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02 How we do business

Our Codes of Conduct underpin how we do business across the JT Group. They outline our individual and collective responsibility to key stakeholder groups and to wider society. All operations are required to comply with the high standards of business integrity laid down in the Codes. These include preventing bribery and corruption, avoiding discrimination, respecting human rights, environmental protection, data privacy, and fair competition.

We establish systems and checks to ensure compliance, and all employees are required to abide by their respective Code. Employees are trained on the requirements of the Code and are provided with mechanisms to report concerns about potential breaches or violations.

Code of Conduct

The JT Group Code of Conduct outlines our responsibilities towards consumers, business partners, shareholders, employees, and society. Our international tobacco business and pharmaceuticals subsidiary have their own Codes of Conduct, which are based on the JT Group Code but also reflect their individual operating circumstances.

Our Codes of Conduct outline our legal and ethical obligations and describe practices and procedures that must be followed to meet these obligations. The standards set within our Codes of Conduct form an integral part of how we manufacture, sell, and market our products and are supported by our policies, procedures, and operating guidelines. The consequences of violating laws and ethical principles can be severe, including large fines or criminal penalties, loss of business, and damage to our reputation. Our Codes of Conduct work to protect our business from actions that might lead to these consequences.

Our Codes of Conduct are regularly updated. The JT Group Code of Conduct is updated in line with changes to relevant laws and regulations, and the most recent update was in 2012. In our international tobacco business, we update the Code of Conduct every three years. The most recent revision was in 2011 and the next update will be in 2014.

All employees and executives are required to adhere to their relevant Code of Conduct, and in our international tobacco business we also require all commercial partners to act in accordance with our standards. Every employee across the JT Group¹ receives a copy of the relevant Code of Conduct when they join the Company or when there is an update to the Code. Each employee is required to submit an acknowledgement that they have received the Code. Please see www.jt.com and www.jti.com for full details of the Group Code and international tobacco business Code, respectively.

¹excluding Torii Pharmaceutical

“Our Codes of Conduct are vital to our success and are critical documents that support our compliance and ethics programs. Our Codes reflect the JT Group’s values and responsibilities to consumers, business partners, shareholders, employees and society; and they indicate the behavior that every one of us should follow.”

Ryoji Chijiwa

Senior Executive Vice President, Compliance and General Affairs,
Japan Tobacco Inc.

Code of Conduct training

We provide online, face-to-face, and on-the-job training to raise awareness of our Codes of Conduct and embed ethical behavior across our business practices. For employees required to adhere to the JT Group Code of Conduct, we expanded the scope of our online training in 2013 and 98.9% of eligible employees participated in compliance training during the year ^{†C}.

In our international tobacco business, employees are required to complete an online or face-to-face training session once every three years. The last session of Code of Conduct training was delivered to 22,365 employees around the world in 18 languages.



98.9%

of employees participated in compliance training during the year ^{†C}

Compliance

In our Japanese domestic tobacco, pharmaceutical, and beverage and processed food businesses, every division is required to assess their compliance risks and submit plans to address any risks identified. A compliance survey is carried out each year, and the results of the survey feed into each division's plans for addressing compliance risks. Approximately 28,500 employees² responded to the 2013 compliance survey, representing a response rate of 95.5%. Each division² is also required to hold a compliance meeting at least once a year. The meetings raise awareness of compliance issues and risks and allow risk management plans to be developed.

In our international tobacco business, we launched a second global compliance survey in 2014 to evaluate employees' perception of the culture of compliance within the business and whether we operate in line with the Code of Conduct.

² excluding Torii Pharmaceutical



2013

Total cases reported to Compliance ^{TA}

375

Anti-competitive behavior

Competition laws and the issue of fair competition are covered by our Codes of Conduct. Our employees are prohibited from discussing business operations with competitors. This includes, but is not limited to, pricing, terms and conditions of sales or purchases, customers, suppliers, markets, or any other sensitive or confidential commercial information.

In our international tobacco business, for example, if an employee is engaged in a conversation or meeting with a competitor and sensitive or inappropriate commercial information is discussed, they are instructed to end the conversation, express their disagreement with discussing such topics, leave the meeting immediately, and report the matter to a Legal department representative.

“The response rate of 86% for the 2014 Compliance survey exceeded expectations and benchmarks of other high performance companies. This response represents almost 20,000 employees participating either online or in paper format.”

Bruno Duguay
Chief Compliance Officer, Japan Tobacco International

Reporting concerns

Across the JT Group, each of our operating companies has its own compliance team. If an employee is concerned about a potential violation of our Codes of Conduct, they can contact their line manager, human resources lead, or a member of the compliance team. All employees in Japan² receive a Reporting Concerns booklet explaining the process. In Japan, we also provide an external reporting concerns service, run by an independent provider. All reported concerns and investigation reports are treated on a strictly confidential basis.

In our international tobacco business, our Reporting Concerns Mechanism (RCM) is a confidential channel for employees to raise concerns. The system uses a network of more than 200 RCM contact people from around our global operations. RCM contact persons are trained to listen carefully to any employee reporting a concern, collect information in a consistent way, and protect the identity of the reporting employee and any employee suspected of misconduct. The Corporate Compliance function follows up on all reports and, where necessary, launches an investigation. If appropriate, corrective measures are taken. In the last five years, use of the RCM system has steadily increased, pointing to increasing confidence among our employees in the RCM process.

「コンプライアンスって何?」、「コンプライアンスは面白い!」と思いませんか? コンプラ KAWARA-BAN では、日々の中にある「コンプライアンス」を身近な事例を題材に紹介しています。ぜひ一読ください。

◎2014年 個人情報適切に管理していますか?

昨日、Bさんは食堂でCさんと一緒にいたので、所属は大丈夫なの?何か手伝えたいかと声をかけてきた。お昼に、多くの同僚がCさんの病気を聞いたことで噂が広がった。なぜBさんが病室のことを知っているのか、どこから伝わったのか。

Cさんの病気を心配したBさんは、周りの同僚にもCさんに配慮するよう声をかけた。お昼に、多くの同僚がCさんの病気を聞いたことで噂が広がった。なぜBさんが病室のことを知っているのか、どこから伝わったのか。

■ 事例から学べること

お客様の個人情報と同時に社員の個人情報についても、慎重かつ細心の注意を払って取り扱うことが必要です。

今回のケースでは、Aさんが個人情報を記録してある書類を机の上に放置したまま席を立ったことが原因で、Cさんの個人情報が社員の目に触れることになりました。Aさんは、業務上、社員の個人情報に接する立場であり、そのことを認識し、個人情報保護に配慮しなくてはなりません。

また、Cさんへ配慮する気持ちから行動したつもりかもしれませんが、Bさんの行動が、Cさんのプライバシーを侵害する可能性があります。

様々な人が働く職場では、一人ひとりが、お互いの個人情報・プライバシーを守り、最大限に尊重することが大切です。自分自身にとっては「大したことはない」「全然大丈夫」と思えることも、他の人にとっては深刻な問題に陥ることで、不信感や怒りを感じることがあるかもしれません。

お互いが相手の立場に立ち、周囲の人を傷つけないよう個人情報の取り扱い、プライバシーの保護には十分に注意しましょう。

■ 関連する主な行動規範

- 3-4 適切な文書・情報管理
- 4-3 プライバシーの保護・尊重
- 4-6 守秘義務

従業員がプライバシーに配慮し、個人情報の取り扱いには、十分に注意しましょう!

ある日、総務課のAさんは社員の個人情報や記録された書類を整理していた。整理の途中、机の隅から「さすく来て欲しい」と呼ばれたAさん。その書類を机の上に置いたまま机を離れた。

Aさん事務室で書類を片づけていたBさんは、Aさんが机を片づけて立ち去ると同時に、その机の上に個人に関する書類がひと目にとまった。置かれた書類の一通は、隣の部署にいるCさんに関する個人情報だった。Aさんが書類を片づけたとき、Bさんが〇〇病室にいており、現在治療中であることを知った。

Compliance news bulletin

Anti-bribery and corruption

With operations spanning the world, some of our business is conducted in jurisdictions with a high prevalence of bribery and corruption. Our Codes of Conduct forbid corrupt practices in any form. With its wide geographical spread, our international tobacco business faces the greatest exposure to corruption risk. To ensure our approach reflects the latest regulatory developments, such as the U.K. Bribery Act, we updated the anti-bribery and corruption requirements of JTI's Code of Conduct in 2011. This reinforced our zero tolerance approach to corruption in our operations. Employees are encouraged to report any concerns regarding bribery or corruption through our Reporting Concerns Mechanism (see page 22).

	2011	2012	2013
% of Reporting Concerns Mechanism claims relating to corruption ^{1E}	2.1%	3.4%	4.3%



02

How we do business

Training

In our international tobacco business, we train employees on anti-bribery and corruption through our Code of Conduct training. In 2013, we developed three training approaches specific to anti-bribery and corruption: online training for employees with a higher risk of exposure to bribery and

corruption; anti-corruption compliance workshops for regional and local management teams, and the leadership team of our manufacturing operations; and the inclusion of anti-corruption case studies within our online Code of Conduct training, which is provided to all international tobacco business employees.

Gifts, hospitality, and entertainment

Our international tobacco business also has a policy to comply with all laws on the exchange of gifts, hospitality, and entertainment (GHE), including with government officials. We do not encourage a culture of exchanging GHE as it could potentially breach local legislation and is a source of reputational risk. Under the policy, prior approval must be sought for all GHE exchanges with government and public officials regardless of value. In other cases, we take into account local circumstances and all GHE exchanges above US\$250 must be approved.

The purpose of GHE should be to promote healthy business relationships rather than seeking to gain a business or personal advantage or reward preferential treatment. In 2013, we updated our GHE policy as part of a wider review of our anti-corruption approach and launched a new GHE online training course, which was delivered to 1,090 relevant employees during the year.

To ensure complete transparency and provide a clear audit trail, we have a central system to log, approve, and report all requests for GHE. On a quarterly basis, our Corporate Compliance function analyzes GHE requests and reports to management the number and value of GHEs exchanged.

In 2013, the total number of GHE requests that were fully approved increased to 673 from 519 in 2012. The increase in GHE requests matches the increase in awareness across our business in line with communication, training, and management workshops delivered in the past two years. This will continue to be a strategic priority in order to minimize the possibility of corruption cases in our operations.