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FY 2016

JT Group Sustainability Report

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## Scope of data and information presented in this report

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

This report contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

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

In this report we used 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)

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

See our [Basis of Reporting](#) document for further detail.



# CEO statement



The year 2016 was one in which there were game-changing economic and geopolitical developments in various parts of the world, including the introduction of negative interest rates in Japan, leadership changes in the U.S., and the U.K.'s decision to leave the European Union (EU).

Yet against this backdrop of challenging and uncertain conditions, the JT Group not only posted strong business results but made solid gains on a range of sustainability issues.

We did so by upholding the principles of our "4S" model, under which we strive to fulfill our responsibilities to our valued consumers, shareholders, employees, and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

Our sustainability strategy, which continued to evolve during the year, will be the key to embedding a rigorous and long-term approach to sustainability across our business.

During the year we implemented a number of important measures on sustainability, including the JT Corporate Governance Policy and the JT Group Human Rights Policy.

Emerging products are one of our top investment priorities for future growth, and continued to evolve in 2016. We made significant progress by making new offerings in E-vapor categories in international markets, as well as the launch of a new T-vapor product in Japan.

Throughout the 12 months we continued to ensure that the focus of our activities was on helping the communities in which we operate, in particular those where tobacco farmers live. This we have done through ongoing schemes to improve economic, social, and environmental conditions in those communities, and via our substantial community investment program. This is the right thing to do, but also helps us secure a long-term supply of the materials that we need.

Elsewhere we continued to make strides on tackling the illegal trade in tobacco, working as a trusted partner with various law enforcement authorities.

Our work on sustainability is being recognized by bodies that monitor such activity. For the third consecutive year we were a member of the Dow Jones Sustainability Asia Pacific Index, and in 2016 we were awarded a position on the CDP Climate A List of the world's best climate change reporters. We also retained the highest level of certification from the Top Employers Institute, which is given to organizations that globally demonstrate the best standards for employees.

However, we still have a considerable way to go. On health and safety, for instance, there were four fatalities during 2016, which shows that we urgently need to enhance local safety cultures in some countries.

Global conditions will continue to be uncertain in the year ahead. This means we will need to adapt to a fast-moving and changing environment, and to enhance our ability to identify the key issues likely to affect our business in the mid-to-long term. That is why our sustainability journey is so important to the future of the Group. We are moving along the right track, and I am confident that we will continue to build on the impressive progress we have made so far.

**Mitsuomi Koizumi**  
President and Chief Executive Officer  
Japan Tobacco Inc.



# Q&A



With Ryoko Nagata,  
Senior Vice President, CSR

**You launched a Group-wide Human Rights Policy in 2016. Why is this important, and why launch a policy when you already have a clear approach to child labor and agricultural labor practices?**

It is important as this is the first time we clarify in detail what we mean by respecting human rights. While our position on human rights is encapsulated in our Codes of Conduct and is fundamental to delivering our commitments to all stakeholders through our "4S" model, we now have a policy that will guide us through this area. It also sets out how we intend to achieve our commitments more widely on human rights, rather than just focusing on a specific area such as child labor.

The policy also helps us to clarify the expectations we have of everyone we employ and who we do business with. It is a tool we can refer to in our day-to-day business activities as we implement the commitments we've made in the policy.

**There were four reported fatalities within the JT Group during 2016. What are you doing to address the safety issues that led to these deaths?**

It is a matter of deep regret to everyone within the Group that four fatalities occurred in Zambia during 2016. One of the fatalities was due to an accident involving an employee on a motorcycle and two others were third-party fatalities where employees, outside of work time but driving company cars,

collided with pedestrians, who died as a result. The fourth fatality, of a contractor, was due to the collapse of a telecommunications mast.

As a Group we view health and safety as being of paramount importance, and we're determined to move toward a zero-accident rate. The tragedies in Zambia show that we still have a considerable way to go to achieve that aim, but in many areas I think we are making progress, including through our motorcyclist training program, which we believe will begin to pay dividends in the near future.

**In 2016 you made further progress toward your target of reducing absolute greenhouse gas emissions by 20% compared with 2009, and now expect to reach that target ahead of schedule. Where do you go once that goal is achieved?**

When we set the figure of a 20% reduction by 2020, it was considered to be a challenging target. So if we get there early, then we should take that as a sign that the measures we've been introducing over the past few years have been working very effectively. That is evidenced by the fact that in 2016 the JT Group was one of only 18 consumer staples companies globally to be included on the CDP Climate A List. Having said that, we cannot afford to rest on our laurels, and we will be looking at ways of maintaining our progress and to keep the momentum going.

**What progress was made during 2016 on working to improve the economic and social conditions of tobacco farmers and their communities?**

The key to enhancing the financial and social welfare of farmers is helping them to improve the yield and quality of tobacco they produce. We have excellent local farming experts who give tips in this area, including on mechanization. Advice on how to grow crops more efficiently helps to increase long-term profits for farmers and benefits the communities within which they live.

Another important element of helping farming communities is our Agricultural Labor Practices (ALP) program. In 2016 we made steady progress on rolling out ALP. We continued implementation in Brazil, Malawi, Zambia, Tanzania, Turkey, Italy, and Serbia, and began expanding this in to the U.S. Our third-party suppliers are also committed to implementing ALP, and our objective is to implement ALP throughout our supply chain by 2019.

**You provided 973 intelligence reports to law enforcement agencies in 2016, leading to the seizure of more than 911 million illegal cigarettes. Why put so much effort into tackling illegal trade in tobacco?**

Illegal trade is bad for society because it supports and funds organized crime, allows substandard products to reach consumers, and substantially reduces

government tax revenues. It also harms legitimate retailers and is bad for our business because it impacts revenues. So the measures we take to help authorities combat illegal trade are good for society and good for our Group.

We have a social responsibility to help with the battle against illegal trade, and governments rightly expect us to provide them with information. By doing so, we also forge more open relationships with authorities that allow us to help them tackle various issues that lead to an increase in illegal trade, including taxation, price disparities, and plain packaging.

**Emerging products are a growing area for the business. What were some of the key developments in this field in 2016?**

Emerging products are a priority area for our business, and our current focus is on E-vapor and T-vapor products. In 2016 Logic, our e-cigarette brand in the U.S., extended its position with new product launches. On the T-vapor front, in Japan we launched Ploom TECH, initially making it available online and in the city of Fukuoka. Demand was so strong that we have had to make further investment in manufacturing and supply plans.



A product such as Ploom TECH has the potential to reduce health risks associated with the use of combusted tobacco products, and we are currently working on the collection of data required to substantiate such claims. From a regulatory point of view, a revision of the EU's Tobacco Products Directive came into force in May 2016, and for the first time this included emerging products in its remit. In the U.S., in 2016 the Food and Drug Administration (FDA) also released regulations covering emerging products. So in both those jurisdictions we have been making sure that we comply with any new requirements.

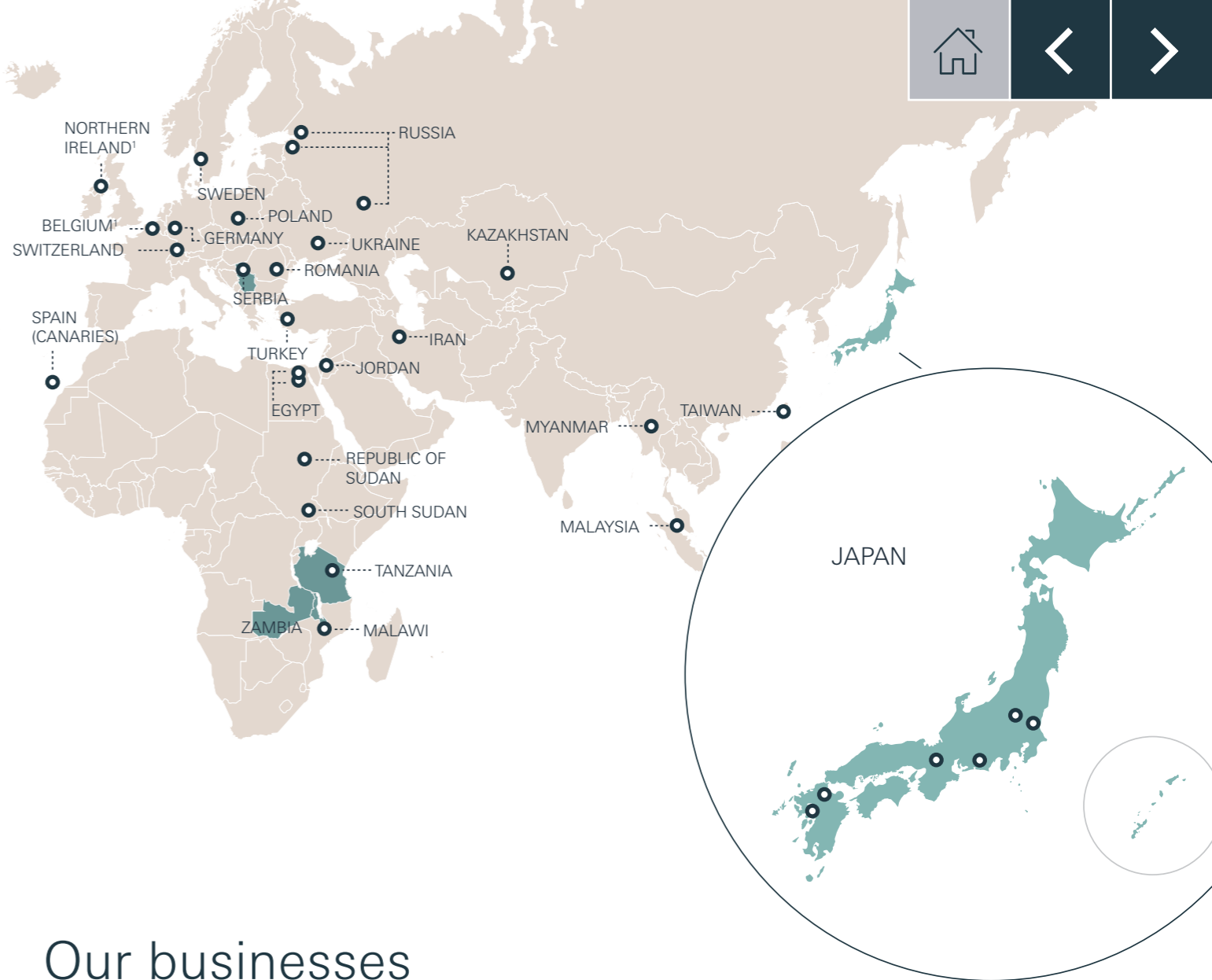
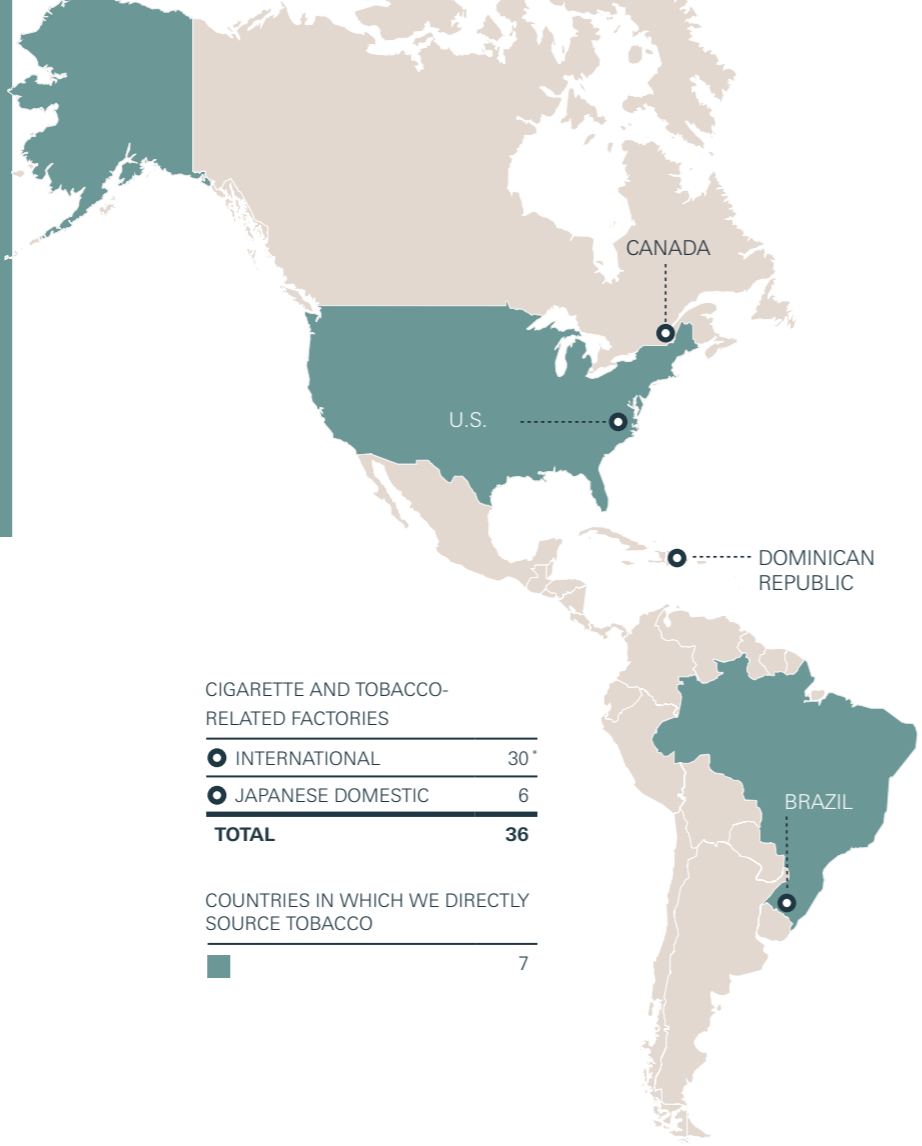
We support a reasonable and proportionate regulatory framework for emerging products, but will continue to advocate against any regulation that may have unintended consequences.

**What comes next on sustainability?**

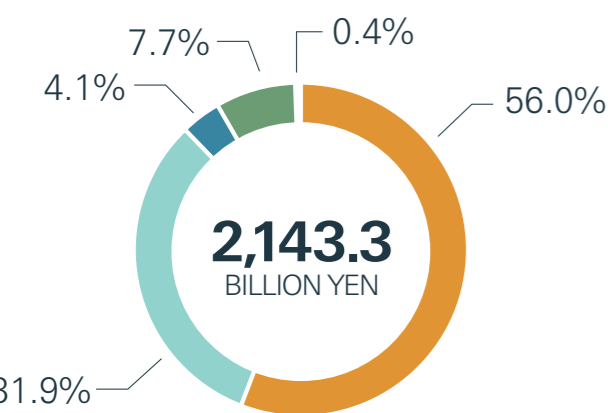
In 2016 we focused on working behind the scenes to develop a comprehensive, long-term sustainability strategy for the Group that is based on the key material issues we identified with stakeholders in 2015. The strategy will be the next step in our sustainability journey, and will provide us with a strong framework around which we can further improve our performance. It will also identify focus areas and commitments that we will take forward as priorities in the coming years.

# Corporate profile

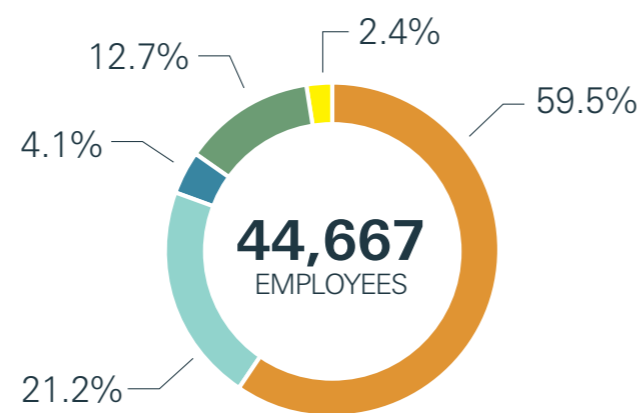
We are one of the world's leading tobacco companies, with offices and factories in more than 70 countries and products sold in more than 120 markets. Headquartered in Tokyo, Japan Tobacco Inc. (TSE:2914) is listed on the Tokyo Stock Exchange. We also operate pharmaceutical and processed food businesses.



TOTAL REVENUE IN 2016



NUMBER OF EMPLOYEES IN 2016



- INTERNATIONAL TOBACCO BUSINESS
- JAPANESE DOMESTIC TOBACCO BUSINESS
- PHARMACEUTICAL BUSINESS
- PROCESSED FOOD BUSINESS
- OTHERS

- INTERNATIONAL TOBACCO BUSINESS
- JAPANESE DOMESTIC TOBACCO BUSINESS
- PHARMACEUTICAL BUSINESS
- PROCESSED FOOD BUSINESS
- OTHERS

## Our businesses

### INTERNATIONAL TOBACCO

Our international tobacco business is headquartered in Geneva, Switzerland. We manufacture and sell cigarettes; cigars; cigarillos; snus; roll-your-own, pipe, and water-pipe tobacco; e-cigarettes; and other tobacco-based products. Our main markets include France, Italy, Russia, Spain, Taiwan, Turkey, and the U.K.

**Key brands**

Winston, Camel, Mevius, LD, Benson & Hedges, Glamour, Sobranie, Silk Cut, Natural American Spirit

### JAPANESE DOMESTIC TOBACCO

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

**Key brands**

Mevius, Winston, Seven Stars, Natural American Spirit

### PHARMACEUTICALS

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

### PROCESSED FOOD

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

\*Includes the Lisnafillan factory in Northern Ireland and the Gryson Wervik factory in Belgium, which are planned for closure in 2017.







# Our strategic approach

In 2016



52 members of our global Corporate Social Responsibility (CSR) team gathered over three days in Tokyo to discuss the development of our sustainability strategy

## Our management approach

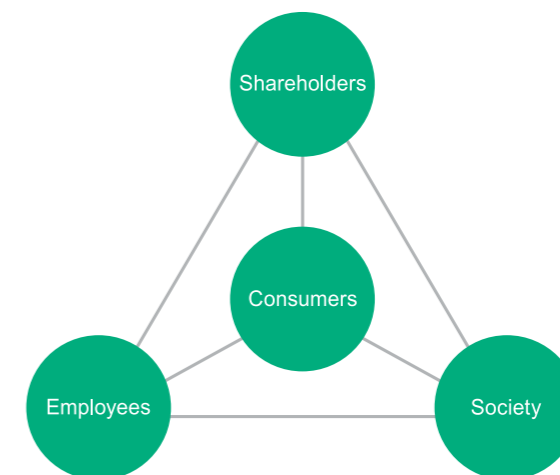

Our management principles and our approach to sustainability are governed by our “4S” model, under which we strive to fulfill our responsibilities to our valued consumers, shareholders, employees, and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

We have made progress in laying the foundations for our sustainability strategy over the past few years, including by engaging with stakeholders, completing our first Group-wide materiality assessment, understanding key sustainability issues across our value chain, and hosting human rights roundtables both at Group level and in our international tobacco business. We have also engaged with key business divisions on strategic issues and on collecting baseline performance data.


Insights gained through all of these initiatives have enabled us to identify the areas on which we need to focus. In 2016 we continued to make strides on producing a Group sustainability strategy, including by bringing together 52 members of our global CSR team over three days in Tokyo to obtain their input in the development of the strategy, and foster collaboration in embedding sustainability across the business.

Our sustainability performance is discussed regularly by a group of Board members and Executive Officers, along with the CEO and the Senior Vice President for CSR, assisted by our CSR division. However, business and corporate divisions have ultimate responsibility for planning and implementing their own sustainability initiatives.


### THE “4S” MODEL

**OUR VISION**  
is to become a company committed to global growth by providing diversified value that is uniquely available from the JT Group.



**OUR MISSION**  
is to create, develop, and nurture our unique brands to meet consumers' needs while understanding and respecting the environment and the diversity of societies and individuals.



**THE JT GROUP WAY**

- Fulfill the expectations of our consumers and behave responsibly
- Strive for quality in everything we do through continuous improvement
- Leverage diversity across the JT Group



# Our material issues

We have a list of 22 material issues that are of medium- and high-level importance to the JT Group and external stakeholders (see matrix below). We compiled the list through a materiality assessment that took into account the views of internal and external stakeholders, including employees, suppliers, investors, trade unions, non-governmental organizations (NGOs), and industry organizations. In 2016 we continued to address the highest priority issues.

We are committed to carrying out materiality reviews on a regular basis in the future so that we can check the issues we have identified are still relevant – and to realign our priorities if necessary.

## JT GROUP MATERIALITY MATRIX



# Stakeholder engagement

Under our “4S” model we talk to stakeholders across the JT Group on a daily basis, but also engage with them in special forums.

## Consumers

We communicate with consumers on a daily basis through our sales force and call centers, and often make product improvements based on consumer comments. We also receive feedback via our websites.

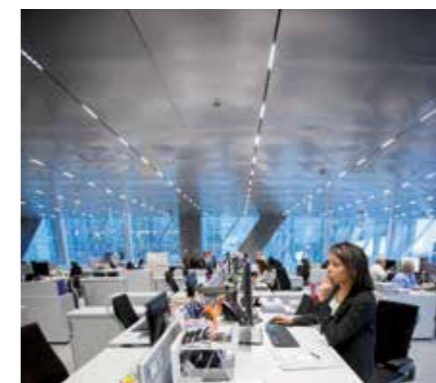


## Governments and regulators

We seek an open dialogue with governments and regulators so we can provide our point of view on regulations that affect our business and society. In 2016 we made a number of submissions to governments highlighting the negative consequences of extreme regulation, including plain packaging of tobacco products. At the same time, we put forward more proportionate alternative solutions to help achieve legitimate public policy objectives. We also regularly engage with government bodies on combating illegal trade.

## Shareholders

One of the main forums for engagement with shareholders is our General Meeting of Shareholders (GMS). We also discuss sustainability issues at regular and ad hoc meetings with institutional investors. In 2016 around 4,000 shareholders attended our GMS at which we answered questions from shareholders on issues such as tobacco product innovation and staff turnover rates.



## International organizations and NGOs

We work in partnership with a number of international organizations and NGOs to implement social programs in the communities where we operate. In 2016, for instance, we had discussions with the International Labour Organization’s (ILO’s) Alliance 8.7 on forced labor, modern forms of slavery, and child labor, and provided ongoing support for their Child Labour Platform. We also continued our partnerships with the ILO and Winrock International and established a partnership with the International Organisation of Employers.

## Employees

The key channel for communicating with employees is in their everyday work, including through performance appraisals and face-to-face meetings with line managers, as well as regular surveys. In 2016 we conducted an Employee Engagement Survey in our Japanese operations. Employees expressed a desire for a clearer view of their career development options, and we have begun to look at ways of achieving this.



We worked with the NGO Build Change on disaster risk reduction programs in Indonesia, and signed an agreement with Peace Winds Japan, an international NGO, to help it prepare more thoroughly to respond to disasters both in Japan and other parts of the world.

## Society

### Suppliers and communities

We engage with tobacco farmers and tobacco growing communities regularly via our local farming experts, not only about good farming practices but also about labour practices via our ALP program and our tailored child labor program ARISE. For example, in 2016 at an ARISE conference in Brazil we spoke to farmers about the challenges they face in complying with Brazil’s child labor legislation and the various tools available to help them.



### Retailers

We communicate with retailers in a number of ways, covering a range of topics from preventing youth access to cigarettes, to dealing with litter associated with tobacco products. In 2016 we held seminars on preventing youth access to tobacco products with retailers in the Middle East, North Africa, and Eastern Europe.



# Our way of doing business

In 2016



Launched the JT Group Human Rights Policy



Implemented the JT Corporate Governance Policy

## 185.3

billion Yen paid in corporate tax across the JT Group



Launched an anti-bribery and corruption policy in our international tobacco business

## 66.9%<sup>\*E</sup>

of employees trained on anti-bribery and corruption

## Corporate governance and transparency

The JT Corporate Governance Policy, implemented in 2016, outlines the way corporate decisions should be made. This policy has been designed to promote transparent, fair, and timely decision-making that carefully considers the respective interests of consumers, shareholders, employees, and the wider society. In 2016 we declared compliance with all of the principles of Japan's Corporate Governance Code. The JT Board of Directors holds ultimate responsibility for administration and supervision of our activities, and is supported by a governance structure that includes bodies such as the JT Group Compliance Committee and the Compensation Advisory Panel. Our **Annual Report** provides further details on our governance arrangements.

## Risk management

Our key financial and business risks are considered by the Board of Directors at least quarterly. Internal audits are conducted by a division independent from the business, reporting directly

to the President of JT. We also have crisis management and disaster control systems. Identification and mitigation of sustainability risks is incorporated into our Group risk management approach,

and we have begun looking into the impacts of human rights-related risks in our operations and supply chain.

## Our tax practices

We are fully committed to paying our fair share of taxes at levels that are not only within the letter and spirit of local laws but are in accordance with our responsibilities to all stakeholders in our "4S" model. We do not engage in aggressive and artificial tax planning or tax avoidance schemes, and never use legal entities for tax purposes only. Nor do we undertake any transactions whose sole purpose is to reduce our tax contribution.

million Yen in corporate tax across the JT Group, compared with 132,027 million Yen in 2015.

Tax legislation and practice have become increasingly complex in recent years, but we try to nurture good relationships with tax authorities in order to reduce uncertainty on both sides.

In 2016 the U.K. introduced a law that requires U.K. large businesses to publish an annual tax strategy setting out, among other things, the approach toward tax planning and showing how tax risk is managed. We have taken this opportunity to update our tax strategy, which will be published on **our website** in 2017.

In other countries, governments are beginning to implement recommendations from the OECD's Base Erosion and Profit Shifting (BEPS) Project, which aims to clamp down on artificial tax planning strategies. One consequence will be the emergence of new country-by-country tax reporting requirements. We have undertaken a major review of our processes and data capture systems, and we are prepared to meet our obligations.

In 2016 we organized training for more than 200 employees to raise awareness of BEPS issues and other recent tax developments.

JT Group Tax Policy can be viewed on **JT website**.

Our approach to tax is guided by a global tax function that requires all business units to issue detailed annual reports showing how they meet local tax obligations and ensure that appropriate expert advice is sought on all commercial and financial decisions. In 2016 we paid a total of 185,285



## Living our Codes of Conduct

Our **Codes of Conduct** outline our responsibilities toward consumers, shareholders, employees, and society, and define our legal and ethical obligations.

Our Codes are essential for conducting business ethically as a responsible corporate citizen, and our top management has affirmed its strong commitment to compliance. Our continued success and reputation depends on each of us, every day and everywhere, living our values and acting ethically and responsibly in compliance with the law and our Codes of Conduct. Employees are encouraged to refer to the Codes whenever guidance is needed.

The Codes are updated periodically to reflect any changes in legislation,

internal requirements, and the needs of society. During 2016 our international tobacco business updated its Code of Conduct following the launch of new policies on human rights and anti-bribery and corruption, including also an update of its Supplier Standards.

Compliance training for employees on the JT Group Code of Conduct is provided regularly face-to-face, online, or on the job. During 2016 we reinforced the principles of the Code of Conduct through various training programs. In our Japanese operations, 11,813 (\*C) employees completed the Code of Conduct training online. We have carried out a variety of education and awareness activities, including holding a discussion involving the Chairman and young employees, centered around compliance with

the Code of Conduct. This discussion encouraged employees to give their views on how they felt about compliance within JT Group. The discussion was written up into an article and provided on the intranet for all employees.

In our Japanese operations, we held our annual compliance survey, which was completed by 96.1% (\*C) of employees, up from 94.0% in 2015. As a result of feedback from the survey, relevant departments will introduce measures to improve the situation on long working hours in their annual compliance action plans, and use quantitative targets to evaluate the effect of these measures.

**96.1%** \*C  
of employees responded to the 2016 compliance survey



## Reporting concerns

We encourage employees, customers, distributors, and suppliers to speak up about potential violations of our Codes of Conduct, and protect employees who speak up from retaliation.

There are multiple communication channels through which employees and business partners can confidentially raise concerns, one of which is our Reporting Concerns Mechanism (RCM). In our international tobacco business, in 2016 this was rebranded as 'Your Voice' to create an even greater association with our employees, although the system itself remains otherwise unchanged. We ran a two-month global communications campaign across our international tobacco business in 2016 to publicize the new name.

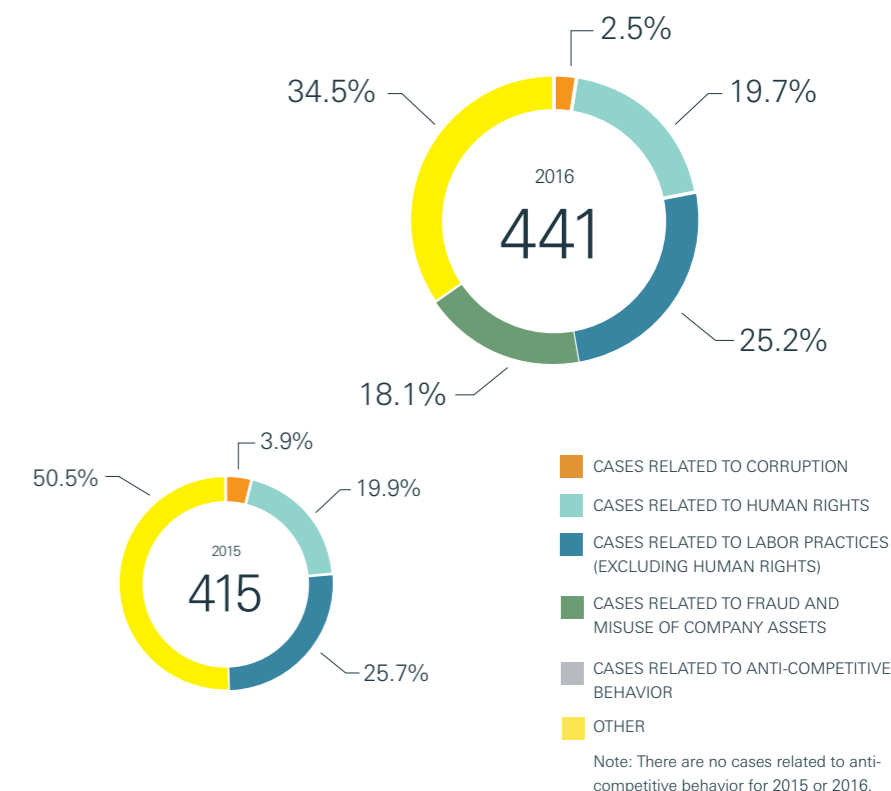
To increase awareness of the RCM in our processed food business, we distributed posters in several languages to subsidiaries outside Japan.

Reported concerns received internally are initially dealt with by specially trained employees, to whom we provide ongoing training. We now also have escalation guidelines for line managers in Japan as well as in our international tobacco business, which will standardize how line managers respond when they are consulted with concerns and help them to escalate serious compliance violations promptly.

We follow up reports of potential violations and, where necessary, launch investigations that may lead to

corrective action. In 2016 we received 441 reports across the JT Group, up from 415 in 2015.

### BREAKDOWN OF REPORTED CASES



## Information security

The JT Group's information security risks lie in damage to, or leakage of, information that we hold on our customers, consumers, suppliers, and employees, as well as data on our business strategy and on engineering and experimental data, including results from research.

We are committed to continuous enhancement of our information security framework, and regularly update our policies and procedures to adapt to evolving business and technical landscapes.

To strengthen our defenses we have introduced a computer-security incident response team. We have also applied for membership of the cross-industry Computer Security Incident Response

Team Association (Nippon CSIRT Association), which pools resources to fight and resolve cyberattacks.

We also regularly draw up action plans on forthcoming information security regulations. For instance, we have already begun to prepare a new framework that will help us comply with the EU's General Data Protection Regulation, which will focus on personal information protection and is due to come into force in 2018.

As the majority of incidents occur due to lack of awareness, we regularly train and provide information to our employees on information security issues.

**24,390\***  
employees participated in security training

\*excluding employees in one of our Japanese domestic Group companies, which is conducting training in a different way





# Anti-bribery and corruption

The JT Group has a zero-tolerance approach to bribery and corruption. We have an anti-bribery policy in place, which covers the entire Group. In Japan, a guidebook on the policy was developed and provided to each department to be followed.

In 2016 our international tobacco business launched its own anti-bribery and corruption policy, backed up by a global communications campaign that included an online video, translated into 24 languages, in which the CEO and senior executive committee

members of the international tobacco business reinforced the zero tolerance toward bribery and corruption. We also established an online training module on the policy, reaching 15,202 (\*E) employees.

In our processed food business, we have continued working with subsidiaries in China, in complying with the new policy. We also conducted an anti-bribery and corruption seminar for local executives.

COMMUNICATION OF ANTI-BRIBERY AND CORRUPTION POLICIES AND PROCEDURES TO EMPLOYEES IN 2016 (\*E)

EMPLOYEE CATEGORY	NUMBER OF EMPLOYEES	% OF EMPLOYEES
EXECUTIVE OFFICERS	16	100%
MANAGEMENT (EXCLUDING EXECUTIVE OFFICERS)	1,096	100%
EMPLOYEES (EXCLUDING MANAGEMENT AND EXECUTIVE OFFICERS)	18,993	87.6%

# Gifts, hospitality, and entertainment

We do not proactively encourage a culture of exchanging gifts, hospitality, and entertainment (GHE). The giving and receiving of GHE must always be reasonable, proportionate, transparent, and in line with local legislation. If not, this may damage our reputation. We believe the purpose of GHE should be to promote healthy business relationships, while not to seek preferential treatment in return. For government and public

officials, all GHE exchanges for any JT Group company, regardless of amount, must be approved. Based on our Gifts and Entertainment Guidelines, each department sets thresholds on the amount of each exchange.

In our international tobacco business, all GHE exchanges with non-governmental third parties above 250 U.S. Dollars must receive prior approval.

In 2016 our international tobacco business provided online training to 1,151 employees (2015: 927) to help them understand the GHE requirements.

The number of requests for GHE approval in our international tobacco business in 2016 was 702, compared with 738 in 2015.



66.9%<sup>\*E</sup>

of employees received anti-bribery and corruption training



# Anti-competitive behavior

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

In order to help employees understand the principles of fair competition and the standards of the policy and guidelines, face-to-face training is provided across our international tobacco business to all relevant employees, with online training also available to complement this as necessary.







# Respecting human rights

*Issue in focus*

## Our approach

The JT Group operates in parts of the world where human rights are at risk. We strive to make a positive impact on communities in these territories by helping to make sure the highest standards of behavior are upheld within our business and our value chain. At the same time, we also aim to reduce risks

to the Company that occur through exposure to human rights violations.

We have made significant progress in some areas, including by working to prevent child labor in tobacco farming communities (see pages 49–50), by working closely with our tobacco

leaf suppliers on labor standards (see page 47), and on a daily basis in the workplace (see pages 48–53).

More generally, we have sent out a strong message on the importance of human rights through our Codes of Conduct.

## Launching a human rights policy

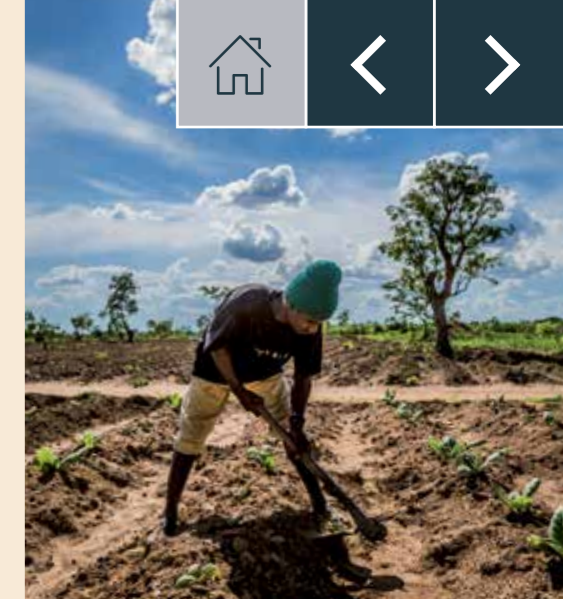
Although we have been identifying and addressing human rights issues in our day-to-day operations, over the past two years we have been working on a more systematic approach to human rights issues.

As a result, in September 2016 we launched the **JT Group Human Rights Policy**, which commits us to respect human rights across our global operations as expressed in the International Bill of Human Rights and in the ILO's Declaration on Fundamental Principles and Rights at Work.

The policy follows the UN Guiding Principles on Business and Human Rights and helps to deliver on our management principles as set out in our "4S" model. The policy complements our Codes of Conduct (see page 18).

"It was clear to me that the JT Group was taking the stakeholder engagement session very seriously. Several experts were flown in from abroad, and we had a substantive discussion with people at a senior level. Unlike similar sessions I have attended with other companies, the JT Group seemed to understand that short-term solutions are insufficient, and that it needs to include respect for human rights in the core of its business model. It will surely take time for human rights to be incorporated in this way, but I am encouraged to see that the Group is heading in the right direction."

**JT Group stakeholder dialogue participant** from a human rights advocacy organization



## Roundtable on human rights

The Human Rights Policy was developed in consultation with internal and external stakeholders, including through a roundtable in Japan in March 2016, following a roundtable that our international tobacco business hosted in London in 2015. Six human rights experts from around the world and nine JT Group senior executives participated in the Tokyo roundtable and discussed key human rights impacts faced by our Group – as well as details and expectations of the Human Rights Policy.

The roundtable concluded that the JT Group is in a strong position to think globally and act locally on human rights, and that its influence should be leveraged not only within its business parameters but also within its supply chain.

It was felt that it is important for the JT Group to set up and monitor key performance indicators that support implementation of its Human Rights Policy and also that all employees need to understand the JT Group's underlying

human rights principles so that they know how to respect human rights in their daily operations.

Roundtable participants additionally concluded that a dialogue with external stakeholders on human rights topics is critical, as they can provide the JT Group with information about human rights risks of which it may be unaware.

Going forward we will seek to address these points in our approach toward human rights issues.

## Training

We informed employees about the launch of the Human Rights Policy via various internal communications, including our intranet. In addition, in Japan we implemented an employee e-learning training program to raise awareness on business and human

rights. A similar program will be introduced in our international tobacco business. This will be made available in 35 languages, covering all countries in which we operate, with a view to completion by all eligible Group employees in 2017.

## Due diligence process

The policy commits us to undertake a systematic due diligence process to identify and assess actual and potential human rights risks.

In the first phase of this process, we will run several pilot programs across our businesses. These will use a combination of interviews, surveys, field visits, and questionnaires to assess actual and potential risks.

The aim is for these pilots to provide us with a system of due diligence that can be rolled out globally, adopting different approaches appropriate to local conditions where needed.

In our international tobacco business, we are also creating a plan to engage with suppliers on due diligence, partly through our supplier life cycle assessments (see page 47).

## Next steps

We will act upon the findings of the due diligence process to seek to mitigate and prevent any adverse actual and potential human rights impacts.

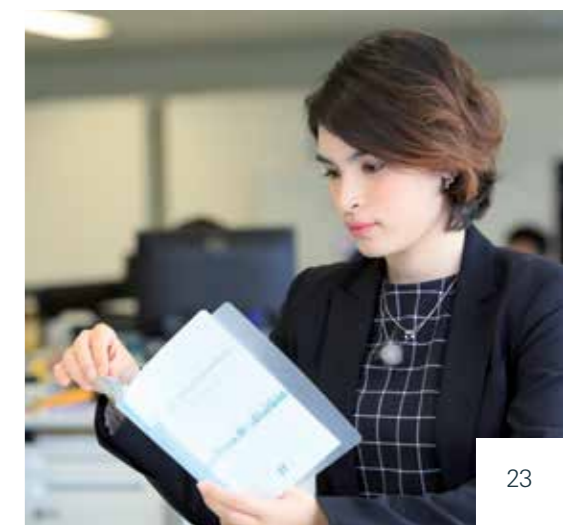
We will then track the effectiveness of our actions and will publicly report

on our progress on implementing the policy at least annually, including through our Sustainability Report.

We know there is still much to do and will seek to update our policy as we move forward.

92.0%<sup>\*C</sup>

of employees completed e-learning on business and human rights in 2016







# Our people

In 2016



4

employee, contractor, and third-party fatalities (2015: 3)

Lost-time incident (LTI) rate:

0.42

(2015: 0.36)

12.7%

of management positions held by women (2015: 11.4%)

91.8%

of management positions filled by internal hires

In 2016 our international tobacco business was again certified as a Global Top Employer for its consistent high-quality work environment, and we were recognized by the Top Employers Institute in 33 countries around the world.




# Employee development and talent management



## JT GROUP HUMAN RESOURCES MANAGEMENT PHILOSOPHY

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

-  TREAT ALL EMPLOYEES FAIRLY AND RESPECTFULLY
-  ENSURE TRANSPARENCY OF RULES AND STANDARDS
-  PROVIDE ALL JT GROUP EMPLOYEES WITH GROWTH OPPORTUNITIES

A highly motivated and competent workforce is an important factor in sustainable business growth. We therefore believe in creating a work environment that inspires our employees, promotes their self-driven development, and nurtures excellent performance.

In 2016 the JT Group identified talent management as a key mid- to long-term focus area to contribute to Company growth. On-the-job learning is central to this, but as a complementary measure, various kinds of employee development opportunities and training programs are also provided. We continuously review our programs so that we can meet the aspirations of employees, helping them to contribute even more effectively to the future success of our business.

Designated talent management teams, appointed with sponsorship at executive committee level, are in charge of a number of initiatives, including new learning and development strategies, the continuous review of our assessment and development procedures, the improvement of our career progression systems and strategic support to succession planning.

In JT, the evaluation of managers' performance now places more emphasis on how they promote talent development, to reflect the fact that employees' performance and motivation are largely driven by management support. The weight given to performance in this area increased from 10% to 20% in 2016. This change

was supported by six training sessions, attended by 289 managers, designed to help them prioritize talent development. Providing constructive feedback is key to employee development and talent management. In 2015 we carried out performance appraisals with 79.7% of our workforce. Performance appraisals conducted in 2016 are currently being evaluated.

To attract the best, we offer excellent career development opportunities, high-quality training, and competitive salaries and benefits. In 2016 our international tobacco business put a focus on communication with future hires and direct candidate search through key social media channels such as LinkedIn and Facebook.



# Being a responsible employer

As a responsible employer, we maintain an open dialogue with employees, making use of a wide range of tools, including notice boards, face-to-face meetings, and digital communication and engagement tools.



We also aim for open and constructive relations with trade unions and works councils, and support the freedom of association and the right to collective bargaining, even in countries where this is not legally required.

We run an Employee Engagement Survey (EES) as a tool to enhance organizational strength for sustainable growth, looking into whether each division has a working environment where employees' engagement toward the Company is high, as their engagement level and performance are closely related. One of the ways in which we use the EES is to ask each division to review its specific EES results, discussing how to address issues relevant to the division internally and acting upon these themselves.

In our Japanese domestic operations, the results of the EES in 2016 showed positive scores in relation to whether respondents thought their division appropriately followed up on last year's results. The score in this area increased by 9.8%, compared with 2015. This

allows us to be confident that those in a management position proactively follow up on EES results to make their division stronger. In 2016 we held workshops for around 140 senior management responsible for organizational development, to share best practices in effectively utilizing feedback from employees.

In our international tobacco business, EES results generally vary according to local circumstances, so we respond with local action plans rather than adopting a one-size-fits-all approach. However, one common theme was employees expressing a need to have a clearer view of their career development options. We are looking into ways of achieving this, including through communications that increase clarity and transparency in this area.

Group-wide, we plan to give further support to senior management so that they can nurture a culture where each employee can thrive and deliver their best performance.

We are determined to foster work environments that are free from all forms of discrimination. We do not allow age, gender, disability, ethnic origin, marital status, nationality, race, religion, beliefs, or sexual orientation to influence decisions about the career progression of employees, nor to be a factor in areas such as recruitment, compensation and benefits, or succession planning.

An important aspect of our effort to ensure that work environments are free from discrimination is our commitment to gender equality. We do not make decisions about our employees' pay on the basis of characteristics such as gender, and salary structures in most operations across the JT Group are set up to take into account only a position's significance and responsibilities. This system is designed to ensure equal pay for equal positions, allowing some variability driven by merit and performance over time but not by gender.

# Diversity in the workplace

A diverse workforce provides us with different perspectives that feed positively into our business, suggesting new ways of doing things and making us more competitive. In 2016 our employees came from more than 100 countries, but beyond national diversity we value diversity of opinion. We encourage people to express their personalities and create a work environment that fosters fairness, creativity, and innovation.

While 27.3% of our employees are women, only 12.7% of our management (excluding Executive Officers) is female. We have set targets to increase this proportion.

Female representation within management in JT increased from 4.0% (\*B) at the end of 2015 to 4.7% at the end of 2016, against our aim of reaching 10% by 2023. Our international tobacco business is aiming to have 30% female Directors by 2020. At the end of 2016, 28.4% (\*E) of Directors were women, up from 27.6% in 2015.

In JT, we established a Diversity Development department to promote decent working conditions in which diversity is respected. To promote diversity, we implement various initiatives including workshops and seminars for managers and a special

section on our intranet site. We held various training programs for women at each job level, which focused on encouraging them to pursue a career development path.

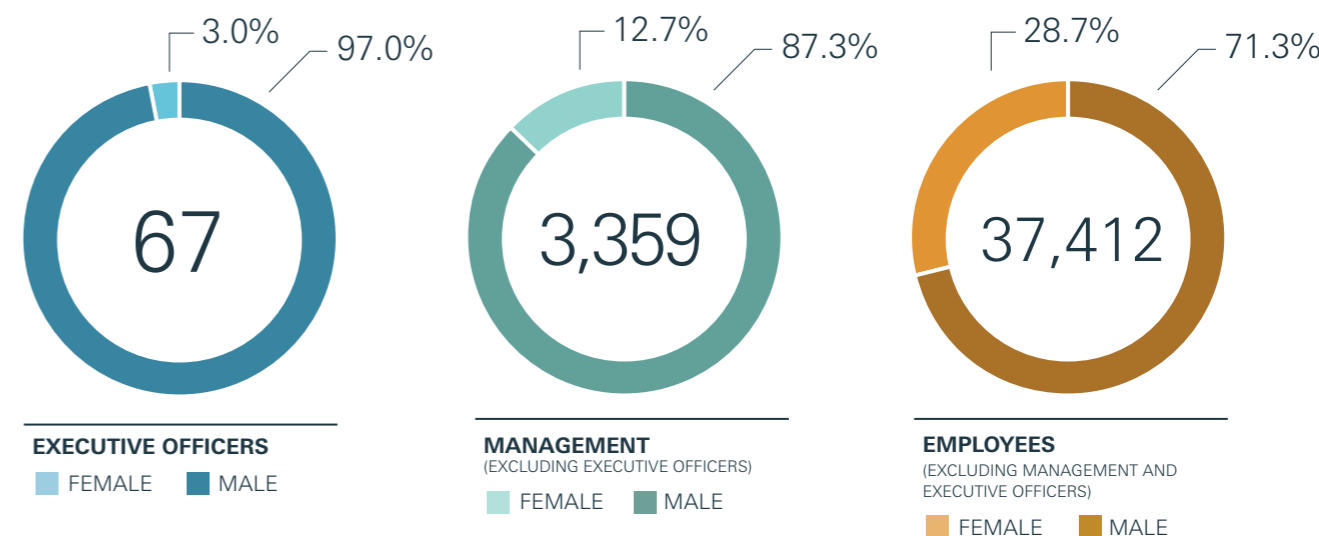
JT also put in place a support system called 'Work Style Plus' for employees who care for children or elderly parents. This helps them express their talents by overcoming economic or time constraints. The introduction of support systems like Work Style Plus is fully aligned with our goal to support the diversity of our human capital. To further support this strategic goal, we also promoted a series of development programs to enhance managers' mindsets and behaviors toward the work-life balance of themselves and subordinates. By attending these programs, managers understand the value of a balanced work-life style for their team as a strategic enabler of the

best results for the organization. We held eight sessions in 2016, and 94.9% of managers in scope participated in the sessions.

In 2016 we held two one-day seminars for employees at our headquarters in Japan to raise awareness of lesbian, gay, bisexual, and transgender (LGBT) issues, and we plan to expand activity in this area from 2017.

Our international tobacco business drives a number of programs to promote women into leadership positions. For example, in 2016, 50% of seats were allocated to high-potential females on its Executive program 'Light-Up,' which supports the development of future leaders with a specific focus on women in leadership roles.

## EMPLOYEES BY POSITION AND GENDER AT THE END OF 2016





# Workplace health and safety

Providing a safe and healthy workplace environment for our employees is fundamental to our business. It is also an important way to support sustainable growth, not least because a healthier workforce contributes more fully to our business.



Our standards on health and safety usually exceed legal requirements, and their scope extends beyond our employees to cover contractors and visitors in our operations. Well-being programs often also include family members of employees.

## Safety

We aim to enhance safety by concentrating on three areas: safety culture, safe workplaces, and safety competence.

The highest safety risks across the JT Group are associated with driving of vehicles, working at height, and with slips, trips, and falls. Working with machinery is also an important issue, and in 2016 our international tobacco business continued to survey all production sites against our global standards on the safe operation of machines and equipment. Areas of non-compliance were identified and measures were put in place to eliminate them.

One other key area of activity in 2016 was our motorcyclist risk management program, which reaches all of the more than 400 people in Malawi, Zambia, and Tanzania who use motorcycles in their work for us – usually to visit tobacco farmers. A motorcycle risk management

course is provided annually in Malawi and Zambia, and was introduced in 2016 in Tanzania – with refresher training at least every three years. In Tanzania, we contract out delivery of the course to a local safety school. It runs the training using our program and materials to ensure consistency in the delivery to our employees and the local community.

We regret to say that in 2016 there were four fatalities across the JT Group – all in Zambia. One of our employees died in a motorcycle accident, and a contractor was killed due to the collapse of a telecommunications mast. There were two separate third-party fatalities when employees, outside of work time but driving company cars, collided with pedestrians, who died as a result. In each case, investigations were carried out and, where necessary, remedial measures were introduced to avoid similar incidents.

Our LTI rate for employees increased in 2016 from 0.36 to 0.42, partly due to a rise in the number of slips, trips, and falls in certain parts of our business. We are working to address these issues.

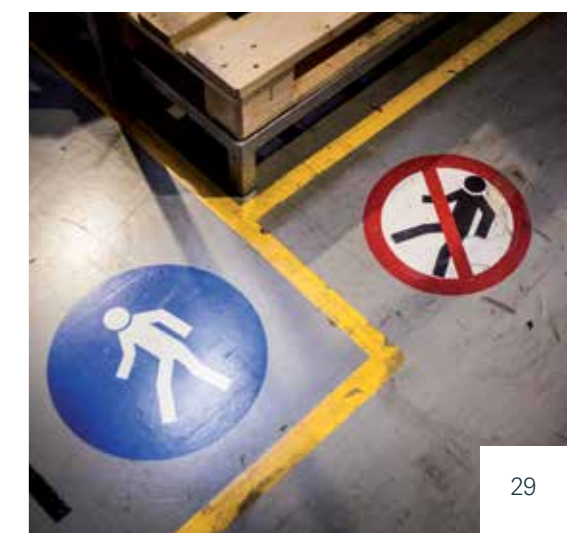
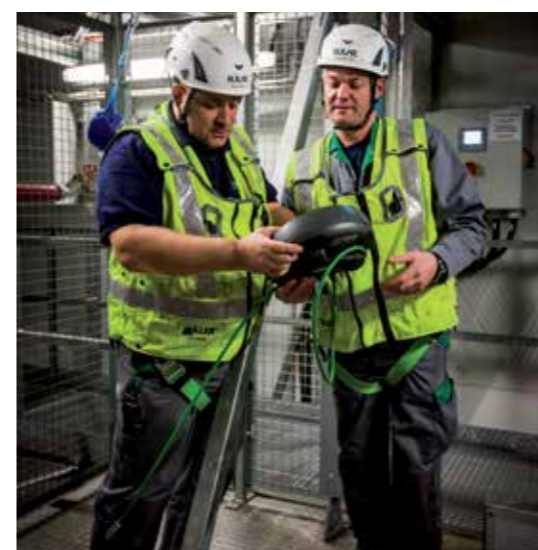
Standards are key to instilling a stronger safety culture. In 2016 our international tobacco business launched a contractors' safety management standard supported by training for 10 employees who will now train others in seven countries. The initial round of training focused on high-risk countries; in 2017 we aim to reach all relevant employees.

We maintain robust management systems and assessment procedures that identify workplace risks. Of our tobacco-related factories, 77.8% are certified to the OHSAS 18001 safety management standard – against a target of 100%.

WORKPLACE HEALTH AND SAFETY DATA*		FY2012	FY2013	2014	2015	2016	TARGET
NUMBER OF FATALITIES**	EMPLOYEES	1	1	2	1	1	0
	CONTRACTORS	0 (*E)	0 (*E)	3 (*E)	1 (*E)	1	0
NUMBER OF LOST-TIME INCIDENTS (LTIS)	EMPLOYEES	N/A	N/A	113	154	186	N/A
	CONTRACTORS	N/A	N/A	12 (*E)	17 (*E)	8	N/A
EMPLOYEE LTI RATE (NUMBER OF LTIS PER 200,000 HOURS WORKED)		0.28	0.26	0.32	0.36	0.42	N/A
% OF CIGARETTE AND TOBACCO-RELATED FACTORIES CERTIFIED TO OHSAS 18001(*D)		89.7%	85.4%	81.0%	78.9%	77.8%	100%
NUMBER OF VEHICLE ACCIDENTS		1,508 (*E)	1,362 (*E)	1,341 (*E)	1,108 (*E)	1,294 (*D)	N/A
VEHICLE ACCIDENT FREQUENCY RATE (ACCIDENTS PER MILLION KILOMETERS)		7.1 (*E)	6.1 (*E)	5.9 (*E)	4.8 (*E)	4.4 (*D)	N/A

\* Unless otherwise specified, 2016 safety data covers the entire JT Group. The scope of reporting for contractor fatalities and LTIs, as well as vehicle accident data, has expanded in 2016 over previous years. Further details on the scope of data can be found in the [Basis of Reporting](#) document.

\*\* Excludes third-party fatalities. For details on third-party fatalities, please refer to the Safety section.





## Employee health



In 2016 our international tobacco business launched a framework to assess in a more consistent way employee exposure to health hazards, beginning with noise and dust. Key to the framework is a new metric, the Exposure Potential Index, based on the level of noise or dust at standard sample points, defined through identification of significant exposure sources, together with the amount of time employees work at that exposure source. A database was developed in 2016 to collect and analyze data and to help us identify priorities for action.

In 2016 our international tobacco business also completed the development of an ergonomic risk assessment tool that provides a system for analysis, assessment, and control of musculoskeletal problems. We produced a global standard and user guide for the tool, and in 2017 will launch complementary online and face-to-face training courses.

During the year our international tobacco business established an online pre-travel health assessment process, MyTravelHealth, to help employees traveling to areas with health risks such as malaria and deficient health care. In addition, we trialed malaria prevention guidelines in partnership with the human resources team in Malawi, along with e-learning, education materials, and on-site visitor induction. Once finalized, the guidance will be rolled out for all employees traveling to malaria-risk areas.

In our international tobacco business, we also reviewed and updated our approach to pandemic preparedness. We continue to monitor the situation with regard to potential pandemics and epidemics, and how this may impact our business.

In JT, to offer a health promotion program for the prevention of diseases and consultations on lifestyle issues, we

have a medical staff of 14 doctors and 36 public health nurses across 11 office locations. They undertake face-to-face interviews with all full-time employees based on the result of each medical examination, providing advice on exercise and diet.

To enhance awareness of health issues, in JT we invited teachers of yoga and kick-boxing to provide fitness lessons for employees as part of our new Offispo program of sporting activities that can be carried out in the office. More than 500 people took part in these events across 10 sites, and we plan to expand Offispo in 2017.

We provide all employees in Japan with annual mental health checks. Anyone found to have high stress levels is offered a consultation with one of our doctors. We also run seminars for employees on the prevention of stress.

## Managing chemicals safely



In 2016 our international tobacco business launched a bespoke online system – called SDS (Safety Data Sheet) Manager – to help manage data, communication, and storage of potentially hazardous substances, which, if not effectively controlled, could cause occupational diseases in our workers. While not used in our products, these substances are used

for activities such as manufacturing, engineering work, maintenance, and cleaning.

The system stores information on more than 3,700 substances in one place and is globally accessible, allowing us to automatically produce multi-language, one-page summary sheets and labels for containers. This information identifies the chemical

inside the container, its potential health effects, and any protective measures to be taken in an emergency. The system also allows for easy assessment of how substances should be stored.

The system, together with a supporting hazardous substance management standard, will provide a more robust global approach to this issue.



“The summary sheet and label functions in SDS Manager allow me to automatically produce documents in the common Swiss languages of French, German, and English, and other languages spoken on-site such as Romanian and Polish, which means I do not need to write them manually. This also ensures they are correct, up-to-date, and meet legal requirements.”

Arnold Hurschler, EHS Manager, Switzerland





# Our planet

In 2016

714

thousand tons of CO<sub>2</sub>e in Scope 1 and 2 (2015: 719 thousand tons)

0.65

tons of CO<sub>2</sub>e per million cigarettes equivalent for tobacco business (2015: 0.65 tons)

77%

waste recycled (2015: 77%)

113

thousand tons of waste generated (2015: 119 thousand tons)

9,896

thousand m<sup>3</sup> of water withdrawn (2015: 9,753 thousand m<sup>3</sup>)

80%

ISO 14001 certified cigarette and tobacco-related factories (including Group factories)



Recognized for the first time on the Climate A List by CDP

# Environmental management

The three main drivers behind our strategy to reduce environmental impacts are our responsibility as a corporate citizen, our business performance, and regulatory requirements. As a responsible business, we are committed to protecting the environment for future generations. Additionally, by reducing our environmental impacts we also cut costs, conserve resources, improve our performance, and enhance our reputation.

Our environmental management approach is laid out in our Environment Charter, which requires that where practicable we reduce our environmental impacts in all the countries in which we operate, and across our value chain.

The charter is supported by the JT Group Long-term Environment Plan 2020, which sets out our environmental objectives and targets relating to greenhouse gas (GHG) emissions, water and waste management, and biodiversity.

Our Executive Deputy President has responsibility for environmental management, and our Group Executive body monitors environmental performance.

For our Environment Charter, please visit [www.jt.com/csr/environ/management/index.html](http://www.jt.com/csr/environ/management/index.html), and for historical data on our environmental performance, please visit [www.jt.com/csr/environ/data/index.html](http://www.jt.com/csr/environ/data/index.html).



## JT GROUP LONG-TERM ENVIRONMENT PLAN 2020



Minimize our contribution to global warming with a target of 20% reduction of GHG emissions and intensity by 2020



Protect water resources through sustainable use of water



Prevent waste, promote recycling, and optimize resource use



Conserve biodiversity through promoting sustainable stewardship of the natural environment

# Environmental management systems

To ensure a consistent approach across the JT Group, we have an environmental management system based on the ISO 14001 standard. In 2016 all of our Japanese domestic tobacco business factories and 73% of our international tobacco business factories were ISO 14001 certified. By 2020 we aim to achieve 100% certification. We have carried out a gap analysis against the requirements of the revised ISO 14001:2015 standard, and

our Kansai factory was certified to the revised standard in 2016.

As a result of feedback from the ISO 14001 audits, our international tobacco business improved classification and segregation of waste, provided guidance to factories on reducing the use of ozone-depleting substances in refrigerants, and issued guidelines on hazardous substance management.

In 2016 our international tobacco business set out a strategy for its factories to formalize their energy management systems and seek certification to the ISO 50001 standard for energy management systems. Through these initiatives, factories can reduce their GHG emissions and costs, and better integrate their energy and environmental management systems. By the end of 2016 four factories were certified to ISO 50001.



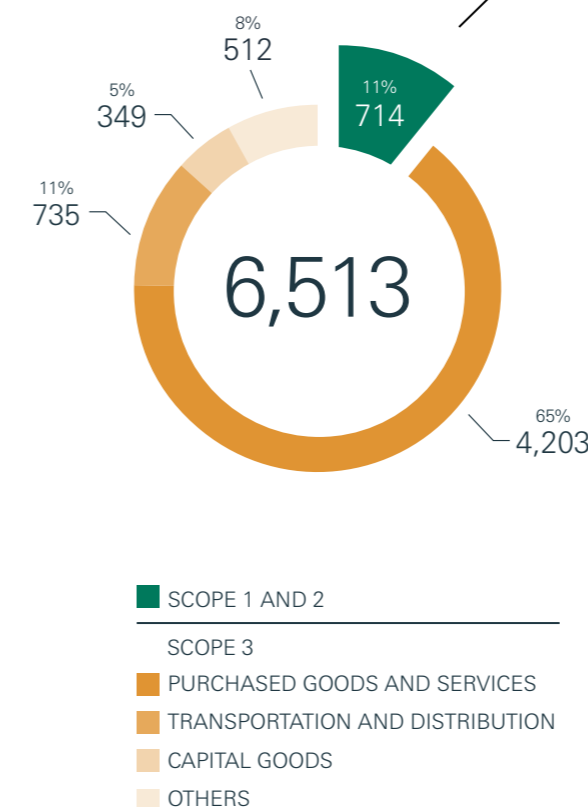
# GHG emissions

Climate change is one of the biggest environmental challenges the world faces today. From a business perspective, it poses a threat to the supply of key raw materials, given the potential negative impacts on tobacco crops, as well as on the production of many of the non-tobacco materials used across our supply chain. It is therefore in our interest to reduce fossil fuel energy use and GHG emissions.

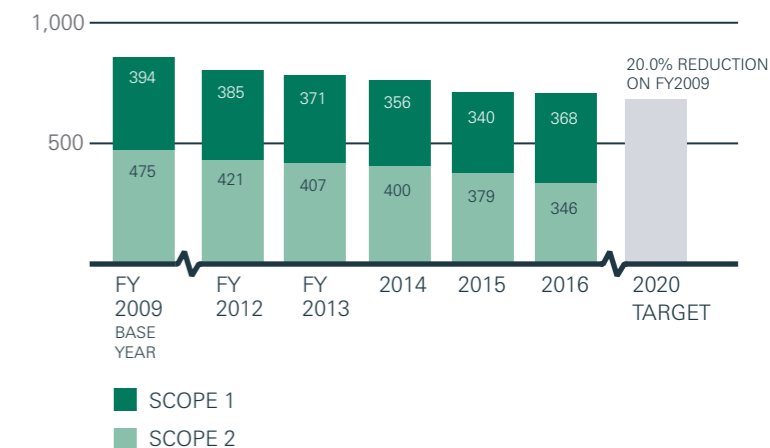


The 2015 Paris Agreement committed the world to keeping global warming to significantly less than two degrees Celsius, compared with pre-industrial temperatures. As a business, we are considering how this may influence our management approach, including whether science-based targets are appropriate for our business.

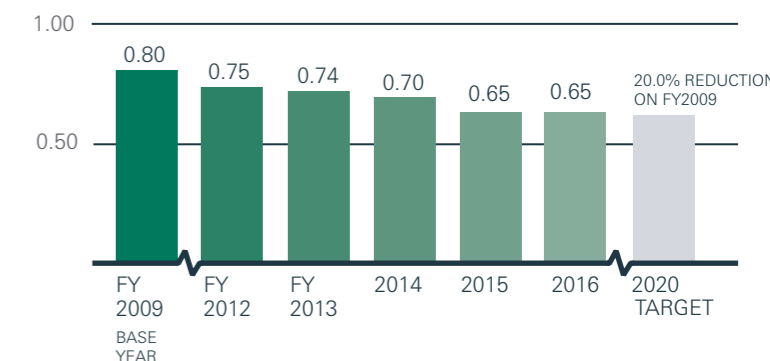
**GHG EMISSIONS IN OUR VALUE CHAIN IN 2016**  
(CO<sub>2</sub>e thousand tons)



**COMBINED SCOPE 1 AND 2 GHG EMISSIONS** (CO<sub>2</sub>e thousand tons)



**GHG EMISSIONS INTENSITY FOR TOBACCO BUSINESS** (CO<sub>2</sub>e tons/million cigarettes equivalent)



## GHG emissions in our operations

In 2016 we continued to make progress toward our target of reducing absolute GHG emissions by 20% between 2009 and 2020. This relates to emissions for which we are directly responsible (Scope 1) and those from our consumption of energy supplied by third parties, such as electricity (Scope 2). In 2016 we cut Scope 1 and 2 emissions by 1% over 2015. Savings were largely achieved by initiatives to reduce energy use across all operations and to increase renewable energy use. We are making further efforts to reduce our GHG emissions and hope to achieve our emissions reduction target ahead of schedule.

We continue to seek to reduce our Scope 1 emissions through energy and fuel efficiency and better refrigerant management.

Examples of initiatives include our Brazil operations switching to bioethanol vehicles and our pharmaceutical business enhancing the use of exhaust heat energy in its laboratory.

Also, in 2016, we gained a better understanding of refrigerant use associated with our operations across our entire business. This has allowed us to better account for refrigerant-related emissions and provides us with better information as to how we can reduce these through alternative refrigerant types and leakage reduction.

In order to further reduce our Scope 2 emissions, we carried out a review of green energy availability in countries where we operate. As a result of this, we have increased our consumption of green energy (see Switching to green energy).

Additionally, we continue to identify opportunities for on-site generation of renewable energy. We have a number of locations that use solar, hydro, biomass, and ground-sourced energy. Examples include the new headquarters building of our international tobacco business in Geneva, which uses geothermal ground-source heating and cooling, and our processed food factory in Thailand, which uses a biomass boiler.

In 2016 our international tobacco business developed a tool designed to calculate the costs of reducing carbon emissions. This marginal abatement cost approach allows the business to prioritize emissions reduction projects and initiatives.



## Switching to green energy

Our review of available green energy supply options has resulted in our factories and offices in Germany and Romania switching to zero-carbon electricity tariffs. This has avoided approximately 17,000 tons of annual GHG emissions. Although this increases our operating costs, we hope that the procurement of green energy will encourage further development of renewable energy infrastructure.



## GHG emissions in our value chain



As well as our own emissions, we seek to reduce GHG emissions across our value chain (Scope 3 emissions) – in particular, those associated with tobacco leaf, our main raw material, which represents the largest single source of Scope 3 emissions.

In 2015 we made improvements in the way we collect life cycle data within our leaf operations. This has allowed us to more accurately reflect emissions associated with the growing and supply of tobacco leaf, which are also the Scope 3 activities over which we have the most influence. Based on this, we can focus our efforts on key emissions reduction drivers, including more efficient fertilizer formulations,

adapting curing technologies to reduce fuel consumption, and establishing woodlots and live barns (see page 51).

In addition, we ran a number of environment-related training courses with around 300 managers, supervisors, and technicians in our leaf operations. These help increase understanding of the GHG emissions associated with our activities, and show how climate change can impact our business in many ways. They also show individuals how they can help to reduce emissions, both as employees and as members of society.

## Reducing our Scope 3 emissions related to flue-curing



Flue-curing is a crucial process that dries tobacco leaves, but in Japan machine dryers are typically powered by oil, associated with high carbon emissions. We identified that the best way – and the reasonably affordable one for tobacco farmers – to reduce flue-curing emissions was to ask the dryer manufacturers to improve the energy efficiency of the models already used by farmers.

The resulting modifications have increased energy efficiency by 30% and reduced carbon emissions by 30%.

The added benefit to farmers is that less heat is dissipated into their working area, creating better working conditions.

In 2016 around 120 machines were introduced at our Japanese tobacco farms. Because there are approximately 14,000 dryers in Japan, this is only the beginning. Replacing a dryer is expensive, so we have set up a subsidy mechanism for farmers that we hope will encourage them to make new purchases.

## CDP update

In 2016 our CDP climate change score was A, which is the highest possible. As a result of this, the JT Group was one of only 18 consumer staples companies globally to be included on the CDP Climate A List.



## Water

It is important for our business and the communities in which we operate that we understand and manage water-related issues. In 2016 water withdrawal increased by 1% due to acquisitions and adjustments to our calculation methodology. Without these changes, our water withdrawal would have slightly decreased compared with last year. By aligning our reporting of water with international standards, we have a better understanding of the sources and uses of water across our business.



Although we do not have Company-wide water reduction targets, all business units establish annual water withdrawal targets, which are approved by headquarter functions.

Water-related issues pose potential risks to our operations and across our value chain. These include risks related to the availability and quality of water, flooding, regulations, and reputation. In 2016 we completed the pilot phase of our water risk assessment. This process

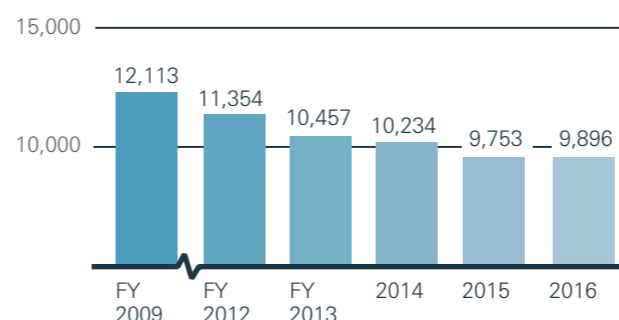
has already resulted in increased awareness of water risks, putting us in a better position to manage such issues. The water risk assessment methodology will be rolled out across our business over the coming years.

In 2016 our international tobacco business invited 35 suppliers to disclose information relating to water management through the CDP supply chain program. We made use of this information through a risk assessment

process to improve our understanding of water risk and management practices among our suppliers.

One challenge we face is finding the best environmental balance at a particular location. For example, in order to reduce energy use at one of our production facilities, a cold steam generator humidifier was installed. This has significantly reduced energy use but increased water consumption by 13%.

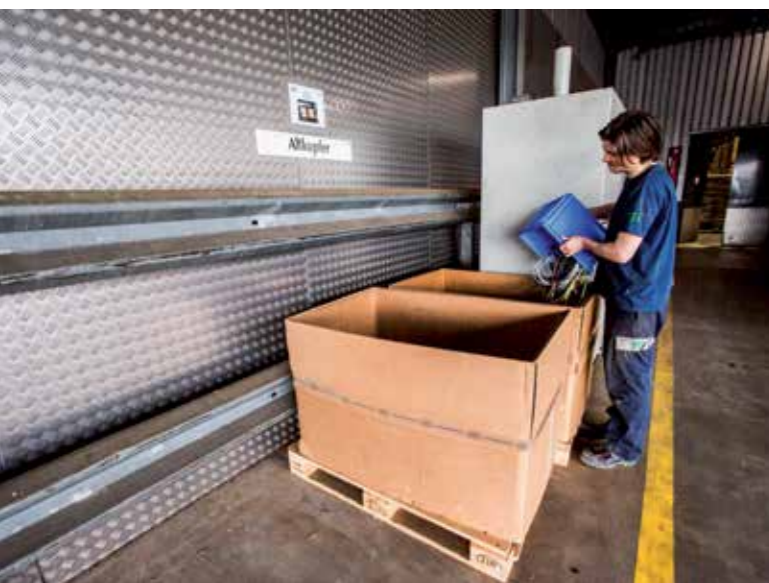
**WATER WITHDRAWAL** (thousand m<sup>3</sup>)





# Waste

Our Long-term Environment Plan 2020 sets out our approach to managing waste, according to the 'Reduce, Reuse, Recycle' waste hierarchy.



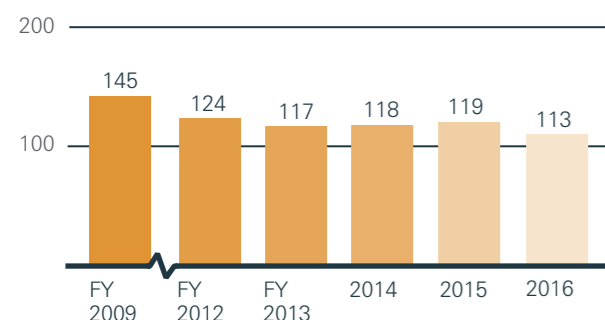
We have recorded waste data since 1995 and have programs to improve our waste management practices, especially in our factories, where most waste originates. We recycled 77% of the waste we generated in 2016, compared with 77% in 2015.

Waste is generated across our value chain, including by our raw material suppliers. We work with farmers and other suppliers to help reduce waste, and we are working to better

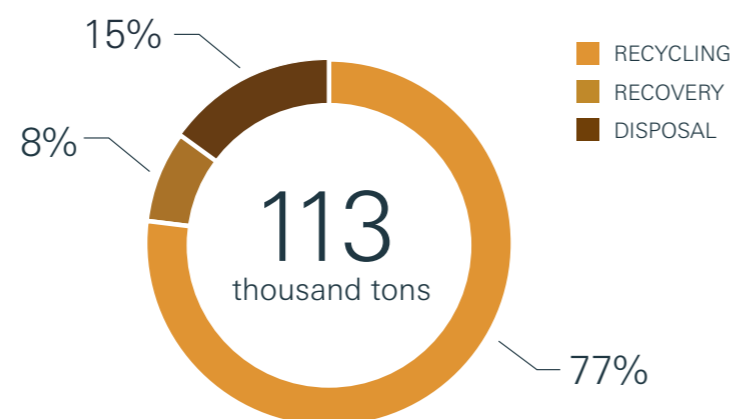
understand wastes associated with our emerging products (see page 63).

Our total waste generation in 2016 decreased by 4% over 2015.

**WASTE GENERATION** (thousand tons)



**BREAKDOWN OF WASTE GENERATED IN 2016 (%)**



# Biodiversity

In line with our Long-term Environment Plan 2020, we work within various parts of our business to maintain and enhance biodiversity. In particular, we help our farmers – who need a healthy and balanced environment to produce quality tobacco – to understand biodiversity as an integral component of crop production and to adopt good agricultural and environmental practices in their farms and communities, which are usually located in biologically diverse areas.

In Western Zambia, for example, we are promoting tree planting initiatives to support the buildup of wood resources for tobacco production and to improve livelihoods and environmental quality. We are also focusing efforts on promoting the rehabilitation of degraded Miombo woodland areas in partnership with local communities. This involves working to introduce sustainable and responsible management practices and harvesting regimes that restore and/or maintain the amount of forest products available, while enhancing overall biodiversity associated with the Miombo woodland.

In Brazil, we are in the second phase of a pilot biodiversity inventory and monitoring project, in partnership with an NGO and farmers. The project is helping our leaf production teams and contracted growers to begin to view biodiversity as being integral to their day-to-day life and work, and to give special attention to compliance with environmental regulations.

We work with universities and NGOs in various countries to help us with research on the fauna and flora in tobacco growing areas and to provide advice on environmental regulation requirements, restoration, and conservation projects.







# Our contributions to society

In 2016



## 7,446

million Yen contributed to corporate community investment, including cash contributions, management costs, volunteering time, and in-kind contributions



In the U.K., we continue to hold the CommunityMark for excellence in community investment from Business in the Community. We are one of only 34 current holders

## 2,114

employees and their family members donated 24,957 volunteering hours to help others

# Our approach

As a multinational business, we are part of creating a sustainable future for all. Our international outlook and our business presence across the globe gives us a valuable perspective on many of the world's social challenges. We also have the resources and skills needed to tackle some of these.



Through long-term partnerships with charitable partners, we address social issues, protect the environment, and support disaster management. In addition, we have a long tradition of supporting arts and culture, an area in which we are keen to maintain our commitment while widening access to all.

We support these four focus areas through financial contributions, employee volunteering, and the endowment of a charity, the **JTI Foundation**, to which we contributed 317 million Yen in 2016. During the year we contributed a total of 7,446 million Yen in corporate community investment.

In all, we have 347 community investment programs across 62 countries.

All our community investment activities are managed by a dedicated community investment coordinator located in the

country or region where a program is implemented, supported by the CSR team at Group level. The JT Group Community Investment Policy guides the implementation of our community investment.

We use the **LBG model**, which is the global standard for measuring corporate community investment, to report on our activities.

By encouraging a strong element of employee engagement in our community investment, we contribute to the creation of an inspiring workplace that generates pride and motivation among our people, and helps employees with their personal development.

Through our community investment activities, we also strengthen our reputation as a trusted and responsible corporate partner that is able to make a positive economic and social impact in countries in which we operate.





**OUR FOUR FOCUS AREAS**

## Social welfare

To address the needs of the most vulnerable in communities where we operate, and to involve our employees in sharing their skills and time with the community whenever possible

**735** people benefited from agricultural training

**600** adults upskilled their numeracy and literacy

**269** women received business skills support

## Project Ikotos in South Sudan

Economic crisis, conflict, and low rainfall has led to one of the worst food shortages ever in South Sudan, with 4.9 million people facing severe food insecurity. To help tackle this poverty and vulnerability, we worked with the charity Emerge Poverty Free to boost agricultural production, improve adult literacy and numeracy, and empower women through business skills training.

“With the support of Project Ikotos, I have gained a lot through studying. Once I achieve my academic certificate, I can better my life through getting a job.”

**Elizabeth,**  
Project Ikotos participant



## Arts and culture

To support arts and culture and continue investing in the development of programs that render culture more accessible and inclusive, reflecting our commitment to openness, tolerance, and fairness in society

**298** disabled adults able to visit

**3** charities partnered with La Scala

## Widening access to the arts in Italy

To break down barriers for people with disabilities, we have provided funding for an accessibility project at the Teatro alla Scala Museum in Milan. Each week, free entry and carefully curated tours using sounds, sign language, and accessible routes are on hand. This tailored experience makes attendance possible for those who may not otherwise be able to visit.

“We are especially proud of the JTI-supported accessibility project which has allowed us to offer dedicated time to differently abled visitors. With this help, La Scala confirms its desire to be the theater for all.”

**Alexander Pereira,**  
General Manager and Artistic Director of the Teatro alla Scala



## Environmental protection

To promote respect for the environment through our initiatives addressing the sustainable management of natural resources, especially forests and green public areas

**9** forests protected

**36.8** hectares of land maintained

**12** events were held in which our volunteers gave **431** hours of their time

## JT Forest program in Japan

Japan’s large forest landscapes were weakened by periods of deforestation followed by rapid reforestation. This has threatened the delicate biodiversity balance. To help better protect these forestry assets, JT and Japanese domestic Group companies have supported this flagship Forest program since 2005, including by planting trees and maintaining them with the help of volunteers.

“Over the last six years I’ve seen our continuous effort transform a project site. Wildlife is now taking over our forest. I feel very proud to be part of the program and volunteer my time.”

**Daisuke Fujimaki,**  
Deputy Manager, General Administration Department, JT Tokai Area Sales HQ



## Disaster management

To make communities safe, sustainable, and more resilient to natural and man-made disasters through JT disaster management programs and the endowment of the **JTI Foundation**

**352** brickmakers trained

**120** small enterprises supported

## Supporting risk reduction in Indonesia

In line with its focus on disaster risk reduction programs, the JTI Foundation supported the NGO Build Change’s Better Building Materials project in Indonesia. A practical approach to increased disaster resilience, the project trains local brickmakers to make stronger bricks so that houses are more resistant to frequent earthquakes.

“It’s not an earthquake itself that kills people, it is the collapse of their buildings. This is completely preventable. Build Change sees this as both a social justice issue and an engineering challenge – something we want to help fix.”

**Dr. Elizabeth Hausler,**  
Founder and CEO of Build Change



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# Our tobacco business

In 2016



Made further progress on developing a life cycle management system to enable assessment of suppliers against the JT Group Supplier Standards



Established Group-wide Global Tobacco Marketing Principles and made them publicly available on our website

973

intelligence reports provided to law enforcement agencies, leading to the seizure of more than 911 million illegal cigarettes



Launched Ploom TECH, our new innovative T-vapor product, in Japan

9,742

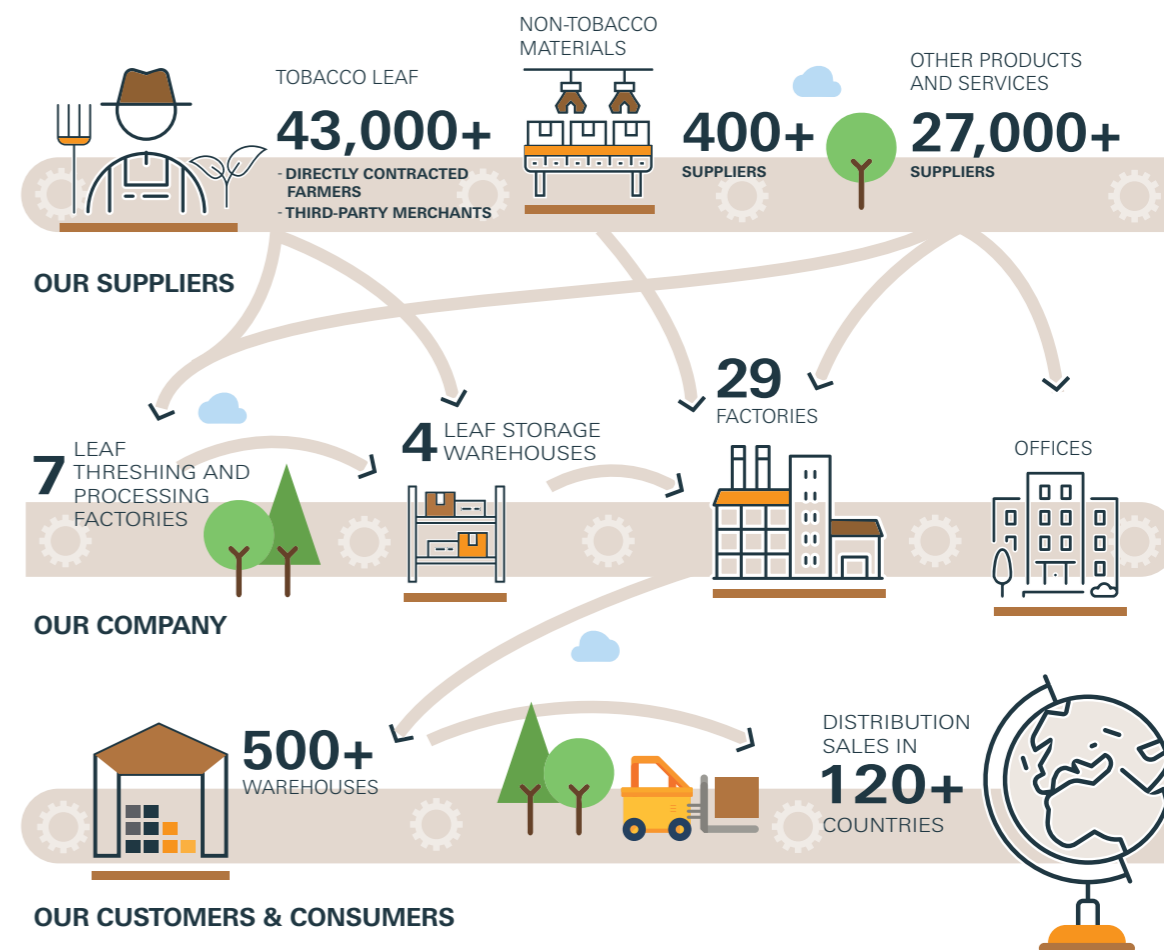
children taken off farms and into schools

## Overview

Our value chain is large and diverse, with more than 43,000 directly contracted farmers supplying us with half of our tobacco leaf requirements, the other half coming from merchants, and around 27,000 suppliers providing non-tobacco materials and other products and services, including for emerging products. Managing sustainability across our value chain is a complex operation, which includes, among other things, manufacturing, processing, warehousing, and distribution.



### TOBACCO BUSINESS VALUE CHAIN





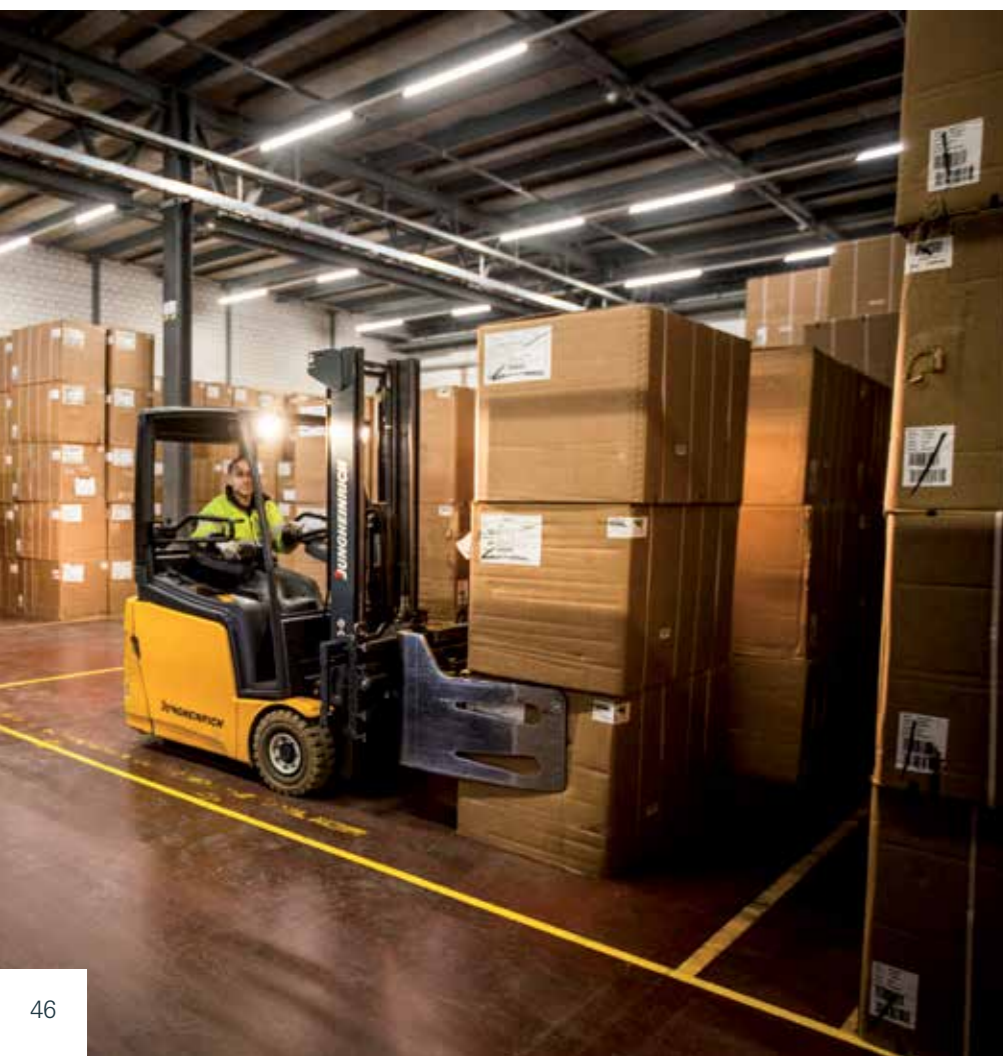
# Supply chain management

We strive to adopt an integrated approach to managing sustainability issues across our tobacco supply chain, and over the past few years we have been adapting our procurement systems to help with this process.

The largest part of our supply chain is tobacco leaf, which is the core of our business. In addition, we use suppliers of non-tobacco materials such as filters and papers, and services such as marketing support. We also have a separate supply chain for emerging products.



# Upholding and monitoring standards



All suppliers to our tobacco businesses are expected to uphold the standards set out in the JT Group Responsible Procurement Policy, the JT Group Principles in Leaf Tobacco Production, and our **JT Group Supplier Standards**. Tobacco leaf growers are subject to our **Agricultural Labor Practices (ALP) program**.

In 2016 our international tobacco business made significant progress on developing an IT-based supplier life cycle (SLC) management system that will enable assessment of our directly contracted suppliers against our standards, including on key compliance, environmental, and social risks.

While the SLC system assesses our non-tobacco leaf suppliers, ALP looks at the labor practices of leaf suppliers. Our farming experts, who are all fully trained on ALP, observe labor practices during farm visits, report on their findings, give advice to farmers, and agree improvement programs.

In 2016 we continued implementing ALP with our directly contracted farmers as well as with indirectly contracted farmers through our tobacco merchants. As a result, we now have

a far better understanding of what is going on with our indirectly contracted farmers. Our ALP reporting coverage in this area moved from 0% of sourcing countries in 2015 to around 70% in 2016.

While we have made significant progress in regards to ALP implementation, there is still much to be done. For example, implementation in countries where there is no relationship with the farmer remains a challenge. We will continue to tailor our approach in these countries. However, this may have an impact on our ability to implement ALP in all sourcing countries by 2019.

During 2016 we developed an implementation plan for ALP in Japan, which includes a pilot study that will cover 20% of farmers in 2017.

Our international tobacco business is also working to build an understanding of social and environmental issues within its emerging products supply chain through visits to key e-cigarette suppliers in China in 2017. These visits will identify good practice and offer suggestions for areas of improvement.





# Our tobacco leaf supply chain



We are committed to securing the long-term supply of quality leaf tobacco at the best cost – creating value both for the JT Group and for tobacco farming communities. To do so, we use a tailored approach to work with tobacco leaf farmers to improve their economic, social, and environmental conditions.

## Improving economic conditions

Helping to deliver long-term profits to the farmers who supply us is not always easy, as some of the factors that affect profitability, such as the weather, are out of our control. Nonetheless, we are able to work directly with farmers on three key areas to help them improve their income: price, production cost savings, and efficient and innovative farming practices.

more efficiently has helped to improve yields per hectare, leading to increased long-term profits for farmers. Improved mechanization also allows farmers to make better returns – in Turkey, we have worked with 287 farmers in 21 villages to introduce new machinery that has reduced labor hours by 10%, thereby reducing labor costs and increasing profit margins.

Farmer profit is based on more than just price alone. By enabling farmers to become more productive and efficient in the way they grow, harvest, and cure tobacco leaf, we ultimately support the farmer to use resources wisely and responsibly, and increase profits. By encouraging them to adopt our minimum agronomic standards, we can help to cut costs through more efficient use of fertilizers and agrochemicals. This can lead, in some cases, to cost reductions of around 20%.

These best farming methods are not limited to tobacco. We encourage the rotational production of other agricultural crops on the same farmland, providing farmers with additional income, improving food security in impoverished regions, promoting soil conservation, and protecting land resources for the next generation.

Rotational production is particularly important as land availability and agricultural productivity come under increasing pressure. In an effort to improve farm productivity and reduce farm costs, we also invest in research and development facilities to find innovative ways of producing tobacco. Our investment in innovation also includes partnering with leading international academic institutions.

In particular, we work closely with farmers to ensure they use the best growing methods, thus maximizing the amount of quality tobacco they can harvest per hectare. The greater the yield of quality tobacco per hectare, the greater the farmer's profit.

In Malawi, advice from our local farming experts on how to grow crops

Our Agronomy, Development, Extension, and Training (ADET) centers in Brazil and Zambia carry out research into areas such as crop management, soil fertility, production cost savings, and mechanization. Results are passed on to farmers to help them improve quality and productivity – and ultimately enhance returns in the long term.

One vehicle for passing on findings is our annual ADET Day in Brazil, attended in 2016 by 1,000 farmers, at which demonstration plots were set up on field sites at the ADET Brazil center near Santa Cruz do Sul.

In 2016 our ADET center in Brazil began testing a new type of tobacco curing system, the Chongololo, which is a continuous airflow system that promotes efficient use of heated air and will potentially deliver cost savings for farmers. Depending on results, we expect to make this system available to farmers in Brazil by 2018.

Our ADET center in Zambia became fully operational in 2016 and has been focusing, among other things, on research into curing facilities and new tobacco varieties.

## Improving social and labor conditions



By improving social and labor conditions in tobacco farming areas, we help to create sustainable and healthy communities that can supply us with leaf into the future.

At the core of our work on social conditions is our ALP program, which defines the standards expected of farmers on issues such as preventing child labor, respecting workers' rights, and maintaining adequate health and safety conditions.

In response to our ALP observations, we invest, for example, in social programs designed to improve livelihoods of growers and their communities, encouraging sustainable farming and promoting responsible business conduct.

Our Grower Support Programs improve the quality of life for people living in farming communities by overcoming issues such as access to safe drinking water and education. The programs make a positive contribution to social conditions, help to uphold the rights of workers, and promote higher labor standards in the field. In 2016 we ran 203 such programs in 275 communities: 9 in Brazil, 104 in Malawi, 15 in Tanzania, and 75 in Zambia. We estimate that the programs

benefited more than a half of our directly contracted growers during the year.

### **ARISE – Achieving Reduction of Child Labor in Support of Education**

is our flagship program, founded in 2011. The program develops and implements activities and initiatives that progressively eliminate child labor. It uses a holistic approach that addresses the underlying root causes of child labor, and draws in representatives from national and regional governments and local tobacco growing communities.

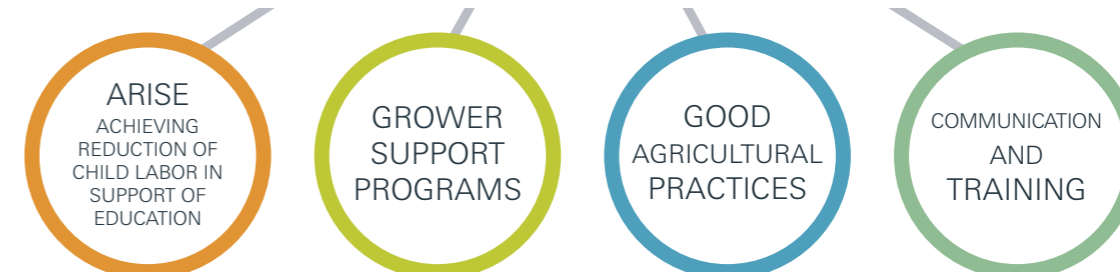
ARISE raises awareness of the importance of eliminating child labor as a social necessity. Its initiatives focus on education and raising awareness, socioeconomic empowerment, and improving regulatory frameworks in support of improving labor practices. The ARISE program is a public-private partnership developed with Winrock International and the ILO. It covers Brazil, Malawi, Zambia, and, since 2016, Tanzania.

In 2016 ARISE brought 9,742 children into school, increased awareness of 48,723 community members about child labor, and gave 1,847 households an improved income.

### KEY ELEMENTS OF ALP

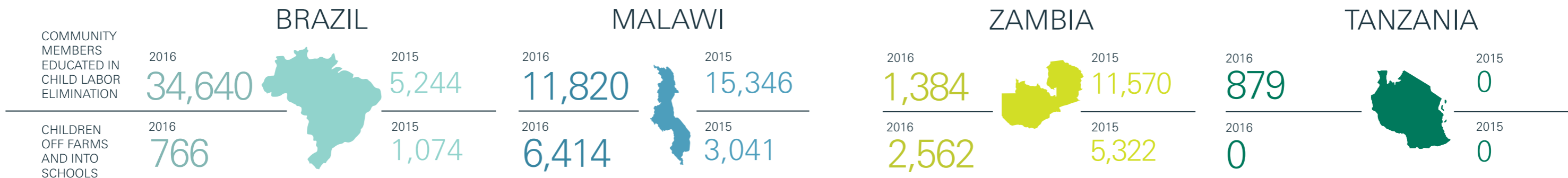


### EXAMPLES OF IMPROVEMENT MEASURES





**ARISE: OUR CONTRIBUTION TO PREVENTING CHILD LABOR**



In partnership with the NGO Table for Two, ARISE provides wider support to communities. In 2016 more than 12,500 meals per week were distributed to children up to three times per week and 13 school gardens were established.

As the program is maturing, we focus less on awareness raising, with exception for Brazil where we reached a large audience through conferences, radio, and social media. ARISE also supported 11 governmental policies and plans with input in Brazil, Malawi, Zambia, and Tanzania.

In 2017 we will work with PricewaterhouseCoopers to analyze the social returns on investment from ARISE. This will help us make future decisions about which components of ARISE to implement in various situations and locations.

## Improving environmental conditions



a stage where they can be used, we will begin to see the results of this initiative from 2018 onwards. In 2016 we facilitated the planting of 4.3 million trees in woodlots across Brazil, Malawi, Tanzania, and Zambia.

We also provide finance to farmers in Zambia to build more efficient Matope-style curing barns, which use around four times less wood per kilogram of cured leaf, reduce carbon emissions, increase farmer profits, and reduce deforestation.

In Africa, we also promote 'live barns,' which are made by planting trees that grow to form the main part of a barn within three to four years. Unlike structures made with felled wood, live barns save wood resources by lasting much longer and requiring less maintenance.

We now require farmers to establish one live barn for each hectare of tobacco they plant, and our aim is to have 100% of farmers with at least one live barn by 2020. That goal has already been reached in the eastern province of Zambia.

In Brazil, we help farmers to plant areas of their land with native trees to promote biodiversity. All of our farming experts in Brazil are trained to provide technical assistance both on woodlot establishment and on the optimal use of wood resources for curing.

## Helping to improve safety on tobacco farms



Tobacco farmers Leonidas Turcato and Vanessa Müller made improvements to their operations as a direct result of advice we provided through our ALP program in 2016.

Leonidas and Vanessa, who have been farming in Ibarama in southern Brazil since 2010, made changes to their health and safety regime after watching an ALP film on the use of crop

protection agents (CPAs) and attending a CPA training course.

"We learned a lot about the importance of using personal protective equipment and of ensuring the correct dosages of CPAs," says Leonidas. "Now we're more careful about following instructions more strictly, and about making sure areas are signposted when we've been spraying."

Vanessa adds that they also picked up valuable information about green tobacco sickness, which is caused when nicotine is absorbed through the skin from wet tobacco leaves. "We now wear personal protective equipment for harvesting as well as spraying," she says. "We feel more safe and have avoided getting sick."

A healthy and stable natural environment is crucial for sustained agricultural productivity, which can dip dramatically if imbalances arise.

Safe and sensible use of fertilizers and chemicals is an important environmental issue on tobacco farms. In 2016 we completed a pilot in Zambia under which each directly contracted farmer was provided with a sealed box of materials, including seeds, for the coming tobacco season. The box included approved CPAs and fertilizers in precise quantities according to the contracted hectares of tobacco and the recommendations from the minimum agronomic standards. The correct use and handling of inputs by farmers ensures compliance with regulations and conservation of natural resources, and helps reduce our impact on the

environment. Due to the success of the pilot, we will now extend the initiative into other countries.

The responsible and efficient use of wood resources at farms is also a key objective for us, as wood is used by farmers in many regions not only for their domestic needs, but for tobacco curing both as a fuel and for building curing barns.

We encourage our directly contracted farmers to establish good-quality woodlots on their land that will help them maintain a sustainable supply of wood. We provide advice on how large these woodlots should be, depending on the size of a farmer's operations. In Zambia, large-scale woodlot planting began in 2014, and because trees take at least four to five years to reach



# Promoting live barns in Malawi

We started planting trees in Malawi, with the aim of creating live curing barns, back in 2013. Since then, more than 415,989 trees have been planted, and the first live barns were used for tobacco curing in 2016. By 2020 we expect to see more than 15,000 live barns in use across Malawi, and we envisage that all tobacco hectares will be cured in live barns.

There are five stages to creating a live barn:

## Stage 1

### Training

In Malawi, we have more than 120 full-time farming experts who train our farmers on how to build live barns. In order to do this effectively, we regularly train our farming experts on nursery establishment and management, tree planting, tending, and live barn establishment.



## Stage 2

### Planting

It is always difficult to determine the best location for a live barn as there are so many factors to consider. The site of planting is just as critical as the species of tree. While proximity to the farmer's homestead is important, other considerations such as topography, climate, and soil are key.



## Stage 3

### Establishment

Once planting has taken place, it is vital that the trees are managed, nurtured, and tended. This requires a strong level of commitment from the farmer. Livestock damage and fire and disease can have a devastating impact on the trees.



## Stage 4

### Potential barn

A potential barn usually materializes three years after planting. By this stage, the live barn is ready to be roofed in preparation for the forthcoming growing season.



## Stage 5

### Roofing

After three to four years of hard work, a roof is constructed and a live curing barn is born.

## Our farming experts

A vital element that binds together all our initiatives on improving the economic, social, and environmental conditions of our tobacco farming communities is the local farming expert.

In 2016 we employed around 380 such experts in Brazil, Japan, Malawi, Serbia, Tanzania, and Zambia – all of them devoted to building and maintaining strong relationships with our directly contracted farmers, helping them to improve tobacco production techniques and to increase their profitability.

The key to this is regular farm visits where our experts talk to farmers about topics such as quality management, the requirements of our ALP program, and environmental objectives.

While these visits – often to remote farms – provide an opportunity to set out the expectations of the JT Group, they are a two-way conversation based around listening to the needs of the farmers and understanding how we can better support them in their objectives.

Aside from personal visits, farming experts also hold training days at farms where a local farmer has been recognized for special skill and commitment – allowing others to learn from their example. By the end of 2016 we had 498 such 'model farms' helping us in this way – 370 in Malawi, 90 in Zambia, and 38 in Tanzania.

**21%**  
of our directly contracted farmers observed by farming experts (2015: 7%)



# Smoking and health

People smoke for pleasure, but there are real risks that come with that pleasure. Smoking is a cause of serious diseases, including lung cancer, coronary heart disease, emphysema, and chronic bronchitis. These risks distinguish tobacco from most consumer goods and place a particular responsibility upon us, our industry, and public authorities.

## Our approach

Our tobacco business principles commit us to being open about the health risks of smoking and transparent about our products. This is what consumers demand, and by providing them with the necessary information, we help them to make informed decisions on whether to smoke or not.

To take a scientific approach to understanding our products, we apply global standards developed by ISO and/or by scientific societies such as

the industry-supported Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA). Where relevant standards do not exist, we follow common industry practice based on robust methodology. We monitor regulatory changes, and prepare for the implementation of those changes well in advance.

All ingredients go through toxicological assessments, and we are now developing wider testing in accordance

with the requests of regulatory authorities, as well as in line with scientific developments.

We explain our positions on smoking and health on our websites, and respond to consumer demands to know about our products. The number of countries in which the JT Group provides voluntary disclosure of ingredients was 54 in 2016.



## Environmental tobacco smoke

Environmental tobacco smoke (ETS) is a mixture of smoke from the burning end of a cigarette and exhaled smoke from smokers nearby. In poorly ventilated areas, ETS can irritate eyes, noses, and throats. It may also worsen respiratory tract infections, as well as asthma. However, based on scientific evidence,

we do not believe it is a cause of diseases such as lung cancer, coronary heart disease, emphysema, and chronic bronchitis.

We do however promote ways of avoiding ETS, such as smoking facilities in public spaces. Our international

tobacco business has developed more than 191 such facilities in 16 airports, and in Japan we have helped set up around 7,500 facilities in conjunction with municipalities and businesses since 2004.





# Political and regulatory landscape

Due to the health risks associated with tobacco products, regulation of the tobacco sector is necessary and right. However, this regulation should be appropriate and should not lead to unintended negative consequences. In light of this, we support the promotion of better regulation that takes into account the views of all stakeholders, including tobacco companies.

We welcome any opportunity for constructive dialogue with governments to ensure that regulations are effective.

In the interests of transparency, we publish key regulatory submissions on our [website](#), including consultations related to plain packaging in a number of countries such as the U.K., France, and Ireland.

Plain packaging, which is in essence a branding ban, is an example of extreme and unjustified regulation. The measure was introduced first in Australia in December 2012 but has been a failure as there has been no change in the rate of decline in smoking. However,

there have been numerous negative consequences – for example, illegal tobacco trade in Australia has increased since the introduction of the branding ban. Despite the failure of Australia’s experiment, the U.K. and France have also implemented branding bans, and Ireland, Norway, Hungary, New Zealand, and Slovenia have adopted branding ban legislation.



## Developments in 2016

The focus of our regulatory engagement in 2016 continued to be on branding bans. In response to a government review that claimed positive results for a branding ban in Australia, we worked with an independent expert on an analysis of the results and concluded that the regulations had not achieved their intended results.

In recent years we have launched a number of legal challenges, together with other tobacco companies, in relation to plain packaging. We will continue to challenge any legislation that we deem not to be proportionate and appropriate.

In early 2017 we filed an application to the U.K. Supreme Court for permission to appeal one such case.

November 2016 saw the seventh session of the Conference of the Parties (COP7) to the World Health Organization (WHO) Framework Convention on Tobacco Control take place. Although we continue to be denied a voice at such events, we monitor the outcomes carefully and respond appropriately. COP7 saw a set of non-binding recommendations on product regulation and disclosures adopted, including on tobacco product design features.

We provide full transparency in our engagement activities, including through the voluntary EU Transparency Register. In 2016 we responded to the European Commission’s public consultation on a proposal for a mandatory Transparency Register and supported a suggestion that signing up to the register should be made mandatory.

For information on emerging products, please refer to page 62–63.

# Responsible marketing

We only market our tobacco products to adult smokers in order to maintain brand loyalty and to encourage smokers of competitor brands to switch to our products. We do not market tobacco products to minors, nor do we encourage anyone to take up or discourage anyone to quit smoking. We support regulation on the responsible marketing of tobacco products, providing it is evidence-based, practical, effective, and proportionate – and that it allows us to communicate with adults who use our products.



## Our marketing principles

In 2016 we established Group-wide Global Tobacco Marketing Principles and made them publicly available on our [website](#). Our international tobacco business also made a commitment to ensure compliance with its Global Marketing Standard, which is based on these Principles. The Global Marketing Standard has been implemented in all

markets where our international tobacco business operates, and all employees within that entity are required to comply with the Standard. Where applicable, we require our suppliers to comply with the Standard under our contracts.

In Japan, our domestic tobacco business is a key member of the

Tobacco Institute of Japan and complies with the institute’s self-regulatory marketing standard, as well as all national laws and regulations.

## Preventing youth access

We believe minors should neither smoke nor be able to obtain tobacco products. We do not market to minors, and we support measures preventing them from obtaining tobacco products, for example, in some markets through ‘proof of age’ programs.

In Japan, we support Youth Smoking Prevention Councils hosted by local retailer associations, in conjunction with representatives of local government, police, and other tobacco companies. In 2016 some of the councils discussed,

among other things, opportunities to work with companies in other sectors, such as alcohol, on helping retailers with age checks and preventing youth access.

## Working with retailers

We support retailer efforts to prevent minors from buying tobacco, including through responsible retailing initiatives such as the U.K.’s No ID, No Sale! program, which carried out 3,600 test

purchases during 2016 and will be fully rolled out across the country by mid-2017.

In 2016 our international tobacco business increased its focus on

providing help for retailers in the Middle East, North Africa, and certain Eastern European countries, where regulation on youth access has generally become tighter.





# Illegal trade

*Issue in focus*

The JT Group takes a stand against illegal tobacco and is committed to fighting all forms of illegal trade by securing our own supply chain and working closely with our law enforcement partners to combat this challenge. Illegal tobacco undermines legitimate tobacco businesses, reduces government tax revenues, and supports organized crime. The annual consumption of illegal tobacco is estimated to exceed 10% of all cigarettes sold globally (excluding China), with an estimated 40 to 50 billion U.S. Dollars in global tax revenue lost each year. The JT Group remains committed to maintaining its position as a credible and respected partner with governments in combating illegal tobacco, reinforcing the fact that the tobacco industry and governments can, and must, work together in order to be successful.

### Our top three priorities are:

1. Working with our employees and our business partners to prevent our products from being diverted into illegal channels.
2. Helping law enforcement intercept the growing phenomenon of ‘illicit whites’ – i.e., cigarettes produced legally, but manufactured solely for the illegal tobacco market.
3. Preventing the counterfeiting of our brands.

Our international tobacco business has 46 agreements with government authorities in 34 countries to counter illegal activity.

## Our approach

Our international tobacco business has a global Anti-Illicit Trade (AIT) team that fights illegal tobacco trade. The AIT team is made up of dedicated, credible, and respected professionals with many years of public service in law enforcement, regulatory bodies, and governments across the globe. The AIT team’s purpose is to support the JT Group’s business and protect its long-term, sustainable future. To that end, the AIT team has become a key partner to the business by reducing the amount of illegal tobacco in the marketplace and maintaining a robust dialogue with governments on the threat of illegal tobacco. The AIT team also supports the business by providing research on illegal tobacco and communications support promoting awareness of the problem to our business partners and consumers.

In 2016 the AIT team provided 973 intelligence reports to law enforcement agencies, leading to the seizure of more than 911 million illegal cigarettes. Moreover, based on our information, law enforcement raided over 27 counterfeit tobacco locations in 2016.

As a direct result of our work, there has been a large reduction in the percentage of our products that make it into the illegal market in Europe –

down by 40% in 2016. This fact has been recognized by the EU in their 2016 technical assessment of the cooperation agreements between the EU and the four major international tobacco manufacturers. However, as also recognized by the EU, over the past six years there has been a commensurate increase in the number of illicit whites and counterfeit cigarettes circulating in Europe – with many of the latter now being manufactured inside, rather than outside, the EU.

Increasingly, we are examining how to tackle illegal trade across our entire value chain, which is resulting in a more transparent and collaborative relationship with suppliers of items such as tobacco leaf and cigarette filters. We have regular meetings with these suppliers and manufacturers to try to help them prevent their products from falling into the hands of criminal networks. Our AIT team also supports our markets by carrying out due diligence checks to ensure they are entering into contracts with suppliers that can be trusted.

We are also looking closely at the way in which criminals use shipping routes, and are working with various law enforcement agencies across the world to help them track containers, container

owners, and shipping agencies that are facilitating the illegal trade.

We continue to receive consistently positive feedback from law enforcement agencies about our efforts on illegal trade, distinguishing us as a responsible leader in the field, and recognizing the strong integrity of our Group – which is a major source of pride for our employees, because this work protects our business, our communities, and society from criminal elements.

In 2015 and 2016 JTI was publicly recognized by an international law enforcement agency as “the best tobacco company in combating illegal trade.”



## Developments in 2016

In 2016 we launched an enhanced global policy covering the operation of our ongoing legitimate market demand program, under which we sell cigarettes only in amounts that are commensurate with carefully calculated legitimate demand figures in each market that we operate in. Additionally, the AIT team has improved its detailed seizure inspections program based on our track and trace technology. Whenever problems arise, we take action, protecting us from false allegations of complicity in the illegal trade.

These developments further reduce the risk that our products could be diverted into illegal channels, and also

demonstrate to regulators that we are behaving responsibly with our sales. Interestingly, data has confirmed that by capping sales in certain low-margin markets (thereby suppressing the potential diversion of these products), we actually increase our overall revenue from the sales of legitimate products in other, higher-margin, markets, which benefits us financially and provides the Group with more predictable and sustainable revenue and growth.



## Tackling the illegal trade of e-cigarettes



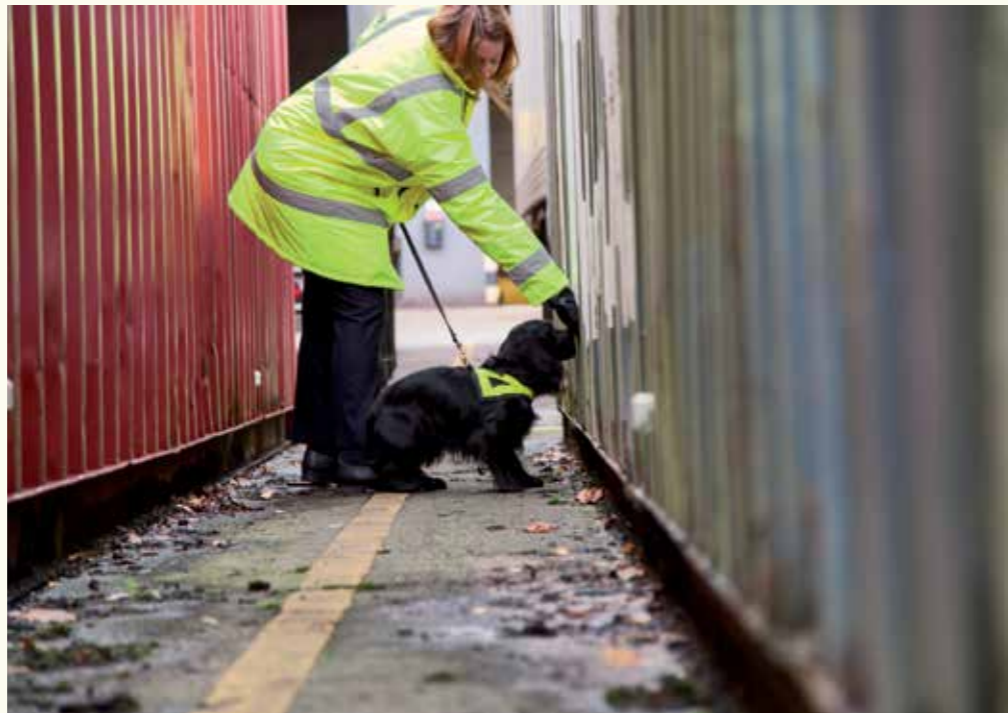
The AIT team is continuously evolving with the fast-moving technology in the tobacco business. This includes leading the fight against the illegal trade of counterfeit e-cigarettes. For example, in 2016 we supported U.S. authorities in an ongoing investigation into the sale of counterfeit e-cigarettes. These dangerous counterfeits were

being shipped from Asia for sale in the U.S. Together with our affiliate in the U.S., Logic, the AIT team provided information identifying counterfeit e-cigarette manufacturing and shipping to U.S. law enforcement. In response, U.S. law enforcement took bold action to combat the growing stream of these illegal products into the U.S.,

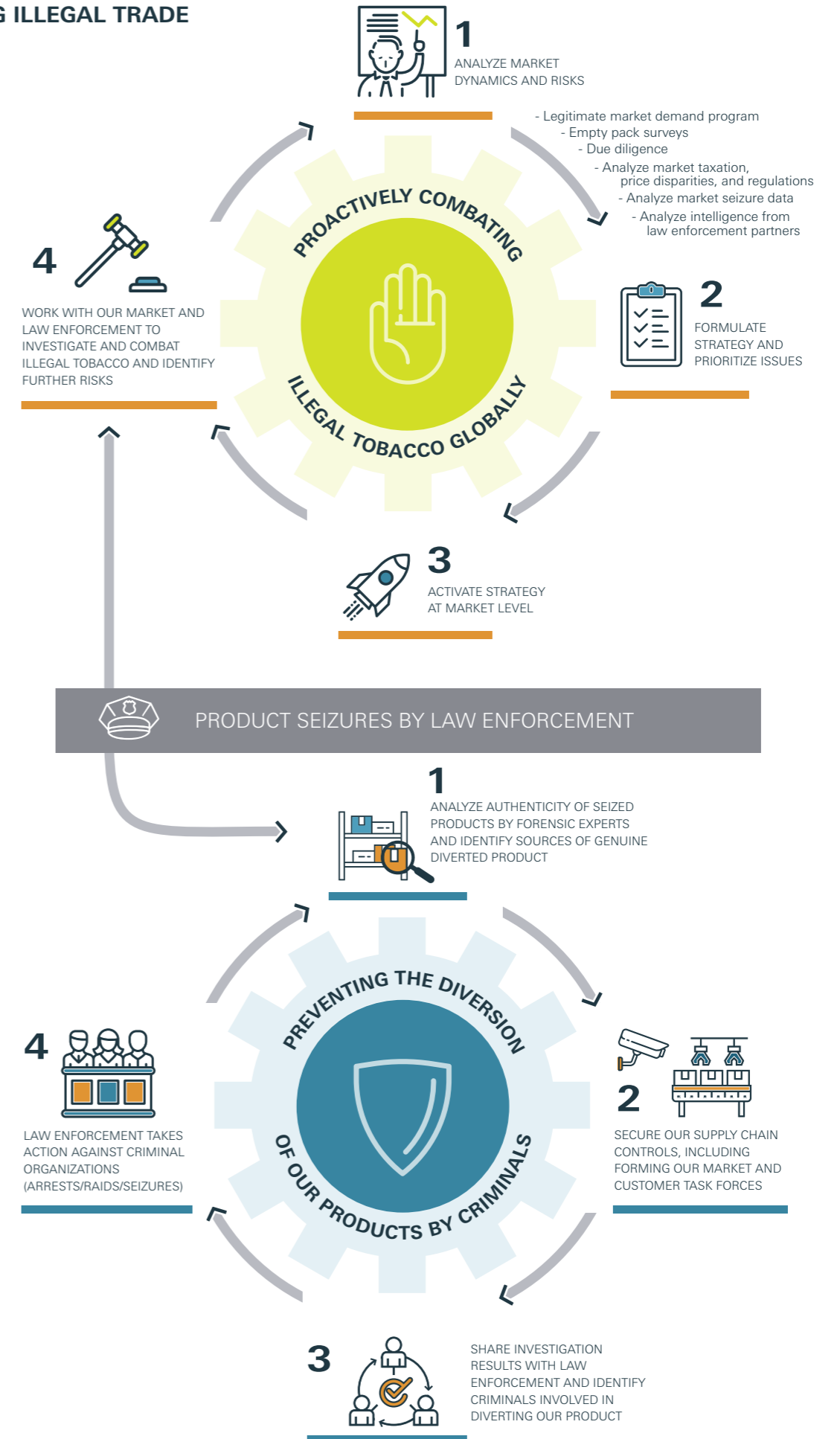
protecting consumers from poorly manufactured low-quality e-cigarettes. Additionally, we provided training for U.S. Customs officials on how to better identify counterfeit e-cigarettes in the future. We will continue this and other important training in 2017 to ensure that law enforcement is ready to tackle these new and growing threats.

## Combating the illegal online trade of tobacco products

We have made the strategic decision to combat the growing problem of illegal internet sales. In particular, the AIT team, together with our U.K. market, targeted the illegal sale of tobacco products on social media. This project has resulted in over 3,000 links to illegal tobacco sites being removed from the internet. This information is also passed to law enforcement when the seller appears to be selling on a wholesale basis, leading to significant law enforcement action, including the arrests of the criminals involved in this illegal online trade. The AIT team will continue and expand this work and will join with other relevant organizations, who share the same goal as ours, to develop new and creative ways to tackle this growing threat from the emergence of illegal trade in e-commerce and its related technology.



## TACKLING ILLEGAL TRADE





# Emerging products

Our emerging products fall into two categories: E-vapor, such as e-cigarettes that provide an inhalable vapor by direct electrical heating of a liquid, and T-vapor, tobacco-based products in which the tobacco is directly or indirectly heated without combustion.

These products are managed and overseen by a global team responsible for setting strategy, commercialization, branding, and regulatory engagement and for bringing emerging products to market in the best manner possible.

We have internal standards for emerging products, including rigorous scientific assessments that examine not only what goes into a product but what comes out of it. In addition, we have quality control requirements that

reinforce our standards with contract manufacturers.

As well as requiring ingredient and materials disclosures from suppliers, we carry out toxicological risk assessments

of key materials and assess them for compliance with regulations. Product stewardship also extends to the later stages of a product's life cycle – for instance, in terms of cartridge recycling.

## Product developments

In 2016 we launched Ploom TECH, our new innovative T-vapor product, in Japan, initially making it available only online and in the city of Fukuoka. Demand was so strong that we have had to put significant further investment into our manufacturing and supply plans for the product, especially in preparation for expanding distribution into major cities.

In the U.S., we launched Logic LQD, a refillable open tank system. We also introduced new flavors into Logic's range of e-liquids.



Please be reminded that this section is intended to explain the business operations of the JT Group, not to promote sales of tobacco and nicotine delivery products or to encourage smoking by consumers.

## Our commitment to developing reduced-risk products



We do not currently make reduced-risk claims for our products. However, we are collecting the data that would be required to substantiate such claims, and the data collected so far on Ploom TECH reinforces the potential of the product to reduce the risks of continued use of tobacco products. Some of the data was presented at the European Toxicology Conference in Spain, in September 2016.

Our aim is to accelerate investments that will increase the likelihood that we launch products that can be proven to reduce risk.

## Regulatory developments related to emerging products

While we welcome regulation on emerging products that further assures product safety and quality, we have concerns about the possibility of unnecessary provisions that may impact on product innovation, increase product costs, delay product launches, and make it more difficult for consumers to make informed decisions.

There were important regulatory developments on emerging products in 2016.

A revision of the EU Tobacco Products Directive in May included emerging products within its remit for the first time. As a result, we had to submit dossiers on each of our products to demonstrate they were compliant.

During 2016 the WHO invited member countries to consider prohibiting or restricting the manufacture, importation, distribution, presentation, sale, and use of emerging products. We will be monitoring any developments in this area.

In 2016 the U.S. FDA released regulations that included emerging products as tobacco products, which are now subject to FDA oversight. As a result, we have been given until August 2018 to submit detailed applications to be able to continue marketing and selling our emerging products in the U.S. market.

## Environmental issues

Across the JT Group, the disposal of e-cigarette components continues to be a significant challenge. In 2016 we increased our efforts to identify the environmental impacts in our emerging products value chain, including the end-of-life impacts of e-cigarette components, and to identify key areas for improvement.

In Japan, we set up a pilot initiative to improve our Ploom TECH recycling program. This involved the establishment of two collection outlets that accept all items related to Ploom TECH, including USB chargers and AC

adapters. Based on the results of the pilot, we hope to expand the program next year.

In our international tobacco business, we are developing guidance so that our markets better understand environmental impacts and the implications of placing emerging products on the market. We aim to reduce the environmental impacts across our value chain, including those relating to the treatment and disposal of e-cigarette components at end-of-life.







# Our pharmaceutical business

In 2016



## 30.7

billion Yen spent on research and development, which was the same as in 2015

Obtained manufacturing and marketing approval for a novel anti-HIV drug, Genvoya Combination Tablets and Descovy Combination Tablets LT and HT, and started selling them exclusively in Japan

## Around 800

employees participated in e-learning training on the importance of drug safety and risk management

## Overview

Our pharmaceutical business has a mission to deliver innovative drugs to patients in the shortest time possible, in a safe and secure manner.

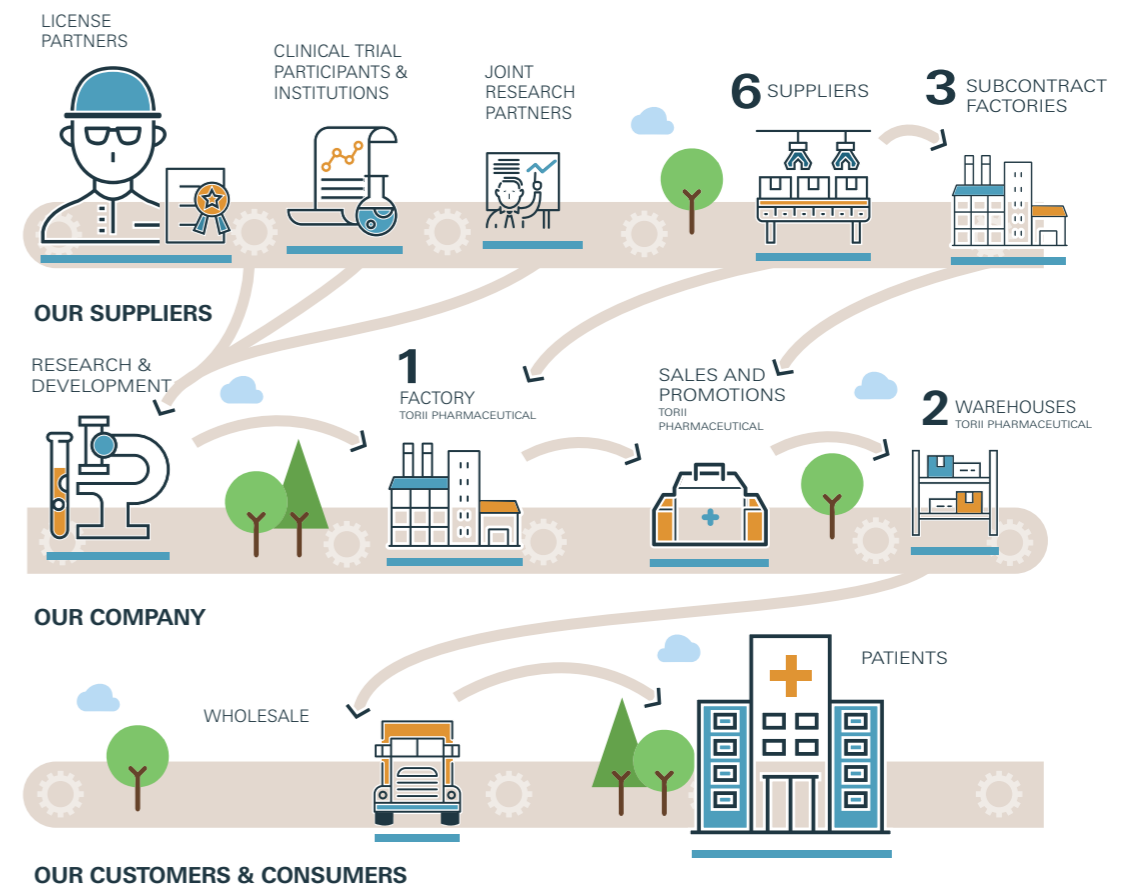
Our research and development (R&D) function is largely responsible for delivering on this important mission. But we also work with licensed and joint research partners to bring drugs to market more quickly.

Throughout the business we maintain rigorous standards to ensure the efficacy and safety of our products, which our subsidiary, Torii Pharmaceutical, must produce and market in a responsible fashion. We

are guided by a strong sense of ethics, including in areas such as clinical trials, animal testing, and the management of chemical ingredients.



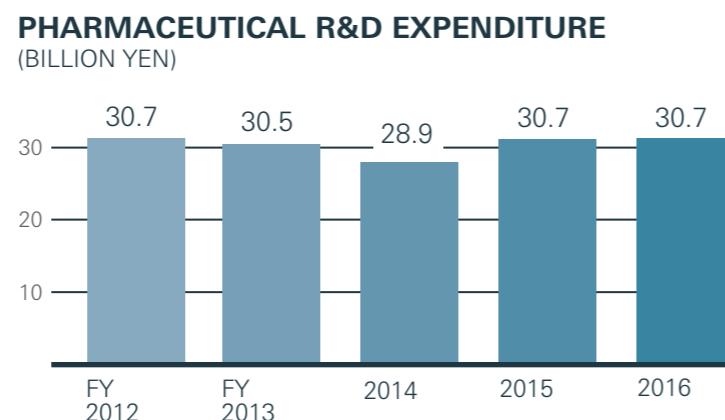
### PHARMACEUTICAL BUSINESS VALUE CHAIN





# Approach to product responsibility

We focus R&D on three areas: metabolic diseases, autoimmune/inflammatory diseases, and viral infections. In 2016 we spent 30.7 billion Yen on R&D. During the year we gained approval from the Ministry of Health, Labour and Welfare in Japan to manufacture and market two new anti-HIV drugs, Genvoya and Descovy, which are valuable additions to our portfolio of anti-HIV drugs.



## Responsible research and development

Our pharmaceutical business has a direct impact on human life, and therefore our R&D is driven by a strong sense of responsibility and ethics. Any divergence from this path could result in loss of life or damage to health –

as well as diminished trust in the business. Our research activities are carried out in an ethical manner and comply with all laws, regulations, and industry standards.



We have in-house standards on animal testing based on government legislation. Our Institutional Animal Care and Use Committee reviews animal testing to ensure it follows the '3R' concept: replacing laboratory animals with other research materials where possible, reducing the number of animals used, and refining tests so that animals do not suffer unnecessary pain. Our animal testing management practices are certified regularly by an external authority.

We have an Ethics Review Committee that bases its work on the Japanese Ethical Guidelines for Medical and Health Research Involving Human Subjects. The committee examines the ethical justification and scientific validity of research utilizing human tissue samples.

## Ethical considerations

### 3R

**REPLACEMENT**  
WHERE POSSIBLE, OPT FOR TEST METHODS THAT DO NOT USE ANIMALS

**REDUCTION**  
MINIMIZE THE NUMBER OF ANIMALS USED IN TESTING

**REFINEMENT**  
DO NOT LET LABORATORY ANIMALS SUFFER UNNECESSARY PAIN

## Complying with pharmaceutical regulations and standards



We put strict processes in place to ensure drug development complies with laws, regulations, and industry standards. In-house audits make sure we follow procedures as laid out in our guidelines, and that we control drug development and trials safely. We also collect data to monitor the efficacy and adverse drug reactions of post-marketing products.

In 2016 we provided e-learning training to around 800 employees, mainly in clinical research, which focused on

drug-induced suffering in order to help employees understand the importance of drug safety and risk management, as well as quality assurance of our products.

We are transparent about the financial contributions we make to research institutes, universities, medical institutions, and organizations for patients, and disclose such payments on our website.

## Managing chemical substances

We comply with all laws and regulations on the control of designated chemical substances, and employees are made aware of chemical safety risks, including through regular lectures that provide updates on new legislative requirements. In 2016, for instance, around 20 staff members attended a

lecture on new requirements around the installation of sprinkler heads and fire extinguishers in laboratories. We have a system for managing risks, from the point where we take delivery of chemicals through to their storage, use, and eventual disposal.

Torii Pharmaceutical separates chemicals into categories requiring different levels of management, and has specific rules and procedures according to the characteristics and safety risks of each category of chemicals.

## Responsible marketing

Torii Pharmaceutical has its own code of practice on the ethical marketing of prescription drugs. This is based on the code of conduct of the Japan Pharmaceutical Manufacturers Association, of which we are members.

Torii Pharmaceutical runs monthly training programs to ensure that its

511 medical representatives, who sell and promote drugs to health-care professionals, comply with the requirements of its code. It also brings other employees together with medical representatives for compliance training on the code twice a year. It has a Medical Compliance department and Compliance Advancement department

that look at the way product information is managed and help to educate employees on compliance with standards on the promotion of prescription drugs.

Outside Japan, we license drugs to other pharmaceutical manufacturers and do not have a sales function.

## Adopting a patient-focused approach

The best way to create effective medicines is through an understanding of the needs and experiences of the people who are likely to use them. That is why we keep the patient in mind when developing and testing new drugs.

In 2016 we interviewed more than a dozen health-care professionals, including doctors and nurses, to seek their views on how we can better put

the patient first. The content of the interviews was distilled into a series of internal newsletters and made accessible to around 800 employees in the pharmaceutical business.

We also held a film screening focusing on the views of patients who have taken part in clinical trials, with the aim of encouraging researchers to think more about patient needs when they develop and test new compounds.

In 2016, 20 new employees attended a workshop and discussion session that included consideration of how we can adopt a more patient-focused attitude. Among the suggestions put forward by employees at this session was an idea to build in more time during the working day to consider the needs of patients, which is something we will consider.





# Our processed food business

In 2016



**17**  
factories in Japan certified to FSSC 22000 food safety management system

**100%**  
frozen food factories certified to either ISO 22000 or FSSC 22000

Introduced stricter rules for disposal of food, including expired food

## Overview

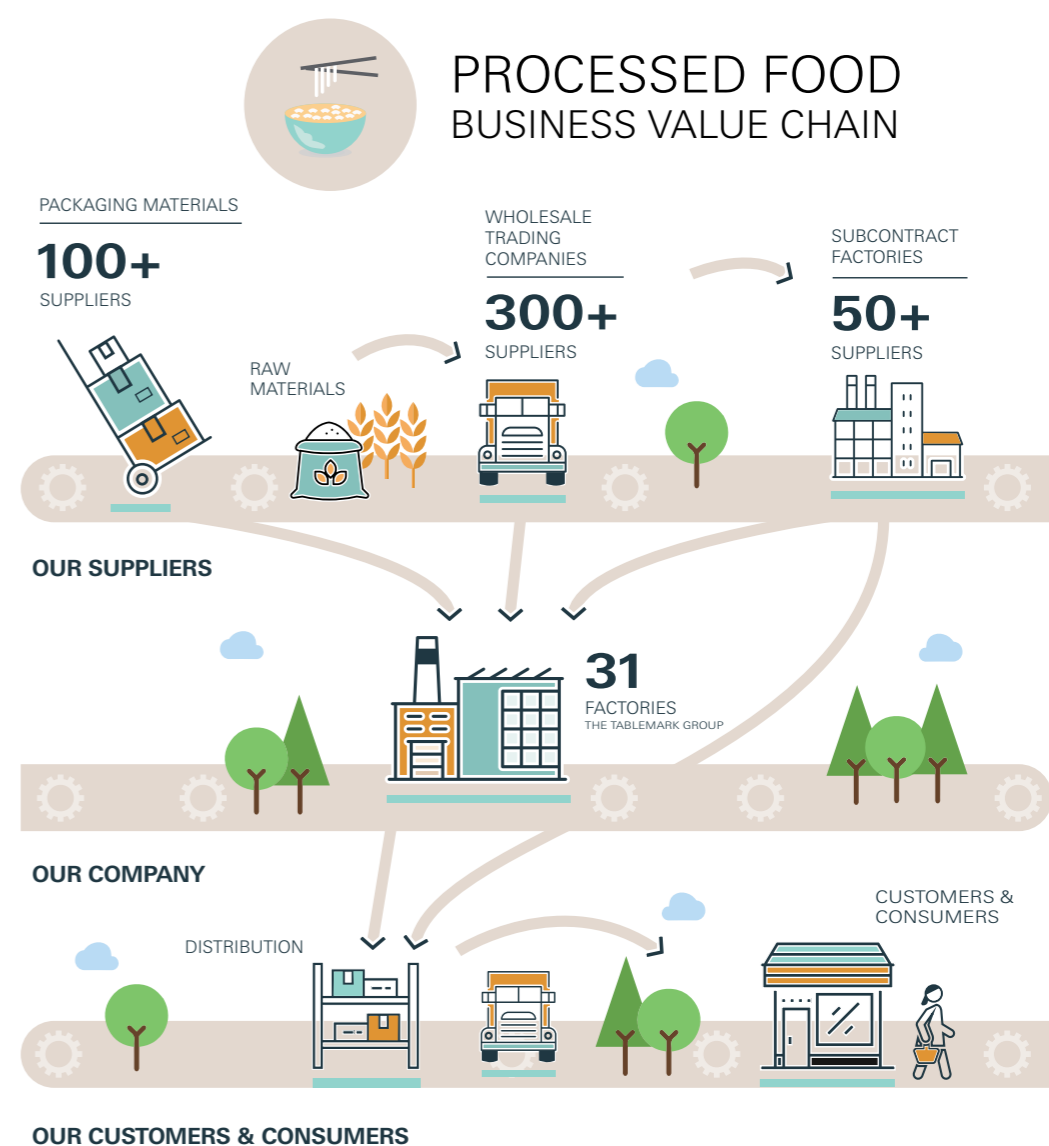
The product portfolio of TableMark, our processed food business in Japan, includes frozen noodles, frozen and packed cooked rice, frozen baked bread, pastries, and seasonings. Frozen foods account for around three-quarters of TableMark's turnover.

Within our frozen food business, we work with around 450 suppliers, of which around 100 supply us with packaging materials, around 300 provide raw materials, and around 50 are subcontract factories. We do not deal directly with raw materials producers such as farmers, whose

relationship is with the trading firms or contract factories that supply us.

Within our frozen food supply chain, the focus is on raw food ingredients, so the key issue in our supply chain is therefore food safety.

All TableMark suppliers are covered by TableMark's own sourcing policy on food safety.





# Delivering safe, high-quality products

We have a rigorous quality and process control system based on four areas: food safety, food defense, food quality, and food communication. The system aims to guarantee safety in all parts of our processed food business, from buying raw materials to manufacturing and distribution. Independent advisers guide our approach across these areas.

In 2016 we introduced enhanced sanitary guidelines for employees on preventing food poisoning, including through the norovirus. We also improved sanitation at factories through stricter controls in areas such as raw materials management and the cleaning of facilities.



## Food safety

We have a division to control food safety, and we hold quarterly meetings to review initiatives and share best practice. Since 2008 three independent food safety advisers have helped with audits in factories and in developing our approach to food safety.

All of our own frozen food factories, as well as those owned by our contractors, are certified to either the ISO 22000 or the FSSC 22000 food safety management standard. Seventeen of our 31 factories in Japan are certified to FSSC 22000, up from six in 2015.

We aim to have all our own factories certified to FSSC 22000 by the end of 2017.

In 2016 we introduced stricter rules for Group and contract factories, and distribution warehouses, on the disposal of food products that have passed their expiry date. This should make it even harder for such products to re-enter the food chain illicitly.

There were no voluntary recalls of our products in 2016.

## Food defense

Food defense is about protecting our manufacturing processes and products from intentional contamination. TableMark applies robust food defense guidelines across the supply chain, and these were updated in 2016, including with new procedures for employees to report any concerns about food defense. We use the guidelines in our annual audits and to provide direction to contractor factories as necessary.

In 2016 we continued to install cameras in factories to help detect and deter any intentional contamination.

## Food quality



We ensure food quality through certification to ISO 22000 or FSSC 22000, and also have a Quality Improvement Committee that responds to consumer opinions. In 2016 feedback from consumers led us to make packs of cooked rice easier to cut open, as some consumers, particularly elderly people, had said they were finding them difficult to manage.

During 2016 we introduced monthly meetings for employees at which we share feedback from consumers on

food quality. We also now issue monthly bulletins to staff on various food quality topics, and encourage them to discuss these issues at factory meetings. Our consumer complaints management system is compliant with ISO 10002, the international standard for customer satisfaction and complaints handling.

## Food communication

We disclose the factory where food products are made and the country of origin of main ingredients. We record the farm origin and can trace back our products if necessary. We offer toll-free numbers on labels so consumers can request extra information.



## Environmental impacts of products



We design, distribute, and manufacture our food products to reduce environmental impacts. This includes reducing packaging and cutting energy used in manufacture and in consumer use.

In 2016 we introduced two key performance indicators (KPIs) on waste: the amount of money lost through wastage in the manufacturing process, and the amount of money lost through disposal of unsold end products. These KPIs will be monitored to gauge our progress in this area.



# About this report

We report annually on our sustainability activities and performance, and have been publishing environmental or CSR reports since 1998. Our last report, JT Group Sustainability Report FY2015, was published in June 2016.

## In accordance with GRI G4 'Core'

The FY2016 report has been compiled in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines 'Core' level. We defined the content of this document using a materiality assessment that covered the entire JT Group.

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

## Notes on data

Data in this report covers January to December 2016, unless otherwise stated. In 2014 the JT Group moved its reporting period to the calendar year ending December 31. Until March 2014 the fiscal year for our Japanese domestic operations began on April 1 and ended on March 31. Historical data indicated with 'FY' covers those periods.

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

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

**of Reporting** document, which we will continue to update in the future.

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

## External verification and assurance

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

## Changes in structure, size, or ownership

In 2016 we closed our Hiratsuka tobacco leaf processing factory in Japan. In the two years leading up to the closure, which affected 49 employees, we consulted with union representatives to help people retire voluntarily, move internally, or find jobs elsewhere.

During 2016 we continued with the closures of our factories in Moscow, Russia, and Wadeville, South Africa. We closed the Moscow factory end of August 2016, affecting 237 employees in 2016, with over 40 employees having found employment in other parts of the business. The Wadeville factory was closed end of June 2016 and affected 79 employees. Six employees have found employment in other parts of the business.

In October 2014 we announced the decision to close our factories in Wervik, Belgium, and Lisnafillan Northern Ireland, potentially affecting around 1,100 jobs, and we worked with union representatives to help people retire voluntarily, move internally, or find jobs elsewhere with support programs and placement activities. The closures will be completed in 2017.

In 2016 we acquired the Natural American Spirit business outside the U.S. The Natural American Spirit brand is an 'additive free,' premium cigarette with a marketing theme that is environmentally conscious and socially progressive. The acquisition will allow us to further extend our brand portfolio.

## Awards and recognition

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

In 2016 we were identified as a global leader by CDP for our actions and strategies on climate change. We were also awarded a position on the CDP Climate A List of the world's best climate change reporters ([www.cdp.net](http://www.cdp.net)).

In March 2016 JT was selected as a Nadeshiko Brand for demonstrating outstanding commitment to empowering women in the workplace. It was also chosen by the Japanese Government's Ministry of Economy, Trade and Industry as one of its Diversity Management Selection 100 companies, in recognition of work on embracing diversity in the workplace.

In October 2016 JT was awarded Gold status in the first Pride Index Report of Japanese employers, which highlights companies that are most friendly toward LGBT workers.

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



## Other publications

### Websites

Japan Tobacco Inc.  
(global site): [www.jt.com](http://www.jt.com)

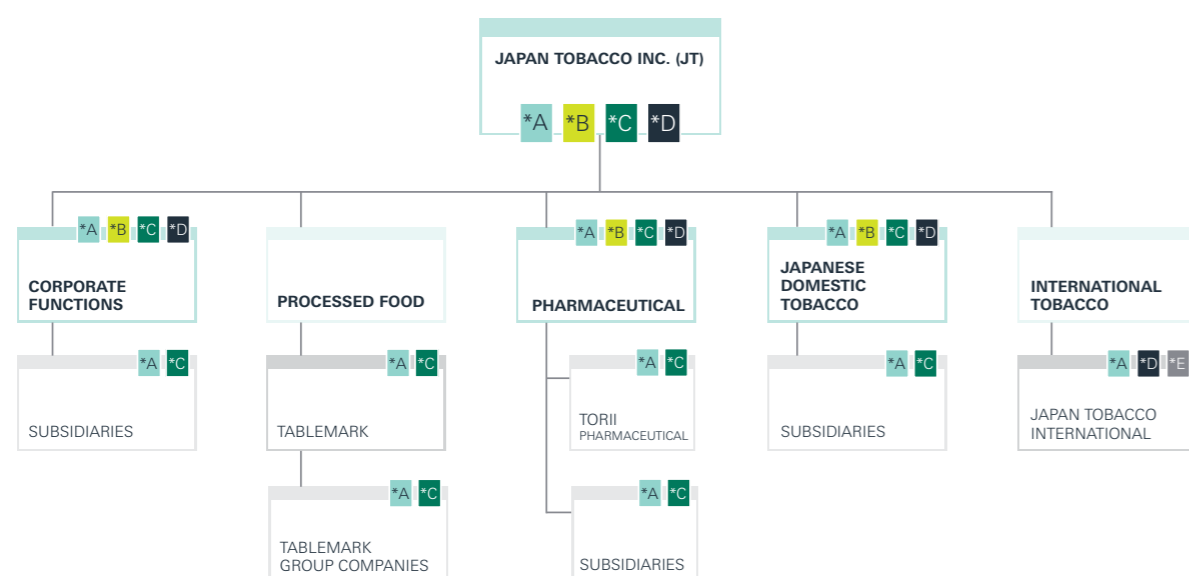
Japan Tobacco International  
(international tobacco business):  
[www.jti.com](http://www.jti.com)

Torii Pharmaceutical Co., Ltd.  
(pharmaceutical subsidiary):  
[www.torii.co.jp/en](http://www.torii.co.jp/en)

TableMark Co., Ltd. (processed food subsidiary): [www.tablemark.co.jp](http://www.tablemark.co.jp)  
(in Japanese)

### Publications

JT Annual Report:  
[www.jt.com/investors/results/annual\\_report/index.html](http://www.jt.com/investors/results/annual_report/index.html)



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

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# GRI G4 Content Index

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The JT Group Sustainability Report FY2016 contains Standard Disclosures from the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and is in accordance with the GRI G4 'Core' Guidelines. The identification of the material Aspects is based on a materiality assessment for the entire JT Group.

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



GRI G4 CONTENT INDEX

# GENERAL STANDARD DISCLOSURES

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement from the most senior decision-maker of the organization	<u><a href="#">CEO statement</a></u> <u><a href="#">Q&amp;A</a></u>	
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	Name of the organization	<u><a href="#">Corporate profile</a></u>	
G4-4	Primary brands, products, and services	<u><a href="#">Corporate profile</a></u>	
G4-5	Location of the organization's headquarters	<u><a href="#">Corporate profile</a></u>	
G4-6	Number of countries where the organization operates, and names of countries where the organization has significant operations	<u><a href="#">Corporate profile</a></u>	
G4-7	Nature of ownership and legal form	<u><a href="#">JT Annual Report FY2016</a></u>	Detailed information is presented in the JT Annual Report FY2016: <u><a href="http://www.jt.com/investors/results/annual_report/index.html">www.jt.com/investors/results/annual_report/index.html</a></u>
G4-8	Markets served	<u><a href="#">Corporate profile</a></u>	
G4-9	Scale of the organization	<u><a href="#">Corporate profile</a></u>	Detailed information is presented in the JT Annual Report FY2016: <u><a href="http://www.jt.com/investors/results/annual_report/index.html">www.jt.com/investors/results/annual_report/index.html</a></u>  The following financial information can be found in the JT Annual Report FY2016: <ul style="list-style-type: none"> <li>• net sales (page 14)</li> <li>• total capitalization broken down in terms of debt and equity (page 5)</li> <li>• total assets (page 5)</li> <li>• beneficial ownership (including identity and percentage of ownership of largest shareholders) (pages 71–72)</li> </ul>





GRI G4 CONTENT INDEX

# GENERAL STANDARD DISCLOSURES

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																																																				
G4-10	Workforce information	<p><b><u>Corporate profile</u></b></p> <p><b><u>GRI Index</u></b></p> <p><b><u>Basis of Reporting</u></b></p>	<table border="1"> <thead> <tr> <th>Employees by type of contract and gender as of the end of 2016</th> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Permanent (full- and part-time)</td> <td>28,039</td> <td>9,696</td> <td>37,735</td> </tr> <tr> <td>Temporary full-time</td> <td>1,642</td> <td>1,461</td> <td>3,103</td> </tr> <tr> <td>Temporary part-time (*C)</td> <td colspan="2">n/a</td> <td>5,744</td> </tr> <tr> <td>Temporary part-time (*E)</td> <td>17</td> <td>1</td> <td>18</td> </tr> <tr> <td>Supervised workers (*C)</td> <td colspan="2">n/a</td> <td>2,149</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="4">Employees per region and gender as of the end of 2016</th> </tr> <tr> <th>Region</th> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Japan</td> <td>12,485</td> <td>3,147</td> <td>15,632</td> </tr> <tr> <td>South and West Europe</td> <td>2,441</td> <td>1,588</td> <td>4,029</td> </tr> <tr> <td>North and Central Europe</td> <td>3,858</td> <td>1,527</td> <td>5,385</td> </tr> <tr> <td>CIS+*</td> <td>4,339</td> <td>1,763</td> <td>6,102</td> </tr> <tr> <td>Other</td> <td>6,558</td> <td>3,132</td> <td>9,690</td> </tr> </tbody> </table> <p>* Commonwealth of Independent States</p>	Employees by type of contract and gender as of the end of 2016	Male	Female	Total	Permanent (full- and part-time)	28,039	9,696	37,735	Temporary full-time	1,642	1,461	3,103	Temporary part-time (*C)	n/a		5,744	Temporary part-time (*E)	17	1	18	Supervised workers (*C)	n/a		2,149	Employees per region and gender as of the end of 2016				Region	Male	Female	Total	Japan	12,485	3,147	15,632	South and West Europe	2,441	1,588	4,029	North and Central Europe	3,858	1,527	5,385	CIS+*	4,339	1,763	6,102	Other	6,558	3,132	9,690
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G4-11	Percentage of total employees covered by collective bargaining agreements	<p><b><u>Our people – Being a responsible employer</u></b></p> <p><b><u>GRI Index</u></b></p> <p><b><u>Basis of Reporting</u></b></p>	<p>56 companies have a union in our Group and 91.7% (*C) of eligible employees are covered by collective bargaining agreements. Due to legal requirements in certain countries, we cannot know whether employees are unionized, and thus cannot provide the information for employees in our international tobacco business.</p>																																																				
G4-12	Organization’s supply chain	<p><b><u>Our tobacco business – Overview</u></b></p> <p><b><u>Our tobacco business – Supply chain management</u></b></p> <p><b><u>Our pharmaceutical business – Overview</u></b></p> <p><b><u>Our processed food business – Overview</u></b></p>																																																					





GRI G4 CONTENT INDEX

# GENERAL STANDARD DISCLOSURES

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	<a href="#">About this report</a>	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	JT Global website <a href="http://www.jt.com/csr/environ/management/index.html">www.jt.com/csr/environ/management/index.html</a>  <a href="#">GRI Index</a>	The JT Group Environment Charter reflects how we have addressed the precautionary principle.
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	JT Global website <a href="http://www.jt.com/csr/overview/stakeholder/index.html">www.jt.com/csr/overview/stakeholder/index.html</a>	
G4-16	List memberships of associations and national or international advocacy organizations	JT Global website <a href="http://www.jt.com/csr/overview/stakeholder/index.html">www.jt.com/csr/overview/stakeholder/index.html</a>	

## IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	<p>a. List all entities included in the organization's consolidated financial statements or equivalent documents</p> <p>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report</p>	<p><a href="#">About this report</a></p> <p><a href="#">JT Annual Report FY2016</a></p>	
G4-18	<p>a. Explain the process for defining the report content and the Aspect Boundaries</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content</p>	<p><a href="#">About this report</a></p> <p><a href="#">Our strategic approach – Our material issues</a></p> <p><a href="#">GRI Index</a></p>	Identification of GRI Aspects is based on the materiality assessment conducted for the entire JT Group.
G4-19	Material Aspects identified in the process for defining report content	<a href="#">Our strategic approach – Our material issues</a>	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	<a href="#">Our strategic approach – Our material issues</a>	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	<a href="#">Our strategic approach – Our material issues</a>	





GRI G4 CONTENT INDEX

# GENERAL STANDARD DISCLOSURES

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	<p><a href="#"><u>About this report</u></a></p> <p><a href="#"><u>GRI Index</u></a></p>	<p>The number of reported cases for violations of the Code of Conduct reported in 2015 has been restated to include certain cases that were not accounted for. Number of employees who received performance evaluations reported in 2015 have been restated as the data presented in 2015 was incomplete.</p> <p>We have previously reported that emerging products were within the scope of the international tobacco business's updated Global Marketing Standards. However, the Standards only apply to conventional tobacco products.</p> <p>Information reported for G4-PR2, G4-PR4, G4-PR7, G4-PR9, G4-SO7, G4-SO8, and G4-HR1 in 2016 has been restated to include only our international tobacco business. The scope of information was incorrectly reported as *A in 2015 and has therefore been changed to *E in 2016.</p> <p>2015 data reported for G4-EC9 for percentage of local spend on suppliers of other products and services in JTI HQ in Geneva has been restated to 86% due to a reclassification of vendors.</p>
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	<a href="#"><u>About this report</u></a>	

## STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholder groups engaged by the organization	<a href="#"><u>Our strategic approach - Stakeholder engagement</u></a>	
G4-25	Basis for identification and selection of stakeholders with whom to engage	<p><a href="#"><u>Our strategic approach - Stakeholder engagement</u></a></p> <p><a href="#"><u>Our strategic approach - Our management approach</u></a></p>	
G4-26	Organization's approach to stakeholder engagement	<p><a href="#"><u>Our strategic approach - Stakeholder engagement</u></a></p> <p><a href="#"><u>Our strategic approach - Our management approach</u></a></p>	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	<a href="#"><u>Our strategic approach - Stakeholder engagement</u></a>	

## REPORT PROFILE

G4-28	Reporting period for information provided	<a href="#"><u>About this report</u></a>	
G4-29	Date of most recent previous report	<a href="#"><u>About this report</u></a>	



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# GENERAL STANDARD DISCLOSURES

#	GENERAL STANDARD DISCLOSURES	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
G4-30	Reporting cycle	<a href="#">About this report</a>	
G4-31	Contact point for questions regarding the report or its contents	<a href="#">About this report</a>	
G4-32	GRI Content Index	<a href="#">GRI Index</a>	
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	<a href="#">About this report</a>	
<b>GOVERNANCE</b>			
G4-34	Governance structure of the organization, including committees of the highest governance body	<p><a href="#">Our strategic approach</a> - <a href="#">Our management approach</a></p> <p><a href="#">Our way of doing business</a> - <a href="#">Corporate governance and transparency</a></p> <p><a href="#">About this report</a></p> <p><a href="#">JT Annual Report FY2016</a></p> <p>JT Global website <a href="http://www.jt.com/csr/overview/governance/index.html">www.jt.com/csr/overview/governance/index.html</a></p>	
<b>ETHICS AND INTEGRITY</b>			
G4-56	Organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics	<p><a href="#">Our way of doing business</a></p> <p><a href="#">Our strategic approach</a> - <a href="#">Our management approach</a></p>	





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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION														
<b>ECONOMIC</b>																	
Economic performance	DMA	<p><u><a href="#">Our way of doing business – Our tax practices</a></u></p> <p><u><a href="#">JT Annual Report FY2016</a></u></p>															
	G4-EC1 – Direct economic value generated and distributed	<p><u><a href="#">Our way of doing business – Our tax practices</a></u></p> <p><u><a href="#">Our contributions to society</a></u></p> <p><u><a href="#">JT Annual Report FY2016</a></u></p> <p><u><a href="#">GRI Index</a></u></p> <p><u><a href="#">Basis of Reporting</a></u></p>	<table border="1"> <thead> <tr> <th data-bbox="1795 877 2591 930">Direct economic value generated and distributed</th> <th data-bbox="2591 877 2873 930">2016 (million Yen)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1795 930 2591 982">Revenue<sup>1</sup></td> <td data-bbox="2591 930 2873 982">2,143,287</td> </tr> <tr> <td data-bbox="1795 982 2591 1035">Total employee benefits and wages</td> <td data-bbox="2591 982 2873 1035">367,811</td> </tr> <tr> <td data-bbox="1795 1035 2591 1087">Current income taxes</td> <td data-bbox="2591 1035 2873 1087">129,128</td> </tr> <tr> <td data-bbox="1795 1087 2591 1140">Tobacco excise taxes</td> <td data-bbox="2591 1087 2873 1140">4,483,518</td> </tr> <tr> <td data-bbox="1795 1140 2591 1192">Dividends</td> <td data-bbox="2591 1140 2873 1192">229,223</td> </tr> <tr> <td data-bbox="1795 1192 2591 1245">Corporate community investment</td> <td data-bbox="2591 1192 2873 1245">7,446</td> </tr> </tbody> </table> <p><sup>1</sup> Excluding tobacco excise taxes and revenue from agent transactions</p>	Direct economic value generated and distributed	2016 (million Yen)	Revenue <sup>1</sup>	2,143,287	Total employee benefits and wages	367,811	Current income taxes	129,128	Tobacco excise taxes	4,483,518	Dividends	229,223	Corporate community investment	7,446
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Market presence	DMA	<u><a href="#">GRI Index</a></u>	<p>The hiring of local talent contributes to the economies of countries and regions in which we operate, and is a part of our corporate responsibility to those communities. While we have no Group-wide policy on the hiring of local employees, and our approach is to recruit and assign ‘the right person in the right position at the right time,’ we are mindful of our responsibilities in this area. All our businesses conform with legally set local minimum wage levels, and in many cases are well above these levels due to our policy of offering pay and benefits that are highly competitive. This also applies to part-time employees.</p>														





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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																						
<b>Market presence</b>	<b>G4-EC5</b> – Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	<u><b>GRI Index</b></u>  <u><b>Basis of Reporting</b></u>	<table border="1"> <thead> <tr> <th colspan="2" data-bbox="1792 510 2466 552"><b>Significant operations</b></th> <th data-bbox="2466 510 2873 604"><b>Ratio of standard entry level wage to local minimum wage</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="1792 615 2071 657">JT Tokyo HQ</td> <td data-bbox="2071 615 2466 657">Male</td> <td data-bbox="2466 615 2873 657">172:100</td> </tr> <tr> <td></td> <td data-bbox="2071 657 2466 699">Female</td> <td data-bbox="2466 657 2873 699">172:100</td> </tr> <tr> <td data-bbox="1792 699 2071 741">JTI Moscow</td> <td data-bbox="2071 699 2466 741">Male</td> <td data-bbox="2466 699 2873 741">213:100</td> </tr> <tr> <td></td> <td data-bbox="2071 741 2466 783">Female</td> <td data-bbox="2466 741 2873 783">213:100</td> </tr> <tr> <td data-bbox="1792 783 2071 825">JTI Trier</td> <td data-bbox="2071 783 2466 825">Male</td> <td data-bbox="2466 783 2873 825">145:100</td> </tr> <tr> <td></td> <td data-bbox="2071 825 2466 867">Female</td> <td data-bbox="2466 825 2873 867">145:100</td> </tr> </tbody> </table>		<b>Significant operations</b>		<b>Ratio of standard entry level wage to local minimum wage</b>	JT Tokyo HQ	Male	172:100		Female	172:100	JTI Moscow	Male	213:100		Female	213:100	JTI Trier	Male	145:100		Female	145:100
	<b>Significant operations</b>		<b>Ratio of standard entry level wage to local minimum wage</b>																						
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<b>G4-EC6</b> – Proportion of senior management hired from the local community at significant locations of operation	<u><b>GRI Index</b></u>  <u><b>Basis of Reporting</b></u>	<table border="1"> <thead> <tr> <th data-bbox="1792 993 2258 1035"><b>Significant location</b></th> <th data-bbox="2258 993 2873 1056"><b>Percentage of senior management hired from the local community</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="1792 1056 2258 1098">JTI Moscow</td> <td data-bbox="2258 1056 2873 1098">60%</td> </tr> </tbody> </table>		<b>Significant location</b>	<b>Percentage of senior management hired from the local community</b>	JTI Moscow	60%																		
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<b>Indirect economic impacts</b>	<b>DMA</b>	<u><b>Our tobacco business – Our tobacco leaf supply chain</b></u>  <u><b>Respecting human rights – Due diligence process</b></u>  <u><b>Our tobacco business – Illegal trade</b></u>  <u><b>Our contributions to society</b></u>																							
	<b>G4-EC7</b> – Development and impact of infrastructure investments and services supported	<u><b>GRI Index</b></u>	As part of our Grower Support Programs (GSPs) and Achieving Reduction of Child Labor in Support of Education (ARISE) activities in 2016, we invested more than 25.1 million U.S. Dollars in infrastructure-related projects in Brazil, Malawi, Tanzania, U.S., and Zambia.																						
	<b>G4-EC8</b> – Significant indirect economic impacts, including the extent of impacts	<u><b>Our tobacco business – Our tobacco leaf supply chain</b></u>  <u><b>Respecting human rights – Our approach</b></u>  <u><b>Our tobacco business – Illegal trade</b></u>  <u><b>Our contributions to society</b></u>																							



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																					
Procurement practices	DMA	<p><a href="#"><u>Our tobacco business – Supply chain management</u></a></p> <p><a href="#"><u>Our pharmaceutical business – Overview</u></a></p> <p><a href="#"><u>Our processed food business – Overview</u></a></p>																						
	G4-EC9 – Proportion of spending on local suppliers at significant locations of operation	<a href="#"><u>GRI Index</u></a>	<p>We define local as the country of operation. Significant location is defined as any location with more than 5% of global spend.</p> <table border="1" data-bbox="1795 892 2834 1638"> <thead> <tr> <th>Significant locations</th> <th>Supplier type</th> <th>% of local spend in 2016</th> </tr> </thead> <tbody> <tr> <td>Japan</td> <td>Tobacco leaf and non-tobacco material suppliers</td> <td>70%</td> </tr> <tr> <td>JTI Geneva HQ</td> <td>Other products and services suppliers</td> <td>87%</td> </tr> <tr> <td>Germany</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>79%</td> </tr> <tr> <td>Russia</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>89%</td> </tr> <tr> <td>Poland</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>87%</td> </tr> <tr> <td>U.K.</td> <td>Non-tobacco materials and other products and services suppliers</td> <td>88%</td> </tr> </tbody> </table> <p>Outside of Japan our central leaf function purchases tobacco from directly contracted farmers and merchants, which is then supplied to our cigarette and tobacco-related factories. About 50% of our spend is local – from directly contracted farmers – and the rest we buy from merchants.</p> <p>The percentage of local spend for suppliers of bulk drug substances to our pharmaceutical business is approximately 1%.</p> <p>The percentage of local spend for suppliers of TableMark is 100%.</p>	Significant locations	Supplier type	% of local spend in 2016	Japan	Tobacco leaf and non-tobacco material suppliers	70%	JTI Geneva HQ	Other products and services suppliers	87%	Germany	Non-tobacco materials and other products and services suppliers	79%	Russia	Non-tobacco materials and other products and services suppliers	89%	Poland	Non-tobacco materials and other products and services suppliers	87%	U.K.	Non-tobacco materials and other products and services suppliers	88%
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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
<b>Procurement practices</b>	<b>G4-FP1</b> – Percentage of purchased volume from suppliers compliant with company’s sourcing policy	<p><b><u>Our processed food business – Overview</u></b></p> <p><b><u>GRI Index</u></b></p>	100% of purchased volume from suppliers is compliant with the sourcing policy of the JT Group processed food business, via self-declaration of suppliers.
<b>ENVIRONMENTAL</b>			
<b>Energy</b>	<b>DMA</b>	<p><b><u>Our planet – Environmental management</u></b></p> <p><b><u>Our planet – GHG emissions</u></b></p>	
	<b>G4-EN3</b> – Energy consumption within the organization	<p><b><u>Our planet – GHG emissions</u></b></p> <p>JT Global website  <a href="http://www.jt.com/csr/envIRON/data/index.html">www.jt.com/csr/envIRON/data/index.html</a></p> <p><b><u>GRI Index</u></b></p> <p><b><u>Basis of Reporting</u></b></p>	We use renewable and non-renewable energy sources within the organization. Renewable energy sources include solar, hydropower, biomass, and geothermal. Non-renewable energy sources include natural gas and fuel oils for heating, and diesel and petrol for fleet vehicles. We also purchase electricity, heating, and steam.
<b>Water</b>	<b>DMA</b>	<p><b><u>Our planet – Environmental management</u></b></p> <p><b><u>Our planet – Water</u></b></p>	
	<b>G4-EN8</b> – Total water withdrawal by source	<p><b><u>Our planet – Water</u></b></p> <p>JT Global website  <a href="http://www.jt.com/csr/envIRON/data/index.html">www.jt.com/csr/envIRON/data/index.html</a></p> <p><b><u>Basis of Reporting</u></b></p>	





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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
Biodiversity	DMA	<a href="#">Our planet – Biodiversity</a>	
	<b>G4-EN12</b> – Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	<a href="#">Our planet – Biodiversity</a>  <a href="#">GRI Index</a>	In Brazil we help farmers to plant areas of their land with native trees to promote biodiversity.
GHG emissions	DMA	<a href="#">Our planet – GHG emissions</a>	
	<b>G4-EN15</b> – Direct GHG emissions (Scope 1)	<a href="#">Our planet – GHG emissions</a>	
	<b>G4-EN16</b> – Energy indirect GHG emissions (Scope 2)	JT Global website <a href="http://www.jt.com/csr/environ/data/index.html">www.jt.com/csr/environ/data/index.html</a>	
	<b>G4-EN17</b> – Other indirect GHG emissions (Scope 3)		
	<b>G4-EN18</b> – GHG emissions intensity		<a href="#">Basis of Reporting</a>
	<b>G4-EN19</b> – Reduction of GHG emissions		
Effluents and waste	DMA	<a href="#">Our planet – Waste</a>	
	<b>G4-EN22</b> – Total water discharge by quality and destination	<a href="#">Our planet – Waste</a>  JT Global website <a href="http://www.jt.com/csr/environ/data/index.html">www.jt.com/csr/environ/data/index.html</a>  <a href="#">GRI Index</a>  <a href="#">Basis of Reporting</a>	We do not have one global standard on quality of discharged water, but we comply with local laws and regulatory requirements on water. Where there are no such laws and requirements, we have a voluntary standard on the quality of water discharged. We confirm our discharged water is not reused by other organizations.
	<b>G4-EN23</b> – Total weight of waste by type and disposal method	<a href="#">Our planet – Waste</a>  JT Global website <a href="http://www.jt.com/csr/environ/data/index.html">www.jt.com/csr/environ/data/index.html</a>  <a href="#">Basis of Reporting</a>	



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
<b>Products and services</b>	<b>DMA</b>	<u><b>Our processed food business – Environmental impacts of products</b></u>  <b>GRI Index</b>	Litter from tobacco products is an issue that calls for collective action to educate adult consumers to act responsibly. A litter-free environment benefits everyone, smokers included. We adopt a two-pronged approach on this issue: creating awareness through campaigns, and providing smokers with facilities to easily throw away their cigarette butts.
	<b>G4-EN27</b> – Extent of impact mitigation of environmental impacts of products and services	<u><b>Our processed food business – Environmental impacts of products</b></u>  <b>GRI Index</b>	We understand that the mitigation of environmental impacts of products and services is an important issue. We do not currently have a holistic approach in place to address the environmental impacts of all our products and services. However, we will be looking into this in future years.
<b>Compliance</b>	<b>DMA</b>	<u><b>Our planet – Environmental management</b></u>	
	<b>G4-EN29</b> – Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<b>GRI Index</b>	During 2016 there were no significant monetary fines or non-monetary sanctions for non-compliance with environmental laws and regulations in our international tobacco business.
<b>Supplier environmental assessment</b>	<b>DMA</b>	<u><b>Our tobacco business – Our tobacco leaf supply chain</b></u>  <u><b>Our tobacco business – Improving social and labor conditions</b></u>  <u><b>Our tobacco business – Improving environmental conditions</b></u>  <u><b>Our planet – GHG emissions</b></u>	
	<b>G4-EN32</b> – Percentage of new suppliers that were screened using environmental criteria	<u><b>Our tobacco business – Our tobacco leaf supply chain</b></u>  <b>GRI Index</b>	Through our Agricultural Labor Practices (ALP) program and the new supplier life cycle management system under development, we are working toward being able to report the percentage of new suppliers screened using environmental criteria in following years.



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
<b>Supplier environmental assessment</b>	<b>G4-EN33</b> – Significant actual and potential negative environmental impacts in the supply chain and actions taken	<p><u><b>Our tobacco business</b></u>  <u>– <b>Our tobacco leaf supply chain</b></u></p> <p><u><b>Our tobacco business</b></u>  <u>– <b>Improving environmental conditions</b></u></p> <p><u><b>GRI Index</b></u></p>	Through our ALP program and the new supplier life cycle management system under development, we are working toward being able to report the significant actual and potential negative environmental impacts in the supply chain and actions taken in following years.

## LABOR PRACTICES AND DECENT WORK

Employment	DMA	Our people – <u>Employee development and talent management</u>																																														
	<b>G4-LA1</b> – Total number and rates of new employee hires and employee turnover by age group, gender, and region	<p><u><b>Our people</b></u>  <u>– <b>Employee development and talent management</b></u></p> <p><u><b>GRI Index</b></u></p> <p><u><b>Basis of Reporting</b></u></p>	<table border="1"> <thead> <tr> <th><b>New employees' hire and turnover by gender</b></th> <th><b>Male</b></th> <th><b>Female</b></th> <th><b>Total</b></th> </tr> </thead> <tbody> <tr> <td>Total number of new employees</td> <td>2,686</td> <td>1,423</td> <td>4,109</td> </tr> <tr> <td>Rate of new employees' hire</td> <td>9.0%</td> <td>12.8%</td> <td>10.1%</td> </tr> <tr> <td>Total employee turnover</td> <td>3,432</td> <td>1,670</td> <td>5,102</td> </tr> <tr> <td>Employee turnover rate</td> <td>11.6%</td> <td>15.0%</td> <td>12.5%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th><b>New employees' hire and turnover by age</b></th> <th><b>&lt;30</b></th> <th><b>30-50</b></th> <th><b>&gt;50</b></th> <th><b>Total</b></th> </tr> </thead> <tbody> <tr> <td>Total number of new employees (*D)</td> <td>1,889</td> <td>1,378</td> <td>66</td> <td>3,333</td> </tr> <tr> <td>Rate of new employees' hire (*D)</td> <td>36.1%</td> <td>6.9%</td> <td>1.4%</td> <td>11.1%</td> </tr> <tr> <td>Total employee turnover</td> <td>1,167</td> <td>2,344</td> <td>1,562</td> <td>5,073</td> </tr> <tr> <td>Employee turnover rate</td> <td>16.8%</td> <td>8.9%</td> <td>21.1%</td> <td>12.5%</td> </tr> </tbody> </table>	<b>New employees' hire and turnover by gender</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	Total number of new employees	2,686	1,423	4,109	Rate of new employees' hire	9.0%	12.8%	10.1%	Total employee turnover	3,432	1,670	5,102	Employee turnover rate	11.6%	15.0%	12.5%	<b>New employees' hire and turnover by age</b>	<b>&lt;30</b>	<b>30-50</b>	<b>&gt;50</b>	<b>Total</b>	Total number of new employees (*D)	1,889	1,378	66	3,333	Rate of new employees' hire (*D)	36.1%	6.9%	1.4%	11.1%	Total employee turnover	1,167	2,344	1,562	5,073	Employee turnover rate	16.8%	8.9%	21.1%	12.5%
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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																																											
Employment			<table border="1"> <thead> <tr> <th data-bbox="1795 520 2139 575">New employees' hire and turnover by region</th> <th data-bbox="2139 520 2258 575">Japan</th> <th data-bbox="2258 520 2386 625">South and West Europe</th> <th data-bbox="2386 520 2516 625">North and Central Europe</th> <th data-bbox="2516 520 2635 575">CIS+*</th> <th data-bbox="2635 520 2754 575">Other</th> <th data-bbox="2754 520 2873 575">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="1795 659 2139 714">Total number of new employees</td> <td data-bbox="2139 659 2258 714">781</td> <td data-bbox="2258 659 2386 714">356</td> <td data-bbox="2386 659 2516 714">734</td> <td data-bbox="2516 659 2635 714">734</td> <td data-bbox="2635 659 2754 714">1,504</td> <td data-bbox="2754 659 2873 714">4,109</td> </tr> <tr> <td data-bbox="1795 735 2139 789">Rate of new employees' hire</td> <td data-bbox="2139 735 2258 789">5.0%</td> <td data-bbox="2258 735 2386 789">8.8%</td> <td data-bbox="2386 735 2516 789">13.6%</td> <td data-bbox="2516 735 2635 789">12.0%</td> <td data-bbox="2635 735 2754 789">15.5%</td> <td data-bbox="2754 735 2873 789">10.1%</td> </tr> <tr> <td data-bbox="1795 810 2139 865">Total employee turnover</td> <td data-bbox="2139 810 2258 865">1,369</td> <td data-bbox="2258 810 2386 865">983</td> <td data-bbox="2386 810 2516 865">475</td> <td data-bbox="2516 810 2635 865">1,014</td> <td data-bbox="2635 810 2754 865">1,261</td> <td data-bbox="2754 810 2873 865">5,102</td> </tr> <tr> <td data-bbox="1795 886 2139 940">Employee turnover rate</td> <td data-bbox="2139 886 2258 940">8.8%</td> <td data-bbox="2258 886 2386 940">24.4%</td> <td data-bbox="2386 886 2516 940">8.8%</td> <td data-bbox="2516 886 2635 940">16.6%</td> <td data-bbox="2635 886 2754 940">13.0%</td> <td data-bbox="2754 886 2873 940">12.5%</td> </tr> </tbody> </table> <p data-bbox="1795 961 2297 995">* Commonwealth of Independent States</p>							New employees' hire and turnover by region	Japan	South and West Europe	North and Central Europe	CIS+*	Other	Total	Total number of new employees	781	356	734	734	1,504	4,109	Rate of new employees' hire	5.0%	8.8%	13.6%	12.0%	15.5%	10.1%	Total employee turnover	1,369	983	475	1,014	1,261	5,102	Employee turnover rate	8.8%	24.4%	8.8%	16.6%	13.0%	12.5%		
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	<p data-bbox="477 1052 1279 1136"><b>G4-LA2</b> – Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation</p>	<p data-bbox="1332 1052 1751 1136"><b><u>Our people</u></b> <b><u>– Employee development and talent management</u></b></p> <p data-bbox="1332 1178 1484 1211"><b><u>GRI Index</u></b></p> <p data-bbox="1332 1253 1596 1287"><b><u>Basis of Reporting</u></b></p>	<p data-bbox="1795 1052 2813 1171">As of the end of 2016 significant locations include our JT head office in Tokyo, Japan, and our international tobacco business head office in Geneva, Switzerland. Our international tobacco business, for instance, positions compensation levels in the 75th percentile against companies with which we compete for talent.</p> <p data-bbox="1795 1226 2139 1255"><b>JT head office in Tokyo</b></p> <table border="1"> <thead> <tr> <th data-bbox="1795 1276 2036 1331" rowspan="2">Benefits</th> <th data-bbox="2036 1276 2228 1331" rowspan="2">Permanent employees</th> <th colspan="2" data-bbox="2228 1276 2674 1306">Temporary full-time employees</th> <th data-bbox="2674 1276 2873 1331" rowspan="2">Temporary part-time employees</th> </tr> <tr> <th data-bbox="2228 1331 2469 1386">Commissioned personnel</th> <th data-bbox="2469 1331 2674 1386">Contract employees*</th> </tr> </thead> <tbody> <tr> <td data-bbox="1795 1415 2036 1512">Bereaved family compensation program</td> <td data-bbox="2036 1415 2228 1512">Y</td> <td data-bbox="2228 1415 2469 1512"></td> <td data-bbox="2469 1415 2674 1512"></td> <td data-bbox="2674 1415 2873 1512"></td> </tr> <tr> <td data-bbox="1795 1524 2036 1579">Regular health examination</td> <td data-bbox="2036 1524 2228 1579">Y</td> <td data-bbox="2228 1524 2469 1579">Y</td> <td data-bbox="2469 1524 2674 1579">Y</td> <td data-bbox="2674 1524 2873 1579">Y</td> </tr> <tr> <td data-bbox="1795 1600 2036 1654">Medical leave system</td> <td data-bbox="2036 1600 2228 1654">Y</td> <td data-bbox="2228 1600 2469 1654">Y</td> <td data-bbox="2469 1600 2674 1654"></td> <td data-bbox="2674 1600 2873 1654"></td> </tr> <tr> <td data-bbox="1795 1675 2036 1730">Parental leave</td> <td data-bbox="2036 1675 2228 1730">Y</td> <td data-bbox="2228 1675 2469 1730">Y</td> <td data-bbox="2469 1675 2674 1730">Y</td> <td data-bbox="2674 1675 2873 1730">Y</td> </tr> <tr> <td data-bbox="1795 1751 2036 1785">Retirement</td> <td data-bbox="2036 1751 2228 1785">Y</td> <td data-bbox="2228 1751 2469 1785"></td> <td data-bbox="2469 1751 2674 1785"></td> <td data-bbox="2674 1751 2873 1785"></td> </tr> <tr> <td data-bbox="1795 1806 2036 1839">Stock ownership</td> <td data-bbox="2036 1806 2228 1839">Y</td> <td data-bbox="2228 1806 2469 1839"></td> <td data-bbox="2469 1806 2674 1839"></td> <td data-bbox="2674 1806 2873 1839"></td> </tr> </tbody> </table>							Benefits	Permanent employees	Temporary full-time employees		Temporary part-time employees	Commissioned personnel	Contract employees*	Bereaved family compensation program	Y				Regular health examination	Y	Y	Y	Y	Medical leave system	Y	Y			Parental leave	Y	Y	Y	Y	Retirement	Y				Stock ownership	Y			
Benefits	Permanent employees	Temporary full-time employees		Temporary part-time employees																																										
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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION																															
Employment			<p><b>International tobacco business head office in Geneva</b></p> <table border="1"> <thead> <tr> <th data-bbox="1792 573 2220 678">Benefits</th> <th data-bbox="2220 573 2410 678">Permanent employees</th> <th data-bbox="2410 573 2653 678">Temporary full-time employees</th> <th data-bbox="2653 573 2852 678">Temporary part-time employees</th> </tr> </thead> <tbody> <tr> <td data-bbox="1792 678 2220 730">Life insurance</td> <td data-bbox="2220 678 2410 730">Y</td> <td data-bbox="2410 678 2653 730">Y</td> <td data-bbox="2653 678 2852 730">Y (Prorated)</td> </tr> <tr> <td data-bbox="1792 730 2220 783">Health care</td> <td data-bbox="2220 730 2410 783">Y</td> <td data-bbox="2410 730 2653 783">Y</td> <td data-bbox="2653 730 2852 783">Y (Prorated)</td> </tr> <tr> <td data-bbox="1792 783 2220 867">Disability and invalidity coverage</td> <td data-bbox="2220 783 2410 867">Y</td> <td data-bbox="2410 783 2653 867">Y</td> <td data-bbox="2653 783 2852 867">Y (Prorated)</td> </tr> <tr> <td data-bbox="1792 867 2220 919">Parental leave</td> <td data-bbox="2220 867 2410 919">Y</td> <td data-bbox="2410 867 2653 919">Y</td> <td data-bbox="2653 867 2852 919">Y (Prorated)</td> </tr> <tr> <td data-bbox="1792 919 2220 972">Retirement provision</td> <td data-bbox="2220 919 2410 972">Y</td> <td data-bbox="2410 919 2653 972">Y</td> <td data-bbox="2653 919 2852 972">Y (Prorated)</td> </tr> <tr> <td data-bbox="1792 972 2220 1035">Stock ownership</td> <td data-bbox="2220 972 2410 1035">Y</td> <td data-bbox="2410 972 2653 1035"></td> <td data-bbox="2653 972 2852 1035"></td> </tr> </tbody> </table> <p>* Contract employees may be given benefits if they are exempt from Company regulations.</p>				Benefits	Permanent employees	Temporary full-time employees	Temporary part-time employees	Life insurance	Y	Y	Y (Prorated)	Health care	Y	Y	Y (Prorated)	Disability and invalidity coverage	Y	Y	Y (Prorated)	Parental leave	Y	Y	Y (Prorated)	Retirement provision	Y	Y	Y (Prorated)	Stock ownership	Y		
Benefits	Permanent employees	Temporary full-time employees	Temporary part-time employees																															
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Parental leave	Y	Y	Y (Prorated)																															
Retirement provision	Y	Y	Y (Prorated)																															
Stock ownership	Y																																	
Labor/management relations	<p><b>DMA</b></p> <p><b>G4-LA4</b> – Minimum notice periods regarding operational changes, including whether these are specified in collective agreements</p>	<p><b><u>Our people</u></b> <b>– <u>Being a responsible employer</u></b></p> <p><b><u>About this report</u></b></p> <p><b><u>GRI Index</u></b></p> <p><b><u>Basis of Reporting</u></b></p>	<table border="1"> <thead> <tr> <th data-bbox="1792 1297 2080 1570">Minimum notice periods regarding operational changes</th> <th data-bbox="2080 1297 2332 1570">Number of months between the announcement and the time the first employee leaves the factory because of the closure</th> <th data-bbox="2332 1297 2594 1570">Number of months between the announcement and the final closure</th> <th data-bbox="2594 1297 2852 1570">Is the minimum notice period for consultation and negotiation specified in collective agreements?</th> </tr> </thead> <tbody> <tr> <td data-bbox="1792 1570 2080 1623">Wervik, Belgium</td> <td data-bbox="2080 1570 2332 1623">33 months</td> <td data-bbox="2332 1570 2594 1623">39 months</td> <td data-bbox="2594 1570 2852 1623">No</td> </tr> <tr> <td data-bbox="1792 1623 2080 1707">Lisnafillan, Northern Ireland</td> <td data-bbox="2080 1623 2332 1707">20 months</td> <td data-bbox="2332 1623 2594 1707">32 months</td> <td data-bbox="2594 1623 2852 1707">No</td> </tr> </tbody> </table>	Minimum notice periods regarding operational changes	Number of months between the announcement and the time the first employee leaves the factory because of the closure	Number of months between the announcement and the final closure	Is the minimum notice period for consultation and negotiation specified in collective agreements?	Wervik, Belgium	33 months	39 months	No	Lisnafillan, Northern Ireland	20 months	32 months	No																			
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Wervik, Belgium	33 months	39 months	No																															
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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION													
Occupational health and safety	DMA	<u>Our people</u> – <u>Workplace health and safety</u>														
	<b>G4-LA6</b> – 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	<u>Our people</u> – <u>Workplace health and safety</u>  <u>GRI Index</u>  <u>Basis of Reporting</u>	We report lost-time incidents (LTIs) instead of lost-day rate due to the format the data is collected in our management systems.  Absenteeism is only recorded in the finished goods manufacturing sites and tobacco processing facilities in our international tobacco business, which covers approximately 9,000 employees, and in 2016 was reported as 2.09, against a target of 2.16. In 2015 this figure was 2.51.  In JT, absenteeism in 2016 was reported as 0.55. We anticipate that data for Japanese domestic Group companies will be available in future years.													
Training and education	DMA	<u>Our people</u> – <u>Employee development and talent management</u>														
	<b>G4-LA10</b> – Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<u>Our people</u> – <u>Employee development and talent management</u>  <u>Basis of Reporting</u>														
	<b>G4-LA11</b> – Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<u>Our people</u> – <u>Employee development and talent management</u>  <u>GRI Index</u>  <u>Basis of Reporting</u>	<table border="1"> <thead> <tr> <th>Percentage of employees receiving regular performance and career development reviews by gender (*D)</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>76.8%</td> </tr> <tr> <td>Female</td> <td>80.6%</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Percentage of employees receiving regular performance and career development reviews by employee category (*D)</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Executive Officers</td> <td>100%</td> </tr> <tr> <td>Management (excluding Executive Officers)</td> <td>97.6%</td> </tr> <tr> <td>Employees (excluding management)</td> <td>76.3%</td> </tr> </tbody> </table> <p>We have reported on the 2015 performance appraisal data because the information for 2016 is currently being analyzed. We expect to report on this in 2017. Please refer to G4-22 for further details. In 2017 we will provide data for Japanese domestic Group companies.</p>	Percentage of employees receiving regular performance and career development reviews by gender (*D)	2015	Male	76.8%	Female	80.6%	Percentage of employees receiving regular performance and career development reviews by employee category (*D)	2015	Executive Officers	100%	Management (excluding Executive Officers)	97.6%	Employees (excluding management)
Percentage of employees receiving regular performance and career development reviews by gender (*D)	2015															
Male	76.8%															
Female	80.6%															
Percentage of employees receiving regular performance and career development reviews by employee category (*D)	2015															
Executive Officers	100%															
Management (excluding Executive Officers)	97.6%															
Employees (excluding management)	76.3%															





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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION			
Diversity and equal opportunity	DMA	<u>Our people</u> – <u>Diversity in the workplace</u>				
	<b>G4-LA12</b> – Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<u>Our people</u> – <u>Diversity in the workplace</u>  <b>GRI Index</b>  <b>Basis of Reporting</b>	<b>Breakdown of employees by gender and age group</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
			Under 30	2,410	4,518	6,928
			30–50	7,187	19,069	26,256
			Over 50	1,448	5,970	7,418
Equal remuneration for women and men	DMA	<u>Our people</u> – <u>Being a responsible employer</u>				
	<b>G4-LA13</b> – Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	<u>Our people</u> – <u>Being a responsible employer</u>  <b>GRI Index</b>  <b>Basis of Reporting</b>	<b>Significant operations</b>	<b>Employee category</b>	<b>Ratio of annual base salary of women to men in 2016</b>	
			JTI Geneva HQ	Vice President	97.9%	
				Director	98.6%	
				Manager	92.4%	
				Associate	104.1%	
			JT Tokyo HQ	Executive Officer	93.2%	
				Management	96.7%	
				Employee	100.0%	



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
Supplier assessment for labor practices	DMA	<u><a href="#">Our tobacco business – Supply chain management</a></u>	
	G4-LA14 – Percentage of new suppliers that were screened using labor practices criteria	<u><a href="#">Our tobacco business – Supply chain management</a></u>  <u><a href="#">Our tobacco business – Improving social and labor conditions</a></u>  <u><a href="#">GRI Index</a></u>	Through our ALP program and the new supplier life cycle management system under development, we are working toward being able to report the percentage of new suppliers screened using labor practices criteria in following years. In Japan, we are implementing an ALP pilot study from 2017.
	G4-LA15 – Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	<u><a href="#">Our tobacco business – Supply chain management</a></u>  <u><a href="#">Our tobacco business – Improving social and labor conditions</a></u>  <u><a href="#">GRI Index</a></u>	Through our ALP program and the new supplier life cycle management system under development, we are working toward being able to report the significant actual and potential negative impacts for labor practices in the supply chain and actions taken in following years. In Japan, we are implementing an ALP pilot study from 2017.
Labor practices grievance mechanisms	DMA	<u><a href="#">Our way of doing business – Reporting concerns</a></u>	
	G4-LA16 – Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	<u><a href="#">Our way of doing business – Reporting concerns</a></u>  <u><a href="#">GRI Index</a></u>  <u><a href="#">Basis of Reporting</a></u>	In 2016, 111 grievances about labor practices (excluding human rights) were filed, all of which were addressed. 98 grievances were resolved through formal grievance mechanisms.
<b>HUMAN RIGHTS</b>			
Investment	DMA	<u><a href="#">Respecting human rights – Due diligence process</a></u>	
	G4-HR1 – Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	<u><a href="#">Respecting human rights – Due diligence process</a></u>  <u><a href="#">Our tobacco business – Supply chain management</a></u>  <u><a href="#">GRI Index</a></u>	In our international tobacco business, our business development projects are routinely subject to compliance due diligence, including certain human rights compliance aspects. We are currently unable to report on the number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening. However, we are working toward being able to report on this in the future.





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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
Non-discrimination	DMA	<p><u><a href="#">Our way of doing business – Reporting concerns</a></u></p> <p><u><a href="#">Our people – Being a responsible employer</a></u></p>	
	<p><b>G4-HR3</b> – Total number of incidents of discrimination and corrective actions taken</p>	<p><u><a href="#">Our way of doing business – Reporting concerns</a></u></p> <p><u><a href="#">Our people – Being a responsible employer</a></u></p> <p><u><a href="#">GRI Index</a></u></p> <p><u><a href="#">Basis of Reporting</a></u></p>	<p>In 2016 there was one alleged case of workplace discrimination, and the appropriate corrective actions were taken.</p>
Freedom of association and collective bargaining	DMA	<p><u><a href="#">Respecting human rights – Due diligence process</a></u></p> <p><u><a href="#">Respecting human rights – Launching a human rights policy</a></u></p>	
	<p><b>G4-HR4</b> – Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights</p>	<p><u><a href="#">Respecting human rights – Due diligence process</a></u></p> <p><u><a href="#">Respecting human rights – Launching a human rights policy</a></u></p> <p><u><a href="#">Our tobacco business – Supply chain management</a></u></p> <p><u><a href="#">GRI Index</a></u></p>	<p>The right to exercise freedom of association and collective bargaining is at significant risk in a number of countries where we directly or indirectly source tobacco leaf. We assess and mitigate those risks through our ALP.</p>



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
<b>Child labor</b>	<b>DMA</b>	<u><a href="#">Respecting human rights – Due diligence process</a></u>  <u><a href="#">Our tobacco business – Our tobacco leaf supply chain</a></u>	
	<b>G4-HR5</b> – Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	<u><a href="#">Respecting human rights – Due diligence process</a></u>  <u><a href="#">Respecting human rights – Launching a human rights policy</a></u>  <u><a href="#">Our tobacco business – Our tobacco leaf supply chain</a></u>  <u><a href="#">GRI Index</a></u>	Operations and suppliers identified as having significant risk for incidents of child labor have been identified in a number of countries where we directly or indirectly source tobacco leaf. We assess and mitigate those risks in our leaf supply chain through our ALP and subsequently programs such as GSP, ARISE, and Good Agricultural Practices, communication and training, and the ECLT Foundation. In Japan, we are implementing an ALP pilot study from 2017.
<b>Forced or compulsory labor</b>	<b>DMA</b>	<u><a href="#">Respecting human rights – Due diligence process</a></u>  <u><a href="#">Respecting human rights – Launching a human rights policy</a></u>	
	<b>G4-HR6</b> – Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	<u><a href="#">Respecting human rights – Due diligence process</a></u>  <u><a href="#">Respecting human rights – Launching a human rights policy</a></u>  <u><a href="#">Our tobacco business – Supply chain management</a></u>  <u><a href="#">GRI Index</a></u>	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor have been identified in a number of countries where we directly or indirectly source tobacco leaf. We assess and mitigate those risks through our ALP in our leaf supply chain. In Japan, we are implementing an ALP pilot study from 2017.



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
Assessment	DMA	<u>Respecting human rights</u> – <u>Due diligence process</u>  <u>Respecting human rights</u> – <u>Launching a human rights policy</u>	
	<b>G4-HR9</b> – Total number and percentage of operations that have been subject to human rights reviews or impact assessments	<u>Respecting human rights</u> – <u>Due diligence process</u>  <u>Respecting human rights</u> – <u>Launching a human rights policy</u>  <u>Our tobacco business</u> – <u>Supply chain management</u>  <u>GRI Index</u>	Through the new supplier life cycle management system under development, we are working toward being able to report the number of operations subject to human rights reviews in following years.
Supplier human rights assessment	DMA	<u>Respecting human rights</u> – <u>Due diligence process</u>  <u>Respecting human rights</u> – <u>Launching a human rights policy</u>	
	<b>G4-HR10</b> – Percentage of new suppliers that were screened using human rights criteria	<u>Respecting human rights</u> – <u>Due diligence process</u>  <u>Respecting human rights</u> – <u>Launching a human rights policy</u>  <u>Our tobacco business</u> – <u>Supply chain management</u>  <u>GRI Index</u>	Through our ALP program and the new supplier life cycle management system under development, we are working toward being able to report the percentage of new suppliers screened using human rights criteria in following years. In Japan, we are implementing an ALP pilot study from 2017.
	<b>G4-HR11</b> – Significant actual and potential negative human rights impacts in the supply chain and actions taken	<u>Respecting human rights</u> – <u>Due diligence process</u>  <u>Respecting human rights</u> – <u>Launching a human rights policy</u>  <u>Our tobacco business</u> – <u>Supply chain management</u>	

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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION														
Human rights grievance mechanisms	DMA	<u>Respecting human rights – Training</u>															
	G4-HR12 – Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	<u>Respecting human rights – Training</u>  <u>Our way of doing business – Reporting concerns</u>  <u>GRI Index</u>  <u>Basis of Reporting</u>	In 2016, 87 grievances about human rights impacts were filed, all of which were addressed. 77 grievances were resolved through formal grievance mechanisms.														
<b>SOCIETY</b>																	
Local communities	DMA	<u>Our contributions to society – Our approach</u>  <u>Our tobacco business – Improving social and labor conditions</u>  <u>Our tobacco business – Improving environmental conditions</u>															
	G4-SO1 – Percentage of operations with implemented local community engagement, impact assessments, and development programs	<u>Our contributions to society</u>  <u>Our tobacco business – Improving social and labor conditions</u>  <u>Our tobacco business – Improving environmental conditions</u>  <u>GRI Index</u>  <u>Basis of Reporting</u>	<p><b>Corporate community investment programs</b> We have corporate community investment projects implemented in 87% of the countries where we operate. There are 62 countries in which we have corporate community investment projects.</p> <p><b>ARISE and Grower Support Programs (GSPs)</b> In addition to our corporate community investment programs, we also have ARISE and GSPs in Brazil, Malawi, Tanzania, and Zambia in 2016, covering 57.1% of the markets where we produce tobacco.</p> <table border="1" data-bbox="1795 1701 2864 1984"> <thead> <tr> <th>Markets</th> <th>Number of GSPs</th> <th>ARISE</th> </tr> </thead> <tbody> <tr> <td>Brazil</td> <td>9</td> <td>Y</td> </tr> <tr> <td>Malawi</td> <td>104</td> <td>Y</td> </tr> <tr> <td>Zambia</td> <td>75</td> <td>Y</td> </tr> <tr> <td>Tanzania</td> <td>15</td> <td>Y</td> </tr> </tbody> </table>	Markets	Number of GSPs	ARISE	Brazil	9	Y	Malawi	104	Y	Zambia	75	Y	Tanzania	15
Markets	Number of GSPs	ARISE															
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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
Anti-corruption	DMA	<a href="#">Our way of doing business – Living our Codes of Conduct</a>	
	<b>G4-SO4</b> – Communication and training on anti-corruption policies and procedures	<a href="#">Our way of doing business – Living our Codes of Conduct</a>  <a href="#">Our way of doing business – Anti-bribery and corruption</a>  <a href="#">GRI Index</a>  <a href="#">Basis of Reporting</a>	Our anti-bribery and corruption policies and procedures, including on gifts, hospitality, and entertainment, are outlined in our Codes of Conduct, which we communicate to all employees. Mandatory training on our Codes of Conduct is provided to all our employees. We also require all business partners in our international tobacco business to act in accordance with our Supplier Standards. Further details on training are included in our Sustainability Report.
Public policy	DMA	<a href="#">Our way of doing business – Our tax practices</a>	
	<b>G4-SO6</b> – Total value of political contributions by country and recipient/beneficiary	<a href="#">GRI Index</a>	In compliance with Political Funds Control Laws in Japan, JT refrains from making political contributions. None of JT’s subsidiaries made political contributions in any jurisdiction in 2016 except a non-tobacco subsidiary in Japan, which made a political contribution that amounted to low-single-digit million Yen, at its own discretion, in compliance with all relevant Japanese laws.
Anti-competitive behavior	DMA	<a href="#">Our way of doing business – Anti-competitive behavior</a>	
	<b>G4-SO7</b> – Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	<a href="#">Our way of doing business – Anti-competitive behavior</a>  <a href="#">GRI Index</a>	In 2016 there were no legal actions (court judgments or arbitration awards) for anti-competitive behavior, anti-trust, and monopoly practices in our international tobacco business. We are currently unable to report on this indicator for the entire JT Group. However, we are working toward being able to report this in the future.
Compliance	DMA	<a href="#">Our way of doing business – Living our Codes of Conduct</a>	
	<b>G4-SO8</b> – Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations [related to accounting fraud, workplace discrimination, or corruption]	<a href="#">GRI Index</a>	During 2016 there were no significant monetary fines or non-monetary sanctions for non-compliance with laws and regulations (related to accounting fraud, workplace discrimination, or corruption) in our international tobacco business. We are currently unable to report on this indicator for the entire JT Group. However, we are working toward being able to report this in the future.
Supplier assessment for impacts on society	DMA	<a href="#">Our tobacco business – Supply chain management</a>  <a href="#">Our tobacco business – Improving social and labor conditions</a>	



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
<b>Supplier assessment for impacts on society</b>	<b>G4-SO9</b> – Percentage of new suppliers that were screened using criteria for impacts on society	<u><b>Our tobacco business – Supply chain management</b></u>  <u><b>Our tobacco business – Improving social and labor conditions</b></u>  <b>GRI Index</b>	Through the new supplier life cycle management system under development, we are working toward being able to report the percentage of new suppliers screened using criteria for impacts on society in following years.
	<b>SO10</b> – Significant actual and potential negative impacts on society in the supply chain and actions taken	<u><b>Our tobacco business – Supply chain management</b></u>  <u><b>Our tobacco business – Improving social conditions</b></u>  <b>GRI Index</b>	Through the new supplier life cycle management system under development, we are working toward being able to report the significant actual and potential negative impacts on society in the supply chain and actions taken in following years.
<b>Grievance mechanisms for impacts on society</b>	<b>DMA</b>	<u><b>Our way of doing business – Reporting concerns</b></u>	
	<b>G4-SO11</b> – Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	<u><b>Our way of doing business – Reporting concerns</b></u>  <b>Basis of Reporting</b>	
<b>PRODUCT RESPONSIBILITY</b>			
<b>Customer health and safety</b>	<b>DMA</b>	<u><b>Our tobacco business – Smoking and health</b></u>  <u><b>Our pharmaceutical business – Overview</b></u>  <u><b>Our processed food business – Delivering safe, high-quality products</b></u>	





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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION									
<b>Customer health and safety</b>	<b>G4-PR1</b> – Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<p><u><a href="#">Our tobacco business – Smoking and health</a></u></p> <p><u><a href="#">Our pharmaceutical business – Overview</a></u></p> <p><u><a href="#">Our processed food business – Delivering safe, high-quality products</a></u></p> <p><u><a href="#">GRI Index</a></u></p>	<b>Percentage of products for which health and safety impacts are assessed for improvement</b>	<table border="1"> <thead> <tr> <th data-bbox="2151 478 2398 619">Traditional tobacco products</th> <th data-bbox="2398 478 2585 619">Processed food business</th> <th data-bbox="2585 478 2867 619">Pharmaceuticals</th> </tr> </thead> <tbody> <tr> <td data-bbox="2151 619 2398 703">100%</td> <td data-bbox="2398 619 2585 703">100%</td> <td data-bbox="2585 619 2867 703">100%</td> </tr> </tbody> </table>	Traditional tobacco products	Processed food business	Pharmaceuticals	100%	100%	100%		
	Traditional tobacco products	Processed food business	Pharmaceuticals									
100%	100%	100%										
<b>G4-PR2</b> – 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	<p><u><a href="#">GRI Index</a></u></p>	<p>Emerging products are a new product category to our business and are not included in the table above.</p> <p>During 2016 there were no incidents of non-compliance with regulations concerning the health and safety impacts of products and services during their life cycle that resulted in a significant fine, penalty, or warning in our international tobacco business. We are currently unable to report on the total number of incidents of non-compliance with voluntary codes concerning the health and safety impacts of products and services during their life cycle. However, we are looking into a way in which we can report this in the future.</p>										
<b>Product and service labeling</b>	<b>DMA</b>	<p><u><a href="#">Our tobacco business – Responsible marketing</a></u></p> <p><u><a href="#">Our pharmaceutical business – Responsible marketing</a></u></p> <p><u><a href="#">Our processed food business – Food communication</a></u></p>										
	<b>G4-PR4</b> – Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	<p><u><a href="#">GRI Index</a></u></p>	<p>During 2016 there were no incidents of non-compliance with regulations concerning product and service information and labeling that resulted in a significant fine, penalty, or warning in our international tobacco business. We are currently unable to report on the total number of incidents of non-compliance with voluntary codes concerning product and service information and labeling. However, we are looking into a way in which we can report this in the future.</p>									
	<b>G4-FP5</b> – Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	<p><u><a href="#">Our processed food business – Food safety</a></u></p>										



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# SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECT	DISCLOSURES ON MANAGEMENT APPROACH (DMA) AND INDICATOR	LOCATION	OMISSIONS AND ADDITIONAL INFORMATION
Marketing communications	DMA	<p><u><a href="#">Our tobacco business – Responsible marketing</a></u></p> <p><u><a href="#">Our pharmaceutical business – Responsible marketing</a></u></p>	
	G4-PR6 – Sale of banned or disputed products	GRI Index	In 2016, in our international tobacco business, the sales and/or imports of e-cigarettes were banned in more than 20 countries, flavored products were restricted in more than 30 countries, snus was banned in more than 40 countries, and waterpipe tobacco was banned in more than five countries – all of which are part of our product portfolio. The JT Group fully complies with these bans.
	G4-PR7 – Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	GRI Index	During 2016 there were no incidents of non-compliance with regulations concerning marketing communications, including advertising, promotion, and sponsorship, that resulted in a significant fine, penalty, or warning in our international tobacco business. We are currently unable to report on the total number of incidents of non-compliance with voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship. However, we are looking into a way in which we can report this in the future.
Compliance	DMA	<p><u><a href="#">Our way of doing business – Living our Codes of Conduct</a></u></p> <p><u><a href="#">Our tobacco business – Responsible marketing</a></u></p>	
	G4-PR9 – Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	GRI Index	In 2016 we did not receive any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services in our international tobacco business. We are currently unable to report on this indicator for the entire JT Group. However, we are working toward being able to report this in the future.