

# Basis of Reporting

## Introduction

This Basis of Reporting document outlines the scope, and the way we define, calculate, and consolidate specific compliance, human resources (HR), health and safety, environment, and community investment related data within the JT Group Sustainability Report FY2017, and associated GRI Index. We aim to update the Basis of Reporting document each year, and to expand the list of data in the future.

### KEY

#### Definitions

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

#### Scope

This section states the scope of the data (correct for the business structure of JT Group as of December 31, 2017) and any exclusions, if applicable. We report data for the entire JT Group, including subsidiaries, wherever possible. In the middle of 2015 JT Group withdrew from the beverage business. As a result, we excluded this business from historic reported data from 2015, or stated otherwise where that was not possible or appropriate. We use the following scope notations:

- \*A = the entire JT Group, including subsidiaries (i.e., international tobacco, Japanese domestic tobacco, pharmaceutical, and processed food businesses)
- \*B = solely Japan Tobacco Inc. (JT) (includes Japanese domestic tobacco and pharmaceutical businesses, and excludes international tobacco business, processed food business, and subsidiaries of all businesses)
- \*C = Japan Tobacco Inc. (JT) and Japanese domestic Group companies (includes subsidiaries of Japanese domestic businesses, excludes international tobacco business)
- \*D = Japan Tobacco Inc. (JT) and Japan Tobacco International (JTI)
- \*E = solely Japan Tobacco International (JTI) (international tobacco business)

#### Data calculation, consolidation method, and assumptions

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

#### Assurance

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

# Compliance

## HUMAN RIGHTS – NON-DISCRIMINATION

### GRI G4-HR3

Total number of incidents of discrimination and corrective actions taken

#### Definitions

An incident of discrimination is described as an act of treating an employee differently by imposing unequal burdens or denying benefits, rather than treating each employee fairly, based on individual merit. Discrimination can also include cases of harassment, which is defined as comments or actions that are unwelcome, or should reasonably be known to be unwelcome, to the person toward whom they are addressed, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating, or offensive environment.

#### Scope

The scope of this data covers the entire JT Group, including subsidiaries (\*A).

#### Data calculation, consolidation method, and assumptions

The number of grievances are counted based on exported data from our Reporting Concerns management system.

## HUMAN RIGHTS – GRIEVANCE MECHANISMS

### GRI G4-HR12

Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms

#### Definitions

A case is defined as 'filed and addressed' once it is received and recorded in our compliance system, as actions to investigate each case begin immediately. A case is defined as 'resolved' once it is closed, irrespective of what the final response to the case is and its outcome. Formal grievance mechanisms include both internal reporting procedures and external channels, for example, a third-party hosted telephone hotline. For JT and Japanese domestic Group companies, we include cases related to sexual harassment, moral harassment, and human relations. For our international tobacco business, we include cases related to child labor, sexual harassment, moral harassment, discrimination, physical threats and violence, and data privacy.

#### Scope

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

#### Data calculation, consolidation method, and assumptions

The number of grievances are counted based on exported data from our Reporting Concerns management system.

## SOCIETY – ANTI-CORRUPTION

### GRI G4-SO4

Communications and training on anti-corruption policies and procedures

#### Definitions

The number of employees includes those who receive communications on anti-corruption policies and how to report corruption matters, including email reminders and material published through internal communication channels, such as our intranet and company magazine. The number of employees who underwent training include those who took e-learning courses, as well as employee induction training content related to anti-corruption policies and how to report corruption matters.

#### Scope

The scope of this data covers solely JTI (\*E).

#### Data calculation, consolidation method, and assumptions

The number of employees who underwent anti-corruption training is calculated by combining the number of employees who received anti-corruption training in 2016 and in 2017.

The percentage is calculated using the above numbers, divided by the number of employees as of the end of 2017, exported from our HR system.

## SOCIETY – GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

### GRI G4-SO11

Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

#### Definitions

We have defined our main areas of impacts on society as anti-bribery and corruption, and anti-competitive behavior.

A case is defined as 'filed and addressed' once it is received and recorded in our compliance systems, as actions to investigate each case begin immediately. A case is defined as 'resolved' once it is closed, irrespective of what the final outcome to the case is. Formal grievance mechanisms include both internal reporting procedures and external channels, for example, a third-party hosted hotline.

#### Scope

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

#### Data calculation, consolidation method, and assumptions

The number of grievances are counted based on exported data from our Reporting Concerns management system. Cases recorded as related to corruption and anti-competitive behavior make up this indicator.

**LABOR PRACTICES AND DECENT WORK – LABOR PRACTICES GRIEVANCE MECHANISMS****GRI G4-LA16**

Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

**Definitions**

A case is defined as 'filed and addressed' once it is received and recorded in our compliance systems, as actions to investigate each case begin immediately. A case is defined as resolved once it is closed, irrespective of what the final outcome to the case is. Formal grievance mechanisms include both internal reporting procedures and external channels, for example, a third-party hosted hotline.

For JT and Japanese domestic Group companies, we include cases relating to improper work instructions, management's work attitude, colleagues' work attitude, personnel assessment, personnel transfers, overtime pay, retirement issues, labor contract, labor conditions, work environment, and smoke environment. For our international tobacco business, we include cases relating to breach of HR policies and procedures, conflict of interest, retaliation, unlawful dismissal, inappropriate behavior, non-respect for employee safety, and severely disrespectful behavior.

**Scope**

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

**Data calculation, consolidation method, and assumptions**

The number of grievances is counted based on exported data from our Reporting Concerns management system. Excluded from the data for our international tobacco business are HR cases that are classified as confidential.

**OTHER DATA**

➤ Number of reported cases of fraud and misuse of company assets

**Definitions**

For JT and Japanese domestic group companies, we include relevant cases related to personal and business integrity, as well as other company rules and regulations. For our international tobacco business, we include cases relating to fraud and theft of JT Group and third-party assets, misuse of IT resources, and the cases of intellectual property infringements recorded under the Reporting Concerns management system.

**Scope**

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

**Data calculation, consolidation method, and assumptions**

The number of reported cases is counted based on exported data from our Reporting Concerns management system.

➤ Number of GHE requests

**Definitions**

The number of gifts, hospitality, and entertainment (GHE) requests, including those reported via our GHE application portal.

**Scope**

The scope of this data covers solely JTI (\*E).

**Data calculation, consolidation method, and assumptions**

Data is collected and collated through our GHE application portal.

➤ Percentage of employees who responded to compliance survey

**Definitions**

The percentage of employees who responded to our annual compliance survey, conducted online, or by a paper questionnaire.

**Scope**

The scope of this data includes JT and JT Japanese domestic Group companies (\*C), excluding Torii Pharmaceutical.

**Data calculation, consolidation method, and assumptions**

The data is calculated based on an assumption that all employees with a valid corporate email address receive the invitation to complete the survey, and all employees who do not have an email address receive a paper questionnaire.

➤ Percentage of eligible employees who participated in JT Group Code of Conduct training

**Definitions**

The number of employees who underwent training, namely e-learning regarding JT Group Code of Conduct.

**Scope**

The scope of this data includes JT and Japanese domestic Group companies (\*C), excluding Torii Pharmaceutical.

**Data calculation, consolidation method, and assumptions**

The training data is calculated based on an assumption that all employees with a valid corporate email address receive electronic communications regarding JT Group Code of Conduct.

# Human resources

## GRI G4-10

### Workforce information

#### Definitions

Workforce consists of people working for the company at the end of 2017 as follows:

- › Full-time employee is defined according to national legislation and practice regarding working time (such as national legislation that defines “full-time” as a minimum of 9 months per year and a minimum of 30 hours per week).
- › Part-time employee is defined as an employee whose working hours per week, month, or year, are less than ‘full-time’, as defined above.
- › Supervised worker is defined as an individual who performs regular work on-site for, or on behalf of, the organization, but is not recognized as an employee under national law or practice.
- › Permanent contract is defined as a contract for an indeterminate period.
- › Temporary contract is defined as a contract for a limited duration or determinate period.

#### Scope

For the breakdown of supervised workers, the scope is only JT and Japanese domestic Group companies (\*C). Workforce information broken down by JT Group businesses includes entities where an SAP-system has not yet been introduced, to ensure consistency with JT Annual Report FY2017.

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

The gender breakdown of supervised workers cannot be disclosed, because we do not record this kind of data. No substantial portion of our work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised workers of contractors.

#### Data calculation, consolidation method, and assumptions

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

## GRI G4-11

### Percentage of total [eligible] employees covered by collective bargaining agreements

#### Definitions

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

#### Scope

The scope of this data includes JT and Japanese domestic Group companies (\*C), including 24 Group companies and excluding 22 Group companies. Data from our international tobacco business is excluded, because the law in some of the countries where we operate prohibits us from investigating whether an employee is unionized.

#### Data calculation, consolidation method, and assumptions

Data is calculated as of the end of 2017, using data held in our HR systems.

## ECONOMIC – MARKET PRESENCE

### GRI G4-EC5

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

#### Definitions

Significant locations for this indicator are defined as JT Tokyo HQ, JTI Geneva HQ, JTI Moscow, and JTI Trier factory. Tokyo and Geneva are our headquarters, and Moscow is the HQ office of the JTI Russia market – this market has the highest number of employees in our international tobacco business.

Standard entry-level wage is defined as the theoretical lowest wage in the location and is therefore equal to, or lower than, the actual lowest wage paid in the entity. Local minimum wage refers to compensation per hour or other unit of time for employment allowed under law. For Tokyo, we use the official minimum wage of the Tokyo metropolitan area. For Moscow, we use the official minimum wage of Moscow City. For Trier, we use the official German minimum wage. For Geneva, there is no official minimum wage.

#### Scope

For our international tobacco business, the scope includes permanent full-time and part-time employees, and temporary full-time employees. In JT, the scope includes only permanent full-time and part-time employees. Temporary full-time employees are excluded.

#### Data calculation, consolidation method, and assumptions

For the data reported under JT Tokyo HQ, the basis for calculation is hourly minimum wage and monthly entry-level wage. For the data reported under JTI Trier factory, the basis for calculation is hourly minimum wage and hourly entry-level wage. For the data reported under JTI Moscow, the basis for calculation is yearly minimum wage and yearly entry-level wage.

### GRI G4-EC6

Proportion of senior management hired from the local community at significant locations of operation

#### Definitions

Significant location of operation for this indicator is chosen based on the number of employees. In 2017 our biggest market in terms of employees was the Russian market. Geneva HQ and Tokyo HQ are not included, as they are not representative for this indicator, due to the high proportion of senior management.

Senior management is defined as:

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

#### Scope

This indicator includes both full-time and part-time senior managers, but currently all senior managers are full-time employees.

#### Data calculation, consolidation method, and assumptions

The proportion is calculated as the number of senior management hires from the local community as of the end of 2017, divided by the total senior management as of the end of 2017.

**LABOR PRACTICES AND DECENT WORK – EMPLOYMENT****GRI G4-LA1**

Total number and rates of new employee hires and employee turnover by age group, gender, and region

**Definitions**

New employee hires are defined as the number of new employees joining the company.

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

**Scope**

The scope of this data is detailed below, and excludes employees in entities where an SAP-system has not yet been introduced.

- › The number and rate of turnover by age: the entire JT Group including subsidiaries (\*A), and includes permanent full-time and part-time employees, and temporary full-time employees. Akros Pharma Inc., Fuji Foods, and Saint-German America are excluded from the data by age group.
- › The number and rate of turnover by gender: the entire JT Group including subsidiaries (\*A), and includes permanent full-time and part-time employees, and temporary full-time employees.
- › The number and rate of turnover by region: JT and JTI (\*D), and includes permanent full-time and part-time employees, and temporary full-time employees.
- › The number and rate of new employee hires by age: JT and JTI (\*D), and includes permanent full-time and part-time employees, and temporary full-time employees.
- › The number and rate of new employee hires by gender: the entire JT Group including subsidiaries (\*A), and includes permanent full-time and part-time employees, and temporary full-time employees.
- › The number and rate of new employee hires by region: the entire JT Group including subsidiaries (A\*), and includes permanent full-time and part-time employees, and temporary full-time employees.

**Data calculation, consolidation method, and assumptions**

Employees transferring from another JT Group company are excluded, and not classified as a new employee hire.

Data for these indicators is collected in our HR systems. The turnover and new employee numbers are based on exported data from our HR systems, at the end of 2017.

Turnover rate is calculated as the total number of turnover, divided by the total number of employees at the end of 2017, for the defined scope above.

New employee hire rate is calculated as the total number of new employee hires in 2017, divided by the total number of employees at the end of 2017, for the defined scope above.

**GRI G4-LA2**

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

**Definitions**

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

**Scope**

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

**Data calculation, consolidation method, and assumptions**

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

**LABOR PRACTICES AND DECENT WORK – LABOR/ MANAGEMENT RELATIONS****GRI G4-LA4**

Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

**Definitions**

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

**Scope**

We disclose significant operational changes that have substantial consequences for a large proportion of employees. The reported information corresponds to closures or withdrawal from business publicly announced in 2017 or earlier, but which had not been completed yet during the reporting period.

**Data calculation, consolidation method, and assumptions**

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

**LABOR PRACTICES AND DECENT WORK – TRAINING AND EDUCATION****GRI G4-LA10**

Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

**Definitions**

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

**Scope**

We disclose global development programs within JT and JTI (\*D)

**Data calculation, consolidation method, and assumptions**

The examples of programs are included in our GRI index.

**GRI G4-LA11**

Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

**Definitions**

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

**Scope**

The scope of employees is the entire JT Group including subsidiaries (A\*), and it includes permanent full-time and part-time employees, and temporary full-time employees, but excludes employees in entities where an SAP-system has not yet been introduced. However, the breakdown by positions include only JT and JTI (D\*).

**Data calculation, consolidation method, and assumptions**

Data is calculated as the total number of employees who received a performance and career development review in 2016 divided by the total number of employees at the end of 2016. New hires joining in Q4 2016 in our international tobacco business are excluded from the data, as they were not eligible for a 2016 performance review.

**LABOR PRACTICES AND DECENT WORK – DIVERSITY AND EQUAL OPPORTUNITY****GRI G4-LA12**

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

**Definitions**

Employee age is classified in three groups: under 30, between 30 and 50, and above 50 years of age. For JT and Japanese domestic subsidiaries, the following definitions are used for employee categories:

- › Executive Officers are persons who are appointed by the Board of Directors, are assigned certain responsibilities, and delegate relevant authorities in accordance with the Rules Defining the Extent of Responsibility and Authority.
- › Management is defined as persons in positions of supervision or management according to national legislation and practice, and excluding Executive Officers.
- › Employees are persons who are not in management positions.

For our international tobacco business, the following definitions are used for employee categories:

- › Employees that are members of the Executive Committee are categorized as Executive Officers.
- › The Vice President and Director-level employees are categorized as Management.
- › Persons of Manager level and Associate level are categorized as Employees.

**Scope**

The scope of this data includes the entire JT Group including subsidiaries (\*A), excluding employees in entities where an SAP-system has not yet been introduced. Akros Pharma Inc., Fuji Foods, and Saint-Germain America are included in the data by position and gender, but excluded from the data by age group and gender. The data consists of permanent full-time and part-time employees, and temporary full-time employees. We store information only for the gender and age of our employees.

**Data calculation, consolidation method, and assumptions**

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

**LABOR PRACTICES AND DECENT WORK – EQUAL REMUNERATION FOR WOMEN AND MEN****GRI G4-LA13**

Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

**Definitions**

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

Unless specifically stated, the following definitions are used for employee categories for JT and Japanese domestic subsidiaries:

- › Executive Officers are persons who are appointed by the Board of Directors, are assigned certain responsibilities, and delegate relevant authorities in accordance with the Rules Defining the Extent of Responsibility and Authority.
- › Management is defined as persons in positions of supervision or management according to national legislation and practice, and excluding Executive Officers.
- › Employees are persons who are not in management positions.

The following definitions are applied for employee categories for our international tobacco business:

- › Vice President
- › Director
- › Manager
- › Associate

**Scope**

In JT Tokyo HQ, the scope includes permanent full-time and part-time employees, and temporary full-time employees. In JTI Geneva HQ, the scope includes permanent full-time employees, and excludes those who are not paid in CHF, and members of the Executive Committee.

**Data calculation, consolidation method, and assumptions**

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

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

**OTHER EMPLOYEE-RELATED DATA****› Percentage of management positions held by women at the end of 2017****Definitions**

In JT and Japanese domestic subsidiaries, an employee is categorized at a position of management if the employee is in a position of supervision or management, according to national legislation and practice, but is not an Executive Officer. In our international tobacco business, an employee is categorized at a position of management if the employee is Director or Vice President level.

**Scope**

The scope of this data includes the entire JT Group including subsidiaries (\*A), excluding employees in entities where an SAP-system has not yet been introduced. Data consists of permanent full-time and part-time employees, and temporary full-time employees.

**Data calculation, consolidation method, and assumptions**

Data is calculated as the total number of women holding a management position at the end of 2017, divided by the total number of employees who had a management position at the end of 2017. In JT, employees who were in management positions, but who have been reassigned to pre-retirement positions, as they are reaching the mandatory retirement age, are excluded from the calculation.

**› Percentage of management positions held by internal hires****Definitions**

In JT and Japanese domestic subsidiaries, an employee is categorized at a position of management if the employee is in a position of supervision or management, according to national legislation and practice, but is not an Executive Officer. We define internal hires as current employees who would be reassigned to a new position by promotion or internal transfer. In our international tobacco business, an employee is categorized at a position of management if the employee is Director level or above.

**Scope**

The scope of this data is the entire JT Group including subsidiaries (A\*), and it excludes employees in entities where an SAP

system has not yet been introduced. Data consists of permanent full-time and part-time employees, and temporary full-time employees.

### Data calculation, consolidation method, and assumptions

Data is calculated as the total number of management positions filled by internal hires in 2017, divided by the total number of management positions filled in 2017.

### ➤ Total number of talent partnership program exchanges

#### Definitions

Total number of our Talent Partnership Program exchanges is defined as the sum of employees who are transferred as functional or development assignees from JT to JTI, or vice versa, at the end of 2017.

#### Scope

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

### Data calculation, consolidation method, and assumptions

Data is calculated as the sum of the number of functional assignees and development assignees seconded between JT and JTI at the end of 2017.

# Workplace Health and Safety

## OVERVIEW OF WORKPLACE HEALTH AND SAFETY DATA

### Assurance

Our international tobacco business commissioned an independent services body to provide limited-level verification over occupational health and safety performance data, and underlying data management systems. Assurance was carried out against the International Standard on Assurance Engagements (ISAE) 3000. Absenteeism data in the finished goods manufacturing sites and tobacco processing facilities is out of scope of the verification.

## LABOR PRACTICES AND DECENT WORK – OCCUPATIONAL HEALTH AND SAFETY

### GRI G4-LA6

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

#### Definitions

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

Fatality is a death resulting from a work-related injury or illness/occupational disease. We record and report the following fatalities:

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

Absenteeism is, in JT(B\*) medical leave, sick leave, and absent from work without notification for permanent leave (excluding paid leave) for temporary full-time employees. Part-time employees are excluded as out of scope.

In our international tobacco business, absenteeism is only defined in the scope below and it refers to the hours an employee is paid but not present at the workplace due to illness supported with a medical certificate. Statutory holidays, training, and business trips are excluded.

#### Scope

- › Number of fatalities: Group-level data (A\*) covers number of fatalities of employees, contractors, and third parties resulting from an incident involving an asset, such as a facility, or a vehicle being driven for business purposes.
- › Number of LTIs: Group-level data (A\*) covers employees, contractors, and supervised workers. Currently, in our international tobacco business, lost-time illness/occupational disease only covers reported cases from the U.K. and Brazil markets.
- › LTI rate: Group-level data (A\*) includes employees and supervised workers.
- › Absenteeism rate: we cover JT(B\*) and global supply chain manufacturing units (the finished goods and semi-finished goods manufacturing sites) within our international tobacco business.

**Data calculation, consolidation method, and assumptions**

In our Japanese domestic operations, health and safety data is reported to headquarters by individual functions and Group companies on an annual basis, while serious incidents are reported immediately. The number reported is based on the number of health and safety related events that were submitted to, and are recognized by, relevant Japanese authority as such. In our international tobacco business, health and safety data is collected at individual sites and locations, and reported internally on an ongoing basis. Calculation is performed in the following manner:

- › Number of fatalities: the sum of all fatalities within our defined scope.
- › Number of LTIs: the sum of all LTIs within our defined scope.
- › LTI rate: the number of LTIs divided by 200,000 hours worked within our defined scope.
- › Absenteeism rate: absence hours as defined above, divided by total theoretical working hours within our defined scope. However, in JT, the rate is calculated by total actual absent days divided by theoretical working days.

**OTHER DATA****> Vehicle accidents and vehicle accident frequency rate****Definitions**

Our Japanese domestic operations define a vehicle accident as any incident that results in death or an injury to an employee and/or third party, and if no injury occurs, any property damage that requires an insurance claim.

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

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

**Scope**

The scope of data covers:

- › Number of vehicle accidents: covers vehicles and motorcycles used by our employees on company business in JT and our international tobacco business (D\*).
- › Vehicle accident frequency rate: covers the number of vehicle accidents per million kilometers driven in JT and our international tobacco business (D\*).

**Data calculation, consolidation method, and assumptions**

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

- › Number of vehicle accidents: sum of all vehicle accidents within our defined scope.
- › Vehicle accident frequency rate: the number of vehicle accidents divided by million kilometers driven within our defined scope. While our international tobacco business uses actual data for kilometers driven, JT calculates it based on the volume of fuel used by type.

**> Percentage of cigarette and tobacco-related factories certified to OHSAS 18001 safety management standard****Definitions**

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

**Scope**

The scope of this data is JT and JTI (\*D), excluding market, R&D, non-tobacco material processing factories, and other support services.

**Data calculation, consolidation method, and assumptions**

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



# Environment

## OVERVIEW OF ENVIRONMENTAL DATA

### Scope

We use an operational control approach to determine the scope and boundaries of our environmental data reporting, which covers the entire JT Group including subsidiaries (\*A), as well as some affiliates, and some contract manufacturers that meet specific criteria. Thus, coverage of environmental data is wider than other \*A level data shown in the other sections of the Sustainability Report.

We restate our environmental data, in accordance with our recalculation policy, to take account of significant changes to our business, such as acquisitions, divestments etc. We do this so as to allow a fair comparison of environmental performance over time. We carried out such a recalculation exercise in 2017, hence data for years prior to 2017 have been restated.

### Assurance

We commissioned independent bodies to provide assurance of Group-wide energy, and Scope 1 and Scope 2 greenhouse gas (GHG) emissions. We also commissioned them to provide assurance of certain categories of Scope 3 GHG emissions: namely, Category 1, purchased goods and services in our Japanese domestic tobacco business; Category 1, leaf-related emissions; and Category 6, business travel in our international tobacco business. Assurance for our Japanese domestic tobacco business was provided against ISO 14064-3 and ISAE 3000 (revised) in our international tobacco business.

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

## ENVIRONMENTAL – ENERGY

<b>GRI G4-EN3</b> Energy consumption within the organization	<b>GRI G4-EN17</b> Other indirect GHG emissions (Scope 3)
<b>GRI G4-EN15</b> Direct GHG emissions (Scope 1)	<b>GRI G4-EN18</b> GHG emissions intensity
<b>GRI G4-EN16</b> Energy indirect GHG emissions (Scope 2)	<b>GRI G4-EN19</b> Reduction of GHG emissions

### Definitions

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

We report GHG emissions across three areas:

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

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

### Data calculation, consolidation method, and assumptions

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

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

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

## ENVIRONMENTAL – WATER AND EFFLUENTS AND WASTE

<b>GRI G4-EN8</b> Total water withdrawal by source	<b>GRI G4-EN22</b> Total water discharge by quality and destination
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### Definitions

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

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

The reporting unit for water withdrawal and water discharge is 1,000 m<sup>3</sup>.

### Data calculation, consolidation method, and assumptions

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

## ENVIRONMENTAL – EFFLUENTS AND WASTE

<b>GRI G4-EN23</b> Total weight of waste by type and disposal method
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### Definitions

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

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

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

### Data calculation, consolidation method, and assumptions

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

**OTHER DATA**

➤ Percentage of ISO 14001 certified cigarette and tobacco-related factories

**Scope**

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

# Community investment

**SOCIETY – LOCAL COMMUNITIES****GRI G4-SO1**

Percentage of operations with implemented local community engagement, impact assessments, and development programs

**Definitions**

Implemented local community investment programs are defined as investments in projects that improve the quality of life of people where we operate in an impactful way.

All community investment programs have a recorded output defined following the LBG criteria ([www.lbg-online.net](http://www.lbg-online.net)).

In 2017, we assessed impact on eight of our fifteen community investment programs at our Japan domestic market, and we are continuously improving our impact assessment methodology.

An operation is defined as a country in which we have a business presence. Investments in communities that relate to tobacco leaf production are specifically excluded from this indicator.

**Scope**

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

**Data calculation, consolidation method, and assumptions**

The figures are calculated based on data from our community investment database, and data sourced directly from markets, which is cross-referenced with our finance systems to confirm that the program was implemented.

**ECONOMIC – ECONOMIC PERFORMANCE****GRI G4-EC1**

Direct economic value generated and distributed [community investment]

**Definitions**

The value of community investment is the total sum of inputs as defined by the LBG criteria ([www.lbg-online.net](http://www.lbg-online.net)). Investments include employee time, cash, in-kind, and management cost contributions for the programs included in indicator G4-SO1 that are provided to benefit a community, and JT International S.A.'s annual endowment to the JTI Foundation. The calculation of time and management cost is based on the LBG methodology. For all Japan-based employees, an average hourly rate provided by the Japanese government is used. For our international tobacco business, cost of time is based on an average hourly rate calculated using a weighted average salary (including bonuses) across all work groups (excluding the Executive Committee) based on data for the year up to December 31, 2017. Cash contributions are calculated based on the gross monetary value donated. In-kind contributions are calculated taking into account depreciation for the goods or services provided.

**Scope**

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

**Data calculation, consolidation method, and assumptions**

The figures are calculated based on data from our community investment database and market reports, and checked against financial reports. All financial data is converted from local currency to Japanese Yen at the time of payment, using internally agreed exchange rates.

# Other definitions

## SOCIETY – ANTI-COMPETITIVE BEHAVIOUR

### GRI G4-S07

Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes

## SOCIETY – COMPLIANCE

### GRI G4-S08

Monetary value of significant fines, and total number of non-monetary sanctions for non-compliance with laws and regulations

## PRODUCT RESPONSIBILITY – CUSTOMER, HEALTH AND SAFETY

### GRI 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

## PRODUCT RESPONSIBILITY – PRODUCT AND SERVICE LABELING

### GRI 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

## PRODUCT RESPONSIBILITY – MARKETING AND COMMUNICATION

### GRI 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

## PRODUCT RESPONSIBILITY – COMPLIANCE

### GRI G4-PR9

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

## Definitions

**Significant fine/Significant monetary fine** is set at a level that may have a certain impact on the financial position of JT Group. A significant fine is a fine which is reported to the designated functions of our organization, in accordance with the internal reporting requirements. We do not report on decisions imposing the fine, penalty, or warning if they are confidential, or not final. Neither do we report about pending actions.

## Scope

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

## Data calculation, consolidation method, and assumptions

Information concerning significant fine/significant monetary fine is reported through an internal reporting mechanism, and in accordance with internal reporting requirements.

## Definitions

**Voluntary Codes** are defined as codes/commitments made with third parties. An example of such a voluntary code is the self-regulatory marketing standard of Tobacco Institute of Japan (TIOJ) with which our tobacco business in Japan fully complies. JT Group Global Marketing Standards and other internal policies are not covered as part of voluntary codes.

## Scope

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

## Data calculation, consolidation method, and assumptions

Violations against voluntary code resulting in significant fines are reported through an internal reporting mechanism, and in accordance with internal reporting requirements.