

BASIS OF REPORTING

Introduction

This Basis of Reporting document outlines the scope, and the way we define, calculate, and consolidate, notably for the business divisions of Compliance, Human Resources(HR), Workplace Health and Safety, Environment, and Community Investment. We aim to update the Basis of Reporting document each year, and to expand the list of data in the future.

Key

DEFINITIONS

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

SCOPE

This section states the scope of the data (correct for the business structure of the JT Group as of December 31, 2018) and any exclusions, if applicable. We report data for the entire JT Group, including subsidiaries, wherever possible. In the middle of 2015, the JT Group withdrew from the beverage business. As a result, we excluded this business from historic reported data from 2015, or stated otherwise where that was not possible or appropriate. We use the following scope notations:

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

ASSURANCE

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

- *A The entire JT Group, including subsidiaries: our international tobacco, Japanese domestic tobacco, pharmaceutical, and processed food businesses
- *B Solely our Japanese domestic tobacco and pharmaceutical businesses: Japan Tobacco Inc. (JT)
(excludes our international tobacco business, processed food business, and subsidiaries of all businesses)
- *C Our Japanese operations, including subsidiaries of Japanese domestic businesses: Japan Tobacco Inc. (JT) and Japanese domestic Group companies (excludes our international tobacco business)
- *D Our Japanese domestic tobacco and pharmaceutical businesses - Japan Tobacco Inc. (JT); and our international tobacco business - Japan Tobacco International (JTI)
- *E Solely our international tobacco business: Japan Tobacco International (JTI)

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

Compliance

NON-DISCRIMINATION

406-1

Total number of incidents of discrimination and corrective actions taken

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

Other data

NUMBER OF REPORTED CASES OF GRIEVANCES ABOUT HUMAN RIGHTS

DEFINITIONS

For JT and Japanese domestic Group companies, we include cases related to harassment*, and human relations. For our international tobacco business, we include cases related to child labor, harassment*, discrimination, physical threats and violence, and data privacy.

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

NUMBER OF REPORTED CASES OF FRAUD AND MISUSE OF COMPANY ASSETS

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

NUMBER OF REPORTED CASES OF GRIEVANCES ABOUT IMPACTS ON SOCIETY

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

NUMBER OF REPORTED CASES OF GRIEVANCES ABOUT LABOR PRACTICES

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

NUMBER OF GHE REQUESTS

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is collected and collated through our GHE application portal.

PERCENTAGE OF EMPLOYEES WHO RESPONDED TO COMPLIANCE SURVEY

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

PERCENTAGE OF ELIGIBLE EMPLOYEES WHO PARTICIPATED IN THE JT GROUP CODE OF CONDUCT TRAINING

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

Human resources

102-8

WORKFORCE INFORMATION

DEFINITIONS

Workforce consists of people working for the Company at the end of 2018 as follows:

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

SCOPE

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

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

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

102-9

PERCENTAGE OF TOTAL [ELIGIBLE] EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

DEFINITIONS

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

SCOPE

The scope of this data includes JT and Japanese domestic Group companies (*C), including 23 Group companies and excluding 33 Group companies. Data from our international tobacco business is excluded, because the law in some of the countries where we operate prohibits us from investigating whether an employee is unionized.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as of the end of 2018, using data held in our HR systems.

Economic

MARKET PRESENCE

202-1

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

DEFINITIONS

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

Standard entry-level wage is defined as the theoretical lowest wage in the location and is therefore equal to, or lower than, the actual lowest wage paid in the entity. Local minimum wage refers to compensation per hour or other unit of time for employment allowed under law. For Tokyo, we use the official minimum wage of the Tokyo metropolitan area.

For Moscow, we use the official minimum wage of Moscow City. For Trier, we use the official German minimum wage.

For Geneva, there is no official minimum wage. Therefore we can't calculate the ratio.

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

Labor practices and decent work

EMPLOYMENT

401-1

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

DEFINITIONS

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

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

SCOPE

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

The number and rate of turnover by age: JT and JTI (*D), and includes permanent full-time and part-time employees, and temporary full-time employees.

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

The number and rate of turnover by region: JT and JTI (*D), and includes permanent full-time and part-time employees, and temporary full-time employees.

The number and rate of new employee hires by age: JT and JTI (*D), and includes permanent full-time and part-time employees, and temporary full-time employees.

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

The number and rate of new employee hires by region: JT and JTI (*D), and includes permanent full-time and part-time employees, and temporary full-time employees.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

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

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

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

401-2

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

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

LABOR/MANAGEMENT RELATIONS

402-1

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

DEFINITIONS

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

SCOPE

We disclose significant operational changes that have substantial consequences for a large proportion of employees.

The reported information corresponds to closures or withdrawal from business publicly announced in 2018 or earlier, but which had not been completed yet during the reporting period.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

TRAINING AND EDUCATION

404-2

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

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

The examples of programs are included in our GRI index and the Report.

404-3

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

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of employees who received a performance and career development review in 2017 divided by the total number of employees at the end of 2017. New hires joining in Q4 2017 in our international tobacco business are excluded from the data, as they were not eligible for a 2017 performance review.

DIVERSITY AND EQUAL OPPORTUNITY

405-1

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

DEFINITIONS

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

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

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

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

EQUAL REMUNERATION FOR WOMEN AND MEN

405-2

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

DEFINITIONS

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

Unless specifically stated, the following definitions are used for employee categories for JT:

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

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

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

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

Other employee-related data

PERCENTAGE OF MANAGEMENT POSITIONS HELD BY WOMEN AT THE END OF THE YEAR

DEFINITIONS

In JT and Japanese domestic subsidiaries, an employee is categorized at a position of management if the employee is in a position of supervision or management, according to national legislation and practice, but is not an Executive Officer. In our international tobacco business, an employee is categorized at a position of management if the employee is Director level or Vice President level. However, the ratio of our international tobacco business doesn't include Vice President, as our target only includes directors, not Vice president.

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

PERCENTAGE OF MANAGEMENT POSITIONS HELD BY INTERNAL HIRES

DEFINITIONS

In JT and Japanese domestic subsidiaries, an employee is categorized at a position of management if the employee is in a position of supervision or management, according to national legislation and practice, but is not an Executive Officer.

We define internal hires as current employees who would be reassigned to a new position by promotion or internal transfer. In our international tobacco business, an employee is categorized at a position of management if the employee is Director level or above.

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the total number of management positions filled by internal hires in 2018, divided by the total number of management positions filled in 2018.

TOTAL NUMBER OF TALENT PARTNERSHIP PROGRAM EXCHANGES

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Data is calculated as the sum of the number of functional assignees and development assignees seconded between JT and JTI at the end of 2018.

Workplace Health and Safety

OVERVIEW OF WORKPLACE HEALTH AND SAFETY DATA

ASSURANCE

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

Labor practices and decent work

OCCUPATIONAL HEALTH AND SAFETY

403-2

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

DEFINITIONS

We define lost-time incidents (LTIs) as the sum of lost-time injuries, lost-time illnesses/occupational diseases.

Lost-time injury is a work-related injury that results in an individual being unable to work on a subsequent scheduled workday or shift. Lost-time illness/occupational disease is a work-related illness/occupational disease resulting in an individual being unable to work on a subsequent scheduled workday or shift.

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

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

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

In our Japanese domestic operations, health and safety data is reported to headquarters by individual functions and Group companies on an annual basis, while serious incidents are reported immediately. The number reported is based on the number of health and safety related events that were submitted to, and are recognized by,

relevant Japanese authority as such. In our international tobacco business, health and safety data is collected at individual sites and locations, and reported internally on an ongoing basis. Calculation is performed in the following manner:

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

Other data

VEHICLE ACCIDENTS AND VEHICLE ACCIDENT FREQUENCY RATE

DEFINITIONS

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

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

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

SCOPE

The scope of data covers:

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

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

PERCENTAGE OF CIGARETTE AND TOBACCO-RELATED FACTORIES CERTIFIED TO OHSAS 18001 SAFETY MANAGEMENT STANDARD

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

Environment

OVERVIEW OF ENVIRONMENTAL DATA

SCOPE

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

We restate our environmental data, in accordance with our recalculation policy, to take account of significant changes to our business, such as acquisitions, divestments etc. We do this so as to allow a fair comparison of environmental performance over time. We carried out such a recalculation exercise in 2018, hence data for years prior to 2018 have been restated.

ASSURANCE

We commissioned an independent body to provide assurance of Group-wide energy, and Scope 1 and Scope 2 greenhouse gas (GHG) emissions. We also commissioned them to provide assurance of certain categories of Scope 3 GHG emissions: namely, Category 1, purchased goods and services in our Japanese domestic tobacco business; Category 1, leaf-related emissions; and Category 6, business travel in our international tobacco business. In addition to GHG emissions data, our water withdrawal, wastewater discharged and waste generation (including each of the sub-categories, i.e. waste recycled, incinerated, with/without heat recovery, and land filled), have been externally assured. Within our international tobacco business, the proportion of renewable electricity was also verified.

Assurance was provided against ISO14064-3 for GHG emissions data and ISAE3000 for the other data.

Environmental

ENERGY

302-1 Energy consumption within the organization	305-3 Other indirect GHG emissions (Scope 3)
305-1 Direct GHG emissions (Scope 1)	305-4 GHG emissions intensity
305-2 Energy indirect GHG emissions (Scope 2)	305-5 Reduction of GHG emissions

DEFINITIONS

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

We report GHG emissions across three areas:

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

The reporting unit for energy consumption is terajoules, and for GHG emissions is 1,000 metric tons CO₂

equivalent. GHG emissions intensity is reported in metric tons CO₂ equivalent per million cigarettes equivalent, which covers Scope 1 and 2 GHG emissions of our Japanese domestic tobacco and international tobacco businesses only.

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

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

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

WATER AND EFFLUENTS

303-3

Total water withdrawal by source

303-4

Total water discharge by quality and destination

DEFINITIONS

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

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

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

WASTE

306-2

Total weight of waste by type and disposal method

DEFINITIONS

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

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

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

Other data

PERCENTAGE OF ISO 14001 CERTIFIED CIGARETTE AND TOBACCO-RELATED FACTORIES

SCOPE

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

Community investment

Society

LOCAL COMMUNITIES

GRI 413-1

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

DEFINITIONS

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

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

In 2018, we assessed impact of our community investment programs in 23 markets, and we are continuously improving our impact assessment methodology.

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

Economic

ECONOMIC PERFORMANCE

GRI 201-1

Direct economic value generated and distributed [community investment]

DEFINITIONS

The value of community investment is the total sum of inputs as defined by the LBG criteria (www.lbg-online.net).

Investments include employee time, cash, in-kind, and management cost contributions for the programs included in indicator 413-1 that are provided to benefit a community, and JT International S.A.'s annual endowment to the JTI Foundation.

The calculation of time and management cost is based on the LBG methodology. For all Japan-based employees, an average hourly rate provided by the Japanese government is used. For our international tobacco business, cost of time is based on an average hourly rate calculated using a weighted average salary (including bonuses) across all work groups (excluding the Executive Committee) based on data for the year up to December 31, 2018. Cash contributions are calculated based on the gross monetary value donated. In-kind contributions are calculated taking into account depreciation for the goods or services provided.

SCOPE

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

Other definitions

ANTI-COMPETITIVE BEHAVIOR

GRI 206-1

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

CUSTOMER, HEALTH AND SAFETY

GRI 416-2

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

MARKETING AND LABELING

GRI 417-2

Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes

GRI 417-3

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes

SOCIOECONOMIC COMPLIANCE

GRI 419-1

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

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

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

DEFINITIONS

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

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

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

AGRICULTURAL LABOR PRACTICES

Percentage of directly contracted growers observed against Agricultural Labor Practices.

DEFINITIONS

In JT, we observe directly contracted growers through site visits and/or questionnaire surveys. In our international tobacco business, we observe them through site visits.

SCOPE

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

DATA CALCULATION, CONSOLIDATION METHOD, AND ASSUMPTIONS

Observation data is collected in individual markets, and reported internally. The percentage is calculated as the number of directly contracted growers being observed by site visits or via questionnaire surveys, divided by the total number of directly contracted growers.