



JT Group Sustainability Report FY2016

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 corporate community investment related data within the JT Group Sustainability Report FY2016 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 the JT Group as of December 31, 2016) and any exclusions if applicable. We report data for the entire JT Group including subsidiaries, wherever possible. In the middle of 2015 the JT Group withdrew from the beverage business. As a result, we excluded this business from 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) (our international tobacco business)

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

ASSURANCE

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

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 incidents 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-S04 – Communications and training on anti-corruption policies and procedures

DEFINITIONS

The number of employees are counted to include those who received 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 includes those who undertook e-learning courses and 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 the anti-corruption training or to whom anti-corruption policies were communicated is calculated based on the assumption that all employees with a valid corporate email address receive electronic training or communications on anti-corruption policies and how to report corruption matters.

Percentage is calculated using the above numbers divided by the number of employees as of the end of 2016, exported from our HR system.

SOCIETY – GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

GRI G4-S011 – 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 issue, 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 severe 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 misuses 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.

Number of employees who underwent GHE training

DEFINITIONS

The number of employees who underwent training, including e-learning and email reminders regarding GHE Policy contents.

SCOPE

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

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 GHE policies.

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 Japanese domestic Group companies (*C).

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 the 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 the 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 2016 as follows:

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

SCOPE

The scope of this data covers the entire JT Group including subsidiaries (*A). For the breakdown of supervised workers, the scope is only JT and Japanese domestic Group companies (*C). Workforce information broken down by JT Group businesses includes non-SAP entities to ensure consistency with JT Annual Report FY2016.

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 his intentions to be part of a trade union and pays periodical union dues.

SCOPE

The scope of this data includes JT and Japanese domestic Group companies (*C), including 22 Group companies and excluding 24 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 2016, 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 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.

SCOPE

Significant locations of operations have been identified, as mentioned above, at Group level including subsidiaries (*A). For our international tobacco business, the scope includes permanent full-time and part-time employees and temporary full-time employees. However, there is no official minimum wage in Geneva; therefore, it will be disclosed as N/A. In JT, the scope includes only permanent full-time and part-time employees. 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 2016 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 management hires from the local community as of the end of 2016 divided by the total management as of the end of 2016.

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 our Annual Report.

SCOPE

The scope of this data is detailed below, and excludes employees in non-SAP entities:

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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 2016.

Turnover rate is calculated as the total number of turnover divided by the total number of employees at the end of 2016 for the defined scope above.

New employee hire rate is calculated as the total number of new employee hires in 2016 divided by the total number of employees at the end of 2016 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 2016 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 that have wider coverage within JT and JTI (*D)

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

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

DEFINITIONS

We consider an employee to receive regular performance and career development 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 for the percentage of employees receiving regular performance and career development reviews is the entire JT Group including subsidiaries (*A). However, the scope for the breakdown by gender and employee category is JT and JTI (*D). The scope of employees includes permanent full-time and part-time employees and temporary full-time employees, but excludes employees in non-SAP entities.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of employees who received a performance and career development review in 2015 divided by the total number of employees at the end of 2015. New hires joining in Q4 2015 in our international tobacco business are excluded from the data as they were not eligible for a 2015 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 non-SAP entities. 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 2016

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. 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 non-SAP entities. Data consists of permanent full-time and part-time employees and temporary full-time employees.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of women holding a management position at the end of 2016 divided by the total number of employees who have a management position at the end of 2016. 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, an employee is categorized at position of management if the employee is in a position of supervision or management according to national legislation and practice. We defined internal hires as current employees who would be reassigned to a new position by promotion or internal transfer. 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 includes JT and JTI (*D), excluding employees in non-SAP entities. Data consists of permanent full-time and part-time employees and temporary full-time employees.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of management positions filled by internal hires in 2016 divided by the total number of management positions filled in 2016.

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 2016.

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as a sum of the number of functional assignees and development assignees seconded between JT and JTI at the end of 2016.

Health and safety

OVERVIEW OF HEALTH AND SAFETY DATA

ASSURANCE

Our international tobacco business commissioned an independent services body to provide limited-level verification over occupational health and safety performance data 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 a sum of lost-time injuries, lost-time illnesses/occupational diseases, and fatalities. Lost-time injury is a work-related injury that results in an individual being unable to work on a subsequent scheduled workday or shift. Lost-time illness/occupational disease is a work-related illness/occupational disease resulting in an individual being unable to work on a subsequent scheduled workday or shift.

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

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

SCOPE

The scope of the following data includes the entire JT Group including subsidiaries (*A), which covers all companies and sites:

- Number of fatalities: Group-level data is for employees only. For our international tobacco business, we also report the number of contractor fatalities and third-party fatalities resulting from an incident involving an asset, such as a facility or a vehicle being driven for business purposes.
- Number of LTIs: Group-level data covers employees, while data for contractors and supervised workers is captured by JT domestic Group companies and our international tobacco business. Currently, outside of Japan, lost-time illness/occupational disease only covers reported cases from the U.K. and Brazil markets.
- LTI rate: Group-level data includes employees and supervised workers in our international tobacco business.

The scope of the following data includes JT and global supply chain manufacturing units within JTI:

- Absenteeism rate: JT (excluding Japanese domestic Group companies) defines absenteeism as medical leave, sick leave, and absent from work without notification for permanent full-time employees and permitted leave (excluding paid leave) for temporary full-time employees. Part-time employees are excluded as out of scope. In the finished goods manufacturing sites and tobacco processing facilities in our international tobacco business, absenteeism 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. An employee who is sent to another location for a long-term business trip may only be considered absent if he/she is included in the presence hours in the receiving location.

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: a sum of all fatalities within our defined scope.
- Number of LTIs: a sum of all LTIs within our defined scope.
- LTI rate: the number of LTIs divided by 200,000 hours worked within our defined scope.
- Absenteeism rate: absence hours as defined above, divided by total theoretical working hours within our defined scope.

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 our Japanese domestic operations and international tobacco business.
- Vehicle accident frequency rate: covers the number of vehicle accidents per million kilometers driven in our international tobacco business.

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.

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.

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

GRI G4-EN3 – Energy consumption within the organization

GRI G4-EN15 – Direct GHG emissions (Scope 1)

GRI G4-EN16 – Energy indirect GHG emissions (Scope 2)

GRI G4-EN17 – Other indirect GHG emissions (Scope 3)

GRI G4-EN18 – GHG emissions intensity

GRI G4-EN19 – Reduction of GHG emissions

DEFINITIONS

We measure energy consumption and GHG emissions using the World Resources Institute/World Business Council for Sustainable Development 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 CO₂ equivalent. GHG emissions intensity is reported in metric tons CO₂ equivalent per million cigarettes equivalent, which covers Scope 1 and 2 GHG emissions of our Japanese domestic tobacco and international tobacco businesses only.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

For GHG reporting, in Japan we use GHG emission conversion factors set by the 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

GRI G4-EN8 – Total water withdrawal by source

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

DEFINITIONS

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

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

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

ENVIRONMENTAL – EFFLUENTS AND WASTE

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

DEFINITIONS

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

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

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

OTHER DATA

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

SCOPE

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

Corporate 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).

In our Japanese domestic market, impact assessment methodology is currently being developed. In 2016, five out of nine centrally managed community investment programs were assessed using trial methodology. Our international tobacco business is in the process of developing an impact assessment on key projects, and enabling our partners to employ impact specialists and investing in third-party evaluation. In the U.K. market, impacts are fully recorded.

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 corporate community investment is the total sum of inputs as defined by the LBG criteria (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, 2016. 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.