPERTS IN 2017

CONTINUAL CYCLE OF IMPROVEMENT AND DIALOGUE

ALP drives a continual cycle of improvement and dialogue, which reflects the unique Japanese philosophy of Kaizen, or continuous improvement, a concept that is deeply rooted in our business*1. By closely observing the situation on the farm*2, recording findings, and understanding issues that affect the farmer, we can make targeted, impact-based improvements on the ground.

*1 Kaizen is the Japanese word for 'improvement'. More exactly, it means 'change for better'. Within the JTI Group, Kaizen is the foundation of how we work. It is a practice of continuous improvement in order to ensure sustainable growth.

*2 Our experts include leaf technicians who closely observe the situation on the farm: they visit every single farm several times a year and have clear visitation plans with assigned farms. During their visits, they provide technical advice on crop management and discuss good labor practices.

IN FOCUS

AGRICULTURAL LABOR PRACTICES



“There are several benefits of growing tobacco with JTI: it gives me a good income, I can take my children to school, and I learn how to keep my farm surroundings clean and safe.”

Jackson Phiri
Chililambwe Farms in Chipata,
Eastern Zambia



ADDRESSING SOCIAL ISSUES

ALP defines the expected social and labor standards on the farm regarding child labor, worker's rights, and health and safety. As child labor occurs within agriculture, our business is committed to tackling this issue. We do so through [ARISE](#) - Achieving Reduction of Child Labor in Support of Education - our flagship program, which seeks to eliminate child labor by looking at the root causes. The program draws on expertise from international organizations and NGOs, national and regional governments, local communities, and experts.

In addition to ARISE, our Grower Support Programs are designed to improve the livelihoods of those within our farming communities by overcoming issues such as access to safe drinking water by building boreholes.

The effectiveness of these programs is due to their customizable nature - they are tailored to local contexts and challenges. Our local teams on the ground are trained to have a full understanding of the issues that can arise, and of the appropriate solutions.



OUR LEAF MERCHANTS ARE ALSO IMPLEMENTING ALP

In 2017, we continued to engage with those tobacco leaf merchants who provide the remaining 50% of our tobacco leaf, to identify further areas for improvement, in particular to address challenges within the 'Rights of Workers' pillar. This type of engagement is carried out in a truly collaborative way, both on and off the farm.



ACHIEVEMENTS THIS YEAR

- › Endorsement from the Indian Tobacco Board, which is now supporting JTI with ALP implementation; next steps include continued close collaboration with the Board and suppliers to define the future of the ALP implementation roadmap.
- › 70% of our leaf merchants and their subsidiaries provided ALP reports for 2017. For 2018 we aim for 90%.
- › Engagement of our smaller-volume suppliers around ALP toward our objective of covering the whole supply base by 2019.
- › Together with the ILO, we piloted Impact Assessments in Malawi and Brazil, and these will continue in 2018.

ARISE: OUR CONTRIBUTION TO PREVENTING CHILD LABOR

	BRAZIL		MALAWI		ZAMBIA		TANZANIA	
	2017	2016	2017	2016	2017	2016	2017	2016
COMMUNITY MEMBERS EDUCATED IN CHILD LABOR ELIMINATION	31,991	34,640	10,028	11,820	8,166	1,384	5,060	879
CHILDREN OFF FARMS AND INTO SCHOOLS	3,185	766	7,063	6,414	4,167	2,562	680	0

OUR FUTURE VISION FOR ALP

Since launching ALP in 2013, we have built strong relationships with thousands of farmers. Together, we are improving incomes, living standards, and labor practices, and are having a positive impact in 90% of the countries that supply us with tobacco. Considerable progress was made with ALP in 2017 and we will continue to focus on improving the quality of our data as well as implementing external assessments.



Tackling illegal trade in tobacco products

Annual consumption of illicit tobacco is estimated to exceed 10% of all cigarettes sold globally (excluding China), with an approximate 35 billion U.S. Dollars in global tax revenue lost each year. This illegal trade fuels human trafficking, organized crime, and terror groups, and undermines legitimate tobacco businesses. It also causes harm to consumers, as uncontrolled products circumvent regulations and quality controls.

Tackling illegal trade is a top priority for us. Not only does it harm legitimate manufacturers, farmers, and taxpayers, it also affects our business and reputation. Our Anti-Illicit Trade (AIT) team is recognized as the industry leader in combating this problem. The team is made up of experienced professionals with years of service within law enforcement and governments across the globe. This team focuses on the parts of our business that are most impacted by illegal tobacco.



Our AIT team's role is to:

1

Combat the diversion of genuine JT Group products into the illegal supply chain;

2

Fight the counterfeiting of JT Group brands, including e-cigarettes; and

3

Educate stakeholders about the proliferation of illicit whites (cigarettes manufactured for the sole purpose of being smuggled and sold in another market).

An unlawful value chain from manufacturing to distribution

The illegal tobacco trade is big business, aggressively protected by organized gangs. This ever-evolving industry covers an unlawful value chain that reaches from the streets to internet forums, from factories to entire geographic zones, spanning bulk tobacco leaf to finished smuggled goods, as we explain below.

FROM LOOSE TOBACCO ON THE STREETS...

Illegal tobacco is not limited to finished goods: there is a growing problem of tobacco leaf or semi-processed tobacco being sold on streets across the globe. JTI combats this illegal bulk tobacco trade by providing law enforcement with the latest trends and locations, thereby allowing the authorities to prevent the distribution of illegal bulk tobacco. Read the case study on how we helped to seize bulk illegal leaf in Serbia.

...TO UNAUTHORIZED TOBACCO FACTORIES

AIT supports law enforcement agencies in shutting down illegal tobacco factories and warehouses. When these locations are identified, JTI provides a forensic analysis of illegal production machinery, packaging, and cigarettes. If counterfeit JT Group brands are present, the team works with JTI's intellectual property team to initiate legal action for trademark infringement. In 2017, JTI provided intelligence to local law enforcement teams which resulted in the following:

- › 20 illegal factories closed down
- › 23.3 million counterfeit JTI cigarettes seized
- › 298 tons of tobacco seized
- › 210 arrests



CASE STUDY

Seizing and destroying illegal tobacco leaf in Serbia

In 2017, our work with local enforcement and government agencies culminated in the massive destruction of roughly 190 tons of illegal tobacco leaf crop which had been grown in Serbia. This is equivalent to 190 million cigarettes and is an example of a 'seize and destroy' procedure at the start of our value chain (i.e., on the farm). Within the illegal trade, a percentage of the tobacco leaf grown is diverted to criminals who practice intimidation or extortion on well-meaning farmers. In other instances, some farmers grow excess tobacco to make additional profit from criminals willing to buy the crop at a high price. In an example of this latter scenario, we received information that certain farmers were unlawfully over-producing tobacco and selling to the illegal trade. Police used satellite screening and image mapping to identify the areas of illegal crop.

*The picture show the scale of the operation.
In total, 48 hectares of tobacco plants were destroyed.*

ILLEGAL MANUFACTURING IN PARTS OF EUROPE...

Historically, counterfeit JT Group brands were manufactured in Asia. However, there is a growing trend for illegal and counterfeit products to be manufactured within the European Union. Products can be transported across this region with no customs controls, thereby reducing the risk of seizures. Currently, Poland is being targeted as a major location for illegal manufacturing of products.

...TO ILLEGAL TRADING IN FREE-TRADE ZONES

Elsewhere, Free-Trade Zones, which are special geographic regions exempt from traditional customs authorities, are being exploited by criminal gangs to manufacture and transport illegal goods, including tobacco products. The Organization for Economic and Cooperative Development is strengthening its focus on the illegal trade in these areas and is working in partnership with AIT personnel. One proposal is to champion Free-Trade Zones that prevent the storage or transportation of illegal products, and that are approved through a positive certification scheme.



ACCURATE INFORMATION BUILDS TRUST WITH AUTHORITIES

One of the factors behind JTI's success in tackling illegal trade is the close collaboration we enjoy with our law enforcement partners. A continual flow of quality information has established JTI as a credible and reliable source. JTI is proud to have been recognized by multiple law enforcement agencies as the industry leader in providing information on illegal tobacco to law enforcement.



SPOTTING UNLAWFUL RETAILING IN SMALL SHOPS...

We are stamping out the prevalence of illegal products in small retail shops. When local enforcement agencies prosecute owners of retail premises for selling illegal cigarettes, AIT personnel provide evidential statements regarding counterfeit JTI brands. In the UK, 505 witness statements were prepared in 2017.



...STAMPING OUT ILLEGAL SALES ONLINE.

In 2015, our AIT team identified an increasing amount of counterfeit JTI products being sold online, particularly on social media platforms. A pilot project was set up in the UK to address this, using special software that can identify illegal sales.

- › To date, just under **13,000 links** advertising illegal JTI products were removed within 24 hours. This represents an estimated 1.6 million U.S. dollars worth of JTI products advertised at any one time.
- › Enhanced software was introduced in October 2017, with impressive results. In September, **444 social media posts** were removed, with a JTI product value estimated to be 68 million U.S. dollars; in October, 2,483 posts were removed, with an estimated value of 170 million U.S. dollars.
- › **The project has been extended** to Ireland, Italy, France and Spain, and a similar project has now commenced in Russia.

KEY WINS IN 2017



Partnerships with law enforcement led to the seizure of over 1 billion illegal cigarettes or cigarette equivalents.



We trained law enforcement officials around the world on how to better identify illegal tobacco products.



AIT helped law enforcement seize thousands of counterfeit Logic brand products, and provided information that led to the raid of a counterfeit e-cigarettes factory in China.

The Bigger Picture:

NEW TRACK AND TRACE RULES ACROSS THE GLOBE

Across the globe, governments are assessing and adopting new rules requiring the tracking and tracing of tobacco products. JTI does not see Track and Trace as the solution that will solve the problem of illegal trade, because it will inevitably exclude all illicit whites, counterfeits, and any product manufactured in a country that does not require track and trace. Nevertheless, our position on Track and Trace is clear: governments must ensure that any legislation is based on 'open standards,' where the technology is inter-operable and affordable for everyone in the supply chain. Without this, governments risk imposing a system that could seriously interfere with the commercial supply chain. JTI continues to work closely with key stakeholders across the globe to ensure that any final Track and Trace system is effective, efficient, and accessible to everyone.



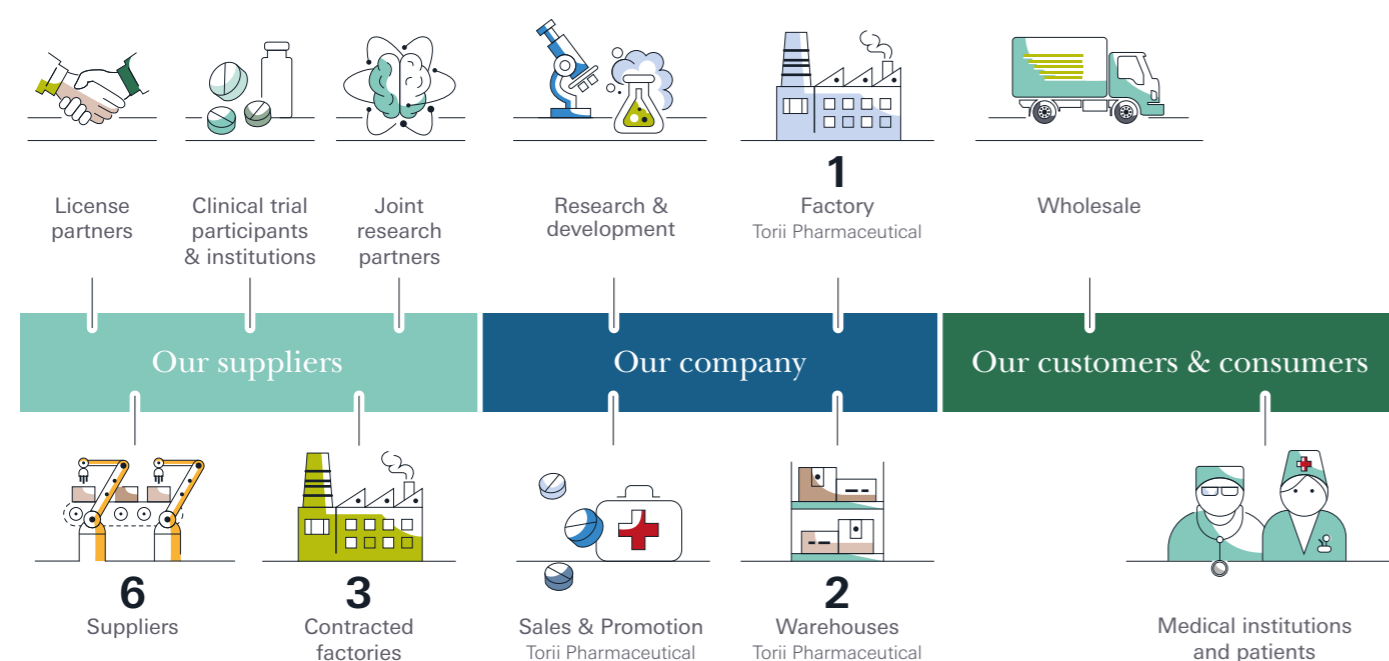
OUR BUSINESSES

Our pharmaceutical business

Our pharmaceutical business has a mission to deliver innovative drugs to patients in the shortest time possible, safely and securely. As this business has a direct impact on human health and life, we not only comply with strict laws, regulations, and industry codes, but are also guided by a strong sense of ethics and responsibility. This is particularly the case in areas such as clinical trials and the promotion of drugs, as well as animal testing, and the management of chemical substances.

While JT focuses on R&D, our pharmaceutical subsidiary, Torii Pharmaceutical, primarily carries out the production and promotion of drugs in Japan. Outside Japan, we license drugs to other pharmaceutical manufacturers, and do not have a sales function.

OUR PHARMACEUTICAL BUSINESS VALUE CHAIN*



TRAINING IN DRUG SAFETY

We have strict processes in place to ensure that our pharmaceutical business activities are always responsible and appropriate. We provide e-learning to help employees understand the importance of drug safety and quality assurance. In 2017, all of approximately 800 employees in our pharmaceutical business completed this e-learning course.

ENSURING ETHICAL INTEGRITY

Employees based at JT's Central Pharmaceutical Research Institute regularly attend educational programs in areas such as ethics, animal testing, managing chemical substances, and environmental management, so that they are always up to date in these fields.

We have established in-house regulations on animal testing, based on government legislation. Our Institutional Animal Care and Use Committee ensures we follow the '3R' concept: Replacing laboratory animals with other research materials where possible; Reducing the number of animals used; and Refining tests so that animals do not suffer unnecessary pain and distress. We carry out periodic in-house inspections and assessments to ensure compliance with regulations. Our animal-testing practices are certified by the Japan Health Sciences Foundation, an external authority.

Our Ethical Review Committee is comprised of both internal and external members, and is based also on relevant Japanese guidelines. The Committee examines the ethical justification and scientific validity of research utilizing human tissue samples.

Our chemical management system covers every aspect of the chemical handling process, from the moment we take delivery of the chemicals, through to their storage, use, and eventual disposal. It also provides employees with vital information, such as how much remains of the chemical, and the most up-to-date safety data sheet for each substance. Employees are regularly made aware of chemical safety risks. Torii Pharmaceutical separates chemicals into categories requiring different levels of management, and has specific rules and procedures according to the characteristics and safety risks of each category of chemicals.



REGULAR INSPECTIONS OF PRODUCTION METHODS

We have developed guidelines outlining how to conduct annual inspections to confirm consistency between government-registered and actual production methods. To guarantee robust quality assurance, we are now making sure that our own factories and our contracted factories fully adhere to these guidelines. In 2017, our Group factory and 50% of our contracted factories rolled out these processes. We will finish applying the guidelines to the remainder of our contracted factories by the end of 2018.

RESPONSIBLE PROMOTION OF DRUGS

We have established our own code of practice on the ethical promotion of prescription drugs, based on the code of practice of the Japan Pharmaceutical Manufacturers Association (JPMA). We have 526 medical representatives (MRs), who provide and gather information on drugs to/from health-care professionals, and we run monthly training programs to ensure adherence to our code. In 2017, Torii Pharmaceutical held several web-based conferences between relevant headquarter divisions and local offices to further consolidate the MRs' understanding of the appropriate way to manage product information. The Medical Compliance Department and Compliance Advancement Department help to educate employees on compliance with the promotion code.

TRANSPARENCY OF CONTRIBUTIONS

Collaboration and partnership is part of our business. In some instances, we make financial contributions to partners, such as research institutes, universities, or medical institutions. When we do so, we are transparent about these payments and disclose them on our website, in line with transparency guidelines from JPMA.



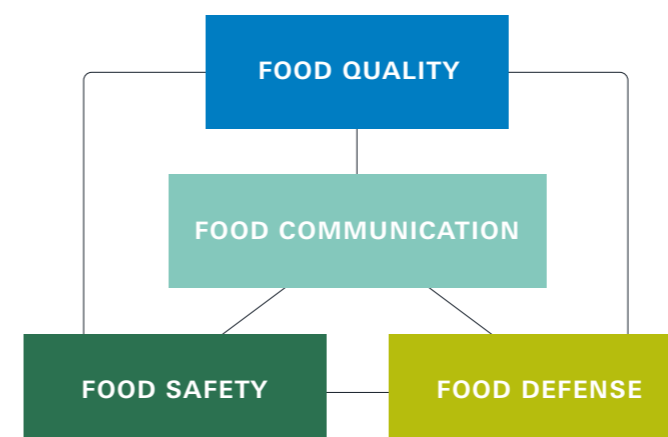
OUR BUSINESSES

Our processed food business

The TableMark Group is a processed food business of the JT Group, dedicated to delivering safe and high-quality food products to our consumers. To achieve this, we have a rigorous system in place based on four focal areas: food safety, food defense (i.e. protecting foods from intentional contamination), food quality, and food communication.

TableMark's sourcing policy on food safety covers all suppliers at every point in our procurement and manufacturing processes. We are also mindful of the environmental impacts of our products and operations, and make continuous improvements wherever possible.

FOUR FOCAL AREAS OF FOOD SAFETY



MAINTAINING QUALITY STANDARDS BY LISTENING AND LEARNING

Food quality control is an essential element of our daily operations. Along with quality improvement efforts on factory floors, we ensure that all TableMark employees receive training through customized e-learning materials.

We also listen to our consumers and their suggestions for improving product quality. Our internal Quality Improvement Committee helps us effectively respond to their recommendations. The Committee is made up of representatives from different divisions, including Product Development, Manufacturing, Sales, Quality Control, and our Consumer Call Center. Our consumer complaints management system is compliant with ISO 10002, the international standard for customer satisfaction and complaints handling.

FOOD SAFETY STANDARDS: EXTERNAL AND INTERNAL CONTROLS

TableMark has 31 factories producing a variety of food products, including frozen noodles, frozen and packed cooked rice, frozen baked bread, pastries, and seasonings. We are currently implementing a plan to have all of these factories certified to FSSC22000, the global food safety standard, by the end of 2018. FSSC22000 is recognized by the Global Food Safety Initiative, the food industry's global body, to promote food safety management. So far, 29 of our 31 factories, inside and outside of Japan, have been certified to FSSC22000*1. TableMark ensures that all contracted factories mandated to manufacture frozen food products on our behalf are certified to ISO 22000 or FSSC22000, as an assurance of food safety.

We also call upon three independent advisors, who have helped to develop our approach to food safety since 2008. In 2017, these advisors visited six factories, giving useful advice which resulted in improved awareness of quality control.

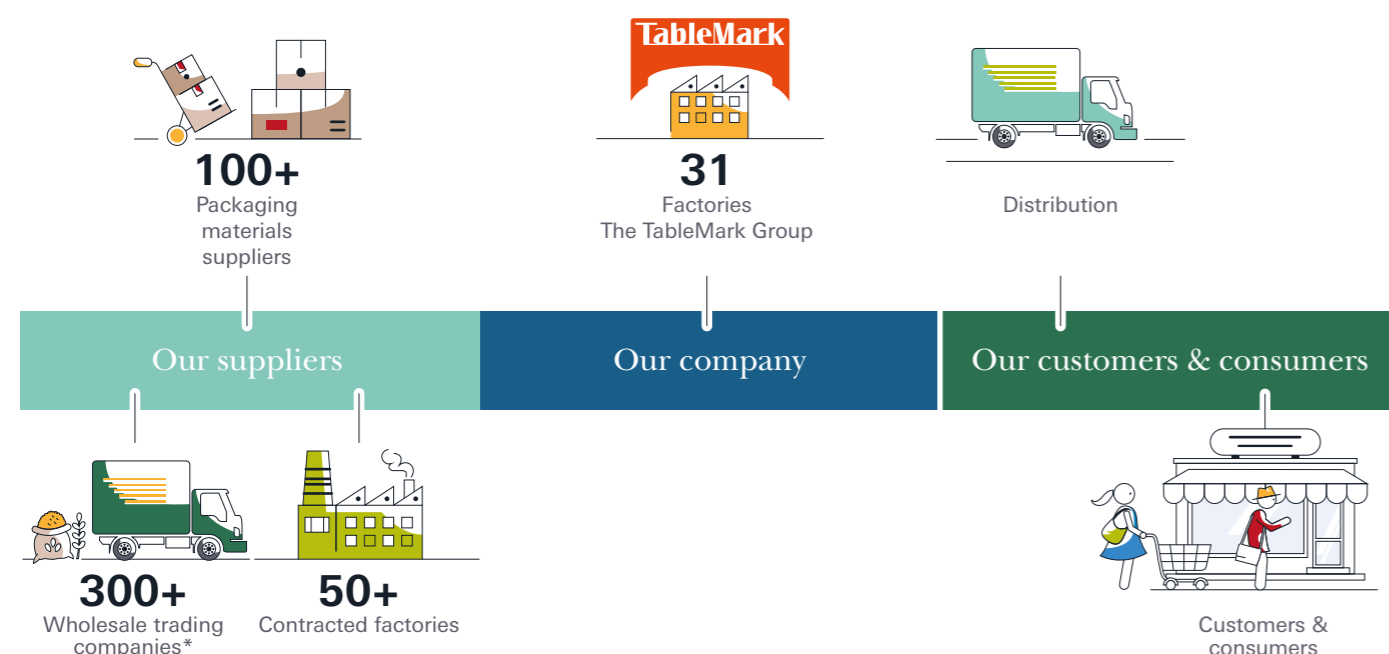
There were no voluntary recalls of our food products in 2017.

LET'S TALK: FOOD COMMUNICATION

We are always willing to provide details about our food products. We respond to consumers' requests for information, and can disclose the factory where food products were made, or the country of origin of the main ingredients. We record information on our raw materials, such as farm origin, and can trace back our products if necessary. We also have toll-free numbers on our product labels for consumers to call for extra information.



OUR PROCESSED FOOD BUSINESS VALUE CHAIN



DETECTING AND DETERRING CONTAMINATION WITH FOOD DEFENSE GUIDELINES

'Food defense' is about protecting our manufacturing processes and products from intentional contamination. TableMark applies robust food defense guidelines across the supply chain, which are applied both in our own factories and in our contracted factories, and are referred to during our annual audits. Recent initiatives to strengthen our defense mechanisms against deliberate contamination include greater use of factory cameras and enhanced management of chemical substances. These measures help detect and deter any incidences of intentional contamination.

REDUCING OUR ENVIRONMENTAL IMPACTS

As part of our efforts to reduce environmental impacts within our operations, Thai Foods International, a TableMark Group company focusing on the manufacture and sale of seasonings, is building a biomass co-generation system that uses rice husks as fuel, in its Thai factory.

This factory uses electricity procured from a local electric company, and once the system starts operating in 2019, it is expected that purchased electricity usage and the resultant Scope 2*2 greenhouse gas (GHG) emissions could be significantly reduced (by 7,000 tons of CO2e*3 annually). This project, which has been adopted by the Joint Crediting Mechanism of the Ministry of the Environment in Japan, will not only help us to address environmental issues and reduce energy costs, but will contribute to GHG emissions reduction in Thailand.

* 1 As of Mid February 2018

* 2 Scope 2 GHG emissions are those emissions relating to the consumption of purchased energy, such as electricity, steam, or other energy sources.

* 3 CO2e stands for 'carbon dioxide equivalent' emissions, a standard unit for measuring carbon dioxide footprints.

OUR WAY OF DOING BUSINESS

Our business ethics

At the JT Group, our Codes of Conduct form the foundation of our business ethics. We have a Reporting Concerns Mechanism in place that allows employees, as well as our business partners, to report any concerns they have confidentially. Our Group takes a zero-tolerance approach to bribery and corruption, and we have an anti-bribery policy in place.

We have a JT Group Human Rights Policy, which complements our Codes of Conduct, and this commits us to respecting human rights across the company.

Living our Codes of Conduct

Our Codes of Conduct outline our responsibilities toward consumers, shareholders, employees, and society, and define our legal and ethical obligations. We ensure that our Codes of Conduct are implemented effectively, by providing relevant training to all staff.

The Codes are essential for conducting business ethically, and as a responsible corporate citizen. Employees are encouraged to refer to the Codes whenever guidance is needed.

In 2017, we provided training across our Japanese operations in areas such as human rights, risk management, and prevention of long working hours. In 2017, 12,134 employees completed these courses (*C). In 2017 we also distributed our annual compliance survey, which was completed by 94.9% of employees (*C). The survey outcomes are reported to each executive officer and to each department. From the results of the feedback, relevant departments will introduce measures to improve the situation in their annual compliance action plans, and will use quantitative targets to evaluate the effect of these measures. Based on the survey results, we acknowledged long working hours and harassment as important business risks. These two risks have been set as company-wide priority issues for 2018.

In 2017, our international tobacco business, in line with its E.U. Cooperation Agreement obligations, rolled out training on Anti-Illicit Trade, which included a section on Conflicts of Interest. The training was deployed online and translated into 24 languages. 15,599 employees successfully completed the course by December 31, 2017. During 2018, the course will be adapted to employees in various locations who do not have access to computers.



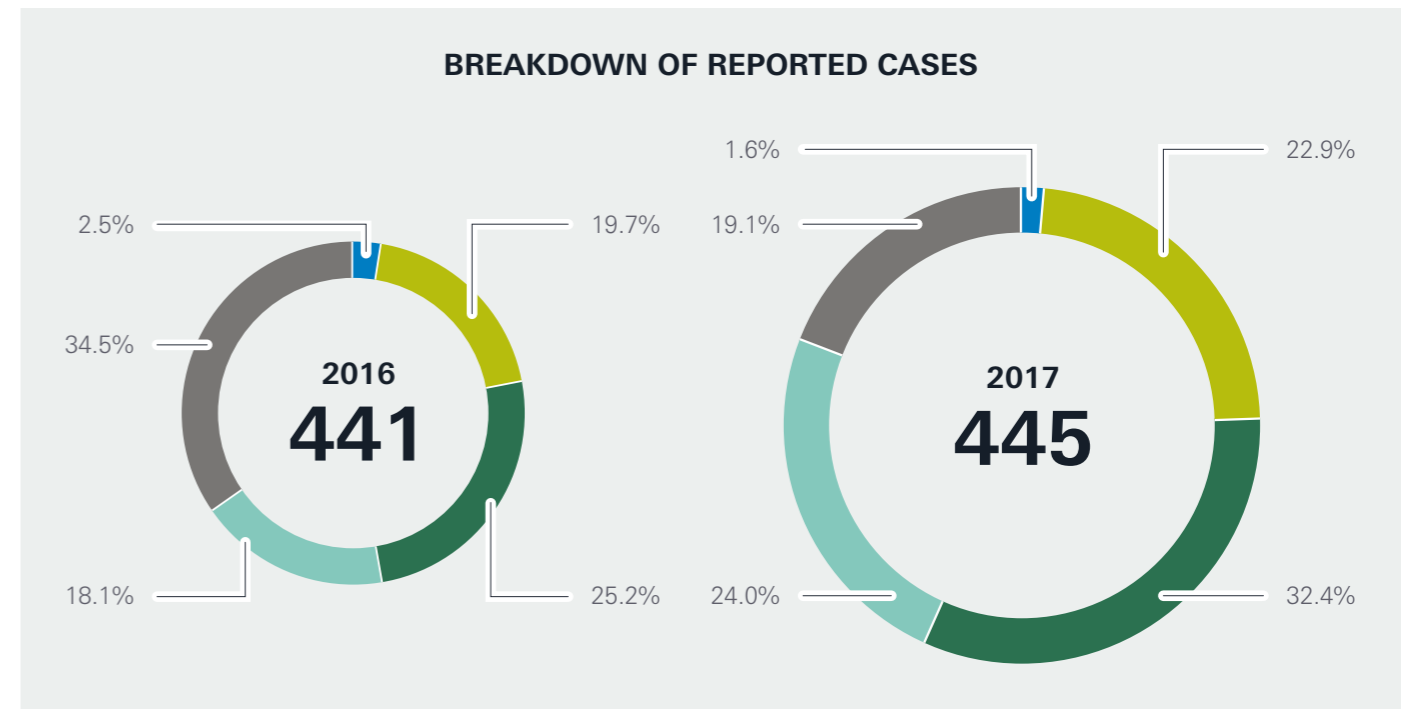
REPORTING CONCERNS

We offer multiple communication channels for employees and business partners to confidentially raise concerns about violations of our Codes of Conduct and policies or concerns that are perceived to carry the risk of violating our Codes and Policies.

We review all concerns raised and where necessary launch investigations and implement appropriate corrective actions, as required. Employees are informed about our Reporting Concerns Mechanism through various channels including the Group intranet. We also encourage customers, distributors, and suppliers to speak up about potential violations of the Codes of Conduct through our website.

The concerns we receive from our employees are dealt with by specially trained Contact Persons. In our international tobacco business, all newly appointed Contact Persons follow a mandatory online and face-to-face training course and receive the Contact Person Manual, explaining their role in detail.

Throughout their role as a Contact Person, they can take part in online refresher courses and remain up to date via a dedicated internal platform and video/phone conferences. In 2017, we received 445 reports across the JT Group, up from 441 in 2016.



- Cases related to Labor Practices (excluding Human Rights)
- Cases related to corruption
- Cases related to Human Rights
- Cases related to anti-competitive behavior
- Cases related to fraud and misuse of company assets
- Other

There were no cases related to anti-competitive behavior for 2016 or 2017.



94.9%^{*C}

OF EMPLOYEES RESPONDED TO THE 2017 COMPLIANCE SURVEY

Anti-bribery and corruption

The JT Group has a zero-tolerance approach to bribery and corruption. In addition, we do not permit facilitation payments. In 2017, our Japanese operations (including the subsidiaries of our processed food division overseas) made available an anti-bribery handbook. 2,179 employees took part in an anti-bribery e-learning course to deepen their understanding of this topic in 2017.

Similarly, in 2016, our international tobacco business launched its own communication campaign on anti-bribery and corruption. An online training module was also established, and this was completed by 15,202 employees in 2016. An additional 1,720 employees completed the online training in 2017. For those without online access, we are currently developing a train-the-trainer program (in local languages) to cover these employees. This will be rolled out in 2018.

GIFTS, HOSPITALITY, AND ENTERTAINMENT

Our internal policies and procedures help to prevent bribery and to maintain an appropriate level of exchange of gifts, hospitality, and entertainment (GHE) within the Group. The giving and receiving of GHE is limited to promoting a healthy business relationship, and should not be used to seek preferential treatments. As such, GHE must always respect all local regulations, be transparent, and be reasonable. We therefore require that all employees of Japanese operations seek approval for any GHE received or provided.

In our international tobacco business, all GHE exchanges with non-governmental third parties above 250 U.S. Dollars must receive prior approval. For government and public officials, all requests, regardless of amount, must be approved. The number of requests for GHE approval in 2017 was 740, compared to 702 in 2016.

To ensure GHE compliance is well embedded in the organization, we conduct regular training, and run communications campaigns. In 2017, in our international tobacco business, 165 employees completed GHE training via face-to-face sessions or online. In December 2017, we rolled out a Christmas GHE video campaign to all our employees (*E).



ANTI-COMPETITIVE BEHAVIOR

Our Codes of Conduct underpin the JT Group's strong commitment to fair competition. Our commercial strategy and actions must be determined independently of our competitors. Our international tobacco business has a competition law policy and guidelines in place, designed to ensure that its business operations are conducted fairly and in compliance with competition laws, wherever it does business.

To ensure that employees understand the principles of fair competition and the standards of the policy and guidelines, we provide face-to-face training, with online training also available to complement this, as necessary.

Respecting human rights

We need to respect Human Rights in every market where we operate. Since we are present in countries where human rights may be at risk, we have made a commitment to assess those as a priority. We will develop actionable plans to make improvements where required, to ensure the highest standards of behavior are upheld within our business and value chain.

Over the past three years, we have been working on a more systematic approach to human rights issues. In September 2016, we launched the [JT Group Human Rights Policy](#) (the Policy), which follows the UN Guiding Principles on Business and Human Rights, and delivers on our management principles, as set out in our [4S model](#).

The Policy was originally developed in consultation with internal and external stakeholders. As per our commitment to the policy, in 2017 we began carrying out human rights due diligence programs across our businesses. In order to strengthen and improve implementation of the Policy, our international tobacco business created a Human Rights External Advisory Board.



ASSESSING

We are committed to carrying out due diligence to identify and assess actual and potential human rights risks in our business.

In our international tobacco business, we conducted a gap analysis of our corporate framework, including policies, procedures, and processes in 2017. This analysis concluded that we have a robust set of policies and procedures in place to investigate and mitigate human rights risks across our operations and business relationships. While our policies are consistent with human rights expectations, we will ensure that they are more integrated and conform more closely with international standards. An important recommendation was to test policy implementation in our key markets. As a result, this has now been integrated in our human rights market assessments.

We completed a gap analysis in Japan, followed by a pilot due diligence project across our Japanese operations. This included distribution of a Self Assessment Questionnaire to over one hundred logistics sites, R&D centers, and factories across the three key business segments of tobacco, pharmaceutical, and processed food. Selected sites were also visited for face-to-face interviews with internal audit teams. We analyzed the questionnaires and shared our findings and risk assessments with the business.

INFORMING

We have been rolling out e-learning modules and training on human rights within the JT Group since 2016. In 2017, our international tobacco business launched a module in English and in 24 other languages. Training for employees without computer access will take place in 2018 to ensure all our employees have an awareness of our company's commitment to the Policy.



“BSR (Business for Social Responsibility) has a partnership with JTI to help the company build robust human rights policies and practices, and implement these across the corporation and its country operations.”

Margaret Jungk
 Managing Director, Human Rights, BSR

IMPROVING

The extensive Self Assessment Questionnaire analysis in our Japanese operations provided us with further insights into high risk areas, including issues around foreign workers, harassment, and long working hours. We identified a need to reinforce our internal policies and a need to continue engaging internally, in order to keep making improvements in this area. Based on our findings and our learnings from the due diligence pilot programs in 2017, we will focus in 2018 on establishing internal guidelines for the hire of foreign workers, and for their working conditions in Japan.

OUR WAY OF DOING BUSINESS

Our people

JT Group Human Resources Management Philosophy

In order to contribute to the Company's sustainable growth, and with the recognition that highly skilled, talented, and diverse people are the foundation of its success, JT Group management strives for the highest level of employee satisfaction with a long-term view.



TREAT ALL EMPLOYEES FAIRLY AND RESPECTFULLY



ENSURE TRANSPARENCY OF RULES AND STANDARDS



PROVIDE ALL JT GROUP EMPLOYEES WITH GROWTH OPPORTUNITIES

Building success by investing in people

Employees are one of four principal stakeholders within our 4S model. Our strong commitment to employees is described in the JT Group Human Resources Management Philosophy, and is reflected in our HR strategies.

In 2017, based on the ideas outlined in our Philosophy, our international tobacco business established its latest HR strategy. This has a strong emphasis on attracting and managing talent, and is supported by an organizational design that suits our current and future business environment. It also looks into competitive remuneration for employees, and the value of the employer brand for employees.



Maximizing people potential

Maximizing the potential of our people is a role undertaken by line managers, who help drive employee motivation and performance. Expectations are clearly communicated to line managers, and new programs have been introduced that enhance our managers' ability to help employees unlock their potential and flourish in their professional development.

Within our international tobacco business, we are also working on improving the quality of performance appraisals, and are building a new online HR platform. In 2017, 80.4% of our workforce took part in performance appraisals for the year 2016.

Proof of our commitment to employee development is seen in the number of open vacancies that are typically filled internally. Employees in junior positions are frequently promoted to management positions, a practice we favor over automatically seeking external recruits. We enjoyed an internal hire rate of 94.2% in 2017.



Diversity in the workplace

We believe diversity often equates to significant competitive advantage, as it promotes different perspectives, which foster creativity and innovation.

The JT Group, with employees from more than 100 different countries, has long carried out various initiatives to promote all forms of diversity. In 2017, we continued to uphold this commitment by establishing a dedicated 'Diversity and Inclusion' department in our international tobacco business.

Furthermore, JT was ranked as a 'Gold' employer in the [PRIDE Index](#), for the second consecutive year, recognizing our commitment to the inclusion of the LGBT community.

WOMEN IN MANAGEMENT

We are keen to promote female employees and achieve a more gender-balanced workforce. JT is pleased to report that female representation within the management team increased from 4.7% (*B) at the end of 2016, to 5.5% at the end of 2017. This is in line with our plans to achieve 10% female representation in our management by 2023.

Our international tobacco business is aiming for 30% female representation in director positions by 2020, with 28.2% at the end of 2017. In June 2017, Suzanne Wise was appointed Senior Vice President, heading the Corporate Development function including CSR. She is the first woman on the Executive Committee of our international tobacco business. We acknowledge we have a long way to go and are committed to improving female diversity.

"Our operating environment is characterized by disruption, from ever-tougher regulatory requirements to exciting new opportunities in our portfolio.

Our people are changing too, demonstrating more diversity in their values and desiring more personal growth in their work.

In recognition of these evolutions, I am committed to creating a workplace where individuals can achieve their full potential and entrepreneurship will flourish. This will equip us with the mindset and manpower to navigate these shifting tides, and ensure we remain steadfastly successful."

Kiyohide Hirowatari
Member of the Board and Executive Vice President, JT

Workplace health and safety

HEALTH AND SAFETY FIRST

Health and safety in the workplace is of the utmost importance to us, not only for our employees' wellbeing but also for the sustainable growth of our business. Our standards on health and safety usually exceed legal requirements, and their scope extends beyond our employees to cover contractors and visitors in our operations. Wellbeing programs often include family members of employees.



WORKPLACE HEALTH AND SAFETY DATA*1		FY2013	2014	2015	2016	2017	TARGET
NUMBER OF FATALITIES *2	Employees	1	2	1	2	0	0
	Contractors	0*E	3*E	1*E	1	2	0
NUMBER OF LOST-TIME INCIDENTS (LTIs)	Employees	n/a	113	154	155	172	n/a
	Contractors	n/a	12*E	17*E	8	13	n/a
EMPLOYEE LTI RATE (Number of LTIs per 200,000 hours worked)		0.26	0.32	0.36	0.42	0.35	n/a
% OF CIGARETTE AND TOBACCO-RELATED FACTORIES CERTIFIED TO OHSAS 18001 (*D)		85.4%	81.0%	78.9%	77.8%	74.4%	100 %
NUMBER OF VEHICLE ACCIDENTS		1,362*E	1,341*E	1,108*E	1,294*D	1,457*D	n/a
VEHICLE ACCIDENT FREQUENCY RATE (Accidents per million kilometers)		6.1*E	5.9*E	4.8*E	4.4*D	5.2*D	n/a

BUILDING A SAFE WORKING ENVIRONMENT

Our safety programs are based on three fundamental pillars: safe work places, safety competence, and a Group-wide safety culture, where safety is the priority. The highest safety risks across our business relate to driving (fleet safety); working with machinery; as well as slips, trips, and falls. We mitigate occupational safety risks by conducting risk assessments, delivering safety trainings and raising awareness, implementing prevention measures, and managing emergency response. As part of these efforts, in 2017, the manufacturing function of our international tobacco business initiated a new program, 'Wesafe', to increase awareness, and accelerate safety.

In spite of these measures, we still experience challenges and, at times, safety incidents. We are committed to addressing these by strengthening safety education for both employees and contractors, and by systematically sharing incidents reported within the Group, to prevent recurrence.

Over the course of 2017, we regrettably had to report fatalities in our workplaces. One contractor died in a motorcycle accident, while another contractor died during the relocation of equipment in our factory. Fleet safety continues to be a major challenge, as four third-party fatalities took place in accidents involving our company cars and/or motorcycles. In these tragic situations we support the affected families as much as we can.

In response to these recent accidents, we are reinforcing our safety programs and training courses for vehicle and motorcycle drivers to reflect the current reality of road-related risks, and we are helping individuals develop their skills in recognizing road traffic hazards, and preventing collisions. To address the fatality in our factory, additional safety trainings for employees and contractors, as well as factory-wide safety re-assessments, were immediately implemented.

PROMOTING HEALTH AND PREVENTING WORK-RELATED DISEASES

The JT Group promotes general employee health and wellbeing, as well as work-related disease prevention. To support this, our international tobacco business offers a range of tools to mitigate occupational health risks, and prevent health concerns in the workplace. This includes regularly assessing levels of noise and dust in manufacturing sites, ergonomic and manual handling hazards, and occupational hygiene.

JT RECOGNIZED BY JAPANESE MINISTRY OF ECONOMY, TRADE AND INDUSTRY

In recent times, JT has placed a special focus on stress management and prevention of lifestyle diseases. As a result, JT was named a 'White 500' company for the second consecutive year, in recognition of exceptional efforts toward employee wellbeing. The 'White 500' award is presented by Japan's Ministry of Economy, Trade and Industry (METI) and recognizes large enterprises that are making outstanding progress toward better wellbeing and productivity among their employees.

CASE STUDY

JTI Petro's comprehensive wellbeing program

HOLISTIC APPROACH FOR EMPLOYEE HEALTH, WITH FOUR PILLARS OF WELLBEING

In 2017, the factory, located just outside St. Petersburg, continued to enjoy the fruits of its ground-breaking health and wellbeing program, BeWell, which was first launched in 2016.

The campaign reaches some 1,300 employees, and carries the motto "Energy of Health for Work and Life". It is this final aspect, 'life', that sets the campaign apart from anything that the JT Group has done before. This campaign is unique, as it brings together different wellbeing pillars into one holistic program, focusing not only on physical health, but also on employee wellbeing as a whole. The program encompasses the four areas in life that typically generate the most stress, and which deserve deeper attention.

Ekaterina Melnikova and Irina Stepanova are both HR managers based in St. Petersburg who lead the BeWell program. They explain that the goal of the program is to "increase workplace efficiency and employee engagement over the long term", but more importantly, it will "empower employees to be more conscious of their own wellbeing".

The success of this program has been communicated to other factories and offices in our international tobacco business to see if it can be applied in other locations.



BeWell Career

seeks to maximize the employee's potential, and supports each individual in developing their own career path.



BeWell Financial

improves financial literacy and money management, for better mental wellbeing.



BeWell Health

encourages healthy lifestyle habits for more energy, less absenteeism, and increased productivity.



BeWell Social

promotes a sense of community and belonging, with initiatives to 'give back', and more opportunities to meet new people or colleagues.

"The BeWell program helps you unlock your potential. It gives you an impetus to grow and develop in the areas of greatest interest – be they career, personal finances, health, or social relations. Seminars and training sessions, sporting events, family days, and special healthy eating projects are just a small sample of what the company offers as part of BeWell. I took part in the Getting Fit Together project, which helped me not just to lose excess weight, but also to improve my health, get into good eating habits, and learn how to stay fit."

Aleksandr Raspopov, Quality Control Specialist, Petro factory

*1 Unless otherwise specified, 2017 safety data covers the entire JT Group. The scope of reporting for contractor fatalities and LTIs, as well as vehicle accident data, has expanded in 2016 compared to previous years. Further details on the scope of data can be found in the Basis of Reporting document.

*2 Excludes third-party fatalities. For details on third-party fatalities, please refer to the 'Building a Safe Working Environment' section.

OUR WAY OF DOING BUSINESS

Our planet

As a responsible business, the JT Group is committed to protecting the environment. By reducing our environmental impacts, we are able to conserve resources, improve performance and enhance our reputation, and manage costs. All of this supports the environment and the sustainability of our business. This ethos is at the heart of our approach to environmental management, laid out in our Company Environmental Charter. The Charter is supported by the JT Group's Long-Term Environment Plan 2020, which presents our targets for greenhouse gas (GHG) emission reduction and our approach to managing water, waste, and biodiversity. We are pleased to report that our target for total GHG emissions reduction set out in the plan was achieved ahead of schedule in 2017. Looking beyond 2020, we are building our next Environment Plan, which will address energy, GHG emissions, natural resources (water and wood), and waste, with clear objectives and targets for each topic.

JT GROUP LONG-TERM ENVIRONMENT PLAN 2020



MINIMIZE OUR CONTRIBUTION TO GLOBAL CLIMATE CHANGE WITH A TARGET OF 20% REDUCTION OF GHG EMISSIONS AND INTENSITY BY 2020



PROTECT WATER RESOURCES THROUGH SUSTAINABLE USE OF WATER



PREVENT WASTE, PROMOTE RECYCLING, AND OPTIMIZE RESOURCE USE



CONSERVE BIODIVERSITY THROUGH PROMOTING SUSTAINABLE STEWARDSHIP OF THE NATURAL ENVIRONMENT

A sustainable approach to environmental stewardship

We align our environmental and energy management systems with relevant international standards (namely ISO 14001 and ISO 50001) and have also developed the JT Green System (a simplified environmental management system) to promote a sustainable approach to environmental management in our smaller and less complex operations.

Recent revisions to ISO 14001:2015 have required ongoing actions during 2017, including aligning our environmental management systems with these updates. We also started to integrate energy management into our existing management systems.

Going forward, we will continue to explore how we can better integrate our environmental and energy management systems with other business considerations, such as Quality, Occupational Health and Safety, and other operations. While this presents challenges, it also brings with it opportunities. We are piloting the approach to developing an integrated quality, environment, health and safety management system at our Leaf factory in Malawi. We will use the insights gained from this process to help other factories build more efficient and integrated management systems.



KEEPING A CAP ON GREENHOUSE GAS EMISSIONS

Climate change remains the most important environmental challenge of our times. For the JT Group, and particularly for our tobacco business, climate change can directly affect the supply of key raw materials, including tobacco and many of the production materials used across our supply chain. It is, therefore, critical that we reduce fossil fuel energy use and greenhouse gas (GHG) emissions for the benefit of the planet, and of our business.



“We strive to be a responsible business at all times, and we are committed to looking after the environment in which we operate. In this year’s report, I am pleased to announce that we have successfully achieved our total GHG emissions reduction target ahead of the original schedule.”

Chigusa Ogawa Senior Vice President, CSR.



GHG emissions in our operations

The JT Group remains committed to cutting its GHG emissions, notably through focusing on energy reduction, and increasing the proportion of renewable energy that we use.

We have reduced absolute GHG emissions between 2009 and 2017 by 21.2%, achieving the target set out in the JT Group Long-Term Environment Plan 2020*1. This was achieved through a number of initiatives, one of them being the use of renewable energy. GHG emissions relate to both Scope 1 emissions (those for which we are directly responsible), and Scope 2 emissions (those related to energy supplied by third parties). We are still working hard to meet our 2020 emissions intensity target for our tobacco business. To achieve this, we have set a goal to improve our overall emissions efficiency by a further 5%, during the period 2018-2020.

include revised emission targets in line with science-based approaches, taking into account the Paris Agreement on climate change.

We are pleased that more and more of our factories and offices now purchase or generate energy from renewable sources.

Examples of renewable energy purchased: Sweden, Romania, Germany, Canada, Switzerland, Poland

Examples of renewable energy generated on-site: Brazil, Turkey, Jordan, Nigeria, The Netherlands.

The majority of our factories continue to implement energy reduction opportunities. One impressive example of this is our factory in Malawi, which achieved an almost 65% reduction in electricity consumption from 2015 to 2017.

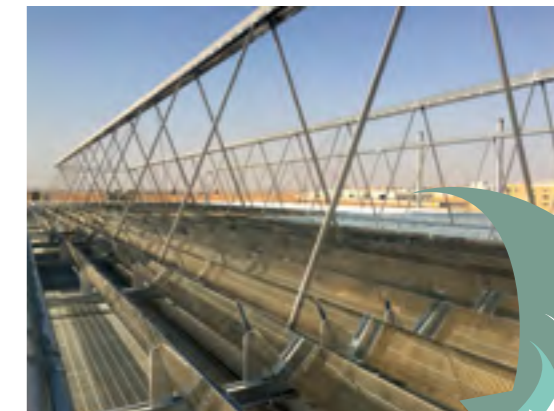
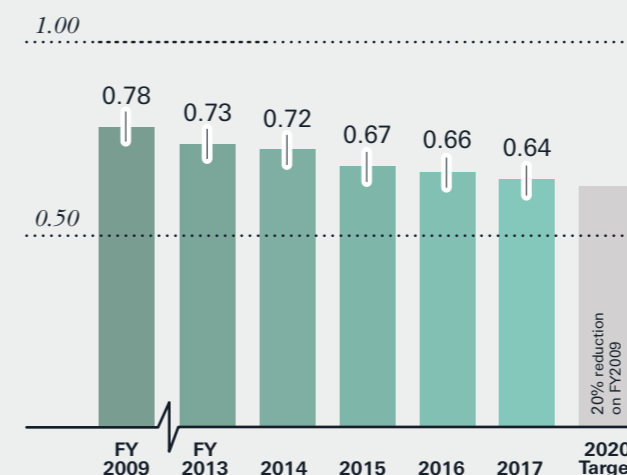
In 2017, our factory in Tainan (Taiwan) became the first JTI factory to be awarded a Leadership in Energy and Environmental Design (LEED) Certificate from Green Business Certification Inc. (GBCI®). This represents official recognition of our leadership in energy and environmental building design, and an acknowledgement of efforts made in the areas of energy and water efficiency and innovation, amongst others.

PLANNING AND PROMOTING EMISSION REDUCTION

As part of our efforts to tackle GHG emissions, we have established a cross-functional team for renewable energy, allowing for a more coherent approach towards renewable energy and emissions reduction. To help compare various GHG reduction projects, in terms of anticipated emissions reduction, the cost of that reduction, and also project payback, we have adopted a tailored MACC*2 tool. This helps us better plan and prioritize projects and focus our GHG reduction efforts. Our new Environment Plan will

GHG EMISSIONS INTENSITY FOR THE TOBACCO BUSINESS

CO₂e tons/million cigarettes equivalent



CASE STUDY

Generating steam in Jordan

Our factory in Jordan is a pioneering example of our increasing use of renewable energy. Thanks to solar steam generation, the factory can cover the majority of its thermal energy demands for tobacco processing, and convert part of the solar energy into energy for building heating and for cooling. This significantly reduces the factory's carbon footprint. It is the first tobacco factory in the world to use direct solar steam generation. Overall, the project is anticipated to save approximately 10% of the factory's annual GHG emissions and 18% of its annual energy costs, with a payback of approximately eight years.

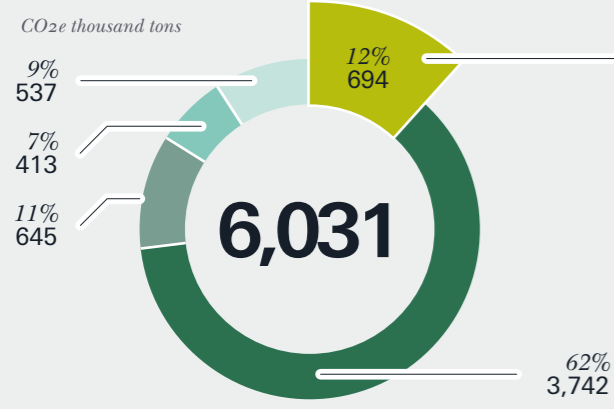


AN INNOVATIVE APPROACH TO REDUCING EMISSIONS IN OUR VALUE CHAIN

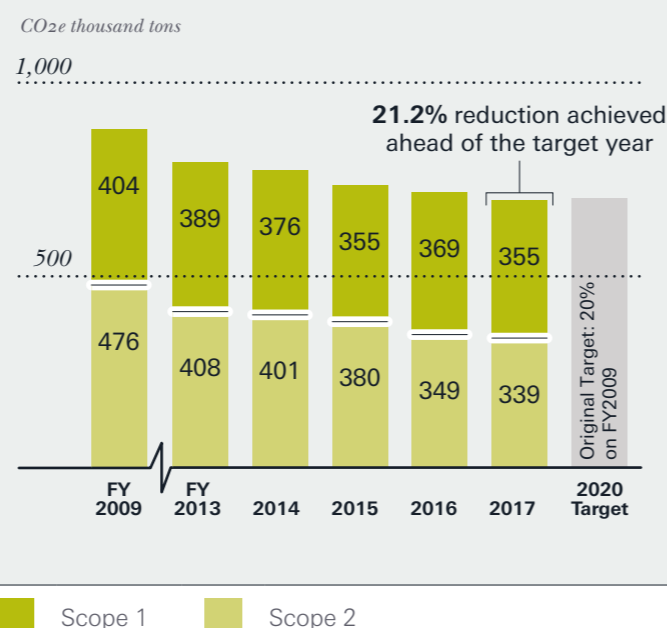
As well as our own emissions, we continue to seek ways to reduce GHG emissions across our value chain ('Scope 3' emissions) – in particular, emissions associated with tobacco leaf, our main raw material, which represent the largest single source of Scope 3 emissions for our business. Our innovative Matope curing barns in Zambia optimize tobacco quality whilst reducing wood consumption, resulting in a 12% reduction in CO₂ emissions.



GHG EMISSIONS IN OUR VALUE CHAIN IN 2017



COMBINED SCOPE 1 AND 2 GHG EMISSIONS



*1 Original reduction target: 20% reduction between 2009 and 2020.
*2 MACC, or Marginal Abatement Cost Curve.

Water

Water is a fundamental resource for the JT Group and, in particular, for our processed food business. Water is also a risk factor within our operations. Water-related issues, such as availability, quality, flooding, drought, and how water is regulated, represent potential risks to our business.

We take steps to ensure effective water management. We do this by ensuring our business units set annual withdrawal targets and by undertaking water risk assessments in our factories. By the end of 2017, we had completed water risk assessments at 40 of our factories (56%).

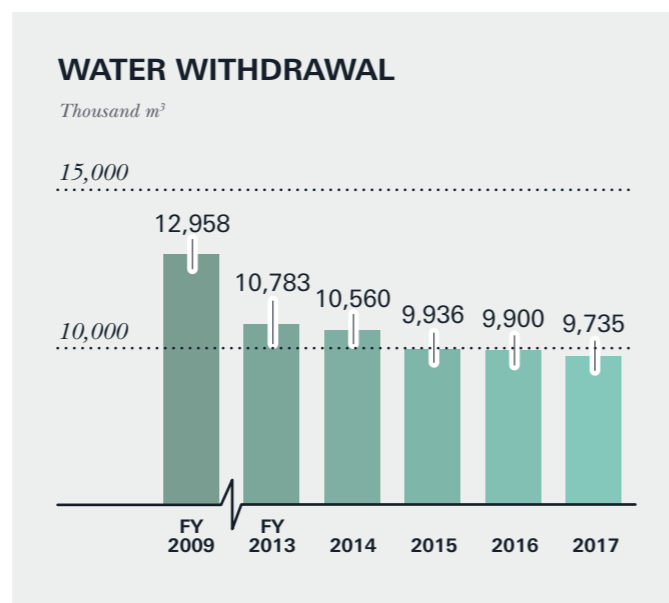
As part of our new Environment Plan we are committing to context-based water targets for relevant parts of our business.

Recent water-related improvement projects include water recovery and recycling at our factories in Turkey, Jordan, and Russia, and improved wastewater treatment at two of our Russian factories.

RECOGNIZED FOR ENVIRONMENTAL LEADERSHIP

In 2017, we achieved Leadership status in both CDP Climate Change and CDP Water. In addition, we invited 47 of our suppliers to disclose information about climate change and water management through the CDP Supply Chain Program. We recognized World Water Day 2017 with a seminar at our Geneva headquarters, where we showcased our approach to water management and water-related community projects in Malawi, Ethiopia, and Bangladesh.

Going forward, we will be further investigating the potential environmental impacts, including water-related issues, in our Reduced-Risk Products supply chain.



Biodiversity

Responsible management of biodiversity within our operations supports the long-term viability of our business, whilst protecting the environment.



Embedding biodiversity considerations into internal management processes and strategic decision making is fundamental to our business. This involves assessing our dependence and impact on biodiversity and natural resources and identifying how we utilize and manage these. We then deploy appropriate responses, such as good agricultural practices, initiatives on soil management, sustainable wood and water conservation, and natural forest restoration.

In 2017, we launched our project on nature restoration in Brazil. This was in collaboration with the Society for Wildlife

Research and Environmental Education, and approved by the National Bank for Social Economic Development. Over the next five years, the project aims to restore 335 ha of Permanent Protection Areas at our integrated tobacco farms as well as in Flona de Irati, a National Forestry Reserve; seedling planting has already started in this area. The project will contribute to environmental conservation in Brazil, increase our efforts in protecting biodiversity, and impact positively on our farmer communities.

Our Miombo Woodland Project in Zambia is an initiative for the sustainable management of Miombo woodland. It includes, amongst other things, the conservation of wood, rehabilitation of existing woodland areas, and empowerment of communities to use these resources sustainably. Achievements from the first phase of the project,

completed in 2017, include a baseline study, engagement with local communities and local authorities, and training on sustainable bee keeping, use of efficient cook stoves, and improved land management.

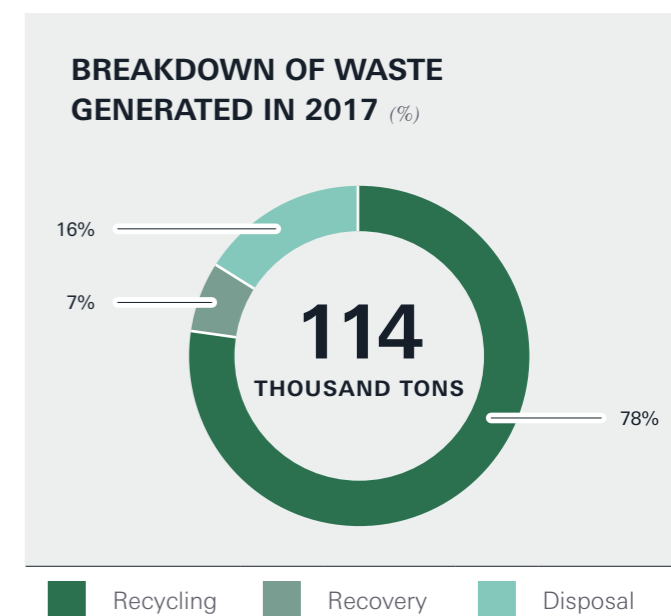
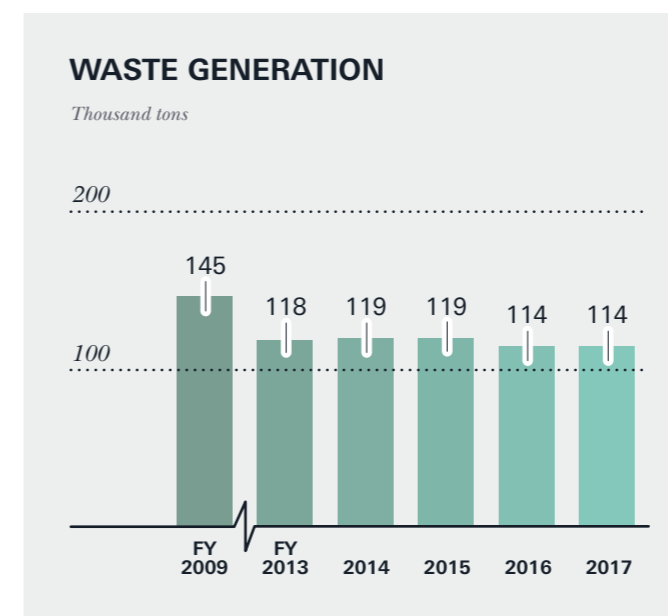
To improve farm productivity and reduce farming costs, we invest in innovation. This includes partnering with leading international academic institutions and non-governmental organizations. Our Agronomy, Development, Extension, and Training (ADET) centers in Brazil and Zambia carry out research into topics that ultimately enhance returns for farmers in the long term. We have recently developed a protocol to help farmers establish an inventory of biodiversity and how to monitor it. This enables farmers to implement action plans for environmental restoration in relation to native vegetation, water, soil, fauna, and climate.

Waste

Waste management is a key component of both our current and new Environment Plans. Across the company we apply a 'Reduce, Reuse, Recycle' philosophy approach to waste management. We believe that, if waste is reduced, resources can be reduced, and so can costs to the business. Our factories develop targets for reducing waste, and increasing the proportion of waste recycled.

We experienced an unexpected challenge in 2017 resulting from an unintended consequence of legislation: one of our European factories was faced with increased recycling targets, leading to more waste being diverted for recycling instead of being reused. This increased the overall quantity of waste generated, and resulted in higher costs.

We are also seeking ways to better manage electronic and electrical waste within our Reduced-Risk Products supply chain. To address this, we are developing guidance around improved waste management in this area. [Turn to page 23](#) to read more about environmental practices for our Reduced-Risk Products.




OUR WAY OF DOING BUSINESS

Our community investment

We are committed to being a good corporate citizen, ensuring that our businesses deliver positive impact in local communities. For us, community investment is a way to voluntarily engage with charitable organizations and reach beyond our core business operations. In total, we have 355 community projects across 66 countries. In the last two years, our community investment programs have been well rated by recognized external agencies.

IN 2017



6,090
MILLION YEN CONTRIBUTED TO CORPORATE COMMUNITY INVESTMENT

For further details on our community investment, visit jti.com or www.lbg-online.net



9,785
EMPLOYEES DONATED 21,911 VOLUNTEERING HOURS TO HELP OTHERS

5,330 million Yen in cash
648 million Yen in management costs
75 million Yen in employee volunteering time
38 million Yen in kind
4,730,987 beneficiaries
719 organizations



Our community programs enable us to extend a special focus to two particular stakeholders within our 4S model, notably our employees, and wider society. We use the framework provided by the London Benchmarking Group (LBG), the global standard for measuring corporate community investment, to measure the social impact of our work. According to the LBG Benchmark, the JT Group ranks 9th out of 100 member companies in total community contributions. We continue to uphold our community investment program even in light of growing restrictions facing our industry. See The Bigger Picture for a quick snapshot of challenges in this area.



The Bigger Picture:

SHOULD TOBACCO COMPANIES BE ALLOWED TO OPERATE COMMUNITY INVESTMENT PROGRAMS?

The tobacco industry is facing increasing regulation around its community investment programs. JTI's charitable work has already been banned in several countries such as France, Lithuania, and Mongolia. While such legislation aims to discriminate against the tobacco industry and destabilize our position as a legal and legitimate business, it first and foremost undermines the sustainable development of communities where we operate. We believe that there is no justification for prohibiting tobacco companies from exercising their right and obligation to be a responsible corporate citizen and to support communities.



Our priorities in community investment

We are committed to building open and resilient communities. We support this with programs that address three specific issues:

PROTECTING THE ENVIRONMENT

From a business perspective, we know how important it is to sustainably manage our resources. It's something we promote through our environmental programs that benefit our communities.



After



Before

“Replanting trees across 50 hectares of land would have been difficult for local people without support, so I appreciate JT’s assistance.”

Tsuneo Nakamura landowner of Nakahechi forest.



REDUCING INEQUALITIES

We have a mission to promote open and fair societies. We support programs that drive social inclusion, such as those for older persons, people with disabilities, and the underprivileged, as well as arts programs that encourage access to the arts for all.

IMPROVING COMMUNITY RESILIENCE

We help to build safe and sustainable communities that are more resilient to man-made and natural disasters. This work is carried out by certain programs within JT, and by the JTI Foundation. For more information, please visit www.jtifoundation.org.

CASE STUDY

Replanting the Nakahechi Forest

We have carried out forest replantation programs in Japan for over 12 years, with the aim of engaging with local communities, providing volunteering opportunities, and making a positive contribution to forest areas. In 2005 our first such initiative was in the vast Nakahechi Forest, located in Japan’s Wakayama Prefecture on the Kii Peninsula. After felling the required amount of trees, the local community experienced difficulties replenishing trees, due to the stagnation of the forestry economy. Eventually, with the support and participation of the local authority and community, we began replanting trees, and have replenished around 200,000 new trees to date.

To maintain and promote the growth of the best individual trees, continuous thinning throughout the year is needed. This resulted in the employment of local people, assigned with the maintenance of the forest, who reported a great improvement of their skills and are now crucial to the Nakahechi forestry association.



JOB SATISFACTION THROUGH VOLUNTEERING

Volunteering is a proven way to build staff satisfaction and offer employees the chance to engage with local communities, to grow their leadership skills, and develop a variety of ‘soft’ skills. In our U.K. office, 48% of employees volunteered in 2017. In Geneva, JTI employees can help out at a local charity for up to four hours a month. We are looking to increase such initiatives company-wide, and to develop a global volunteering policy.

Our office in Russia doesn’t just pursue profits: we enjoy giving back to our local communities, too. Each year, we hold our company-wide ‘Day of Doing Good’, attended by the whole of the Russia team and their friends and family. Typically, we help elderly residents in care homes, do a clean-up in a local park, or lend a hand at animal shelters.



Moscow Charity Race “Job That Inspires” for JTI Russia employees, their families and friends, organized in Moscow, St. Petersburg, and Yelets.

About this report

We report annually on our sustainability activities and performance, and have been publishing environmental or CSR reports since 1998. Our last report, JT Group Sustainability Report FY2016, was published in June 2017.

IN ACCORDANCE WITH GRI G4 'CORE'

The FY2017 report has been compiled in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines 'Core' option. We defined the content of this document using a materiality assessment that covered the entire JT Group.

Our GRI G4 Content Index shows the list of Standard Disclosures for which we have provided information either in this report or in other public documents, such as our Annual Report. The identification of Specific Standard Disclosures is based on materiality assessments for the entire JT Group.

NOTES ON DATA

Data in this report covers January to December 2017, unless otherwise stated. In 2014 the JT Group moved its reporting period to the calendar year ending December 31. Until March 2014 the fiscal year for our Japanese domestic operations began on April 1 and ended on March 31. Historical data indicated with 'FY' covers those periods.

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.

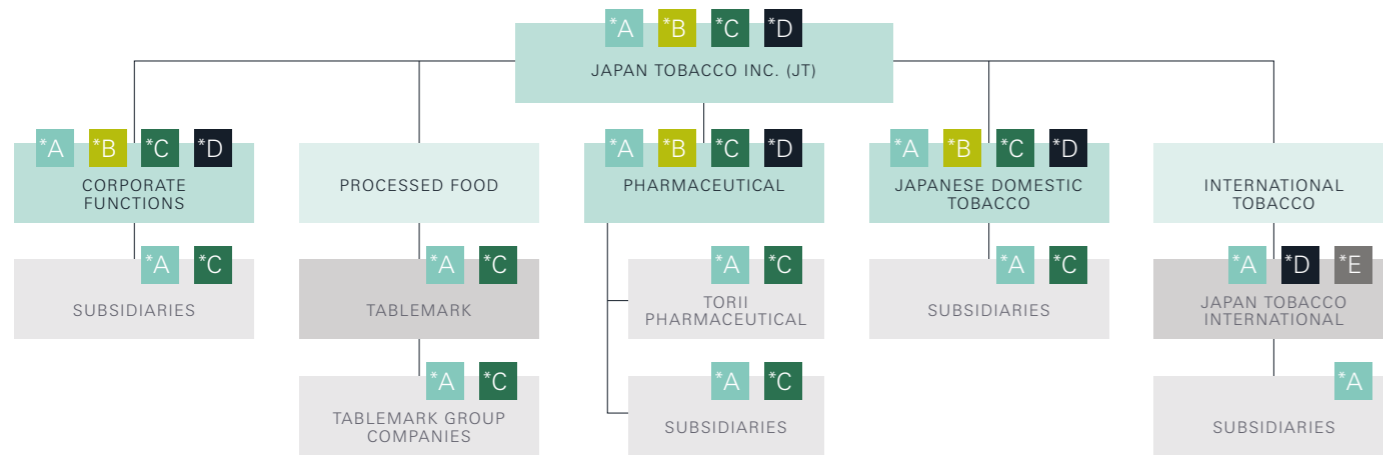
We have shown how we calculate and consolidate compliance, human resources (HR), health and safety, environment, and community investment data in our separate Basis

of Reporting document, which we will continue to update in the future. The Japanese Yen exchange rates against the U.S. Dollar used in this report are the same as those used in our consolidated financial reporting.

EXTERNAL VERIFICATION AND ASSURANCE

This report is not externally assured, although some of the data within it have been externally verified. This includes Group-wide Scope 1 and 2 GHG data, and some Scope 3 GHG data, as we state on our website. Furthermore, energy consumption data, water withdrawal data, and waste generation/recycled data have been externally assured. In the future we will consider expanding the scope of assurance of our non-financial data and the contents of this report.

DATA REPORTING HIERARCHY



*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)

CHANGES IN STRUCTURE, SIZE, OR OWNERSHIP

In 2017, we acquired the Indonesian company, PT. Karyadibya Mahardhika, a kretek cigarette company, and its distributor, PT. Surya Mustika Nusantara.

In September 2017, we completed the acquisition of assets related to the tobacco business of Mighty Corporation, in the Philippines.

In December 2017, we purchased 30% of the total shares in National Tobacco Enterprise Share Company (NTE), in Ethiopia, taking the JT Group's share ownership to over 70% of the total number of NTE shares.

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

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

In 2017, we were selected as a component of the FTSE Blossom Japan Index (<http://www.ftse.com/products/indices/blossom-japan>), which is designed to measure the performance of Japanese companies that demonstrate strong sustainability practices.

In 2017 we achieved Leadership status for climate change and for water with CDP, a globally-recognized platform for environmental disclosure (www.cdp.net).

In June 2017 JT was awarded Gold status in the PRIDE index which highlights companies that are most friendly toward LGBT workers, for the second consecutive year.

In March 2017, JT was selected as the runner up of the 'Basic Achievement' of the J-Win Diversity Award 2017, sponsored by the nonprofit organization, Japan Women's Innovation Network (J-Win), which promotes diversity and inclusion in Japanese companies.

In 2017, our international tobacco business was certified as a Global Top Employer, and JT was selected as a 'White 500' company. (Please see [pages 8](#) and [49](#) for more details.)



FTSE Blossom Japan

CONTACTS AND FEEDBACK

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CH-1202 Geneva
Switzerland

www.jti.com

For more information
or to provide feedback
on this report,
please e-mail:

jtcsr@jt.com

GRI G4 content index

The JT Group Sustainability Report FY2017 contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, and is in accordance with the GRI G4 'Core' Guidelines. The identification of the material Aspects is based on a materiality assessment for the entire JT Group.

The GRI G4 Content Index below includes the location, omissions, and additional information around the General Standard Disclosures and the Specific Standard Disclosures. Further information on the calculation methodology and scoping is available in a separate Basis of Reporting document for the areas of compliance, human resources (HR), workplace health and safety, environment, and community investment. Some of the data within the report has been externally verified.

General Standard Disclosures

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior Decision-maker of the organization	CEO statement	
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	Corporate profile	
G4-4	Primary brands, products, and services	Corporate profile	
G4-5	Location of the organization's headquarters	Corporate profile	
G4-6	Number of countries where the organization operates, and names of countries where the organization has significant operations	Corporate profile	
G4-7	Nature of ownership and legal form	JT Annual Report FY2017	Detailed information is presented in the JT Annual Report FY2017: www.jt.com/investors/results/annual_report/index.html
G4-8	Markets served	Corporate profile	
G4-9	Scale of the organization	Corporate profile	Detailed information is presented in the JT Annual Report FY2017: www.jt.com/investors/results/annual_report/index.html The following financial information can be found in the JT Annual Report FY2017: <ul style="list-style-type: none"> › net sales (page 12) › total capitalization broken down in terms of debt and equity (page 3) › total assets (page 3) › beneficial ownership (including identity and percentage of ownership of largest shareholders) (pages 69–70)

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																																																
G4-10	Workforce information	<p>Corporate profile</p> <p>GRI Index</p> <p>Basis of Reporting</p>	<p>EMPLOYEES BY TYPE OF CONTRACT AND GENDER AS OF THE END OF 2017</p> <table border="1"> <thead> <tr> <th>TYPE OF CONTRACT</th> <th>MALE</th> <th>FEMALE</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Permanent (full-and part-time)</td> <td>29,533</td> <td>10,170</td> <td>39,703</td> </tr> <tr> <td>Temporary full-time</td> <td>6,513</td> <td>1,749</td> <td>8,262</td> </tr> <tr> <td>Temporary part-time (*C)</td> <td>n/a</td> <td>n/a</td> <td>5,210</td> </tr> <tr> <td>Temporary part-time (*E)</td> <td>11</td> <td>29</td> <td>40</td> </tr> <tr> <td>Supervised workers (*C)</td> <td>n/a</td> <td>n/a</td> <td>2,071</td> </tr> </tbody> </table> <p>EMPLOYEES PER REGION AND GENDER AS OF THE END OF 2017</p> <table border="1"> <thead> <tr> <th>REGION</th> <th>MALE</th> <th>FEMALE</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Japan</td> <td>13,022</td> <td>3,396</td> <td>16,418</td> </tr> <tr> <td>South and West Europe</td> <td>1,715</td> <td>1,128</td> <td>2,843</td> </tr> <tr> <td>North and Central Europe</td> <td>3,563</td> <td>1,693</td> <td>5,256</td> </tr> <tr> <td>CIS+*</td> <td>5,250</td> <td>2,061</td> <td>7,311</td> </tr> <tr> <td>Other</td> <td>12,497</td> <td>3,640</td> <td>16,137</td> </tr> </tbody> </table> <p><small>* Commonwealth of Independent States</small></p>	TYPE OF CONTRACT	MALE	FEMALE	TOTAL	Permanent (full-and part-time)	29,533	10,170	39,703	Temporary full-time	6,513	1,749	8,262	Temporary part-time (*C)	n/a	n/a	5,210	Temporary part-time (*E)	11	29	40	Supervised workers (*C)	n/a	n/a	2,071	REGION	MALE	FEMALE	TOTAL	Japan	13,022	3,396	16,418	South and West Europe	1,715	1,128	2,843	North and Central Europe	3,563	1,693	5,256	CIS+*	5,250	2,061	7,311	Other	12,497	3,640	16,137
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G4-11	Percentage of total employees covered by collective bargaining agreements	<p>JT Global website www.jt.com/sustainability/people_planet_society/people/</p> <p>GRI Index</p> <p>Basis of Reporting</p>	<p>57 companies have a union in our Group, and 90.1% (*C) of eligible employees are covered by collective bargaining agreements. Due to legal requirements in certain countries, we cannot know whether employees are unionized, and thus cannot provide the information regarding employees in our international tobacco business.</p>																																																
G4-12	Organization's supply chain	<p>Our tobacco business - Our tobacco business value chain</p> <p>Our tobacco business - Supply chain management</p> <p>JT Global website www.jt.com/sustainability/our_business/tobacco/value_chain/</p> <p>Our pharmaceutical business - Our pharmaceutical business value chain</p> <p>Our processed food business - Our processed food business value chain</p>																																																	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	About this report																																																	

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	JT Global website https://www.jt.com/sustainability/people_planet_society/planet/enviroment/ GRI Index	The JT Group Environment Charter reflects how we have addressed the precautionary principle.
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	JT Global website https://www.jt.com/sustainability/way_of_business/stakeholder_engagement/	
G4-16	List memberships of associations and national or international advocacy organizations	JT Global website https://www.jt.com/sustainability/way_of_business/stakeholder_engagement/	

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	a. List all entities included in the organization’s consolidated financial statements or equivalent documents b. Report whether any entity included in the organization’s consolidated financial statements or equivalent documents is not covered by the report	JT Annual Report FY2017	
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries b. Explain how the organization has implemented the Reporting Principles for Defining Report Content	About this report Our approach to sustainability GRI Index	Identification of GRI Aspects is based on the materiality assessment conducted for the entire JT Group.
G4-19	Material Aspects identified in the process for defining report content	Our approach to sustainability	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Our approach to sustainability	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Our approach to sustainability	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	About this report GRI Index	The number of fatalities in 2016 has been restated to include one case that relevant Japanese authority recognized as Lost time injury/diseases in January 2018.
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	About this report	

STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholder groups engaged by the organization	Our approach to sustainability	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Our approach to sustainability Our approach to sustainability	
G4-26	Organization’s approach to stakeholder engagement	Our approach to sustainability Our approach to sustainability	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Our approach to sustainability	

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
REPORT PROFILE			
G4-28	Reporting period for information provided	<u>About this report</u>	
G4-29	Date of most recent previous report	<u>About this report</u>	
G4-30	Reporting cycle	<u>About this report</u>	
G4-31	Contact point for questions regarding the report or its contents	<u>About this report</u>	
G4-32	GRI Content Index	<u>GRI Index</u>	
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	<u>About this report</u>	
GOVERNANCE			
G4-34	Governance structure of the organization, including committees of the highest governance body	<u>Our approach to sustainability</u> <u>JT Annual Report FY2017</u> JT Global Website <u>https://www.jt.com/about/corporate_governance/</u>	
ETHICS AND INTEGRITY			
G4-56	Organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics	<u>Our way of doing business</u> <u>- Our business ethics</u> <u>Our approach to sustainability</u>	

Specific Standard Disclosures

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																					
ECONOMIC																								
ECONOMIC PERFORMANCE	DMA	JT Global Website www.jt.com/sustainability/way_of_business/tax_it_practice/ JT Annual Report FY2017																						
	G4-EC1 Direct economic value generated and distributed	JT Global Website www.jt.com/sustainability/way_of_business/tax_it_practice/ Our community investment JT Annual Report FY2017 GRI Index Basis of Reporting	<table border="1"> <thead> <tr> <th colspan="2">DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED</th> <th>2017 (million Yen)</th> </tr> </thead> <tbody> <tr> <td colspan="2">Revenue*</td> <td>2,139,653</td> </tr> <tr> <td colspan="2">Total employee benefits and wages</td> <td>379,845</td> </tr> <tr> <td colspan="2">Current income taxes</td> <td>112,081</td> </tr> <tr> <td colspan="2">Tobacco excise taxes</td> <td>4,572,362</td> </tr> <tr> <td colspan="2">Dividends</td> <td>243,572</td> </tr> <tr> <td colspan="2">Community investment</td> <td>6,090</td> </tr> </tbody> </table> <p><i>* Excluding tobacco excise taxes and revenue from agent transactions</i></p>	DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED		2017 (million Yen)	Revenue*		2,139,653	Total employee benefits and wages		379,845	Current income taxes		112,081	Tobacco excise taxes		4,572,362	Dividends		243,572	Community investment		6,090
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MARKET PRESENCE	DMA	GRI Index	The hiring of local talent contributes to the economies of countries and regions in which we operate, and is a part of our corporate responsibility to those communities. While we have no Group-wide policy on the hiring of local employees, and our approach is to recruit and assign 'the right person in the right position at the right time,' we are mindful of our responsibilities in this area. All our businesses conform with legally set local minimum wage levels, and in many cases remunerate staff well above these levels due to our policy of offering pay and benefits that are highly competitive. This also applies to part-time employees.																					
	G4-EC5 Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	GRI Index Basis of Reporting	<table border="1"> <thead> <tr> <th colspan="2">SIGNIFICANT OPERATIONS</th> <th>RATIO OF STANDARD ENTRY LEVEL WAGE TO LOCAL MINIMUM WAGE</th> </tr> </thead> <tbody> <tr> <td rowspan="2">JT Tokyo HQ</td> <td>Male</td> <td>161.4%</td> </tr> <tr> <td>Female</td> <td>161.4%</td> </tr> <tr> <td rowspan="2">JTI Moscow</td> <td>Male</td> <td>205.6%</td> </tr> <tr> <td>Female</td> <td>205.6%</td> </tr> <tr> <td rowspan="2">JTI Trier</td> <td>Male</td> <td>142.9%</td> </tr> <tr> <td>Female</td> <td>142.9%</td> </tr> </tbody> </table>	SIGNIFICANT OPERATIONS		RATIO OF STANDARD ENTRY LEVEL WAGE TO LOCAL MINIMUM WAGE	JT Tokyo HQ	Male	161.4%	Female	161.4%	JTI Moscow	Male	205.6%	Female	205.6%	JTI Trier	Male	142.9%	Female	142.9%			
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MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION				
MARKET PRESENCE	G4-EC6 Proportion of senior management hired from the local community at significant locations of operation	GRI Index Basis of Reporting	<table border="1"> <thead> <tr> <th>SIGNIFICANT LOCATION</th> <th>PERCENTAGE OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY</th> </tr> </thead> <tbody> <tr> <td>JTI Moscow</td> <td>50%</td> </tr> </tbody> </table>	SIGNIFICANT LOCATION	PERCENTAGE OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY	JTI Moscow	50%
			SIGNIFICANT LOCATION	PERCENTAGE OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY			
JTI Moscow	50%						
INDIRECT ECONOMIC IMPACTS	DMA	Our tobacco business – Our tobacco leaf supply chain Respecting human rights Our tobacco business – Illegal trade Our community investment					
	G4-EC7 Development and impact of infrastructure investments and services supported	GRI Index	As part of our Global Leaf CAPEX projects, we invested 19.65 million U.S. Dollars in infrastructure-related projects in Brazil, Malawi, Tanzania, U.S., and Zambia. In addition, we invested 1.853 million U.S. Dollars in infrastructure-related projects in the same locations, as part of our Grower Support Programs. Investments in the locations where we source tobacco include: <ul style="list-style-type: none"> › Provision of safe water through boreholes, water distribution points, and water canals for communities and agriculture purposes › Investments in solar projects for schools and communities, for efficient energy use › Refurbishment of structures that provide basic social services to communities i.e. schools and health centers. 				
	G4-EC8 Significant indirect economic impacts, including the extent of impacts	Our tobacco business – Our tobacco leaf supply chain Respecting human rights Our tobacco business – Illegal trade Our community investment	Apprenticeship and internship programs for youth in our tobacco communities in Arroio do Tigre Brazil. Literacy programs for farmers in Zambia and Malawi.				
PROCUREMENT PRACTICES	DMA	Our tobacco business - Supply chain management Our pharmaceutical Business – Our pharmaceutical business value chain Our processed food Business – Our processed food business value chain					

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																					
PROCUREMENT PRACTICES	G4-EC9 Proportion of spending on local suppliers at significant locations of operation	GRI Index	<p>We define local as the country of operation. Significant location is defined as any location with more than 5% of global spend.</p> <table border="1"> <thead> <tr> <th>SIGNIFICANT LOCATIONS</th> <th>SUPPLIER TYPE</th> <th>% OF LOCAL SPEND IN 2017</th> </tr> </thead> <tbody> <tr> <td>Japan</td> <td>Tobacco leaf and non-tobacco material suppliers</td> <td>67%</td> </tr> <tr> <td>JTI Geneva HQ</td> <td>Other products and services suppliers</td> <td>53%</td> </tr> <tr> <td>Germany</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>25%</td> </tr> <tr> <td>Russia</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>45%</td> </tr> <tr> <td>Poland</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>19%</td> </tr> <tr> <td>Taiwan</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>89%</td> </tr> </tbody> </table> <p>Outside of Japan, our central leaf function purchases tobacco from directly contracted farmers and merchants, which is then supplied to our cigarette and tobacco-related factories. About 50% of our spend is local – from directly contracted farmers – and the rest we buy from merchants. The percentage of local suppliers of bulk drug substances to our pharmaceutical business is 0%. The percentage of local spend for suppliers of TableMark is 100%.</p> <p>In 2016, we reported the % of the local suppliers vs global suppliers in the following countries: JTI Geneva HQ, Germany, Russia, Poland, and U.K. For 2017, we are reporting the actual % of local spend vs % of global spend, a correction from last year. The countries for 2017 are the same, with Taiwan replacing the U.K. The calculation for Japan is the same as for last year.</p>	SIGNIFICANT LOCATIONS	SUPPLIER TYPE	% OF LOCAL SPEND IN 2017	Japan	Tobacco leaf and non-tobacco material suppliers	67%	JTI Geneva HQ	Other products and services suppliers	53%	Germany	Non-tobacco materials and other products and services suppliers	25%	Russia	Non-tobacco materials and other products and services suppliers	45%	Poland	Non-tobacco materials and other products and services suppliers	19%	Taiwan	Non-tobacco materials and other products and services suppliers	89%
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Taiwan	Non-tobacco materials and other products and services suppliers	89%																						
G4-FP1 Percentage of purchased volume from suppliers compliant with company's sourcing policy	GRI Index	100% of purchased volume from suppliers is compliant with the sourcing policy of the JT Group processed food business, via self-declaration of suppliers.																						

ENVIRONMENTAL

ENERGY	DMA	<p>Our planet – A sustainable approach to environmental stewardship</p> <p>Our planet – GHG emissions in our operations</p>	
	G4-EN3 Energy consumption within the organization	<p>Our planet – GHG emissions in our operations</p> <p>JT Global Website https://www.jt.com/sustainability/people_planet_society/planet/environment/</p> <p>GRI Index Basis of Reporting</p>	We use renewable and non-renewable energy sources within the organization. Renewable energy sources include solar, hydropower, biomass, and geothermal. Non-renewable energy sources include natural gas and fuel oils for heating, and diesel and petrol for fleet vehicles. We also purchase electricity, heating, and steam.
WATER	DMA	<p>Our planet – A sustainable approach to environmental stewardship</p> <p>Our planet – Water</p>	

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
WATER	G4-EN8 Total water withdrawal by source	Our planet - Water JT Global Website https://www.jt.com/sustainability/people_planet_society/planet/enviroment/ Basis of Reporting	
BIODIVERSITY	DMA	Our planet - Biodiversity	
	G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas, and areas of high biodiversity value outside protected areas	Our planet - Biodiversity GRI Index	We do not approach biodiversity as a topic that is separate from responsible business operation. Impacts on biodiversity can be observed directly or indirectly through activities such as: <ul style="list-style-type: none"> › Crop production/land management e.g., promotion and adoption of good agricultural practices; land/soil use and conservation practices; the use and management of agricultural inputs such as crop protection agents and fertilizers, and the use and management of water resources › Wood use and forestry management e.g., tree planting, natural regeneration, avoided deforestation and forest remediation; and the use of wood for tobacco curing, domestic consumption, and construction materials for curing barn and other buildings › The building of new, or expansion of, buying stations, processing facilities, offices etc.
GHG EMISSIONS	DMA	Our planet - GHG emissions in our operations	
	G4-EN15 Direct GHG emissions (Scope 1)	Our planet - GHG emissions in our operations JT Global Website https://www.jt.com/sustainability/people_planet_society/planet/enviroment/ Our processed food business - Reducing our environmental impacts Basis of Reporting	
	G4-EN16 Energy indirect GHG emissions (Scope 2)		
	G4-EN17 Other indirect GHG emissions (Scope 3)		
	G4-EN18 GHG emissions intensity		
	G4-EN19 Reduction of GHG emissions		
EFFLUENTS AND WASTE	DMA		Our planet - Water Our planet - Waste
	G4-EN22 Total water discharge by quality and destination	Our planet - Water JT Global Website https://www.jt.com/sustainability/people_planet_society/planet/enviroment/ GRI Index Basis of Reporting	We do not have a single global standard on quality of discharged water, but we comply with local laws and regulatory requirements on water. We confirm our discharged water is not reused by other organizations.

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
EFFLUENTS AND WASTE	G4-EN23 Total weight of waste by type and disposal method	Our planet – Waste JT Global Website https://www.jt.com/sustainability/people_planet_society/planet/environment/Basis_of_Reporting	
PRODUCTS AND SERVICES	DMA	GRI Index	Litter from tobacco products is an issue that calls for collective action to educate adult consumers to act responsibly. A litter-free environment benefits everyone, smokers included. We adopt a two-pronged approach to this issue: creating awareness through campaigns, and providing smokers with facilities to easily dispose of their cigarette butts.
	G4-EN27 Extent of impact mitigation of environmental impacts of products and services	GRI Index	We understand that the mitigation of environmental impacts of products and services is an important issue. We do not currently have a holistic approach in place to address the environmental impacts of all our products and services. However, we will be looking into this in future years.
COMPLIANCE	DMA	Our planet – A sustainable approach to environmental stewardship	
	G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	GRI Index	During 2017 there were no significant monetary fines or non-monetary sanctions for non-compliance with environmental laws and regulations in our international tobacco business.
SUPPLIER ENVIRONMENTAL ASSESSMENT	DMA	Our tobacco business – Our tobacco leaf supply chain Our planet – GHG emissions in our operations	
	G4-EN32 Percentage of new suppliers that were screened using environmental criteria	Our tobacco business – Our tobacco leaf supply chain GRI Index	Through the new supplier life cycle management system, we verify if suppliers are certified to ISO 14001, the Eco-Management and Audit Scheme (EMAS), or other environmental certified systems, and we are working toward being able to report the percentage of new suppliers screened using environmental criteria in subsequent years.
	G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken	Our tobacco business – Our tobacco leaf supply chain GRI Index	Through the new supplier life cycle management system, we screen if suppliers have identified their significant environmental risks, and if they have been associated with a significant environmental incident in the last 5 years. In addition, we are working toward being able to report the significant actual and potential negative environmental impacts in the supply chain, and actions taken, in subsequent years.

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
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LABOR PRACTICES AND DECENT WORK

EMPLOYMENT	DMA	Our people																																																																																										
	<p>G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region</p>	<p>GRI Index Basis of Reporting</p>	<p>NEW EMPLOYEES' HIRE AND TURNOVER:</p> <table border="1"> <thead> <tr> <th colspan="2">BY GENDER</th> <th>MALE</th> <th>FEMALE</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Total number of new employees</td> <td></td> <td>7,600</td> <td>1,848</td> <td>9,448</td> </tr> <tr> <td>Rate of new employees' hire</td> <td></td> <td>21.1%</td> <td>15.5%</td> <td>19.7%</td> </tr> <tr> <td>Total employee turnover</td> <td></td> <td>3,620</td> <td>1,498</td> <td>5,118</td> </tr> <tr> <td>Employee turnover rate</td> <td></td> <td>10.0%</td> <td>12.6%</td> <td>10.7%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="2">BY AGE</th> <th><30</th> <th>30-50</th> <th>>50</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Total number of new employees (*D)</td> <td></td> <td>4,434</td> <td>4,144</td> <td>113</td> <td>8,691</td> </tr> <tr> <td>Rate of new employees' hire (*D)</td> <td></td> <td>56.3%</td> <td>17.5%</td> <td>2.2%</td> <td>23.7%</td> </tr> <tr> <td>Total employee turnover</td> <td></td> <td>1,306</td> <td>2,362</td> <td>1,385</td> <td>5,053</td> </tr> <tr> <td>Employee turnover rate</td> <td></td> <td>13.6%</td> <td>7.8%</td> <td>17.3%</td> <td>10.6%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>BY REGION</th> <th>JAPAN</th> <th>SOUTH AND WEST EUROPE</th> <th>NORTH AND CENTRAL EUROPE</th> <th>CIS+*</th> <th>OTHER</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Total number of new employees</td> <td>896</td> <td>264</td> <td>854</td> <td>840</td> <td>6,595</td> <td>9,449</td> </tr> <tr> <td>Rate of new employees' hire</td> <td>5.5%</td> <td>9.3%</td> <td>16.2%</td> <td>11.5%</td> <td>40.9%</td> <td>19.7%</td> </tr> <tr> <td>Total employee turnover</td> <td>662</td> <td>303</td> <td>671</td> <td>983</td> <td>1,470</td> <td>4,089</td> </tr> <tr> <td>Employee turnover rate</td> <td>4.0%</td> <td>10.7%</td> <td>12.8%</td> <td>13.4%</td> <td>9.1%</td> <td>8.5%</td> </tr> </tbody> </table> <p><small>* Commonwealth of Independent States</small></p>	BY GENDER		MALE	FEMALE	TOTAL	Total number of new employees		7,600	1,848	9,448	Rate of new employees' hire		21.1%	15.5%	19.7%	Total employee turnover		3,620	1,498	5,118	Employee turnover rate		10.0%	12.6%	10.7%	BY AGE		<30	30-50	>50	TOTAL	Total number of new employees (*D)		4,434	4,144	113	8,691	Rate of new employees' hire (*D)		56.3%	17.5%	2.2%	23.7%	Total employee turnover		1,306	2,362	1,385	5,053	Employee turnover rate		13.6%	7.8%	17.3%	10.6%	BY REGION	JAPAN	SOUTH AND WEST EUROPE	NORTH AND CENTRAL EUROPE	CIS+*	OTHER	TOTAL	Total number of new employees	896	264	854	840	6,595	9,449	Rate of new employees' hire	5.5%	9.3%	16.2%	11.5%	40.9%	19.7%	Total employee turnover	662	303	671	983	1,470	4,089	Employee turnover rate	4.0%	10.7%	12.8%	13.4%	9.1%
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EMPLOYMENT	<p>G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</p>	<p>GRI Index Basis of Reporting</p>	<p>As of the end of 2017, significant locations include our JT head office in Tokyo, Japan, and our international tobacco business head office in Geneva, Switzerland.</p> <p>Our international tobacco business, for instance, positions compensation levels in the 75th percentile against companies with which we compete for talent.</p> <p>JT HEAD OFFICE IN TOKYO</p> <table border="1"> <thead> <tr> <th rowspan="2">BENEFITS</th> <th rowspan="2">PERMANENT EMPLOYEES</th> <th colspan="2">TEMPORARY FULL-TIME EMPLOYEES</th> <th rowspan="2">TEMPORARY PART-TIME EMPLOYEES</th> </tr> <tr> <th>COMMISSIONED PERSONNEL</th> <th>CONTRACT EMPLOYEES*</th> </tr> </thead> <tbody> <tr> <td>Bereaved family compensation program</td> <td>Y</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Regular health examination</td> <td>Y</td> <td>Y</td> <td>Y</td> <td>Y</td> </tr> <tr> <td>Medical leave system</td> <td>Y</td> <td>Y</td> <td></td> <td></td> </tr> <tr> <td>Parental leave</td> <td>Y</td> <td>Y</td> <td>Y</td> <td>Y</td> </tr> <tr> <td>Retirement provision</td> <td>Y</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Stock ownership</td> <td>Y</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>INTERNATIONAL TOBACCO BUSINESS HEAD OFFICE IN GENEVA</p> <table border="1"> <thead> <tr> <th>BENEFITS</th> <th>PERMANENT EMPLOYEES</th> <th>TEMPORARY FULL-TIME EMPLOYEES</th> <th>TEMPORARY PART-TIME EMPLOYEES</th> </tr> </thead> <tbody> <tr> <td>Life insurance</td> <td>Y</td> <td>Y</td> <td>Y (Prorated)</td> </tr> <tr> <td>Health care</td> <td>Y</td> <td>Y</td> <td>Y</td> </tr> <tr> <td>Disability and invalidity coverage</td> <td>Y</td> <td>Y</td> <td>Y (Prorated)</td> </tr> <tr> <td>Parental leave</td> <td>Y</td> <td>Y</td> <td>Y (Prorated)</td> </tr> <tr> <td>Retirement provision</td> <td>Y</td> <td>Y</td> <td>Y (Prorated)</td> </tr> <tr> <td>Stock ownership</td> <td>Y</td> <td></td> <td></td> </tr> </tbody> </table> <p><small>* Contract employees may be given benefits if they are exempt from Company regulations.</small></p>	BENEFITS	PERMANENT EMPLOYEES	TEMPORARY FULL-TIME EMPLOYEES		TEMPORARY PART-TIME EMPLOYEES	COMMISSIONED PERSONNEL	CONTRACT EMPLOYEES*	Bereaved family compensation program	Y				Regular health examination	Y	Y	Y	Y	Medical leave system	Y	Y			Parental leave	Y	Y	Y	Y	Retirement provision	Y				Stock ownership	Y				BENEFITS	PERMANENT EMPLOYEES	TEMPORARY FULL-TIME EMPLOYEES	TEMPORARY PART-TIME EMPLOYEES	Life insurance	Y	Y	Y (Prorated)	Health care	Y	Y	Y	Disability and invalidity coverage	Y	Y	Y (Prorated)	Parental leave	Y	Y	Y (Prorated)	Retirement provision	Y	Y	Y (Prorated)	Stock ownership	Y		
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MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																																							
LABOR/MANAGEMENT RELATIONS	G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	JT Global Website www.jt.com/sustainability/people_planet_society/people About this report GRI Index Basis of Reporting	<table border="1"> <thead> <tr> <th>MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES</th> <th>NUMBER OF MONTHS BETWEEN THE ANNOUNCEMENT AND THE TIME THE FIRST EMPLOYEE LEAVES THE FACTORY BECAUSE OF THE CLOSURE</th> <th>NUMBER OF MONTHS BETWEEN THE ANNOUNCEMENT AND THE FINAL CLOSURE</th> <th>IS THE MINIMUM NOTICE PERIOD FOR CONSULTATION AND NEGOTIATION SPECIFIED IN COLLECTIVE AGREEMENTS?</th> </tr> </thead> <tbody> <tr> <td>Wervik, Belgium</td> <td>33 months</td> <td>41 months</td> <td>No</td> </tr> <tr> <td>Lisnafillan, Northern Ireland</td> <td>20 months</td> <td>37 months</td> <td>No</td> </tr> <tr> <td>Malaysia</td> <td>3 months</td> <td>8 months</td> <td>Yes</td> </tr> </tbody> </table>	MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES	NUMBER OF MONTHS BETWEEN THE ANNOUNCEMENT AND THE TIME THE FIRST EMPLOYEE LEAVES THE FACTORY BECAUSE OF THE CLOSURE	NUMBER OF MONTHS BETWEEN THE ANNOUNCEMENT AND THE FINAL CLOSURE	IS THE MINIMUM NOTICE PERIOD FOR CONSULTATION AND NEGOTIATION SPECIFIED IN COLLECTIVE AGREEMENTS?	Wervik, Belgium	33 months	41 months	No	Lisnafillan, Northern Ireland	20 months	37 months	No	Malaysia	3 months	8 months	Yes																							
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<p>OCCUPATIONAL HEALTH AND SAFETY</p> <p>DMA</p> <p>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</p> <p>Our people – Workplace health and safety GRI Index Basis of Reporting</p> <p>We report lost-time incidents (LTIs) instead of lost-day rate, due to our data-collection methods within our management systems. Absenteeism is recorded only in the finished goods manufacturing sites and tobacco processing facilities in our international tobacco business, which covers approximately 9,000 employees, and in 2017 was reported as 2.13, against a target of 2.16. In 2016 this figure was 2.09. In JT, absenteeism in 2017 was reported as 0.63.</p> <p>EMPLOYEES’ NUMBER OF FATALITIES, LOST-TIME INCIDENTS (LTIS), AND LTI RATE PER REGION AND GENDER (FY2017)</p> <table border="1"> <thead> <tr> <th rowspan="2">REGION</th> <th colspan="2">NUMBER OF FATALITIES</th> <th colspan="2">NUMBER OF LOST TIME INCIDENTS (LTIs)</th> <th rowspan="2">LTI RATE</th> </tr> <tr> <th>MALE</th> <th>FEMALE</th> <th>MALE</th> <th>FEMALE</th> </tr> </thead> <tbody> <tr> <td>South and West Europe</td> <td>0</td> <td>0</td> <td>6</td> <td>7</td> <td>0.21</td> </tr> <tr> <td>North and Central Europe</td> <td>0</td> <td>0</td> <td>17</td> <td>6</td> <td>0.50</td> </tr> <tr> <td>CIS+</td> <td>0</td> <td>0</td> <td>6</td> <td>4</td> <td>0.14</td> </tr> <tr> <td>Japan</td> <td>0</td> <td>0</td> <td>30</td> <td>38</td> <td>0.41</td> </tr> <tr> <td>Other</td> <td>0</td> <td>0</td> <td>38</td> <td>20</td> <td>0.38</td> </tr> </tbody> </table>			REGION	NUMBER OF FATALITIES		NUMBER OF LOST TIME INCIDENTS (LTIs)		LTI RATE	MALE	FEMALE	MALE	FEMALE	South and West Europe	0	0	6	7	0.21	North and Central Europe	0	0	17	6	0.50	CIS+	0	0	6	4	0.14	Japan	0	0	30	38	0.41	Other	0	0	38	20	0.38
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TRAINING AND EDUCATION	DMA	Our people – Building success by investing in people, Maximizing people potential	<p>We aim to offer a work environment that allows employees to express their potential, and that provides them with the most effective development opportunities.</p> <p>For example, we have a Talent Partnership Program that builds employees’ skills and experiences by exposing them to the different working styles and cultures within our two biggest businesses(JT and JTI). As of December 2017, 206 employees participated in this Program. Exchange Academy is part of this Program, and takes place every two years, and helps employees learn and network together, turning them into better future global leaders.</p>																																							
			<p>G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</p> <p>Our people – Building success by investing in people, Maximizing people potential Basis of Reporting Stakeholder engagement</p>																																							

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TRAINING AND EDUCATION	G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender, and by employee category	Our people – Building success by investing in people, Maximizing people potential GRI Index Basis of Reporting	<p>PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS:</p> <table border="1"> <thead> <tr> <th>BY GENDER (*A)</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>79.6%</td> </tr> <tr> <td>Female</td> <td>82.2%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>BY EMPLOYEE CATEGORY (*D)</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Executive Officers</td> <td>100%</td> </tr> <tr> <td>Management (excluding Executive Officers)</td> <td>93.5%</td> </tr> <tr> <td>Employees (excluding management)</td> <td>75.7%</td> </tr> </tbody> </table> <p>We have reported on the 2016 performance appraisal data because the information for 2017 is currently being analyzed.</p>	BY GENDER (*A)	2016	Male	79.6%	Female	82.2%	BY EMPLOYEE CATEGORY (*D)	2016	Executive Officers	100%	Management (excluding Executive Officers)	93.5%	Employees (excluding management)	75.7%																		
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DIVERSITY AND EQUAL OPPORTUNITY	DMA 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	Our people – Diversity in the workplace GRI Index Basis of Reporting	<p>BREAKDOWN OF EMPLOYEES BY GENDER AND AGE GROUP</p> <table border="1"> <thead> <tr> <th>AGE GROUP</th> <th>MALE</th> <th>FEMALE</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Under 30</td> <td>6,986</td> <td>2,640</td> <td>9,626</td> </tr> <tr> <td>30–50</td> <td>22,514</td> <td>7,603</td> <td>30,117</td> </tr> <tr> <td>Over 50</td> <td>6,431</td> <td>1,561</td> <td>7,992</td> </tr> </tbody> </table> <p>EMPLOYEES BY POSITION AND GENDER AT THE END OF 2017</p> <table border="1"> <thead> <tr> <th>Position</th> <th>Total</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Executive Officers</td> <td>63</td> <td>96.8%</td> <td>3.2%</td> </tr> <tr> <td>Management (excluding Executive Officers)</td> <td>3,463</td> <td>86.4%</td> <td>13.6%</td> </tr> <tr> <td>Employees (excluding Management and Executive Officers)</td> <td>44,439</td> <td>74.2%</td> <td>25.8%</td> </tr> </tbody> </table>	AGE GROUP	MALE	FEMALE	TOTAL	Under 30	6,986	2,640	9,626	30–50	22,514	7,603	30,117	Over 50	6,431	1,561	7,992	Position	Total	Male	Female	Executive Officers	63	96.8%	3.2%	Management (excluding Executive Officers)	3,463	86.4%	13.6%	Employees (excluding Management and Executive Officers)	44,439	74.2%	25.8%
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MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																		
EQUAL REMUNERATION FOR WOMEN AND MEN	DMA	JT Global Website www.jt.com/sustainability/people_planet_society/people																			
	G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	JT Global Website www.jt.com/sustainability/people_planet_society/people GRI Index Basis of Reporting	<table border="1"> <thead> <tr> <th>SIGNIFICANT OPERATIONS</th> <th>EMPLOYEE CATEGORY</th> <th>RATIO OF ANNUAL BASE SALARY OF WOMEN TO MEN IN 2017</th> </tr> </thead> <tbody> <tr> <td rowspan="4">JTI Geneva HQ</td> <td>Vice President</td> <td>94.9%</td> </tr> <tr> <td>Director</td> <td>98.2%</td> </tr> <tr> <td>Manager</td> <td>93.0%</td> </tr> <tr> <td>Associate</td> <td>103.4%</td> </tr> <tr> <td rowspan="3">JT Tokyo HQ</td> <td>Executive Officer</td> <td>87.7%</td> </tr> <tr> <td>Management</td> <td>94.9%</td> </tr> <tr> <td>Employee</td> <td>99.8%</td> </tr> </tbody> </table>	SIGNIFICANT OPERATIONS	EMPLOYEE CATEGORY	RATIO OF ANNUAL BASE SALARY OF WOMEN TO MEN IN 2017	JTI Geneva HQ	Vice President	94.9%	Director	98.2%	Manager	93.0%	Associate	103.4%	JT Tokyo HQ	Executive Officer	87.7%	Management	94.9%	Employee
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SUPPLIER ASSESSMENT FOR LABOR PRACTICES	DMA	Our tobacco business - Supply chain management																			
	G4-LA14 Percentage of new suppliers that were screened using labor practices criteria	Our tobacco business - Supply chain management Our tobacco business - Our tobacco leaf supply chain (including In Focus - ALP) GRI Index	Through our ALP program and the new supplier life cycle management system, we are working toward being able to report the percentage of new suppliers screened using labor practices criteria in subsequent years. In Japan, we implemented an ALP pilot study in 2017.																		
	G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain, and actions taken	Our tobacco business - Supply chain management Our tobacco business - Our tobacco leaf supply chain (including In Focus - ALP) GRI Index	Through our ALP program and the new supplier life cycle management system, we are working toward being able to report the significant actual and potential negative impacts for labor practices in the supply chain, and actions taken in subsequent years. In Japan, we implemented an ALP pilot study in 2017.																		
LABOR PRACTICES GRIEVANCE MECHANISMS	DMA	Our business ethics - Reporting concerns																			
	G4-LA16 Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	Our business ethics - Reporting concerns GRI Index Basis of Reporting	In 2017, 144 cases about labor practices were filed, of which 127 were resolved. The remaining 17 cases are under investigation.																		

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
HUMAN RIGHTS			
INVESTMENT	DMA	Respecting human rights	
	G4-HR1 Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Respecting human rights Our tobacco business - Supply chain management GRI Index	We do not currently have a formal process in place, and are working toward implementing one. Once acquisitions are made, we put in place a remedy plan to ensure the area of human rights is taken into consideration in our business plan, in line with our JT Group Human Rights Policy.
NON-DISCRIMINATION	DMA	Our business ethics - Reporting concerns JT Global Website www.jt.com/sustainability/people_planet_society/people	
	G4-HR3 Total number of incidents of discrimination and corrective actions taken	Our business ethics - Reporting concerns JT Global Website www.jt.com/sustainability/people_planet_society/people GRI Index Basis of Reporting	In 2017 there was one alleged case of workplace discrimination, and the appropriate corrective actions were taken.
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	DMA	Respecting human rights	
	G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be being violated, or at significant risk, and measures taken to support these rights	Respecting human rights Our tobacco business - Supply chain management GRI Index JT Global Website www.jt.com/sustainability/people_planet_society/people	The right to exercise freedom of association and collective bargaining is at significant risk in a number of countries where we directly or indirectly source tobacco leaf. We assess and mitigate those risks through our ALP. In 2017, we provided additional guidance on the rights of workers to leaf merchants (through a guidance document and face-to-face meetings). Additionally, we continued collaboration with the ILO to see how best to improve the fundamental principles of rights of work. As a result, several initiatives will be developed in 2018, including a social dialogue pilot in Zambia, and a set of indicators put in place to support people working on the ground in the field and to demystify the topic.
CHILD LABOR	DMA	Respecting human rights Our tobacco business - Our tobacco leaf supply chain	
CHILD LABOR	G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Respecting human rights Our tobacco business - Our tobacco leaf supply chain GRI Index	Operations and suppliers identified as having significant risk for incidents of child labor have been identified in a number of countries where we directly or indirectly source tobacco leaf. We assess and mitigate those risks in our leaf supply chain through our ALP and, subsequently, programs such as GSP, ARISE, and Good Agricultural Practices, communication and training, and the ECLT Foundation. In 2017, we implemented an ALP pilot study in Japan, and we relaunched JTI's ALP standards, to be more precise in defining hazardous work. With a now more specific position, our expectations to suppliers and people on the ground are clearer, which should make it easier to act on our requirements.

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
FORCED OR COMPULSORY LABOR	DMA	<u>Respecting human rights</u>	
	G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	<u>Respecting human rights</u> <u>Our tobacco business</u> <u>- Supply chain management</u> <u>GRI Index</u>	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor have been identified in a number of countries where we directly or indirectly source tobacco leaf. We assess and mitigate those risks through our ALP in our leaf supply chain. In 2017, we provided additional guidance on the rights of workers to leaf merchants (through a guidance document and face-to-face meetings). Additionally, we continued collaboration with the ILO to see how best to improve the fundamental principles of rights of work, and how to go about it. As a result, several initiatives will be developed in 2018, including a social dialogue pilot in Zambia, and a set of indicators put in place to support people working on the ground in the field and to demystify the topic. In Japan, we implemented an ALP pilot study in 2017.
ASSESSMENT	DMA	<u>Respecting human rights</u>	
	G4-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments	<u>Respecting human rights</u> <u>Our tobacco business</u> <u>- Supply chain management</u> <u>GRI Index</u>	In 2017 we carried out human rights due diligence in Japan, which covered our Japanese domestic tobacco, pharmaceutical and processed food businesses. Those businesses in total represent 41.8% of our Group's consolidated revenue. We have also conducted a human rights due diligence in the headquarters of our international tobacco business. In the future, we plan to perform due diligence in our international tobacco business in a minimum of three markets each year, with a particular focus on high risk markets.
SUPPLIER HUMAN RIGHTS ASSESSMENT	DMA	<u>Respecting human rights</u>	
	G4-HR10 Percentage of new suppliers that were screened using human rights criteria	<u>Respecting human rights</u> <u>Our tobacco business</u> <u>- Supply chain management</u> <u>GRI Index</u>	Through our ALP program and the new supplier life cycle management system, we are working toward being able to report the percentage of new suppliers screened using human rights criteria in subsequent years. In Japan, we implemented an ALP pilot study in 2017.
	G4-HR11 Significant actual and potential negative human rights impacts in the supply chain, and actions taken	<u>Respecting human rights</u> <u>Our tobacco business</u> <u>- Supply chain management</u>	Through our ALP program and the new supplier life cycle management system, we are working toward being able to report the significant actual and potential negative human rights impact in the supply chain, and actions taken in subsequent years.
HUMAN RIGHTS GRIEVANCE MECHANISMS	DMA	<u>Respecting human rights</u>	
	G4-HR12 Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	<u>Respecting human rights</u> <u>Our business ethics</u> <u>- Reporting concerns</u> <u>GRI Index</u> <u>Basis of Reporting</u>	In 2017, 102 grievances about human rights impacts were filed, all of which were addressed. 88 grievances were resolved through formal grievance mechanisms. The remaining 14 cases are under investigation.

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION															
SOCIETY																		
LOCAL COMMUNITIES	DMA	Our community investment Our tobacco business – Our tobacco business leaf supply chain (including In Focus: ALP)																
	G4-S01 Percentage of operations with implemented local community engagement, impact assessments, and development programs	Our community investment Our tobacco business – Our tobacco business leaf supply chain (including In Focus: ALP) GRI Index Basis of Reporting	<p>Corporate community investment programs We have corporate community investment projects implemented in 86% of the countries where we operate. There are 66 countries in which we have corporate community investment projects.</p> <p>ARISE and Grower Support Programs (GSPs) In addition to our corporate community investment programs, we also have ARISE and GSPs in Brazil, Malawi, Tanzania, and Zambia. In 2017, we covered 81% of these vertically integrated leaf operations.</p> <table border="1"> <thead> <tr> <th>MARKETS</th> <th>NUMBER OF GSPS</th> <th>ARISE</th> </tr> </thead> <tbody> <tr> <td>Brazil</td> <td>13</td> <td>Y</td> </tr> <tr> <td>Malawi</td> <td>41</td> <td>Y</td> </tr> <tr> <td>Zambia</td> <td>56</td> <td>Y</td> </tr> <tr> <td>Tanzania</td> <td>19</td> <td>Y</td> </tr> </tbody> </table>	MARKETS	NUMBER OF GSPS	ARISE	Brazil	13	Y	Malawi	41	Y	Zambia	56	Y	Tanzania	19	Y
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Brazil	13	Y																
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ANTI-CORRUPTION	DMA	Our business ethics – Living our Codes of Conduct																
	G4-S04 Communication and training on anti-corruption policies and procedures	Our business ethics – Living our Codes of Conduct Our business ethics – Anti-bribery and corruption GRI Index Basis of Reporting	Our anti-bribery and corruption policies and procedures, including on gifts, hospitality, and entertainment, are outlined in our Codes of Conduct, which we communicate to all employees. Mandatory training on our Codes of Conduct is provided to all our employees. We also require all business partners in our international tobacco business to act in accordance with our Supplier Standards. Further details on training are included in our Sustainability Report.															
PUBLIC POLICY	DMA	Our tobacco business – Discussing Proportionate Regulations Our tobacco business – Latest Developments In RRP Regulation																
	G4-S06 Total value of political contributions by country and recipient/beneficiary	GRI Index	In compliance with Political Funds Control Laws in Japan, JT refrains from making political contributions. None of JT's subsidiaries made political contributions in any jurisdiction in 2017, except a non-tobacco subsidiary in Japan, which made a political contribution that amounted to low-single-digit million Yen, at its own discretion, in compliance with all relevant Japanese laws.															
ANTI-COMPETITIVE BEHAVIOR	DMA	Our business ethics – Anti-competitive behavior																
	G4-S07 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices, and their outcomes	Our business ethics – Anti-competitive behavior GRI Index	In 2017, there were no legal actions for anti-competitive behaviour, anti-trust, and monopoly practices that resulted in a significant fine for the JT Group, and no such legal actions that resulted in a penalty, or warning, with material impact for sustainability, taking into account the size of the JT Group.															

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
COMPLIANCE	DMA	<u>Our business ethics</u> - <u>Living our Codes of Conduct</u>	
	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations [related to accounting fraud, workplace discrimination, or corruption]	<u>GRI Index</u>	During 2017, there were no significant monetary fines or non-monetary sanctions for non-compliance with laws and regulations (related to accounting fraud, workplace discrimination, or corruption) for the JT Group.
	SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY	DMA	<u>Our tobacco business</u> - <u>Supply chain management</u> <u>Our tobacco business</u> - <u>Our tobacco business leaf supply chain (including In Focus: ALP)</u>
	G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	<u>Our tobacco business</u> - <u>Supply chain management</u> <u>Our tobacco business</u> - <u>Our tobacco business leaf supply chain (including In Focus: ALP)</u> <u>GRI Index</u>	Through the new supplier life cycle management system, we are working toward being able to report the percentage of new suppliers screened using criteria for impacts on society in subsequent years.
	G4-SO10 Significant actual and potential negative impacts on society in the supply chain, and actions taken	<u>Our tobacco business</u> - <u>Supply chain management</u> <u>Our tobacco business</u> - <u>Our tobacco business leaf supply chain (including In Focus: ALP)</u> <u>GRI Index</u>	Through the new supplier life cycle management system, we are working toward being able to report the significant actual and potential negative impacts on society in the supply chain, and actions taken in subsequent years.
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY	DMA	<u>Our business ethics</u> - <u>Reporting concerns</u>	
	G4-SO11 Number of grievances about impacts on society filed, addressed, and resolved, through formal grievance mechanisms	<u>Our business ethics</u> - <u>Reporting concerns</u> <u>Basis of Reporting</u>	In 2017, 7 grievances about impacts on society were filed, all of which were addressed. 4 grievances were resolved through formal grievance mechanisms. The remaining 3 cases are under investigation.
PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY	DMA	<u>Our tobacco business</u> - <u>Smoking and health</u> <u>Our pharmaceutical business</u> <u>Our processed food business</u>	
	G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<u>Our tobacco business</u> - <u>Smoking and health</u> <u>Our pharmaceutical business</u> <u>Our processed food business</u> <u>GRI Index</u>	Health and safety impacts for our products in our tobacco business, pharmaceutical business, and processed food business are all fully (100%) assessed for improvement.

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
CUSTOMER HEALTH AND SAFETY	G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	GRI Index	During 2017, there were no incidents of non-compliance with regulations or voluntary codes concerning the health and safety impacts of products and services during their life cycle that resulted in a significant fine for the JT Group, and no such incidents that resulted in a penalty, or warning, with material impact for sustainability, taking into account the size of the JT Group.
PRODUCT AND SERVICE LABELING	DMA	Our tobacco business – Responsible marketing Our pharmaceutical business Our processed food business – Food communication	
	G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information, and labeling, by type of outcomes	GRI Index	During 2017, there were no incidents of non-compliance with regulations or voluntary codes concerning product and service information, and labeling that resulted in a significant fine for the JT Group, and no such incidents that resulted in a penalty, or warning, with material impact for sustainability, taking into account the size of the JT Group.
	G4-FP5 Percentage of production volume manufactured in sites certified by an independent third party, according to internationally recognized food safety management system standards	Our processed food business	
MARKETING COMMUNICATIONS	DMA	Our tobacco business – Responsible marketing Our pharmaceutical business – Responsible promotion of drugs	
	G4-PR6 Sale of banned or disputed products	GRI Index	In 2017, in our international tobacco business, the sales and/or imports of e-cigarettes with nicotine were banned in 44 countries, flavored products were restricted in 40 countries, snus was banned in more than 45 countries, and waterpipe tobacco was banned in 9 countries, with more expected to follow. All of the aforementioned products are part of our product portfolio. The JT Group fully complies with these bans. Note regarding JT Group key markets: In Japan, e-liquid containing nicotine requires a pharmaceutical license. Therefore, e-cigarettes and e-liquid containing nicotine are essentially unavailable for purchase in the Japanese market without the aforementioned pharmaceutical license.
MARKETING COMMUNICATIONS	G4-PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	GRI Index	During 2017, there were no incidents of non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship that resulted in a significant fine for the JT Group, and no such incidents that resulted in a penalty, or warning, with material impact for sustainability, taking into account the size of the JT Group.
COMPLIANCE	DMA	Our business ethics – Living our Codes of Conduct Our tobacco business – Responsible marketing	
	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	GRI Index	In 2017, we did not receive any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services for the JT Group.