



DELTAFINA s.r.l.



# Sustainability Report 2019



The report has been prepared with EY's professional assistance



DELTAFINA

## Sustainability Report 2019



DELTAFINA S.r.l.

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# Letter from the President

Dear Stakeholders,

Welcome to the third edition of our Sustainability Report.

In this document, we aim to inform you about how Deltafina and our people play a significant role in sustainability throughout the entire tobacco value chain.

We discuss how our company has integrated a sustainable approach in daily activities. Some years ago, we started a process to integrate sustainability principles into our business strategy. This process has been implemented by our key people and has progressively become part of our day-to-day business activities.

In this report, we discuss those activities and offer an in-depth analysis of our approach and our methods of managing the most significant aspects of our business.

I hope that this information will initiate discussions with you and helps to continue the constructive dialogue we have had for many years.

New challenges are awaiting the tobacco sector, and we at



Deltafina are ready to face them. Along with our parent company, Universal Leaf Tobacco Company, we share a common vision and engagement towards sustainability. Our global objective is to contribute to a longer and better future for all communities where we operate.

I would like to thank all the people who contributed to the preparation of this document for their valuable commitment and their kind collaboration.

Happy reading!

Domenico Cardinali  
*President*

# Deltafina key figures



**110 € million**  
turnover



**21,5 mill kg**  
tobacco  
purchased

**187**  
Sustainability



**Over 600**  
farmers



**+60%**  
of purchased  
tobacco of Italian origin







**+50**

countries of export



**+450**

permanent and seasonal employees



**98%**

recycled waste



**30,968 tCO<sub>2</sub>e**  
of GHG emissions

# Standards



# Deltafina core business

## Business model

Deltafina is owned by the multinational Universal Leaf Tobacco Company, the leading global leaf tobacco supplier that sources processes, and supplies agri-products.

Our primary business is procuring financing, processing, packing, storing and shipping leaf tobacco for sale to manufacturers of consumer tobacco products.

Deltafina operates as a primary tobacco processor, buying raw product from farmers and predominately—but not only—in Italy. The processing of the raw tobacco takes place in two factories, located in Bastia Umbra (PG) and Francolise (CE). The Bastia Umbra Factory also houses the Blended Strip Operation, created to store and blend tobacco. The company also has a corporate office in Rome.

In the factories, the main activity is threshing tobacco leaves, an industrial process that mechanically separates the stems from the leaves

sorting, threshing, re-drying, homogenizing and stabilizing the raw tobacco. This is an essential process that occurs with the addition of only water and steam, and it prepares the product for further industrial processing by manufacturers of consumer tobacco products. Without these preliminary processes, the raw tobacco would quickly deteriorate due to the moisture content in the leaves and stems.

The process and final product need to meet the customers' strict requirements and to do so, it is extremely important to choose the right mix of qualities, characteristics and types of tobacco at the beginning of the process. Afterwards, Deltafina sends the product ready for use in the production of cigarettes, cigars and other tobacco products. Our tobacco is sold and exported to more than 50 countries.

Deltafina is officially recognized as a primary processor of tobacco by the Agenzia per le Erogazioni in Agricoltura (AGEA), which

registers the producer group contracts in Italy. Deltafina is a member of Associazione Professionale Trasformatori Tabacchi Italiani (APTI), the national association that represents the primary processing tobacco companies and tobacco exporters operating in Italy.

Deltafina is also a member of Tobacco Italia (OIT), a professional organization composed of national organizations growing and processing tobacco, and the European Federation of Tobacco Processors (FETRATAB), which represents the interests of European companies and workers operating in the primary processing of raw tobacco.

Deltafina also plays a strategic role in the European Leaf Tobacco Organization (ELTI), an officially recognized transnational interbranch organization in the raw tobacco sector in the European Union, founded by FETRATAB and UNITAB.

Deltafina operates according to a governance system based on the values of responsibility, integrity, organizational efficiency and transparency. The company follows behavioral standards, abiding by responsibility principles towards its stakeholders and the Universal Corporation Global Compliance Program requirements, which provide a framework to keep the business moving forward with integrity, honesty and impartiality.

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## Stakeholders

Deltafina's stakeholders include all people, organizations, cooperatives and institutions that are engaged and impacted by the company's business activities. Deltafina firmly believes that the development of long-term, positive relationships with its stakeholders is the basis of success. Only through close cooperation and collaboration with all stakeholders is it possible to achieve sustainable tobacco production. See the figure and table for a list and description of Deltafina's stakeholders.

The following issues emerged from stakeholder engagement initiatives conducted over the last year as particularly important for the various stakeholder groups of Deltafina. The company works to offer solutions to these topics, especially those identified as material to our business in the materiality analysis (described in the next pages). Furthermore, the company is committed to meeting stakeholder expectations through concrete actions during daily operations.



Stakeholder	Involvement	Stakeholder expectations
 <p><b>Universal Group</b></p>	<p>Deltafina is owned by the multinational Universal Leaf Tobacco Company, which is part of Universal Corporation. The company complies with the Universal Code of Conduct and all Universal policies.</p>	<ul style="list-style-type: none"> <li>• Respect of Universal policies, programs and guidelines</li> <li>• Compliance with applicable laws</li> <li>• Attention to direct and indirect environmental impacts</li> <li>• Cost containment and productivity improvement</li> <li>• Human resource development and employee well-being</li> <li>• Corruption prevention</li> </ul>
 <p><b>Suppliers</b></p>	<p>Supplier management targets sustainable and quality tobacco production. Deltafina, with particular reference to suppliers, contributes to keep relationships based on loyalty and mutual trust and trains tobacco farmers to apply good agricultural practices.</p>	<ul style="list-style-type: none"> <li>• Respect of contract and payment terms</li> <li>• Long-term supply relationships</li> <li>• Good agricultural practices training</li> <li>• Technical support for sustainable tobacco growing</li> <li>• Clear and on-time communications</li> </ul>
 <p><b>Environment</b></p>	<p>Deltafina pays utmost attention to the environmental aspects of our business, especially during crop production and processing. The company promotes and trains growers on good agricultural practices, many of which address the environmental impact of crop production.</p>	<ul style="list-style-type: none"> <li>• Compliance with environmental laws and regulations</li> <li>• Attention to direct and indirect environmental impacts</li> </ul>
 <p><b>Regulatory Organizations and Institutions</b></p>	<p>Deltafina believes in the importance of building long-term and quality relationships with all regulatory bodies, in order to achieve long-term, growing and sustainable development targets within local communities. The company engages with representatives to find the proper balance between business, market trends and local community needs.</p>	<ul style="list-style-type: none"> <li>• Compliance with applicable laws</li> <li>• Respect for agreements</li> <li>• Illicit behavior prevention</li> <li>• Support of local communities</li> </ul>
 <p><b>Trade Unions</b></p>	<p>Union relationships are positive and constructive, and are oriented to share information about respect for workers' rights and other relevant subjects important for the company and employees.</p>	<ul style="list-style-type: none"> <li>• Cooperation regarding negotiations about «CCNL» (national contract) renewal</li> <li>• Respect for workers' rights</li> </ul>
 <p><b>Local Communities</b></p>	<p>Deltafina respects regions and local communities where we operate and maximizes the positive socio-economic and environmental impacts.</p>	<ul style="list-style-type: none"> <li>• Maximizing positive impacts</li> <li>• Minimizing negative impacts</li> <li>• Clear and transparent communication</li> <li>• Relationships based on trust</li> </ul>
 <p><b>Tobacco Product Manufacturers</b></p>	<p>Tobacco product manufacturer relationships to target the commercialization of sustainable and quality tobacco; Deltafina engages customers to discuss the volumes and qualities required in order to organize its work with growers during the crop cycle.</p>	<ul style="list-style-type: none"> <li>• Compliance to standards and requirements</li> <li>• Production cost control</li> <li>• Supply chain monitoring and improvement</li> <li>• Clear and transparent communications</li> </ul>
 <p><b>Employees</b></p>	<p>People are the center of all activities performed by Deltafina, from the technicians helping the farmers implement sustainable tobacco production to processing operators preparing lots for sale to customers. Thanks to their engagement and devotion, Deltafina best realizes its mission to sell tobacco.</p>	<ul style="list-style-type: none"> <li>• Job protection</li> <li>• Respect for workers' rights</li> <li>• Health and safety protection</li> <li>• Ability to listen</li> <li>• Skills training and development</li> </ul>

The 2019 Sustainability Report has been structured according to material topics identified by Deltafina. These topics have the most substantial impact on economic, environmental, and social matters, or influence the stakeholders decisions.

The materiality analysis of the previous Sustainability Report has been updated, considering the evolution of the business and stakeholder priorities. Deltafina’s material topics have been then linked to GRI Standards, if applicable.

See the following tables for further details on Deltafina’s Materiality Assessment.

AREA	MATERIAL TOPIC	BOUNDARIES	SDG	GRI STANDARD
compliance	voluntary compliance (certifications)	tobacco product manufacturers	12 (Responsible Consumption and Production)	-
compliance	compliance with legal requirements	community	12 (Responsible Consumption and Production)	GRI 307: Environmental Compliance
compliance	business integrity (fair competition, anti-corruption)	community	16 (Peace and Justice Strong Institutions)	GRI 205: Anti-corruption GRI 206: Anti-competitive Behavior
economic value shared	economic value generated and distributed	all stakeholders	8 (Decent Work and Economic Growth)	GRI 201: Economic Performance
economic value shared	employment	Farm and Deltafina workers	8 (Decent Work and Economic Growth)	For Deltafina workers: GRI 401: Employment For farm workers: GRI 414: Supplier Social Assessment
economic value shared	farm workers' rights	farm workers	8 (Decent Work and Economic Growth)	GRI 407: Freedom of Association and Collective Bargaining GRI 408: Child Labor GRI 409: Forced or Compulsory Labor GRI 412: Human Rights Assessment
product quality	tobacco quality and traceability	Universal Group, tobacco product manufacturers	12 (Responsible Consumption and Production)	-
health and safety	farm health and safety	farm workers	3 (Good Health and Well-being)	GRI 403 2018: Occupational Health and Safety
health and safety	employee health and safety	Deltafina employees	3 (Good Health and Well-being)	GRI 403 2018: Occupational Health and Safety
environment	crop health (air, water, soil)	farm workers, environment local communities	6 (Clean Water and Sanitation)	GRI 308: Supplier Environmental Assessment

During completion of the Deltafina materiality analysis and according to the related GRI topics, we elected to align with the U.N. SDGs, as reported in the above table. We feel this is in line with other pertinent Sustainability Reports and also with stakeholders expectations.

This document has been created with the collaboration of Deltafina’s personnel, who provided the majority of the information and data.

To assure the quality of the content, we follow the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

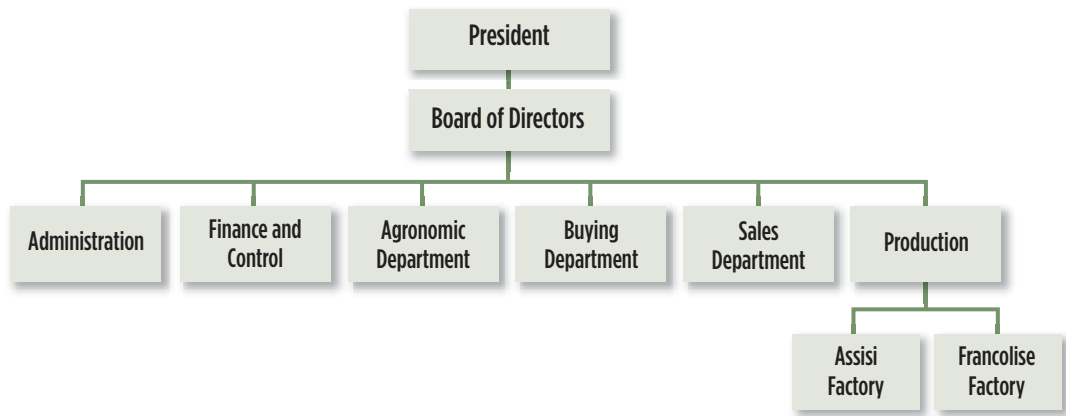
We conduct our business by combining the pursuit of our economic goals with respect for integrity, ethical principles and legal requirements. We always keep in mind the communities in which we operate and strive to generate positive impacts through our role as “corporate citizen.”

## Governance

Deltafina’s governance structure is based on the Board of Directors. The Board is comprised of up to five members, according to the Ordinary Assembly, and is entrusted with the management of the company. The Directors can be elected among non-members as well, and remain in place until revocation or resignation, or until the term established by the Assembly. Directors also represent the company, while President of the Board of Directors has the powers of attorney in order to represent the shareholders. The current Board of Directors is composed by:

President	Domenico Cardinali
Vice President	Enrique del Campo Ros
Member	Giorgio Marchetti
Member	Donatella Pontarollo

named by the Assembly according to law and is in charge of a controlling activity and assistance to the Board of Directors in fulfilling its corporate governance and management role. The Ordinary Assembly also determine the legal auditor. Deltafina organizational chart, as of March 31 2019, appears in the following figure.

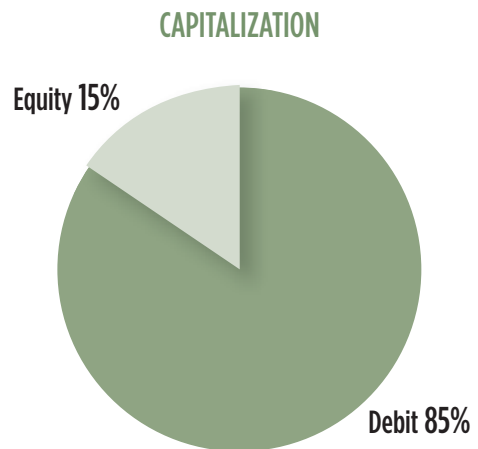


## Economic results

The value generated by Deltafina is shared with our stakeholders, particularly the local communities in the Perugia and Caserta areas, through the creation of local employment, use of local suppliers and local investments.

The core aim of Deltafina’s corporate governance is to maximize economic profits as well as ensure long-term economic sustainability for the company. Our view of economic sustainability is to generate stable economic value for all stakeholders, including employees, unions, suppliers and local communities.

During fiscal year 2019, company net sales were 110.137.825 Eur with a total capitalization of 109.713.157 Eur (93.049.376 Eur of debit and 16.663.781 Eur of equity).



VALUE DISTRIBUTED TO STAKEHOLDERS (%)	FY17	FY18	FY19
Value distributed for salaries and benefits	11,6	13,7	13,1
Value distributed for operational costs	86,3	83,4	85,3
Value distributed for other payments (capital suppliers, PA, local communities...)	2,2	2,9	1,6





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# Our people: the most important asset of the company

## Deltafina's personnel

Deltafina directly employs more than 450 people who work in the fields (leaf and agronomy), in our factories (permanent and seasonal workers) and in our offices (administration and general services). We are proud of our strong employee retention rates, and we believe that is a direct reflection of the approach that the company takes with its employees.

We provide job opportunities in the communities where we operate, as Deltafina is one of the major sources of employment beyond work on farms in these communities. Beginning with seasonal employment, workers have the opportunity to develop their skills and build careers in the tobacco industry. We train and encourage employees to move from part-time roles to full-time positions and on to management positions.

We apply high standards for our direct employees as well as our farmers and their employees. All of our employees, both seasonal and permanent workers, are paid

above the minimum wage and are contracted under a collective bargaining agreement discussed and signed with the Italian primary processor association (APTI) and three national labor unions.

There is total support of the right of freedom of association and to form unions.

Worker health and safety is of paramount importance to Deltafina, and we work to ensure that our workers go home every day in the same or better state of health and well-being than when they arrived to the workplace.

The most efficient way to prevent accidents is to increase the safety culture throughout the entire organization. No one can communicate their experience better than the workers, and the company listens and uses that experience to identify critical points and determine the best actions. To provide safe equipment, systems and procedures are not enough, the health and safety culture needs to be strong.

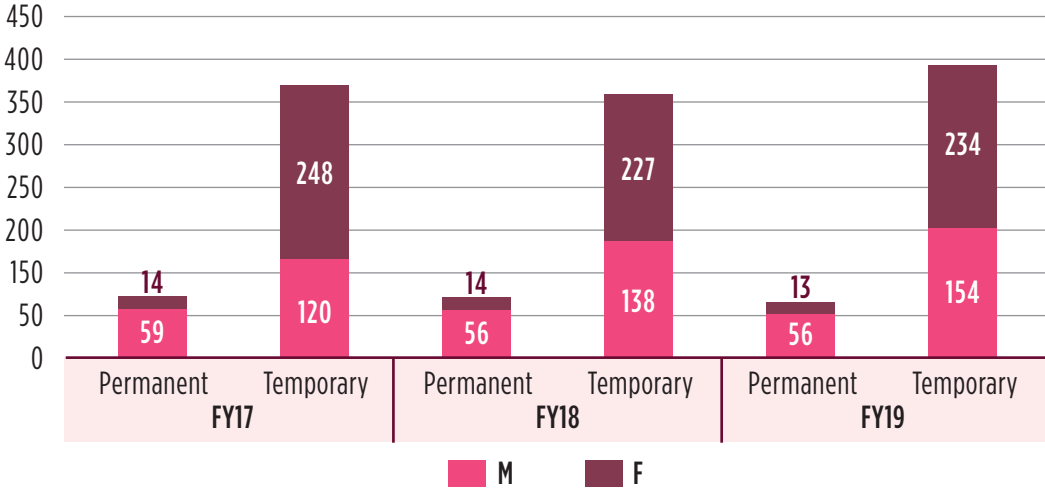


Deltafina has an efficient organizational structure with 69 permanent and 388 seasonal employees (as of the end of fiscal year 2019). The company hires seasonal employees as the activity in the factories is linked to the seasonality of the tobacco crop. Manufacturer demand determines the size of the crop and the size of the crop, in turn, directly linked to our processing activity and to the number of employees. In the last three fiscal years, Deltafina hired a total of 9 new permanent employees, as a result of low turnover of Deltafina employees. In order to reduce the use of paper, improve communication with

employees and manage payroll activities in a more efficient way, the company is using new software to prepare pay slips electronically, making funds immediately available online for all employees. The software can also be used to coordinate communication between the human resources department and the employees, receive feedback from the employees and send general communications in real time.

Employee benefits

At Deltafina, permanent and seasonal workers receive the same treatment and have the same rights and benefits.



ON-LINE TRAINING COURSES			
Course Subjects	Health & Safety		Privacy
	FY18	FY19	FY19
Number of course	40	44	44
Topics	1	1	1
Topics name	1) Safety Leadership	1) Health and Safety	GDPR

# Compliance Program and Business Integrity

## Compliance Program

Meeting pertinent legal requirements is of the utmost importance to Deltafina. Universal's Global Compliance Program requires active participation of all employees, Board members, third parties and management. The Program has defined three organizational levels with specific functions and responsibilities:

1. the **Corporate Compliance Committee (CCC)**, composed of Universal management members;
2. the **Regional Compliance Team (RCT)**, in the form of seven regional teams, which support the Compliance Function by carrying out the activities assigned (the European regional compliance team is composed of four members from Deltafina management);
3. the **Local Compliance Team (LCT)**, through specialized local resources at the company level.

The Universal Anti-corruption Compliance Manual contains policies and explains how to address corruption risks ([www.universalcorp.com/compliance](http://www.universalcorp.com/compliance)). This document is distributed to all Universal employees along with guidelines on how to report illegal behavior. Anyone can file an anonymous report or request information from the Corporate Compliance Committee through the:

- Compliance Hot Line, available in several languages 24 hours a day and 7 days a week;
- Using the web platform [www.ethicspoint.com](http://www.ethicspoint.com) or sending an e-mail to the Chief Compliance Officer at [compliance@universalleaf.com](mailto:compliance@universalleaf.com).

Training programs on corporate compliance and ethical behavior are mandatory every year for administrative, technical, senior, and selected authority positions. The trainings are designed to help employees and third parties learn the principles of the program,



comprehend the rules, and create a common corporate compliance culture.

Deltafina has procedures in place to evaluate Third Parties, through due diligence and research on legal compliance. Any Third Party that might represent the company in front of a government official or institution is duly trained on anti-corruption rules. Only after this training may the Third Party be included in an “Authorized Vendors List” and conduct business with the company.

Attendance at the training sessions is regularly checked and recorded in a system which is common to the entire Universal Group. Moreover, effectiveness of training is verified through final tests for all employees.

Deltafina purchases and processes tobacco in compliance with applicable local, national, and EU regulations, as well as in compliance with the stringent company and Universal Group policies and practices. The company regularly contributes donations to communities and organizations that prepare local events or for charity purposes.

FACE TO FACE TRAINING			
Areas of course	Compliance		
Fiscal Year	FY17	FY18	FY19
Number of course	6	5	7
Topics	4	3	6

ON-LINE TRAINING			
Areas of course	Business Integrity (Compliance)		
Fiscal Year	FY17	FY18	FY19
Number of course	162	156	140
Topics	4	4	4
Topics name	1) Speak Up! There Are Always Gray Areas; 2) Conducting Business Under the FCPA (Test Out); 3) Ethical Sales and Fair Competition; 4) Sexual Harassment: Issues for Today's Workforce	1) Ethical Interactions with Government Officials; 2) Financial Integrity and Fraud; 3) Retaliation: Odd Man Out; 4) Ethical Leadership: Anti-Corruption	1) Avoiding Corruption and Observing the FCPA; 2) Anti-Bribery: It Helps Us Both; 3) Working Together: Promoting Mutual Respect; 4) Conflicts of Interest

## Business integrity

"Maintaining leadership with integrity" is the principle inherent in the Universal Code of Conduct and the Anti-Corruption Compliance Manual related to company and employee behavior. Doing business with integrity is a must for our company - conducting business in an ethical way and in compliance with policies and laws.

When it comes to ethics and integrity, we have three primary goals:

- **working with integrity** (freedom from discrimination and harassment, following environmental, safety and health rules, social responsibility);
- **conducting business with integrity** (competition and fair dealing, rejection of all forms of corruption, gifts and entertainment expenses, trade restrictions and boycotts);
- **handling information and assets with integrity** (no insider trading, no conflicts of interest, protecting corporate information and assets, reporting, books and records, accounting controls).

Every employee, officer, and director has an obligation to report possible violations of this Code so the conduct can be considered, and the company

can address the situation and take appropriate action.

All our operations are assessed for risk related to corruption. No significant risks related to corruption have been identified through the risk assessment process.

To us a "bribe" is anything that has a value and is offered, promised, or given to influence a decision to do business. This includes obtaining new business, retaining existing business, or gaining any other improper advantage. At Deltafina (and Universal), we do not allow the payment of bribes to anyone. Universal's employees, officers, directors, and any third parties acting on our behalf, are strictly forbidden from providing anyone with anything that can be considered a bribe.

We do not conduct business by means of unfair competition, corruption, or other unlawful or unethical acts. We proudly stand behind our products and services, and we offer them to our customers knowing that we compete fairly and honestly.

We avoid agreements or arrangements with our competition that have not been pre-cleared by our Legal Department. In no event may we have any agreement or understanding with a competitor regarding pricing, customers, markets, terms of sale, the provision of services, or



any other area that is sensitive or significant for competition. In addition, competing fairly and honestly means we avoid conduct that is designed to exclude competitors, eliminate a particular competitor, or control prices in a market. We will not engage in such activity, and we will not help anyone else engage in such activity.

Deltafina considers its management approach on business integrity satisfying and effective in controlling risks. However, we regularly re-examine and update our policies and procedures to continuously improve our approach.

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**Universal Global Compliance Program**

We all have an obligation to report possible violations so the conduct can be considered and Universal can address the situation and take appropriate action.

No one in the Universal family will take any adverse action against anyone for providing truthful information relating to a violation of law or Universal policy. Universal will not tolerate any retaliation against persons asking questions or making good faith reports of possible violations. Anyone who retaliates or attempts to retaliate will be disciplined.

**[ ANONYMOUS HOTLINE ]**

**Report a Concern or Ask a Question**

**PHONE:** 1.866.292.5224 (toll-free)

**ONLINE:** [www.ethicspoint.com](http://www.ethicspoint.com)  
[www.universalcorp.com/compliance](http://www.universalcorp.com/compliance)

**E-MAIL:** [compliance@universalleaf.com](mailto:compliance@universalleaf.com)

**You can also Contact**

Your supervisor or manager, a member of the Local, Regional, or Corporate Compliance Committee, the Legal Department, Human Resources, or the Internal Audit Department.

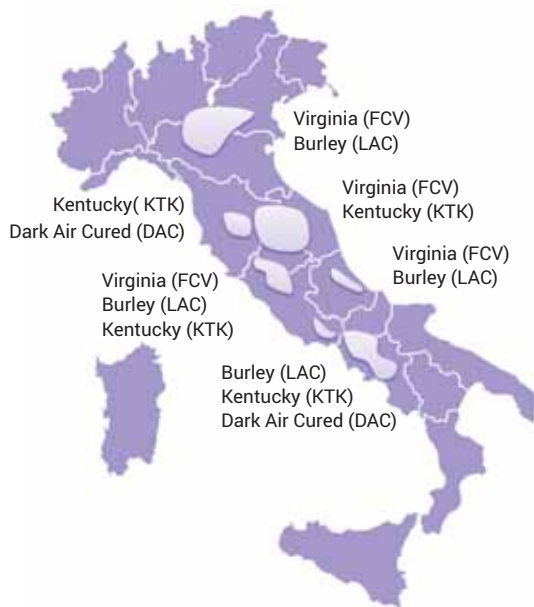
The Compliance Hot Line is available **24 hours a day 7 days a week** and in your **local language**. Phone calls and on-line reports are received by an independent organization: **EthicsPoint**. The goal is to ensure that you can communicate issues and concerns associated with unethical or illegal activities safely and honestly while maintaining your anonymity and confidentiality.

Every report is listened to, followed up on and reported to the Corporate Compliance Committee. We take our Hot Line very seriously and hope you do to. If you see something please report it so that we can work together to stop it.

# The supply chain: Farmers, Producer Groups and Tobacco Product Manufacturers

## A common goal

In Italy, tobacco grows mainly on small or medium-sized farms, primarily in the Campania, Umbria, Veneto and Tuscany Regions. Italy is the largest producer of tobacco in Europe, with an annual harvest close to 50,000 tons. However, tobacco growing in Italy and in Europe is constantly decreasing.



Tobacco harvesting begins in September, and once the tobacco is cured, growers sell it to companies like Deltafina for primary processing of the leaves, in which they are converted into strips and

byproducts. This process typically occurs between October and June each year. The tobacco is then sold to manufacturers, which produce final products such as cigars, cigarettes and other similar products. The products are then distributed through wholesale and retail sales channels and finally reach consumers.

*We start taking care of tobacco leaves from the seeds, before the plant even sprouts, knowing that each and every aspect, from the tobacco cultivation, processing and transportation to our customers, contributes to the quality of the final product.*

Italian tobacco is characterized by its consistent quality and by the traceability of tobacco- meaning detailed information is available on each lot to the final product.

Deltafina buys different varieties of farm-cured tobacco leaves:



**“Flue-cured” or Virginia Bright**

It is dried in special bulk-curing barns using controlled heat and regulated air flows that allow farmers to carefully control temperature and humidity.

1

**“Dark air-cured” or Havana**

It is cured in a similar manner to light air-cured. Due to varietal differences and cultural practices, the cured leaves are darker and stronger than burley. Usually, the dark air-cured also requires a fermentation process to obtain products used for production of cigars or fine-cut tobacco for pipes.

3

**“Light air-cured” or Burley**

It is cured by a natural process of hanging the leaves inside the greenhouses. The drying process is determined by the actions of changing environmental conditions along with the skilled activities carried out by the farmers.

2

**“Dark Fire Cured” or Kentucky**

It is cured in spaces with controlled fire. The fire heats the spaces and dries the tobacco, giving the leaves a specific aroma through the action of smoke. The dark fire-cured is typically a cigar tobacco.

4

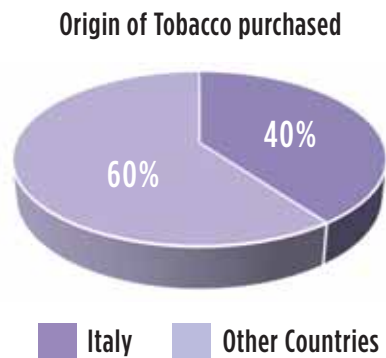
ITALY	FLUE-CURED or VIRGINIA BRIGHT	LIGHT AIR-CURED or BURLEY	DARK AIR-CURED or HAVANNA	DARK FIRE-CURED or KENTUCKY	TOTAL
Growers	437	1.132	430	227	2.226
Hectars	10.252	3.223	800	1.413	15.688
Tons	32.381	14.706	2.128	2.473	51.688

Deltafina buys tobacco mainly from farmers associations, but some varieties, such as

Havana and Kentucky, are bought from other tobacco companies.

Furthermore, Deltafina processes not only the volume it buys directly from the market, but also provides processing services to third parties. Thus, Deltafina buys tobacco from 612 Italian farmers, but processes tobacco from more than 1,250 Italian farms, totaling more than 50% of the Italian crop.

Deltafina also buys tobacco from other origins in Europe, primarily Hungary and Spain. The tobacco is bought from local farmer associations in those countries and is then shipped to Italy for processing in Deltafina’s factories. A portion of the Spanish crop is processed at origin by a third party.



Tobacco production represents a strategic resource for many farmers and rural communities, and Deltafina provides stability to farmers who are able to maintain volumes year after year. We support them through advance payments and continuous assistance, allowing them to account for

changing economic resources over time.

Deltafina works in collaboration with farmer associations and manufacturers in all the countries where we buy tobacco to reach common long-term goals. We are all aware that we can remain in business for a long period, only if we continue to use a sustainable approach to all activities in the supply chain.

Every year, we continue our training in sustainability programs, good agricultural practices and labor practices throughout the growing region, from the offices to the fields.

### Quality control and traceability

Ensuring quality and traceability of tobacco is one of the key elements in Deltafina’s business strategy, as this is strictly linked to customers’ requests. Deltafina establishes and applies specific procedures to allow complete traceability of tobacco in order to meet customers’ needs. The company only sells blends of known origins and only to customers operating in full compliance with laws and regulations.

Regarding product traceability, Deltafina traces



and controls the entire supply chain of tobacco purchased directly from the tobacco producers groups. Deltafina monitors the quantity of tobacco produced by requiring farmers to declare amounts in advance to compare with the actual amount of product sold to Deltafina.

Audits are also carried out during crop production to monitor the quantity of tobacco being produced in each field. Farmers are provided with unique labels to be placed on packed tobacco so that Deltafina can trace the product back to its origin (field and farmer).

Deltafina constantly monitors tobacco inside its factories according to its own Quality Management System, compliant with the ISO 9001 Standard. The economic value of the tobacco is established based on several parameters:

- Quality index, bale weight and industrial classification
- Verification of the absence of non-tobacco related material (NTRM)
- Use of integrated pest management principles and use of the proper crop protection agents
- Nitrosamine content verification

There are two types of process quality technicians:

- Leaf Technicians, who evaluate the visible properties of the leaves and determine the quality; and
- Processing Technicians, who control the production line to ensure that technical processing procedures are followed (humidity level, strip dimensions, etc.).

Processing Technicians control the tobacco lots in order to ensure full compliance with customers' requirements. Compliant lots are also certified with a document issued by an independent laboratory. Finally, a check by the customer is performed by taking samples of the tobacco lots.

Deltafina's approach to quality and traceability of tobacco has been considered highly effective by the company and by its customers.

# A Sustainable Programme: STP

The Sustainable Tobacco Programme (STP) is an industry initiative developed by our major customers that encompasses critical guiding principles and standards to which tobacco should be grown and processed. The program contains 187 principles designed to limit the environmental impact and to improve the socio-economic conditions of the people and communities involved in the supply chain. The program is focused on two areas—agronomy and processing. Within those two areas are four pillars that are audited and graded.

## Agronomy Pillars

Governance, Crop, Environment and People.

## Processing Pillars

Governance, Facilities, Environment and People.

Our customers take program compliance into consideration, and these evaluations influence their commercial relations with us. Each pillar has a set of criteria, and we grade ourselves each year with self assessments. A third party assesses the results every three years. Customers



receive the results and use them to grade their suppliers and guide their commercial decisions.

A quality product is not only one that has optimum physical and chemical characteristics, but it also must comply with specific standards and criteria and is evaluated by its social, ethical and sustainability contribution.



*We are committed to working together with all players in the tobacco value chain, participating with professionalism and respecting the rules that guide us towards the sustainable development of the entire sector. Cultivation, processing and transportation to our customers, contributes to the quality of the final product.*

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## GAP: Good Agricultural Practices

Good Agricultural Practices (GAP) are rules and guidelines to follow in order to achieve an efficient, quality and competitive product as well as to reduce the impact on the environment; conserve soil and water; protect the environment and natural resources; and improve the well-being of those who grow tobacco.

Deltafina has developed a list of best practices in GAP that are shared and discussed with field technicians and farmers. The practices are implemented every crop year and carefully monitored and evaluated following defined Key Indicators.

To reach the objectives of the program, Deltafina organizes training sessions with farmers and field technicians in each growing region. These are designed to reinforce awareness among farmers of how to protect the environment as well as positively impact the local community.

Our field technicians travel throughout the growing areas to monitor farmers' practices to help them increase profitability, improve agricultural practices, and deliver a sustainable, compliant product to our customers.



Soil fertility protection and management



Soil preparation and tobacco transplanting



The correct usage of plant protection products

## Soil fertility protection and management

Soil cultivation should promote high performance to reduce environmental impacts, to ensure adequate use of natural resources, and to minimize the risks linked to soil degradation and low fertility. Deltafina's Agronomy Department encourages farmers and association technicians to undertake soil analyses and activities on the farm, including:

- soil analysis every three years at minimum, conducted according to official soil chemistry analysis methods published by the Italian Society of Soil Science (S.I.S.S.);
- soil nutrient management using appropriate types and amounts of manure and fertilizers, applied according to soil analysis results with attention to water pollution risk; and
- respect for current laws and the use of a soil and water preservation plan, implemented by Deltafina to give farmers another tool for success in tobacco growing.

## Soil preparation and tobacco transplanting

The best seeds and varieties are selected and grown in seedbeds. Farmers prepare the soil and transplant tobacco plants in order to maximize growth and obtain a uniform

crop. This practice optimizes usage of chemicals and minimizes plant susceptibility to disease.

## The correct usage of plant protection products

Cultivation practices are selected with continuous collaboration between Deltafina, tobacco producer groups and farmers. This process is crucial to minimizing the use of agrochemicals and maximizing plant protection. Deltafina's efforts are guided by continual research within the Agronomy Department and with constant communication with growers to ensure alignment with national guidelines related to biodiversity and to operator health. All growers are required to use only agrochemical products registered in Italy for tobacco and must strictly follow the product labels. When agrochemicals are necessary, growers are encouraged to adopt the use of those with the lowest toxicological class and declared not harmful for beneficial insects such as bees or ladybugs. All operators handling agrochemical products must have a license issued by relevant regional authorities and utilize the proper personal protection equipment (PPE) provided by Deltafina as needed and available on the farm. The products must then be stored

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in a specific and suitable space, with access only to authorized personnel. Products must be kept in their containers with intact product labels. Waste products from usage are designated as special waste and must be disposed according to regulation.

This interaction and continuous monitoring ensure compliance with applicable laws and reduces the use of agrochemicals, thus playing an important role in environmental protection and on workers' health and safety.

Deltafina is in compliance with the law regarding maximum residue limits (MRLs) of plant protection products and regularity test residue levels.

## ALP: Agricultural Labour Practice

Our commitment to workers goes beyond our direct employees. The majority of the labor force in the tobacco chain is concentrated on the farms. We use significant resources to ensure safe, ethical and sustainable labor practices throughout our supply chain.

These sustainable labor practices are defined in our ALP principles—7 principles and 32 measurable standards that must be observed and respected by all the players in the supply chain.



<p><b>1. CHILD LABOR:</b> there shall be no child labor</p>	<ol style="list-style-type: none"> <li>1. There is no employment or recruitment of child labor (under 16 years of age).</li> <li>2. No person below 18 is involved in any type of hazardous work.</li> <li>3. On family farms, minors between 14 and 16 years of age are only permitted to perform light work.</li> </ol>
<p><b>2. INCOME AND WORK HOURS:</b> workers shall not work excessive or illegal work hours</p>	<ol style="list-style-type: none"> <li>1. Wages of all workers meet minimum, national legal standards or agricultural benchmark standards.</li> <li>2. Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws.</li> <li>3. Work hours are in compliance with the country's laws.</li> <li>4. Overtime work hours are voluntary.</li> <li>5. All Workers are provided with the benefits, holidays, and leave to which they are entitled to by the country's laws.</li> </ol>



<p><b>3. FAIR TREATMENT:</b> farmers shall ensure fair treatment of workers</p>	<ol style="list-style-type: none"> <li>1. No physical abuse or threat of physical abuse.</li> <li>2. No sexual abuse or harassment.</li> <li>3. No verbal abuse or harassment.</li> <li>4. No discrimination.</li> <li>5. Workers have access to a fair, transparent and anonymous grievance mechanism.</li> </ol>
<p><b>4. FORCED LABOR:</b> there shall be no forced labor</p>	<ol style="list-style-type: none"> <li>1. Workers do not work under bond, debt or threat and must receive wages directly from the employer.</li> <li>2. Workers are free to leave their employment at any time with reasonable notice.</li> <li>3. Workers are not required to make financial deposits with employers.</li> <li>4. Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions.</li> <li>5. Farmers do not retain the original identity documents of any worker.</li> <li>6. The farmer does not employ prison or compulsory labor.</li> </ol>
<p><b>5. SAFE ENVIRONMENT:</b> farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks</p>	<ol style="list-style-type: none"> <li>1. The farmer provides a safe and sanitary working environment.</li> <li>2. Worker are to be trained on avoidance of green tobacco sickness.</li> <li>3. No worker is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances without adequate training and without required personal protection equipment.</li> <li>4. Workers do not enter a field where CPA have been applied unless and until it is safe to do so.</li> <li>5. Workers have access to clean drinking and washing water close to where they work and live.</li> <li>6. Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws.</li> </ol>
<p><b>6. FREEDOM OF ASSOCIATION:</b> farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively</p>	<ol style="list-style-type: none"> <li>1. The farmer does not interfere with the workers' right to freedom of association.</li> <li>2. Workers are free to join or form organizations and unions of their own choosing and to bargain collectively.</li> <li>3. Worker representatives are not discriminated against and have access to carry out their representative functions in the workplace.</li> </ol>
<p><b>7. COMPLIANCE WITH THE LAW:</b> farmers shall comply with all laws of their country relating to employment</p>	<ol style="list-style-type: none"> <li>1. All workers are informed of their legal rights and the conditions of their employment when they start to work.</li> <li>2. Farmers and workers enter into written employment contracts when required by a country's laws, and workers receive a copy of the contract.</li> <li>3. Terms and conditions of employment contracts do not contravene the country's laws.</li> </ol>

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Often, implementing some of the Agricultural Labor Practice (ALP) standards on the farms is a significant cultural challenge due to the long tradition of tobacco cultivation. To break those barriers and traditions, Deltafina implemented a training program through meetings with technicians and growers, explaining the laws and the correct labor practices according to the ALP standards. Field technicians, during their field visits, are responsible for monitoring, detecting and reporting any non-conformities with the ALP principles in the fields.

The first principle refers to child labor because protecting children from child labor is of utmost importance. Under Italian law, strong regulations exist against child labor. No children under 16 years old are allowed to be employed, and only light work is permitted by children between 16 and 18 years old. On family farmers minors between 14 and 16 are permitted to perform light duty work.

We also monitor farmers to ensure that they do not interfere with their workers' rights to join associations, organizations and unions, and bargain collectively. Workers' representatives have the right to carry out their representative functions in the workplaces.

The fourth ALP principle is focused on fighting against forced labor.

No one should work under bond, debt or threat, and all workers are free to leave their employment at any time with reasonable notice.

Every worker receives a fair salary and it is part of our business integrity to create a fair system in the supply chain.

The main risks related to health and safety in the tobacco fields are identified by the ALP Code: green tobacco sickness, crop protection agents or other hazardous substances such as fertilizers, access to clean drinking and washing water and adequate accommodation. Deltafina is committed to preventing and mitigating these risks by collaborating with all stakeholders in the implementation of the ALP Standards.

Deltafina is continuously monitoring and auditing growers, training field technicians and providing recommendations to farmers to reinforce actions and improve health and safety conditions in the fields.

### Monitoring and traceability data

Technician visits to farms are usually announced and planned; however, the Deltafina Agronomic Dept. also carries



out unannounced visits and audits of our farmers. During the last crop, we conducted unannounced visits to 48 growers of flue cured and burley tobacco in Italy, which is about 10% of the total number of Italian growers contracted with Deltafina. Those visits were concentrated on the farms where technicians had already detected points to improve.

All information gathered about farmer performance is input into and shared by a specific software called MobiLeaf™, allowing Deltafina to inform its management and customers in a timely manner.

MobiLeaf™ is a Universal-developed mobile software application to track farm data related to the complete life cycle of crops-from plant cultivation and harvesting to compliance with laws and industry standards. The application combines GPS technology with an operating system compatible with most popular mobile and computer technology.

To reinforce the program, Deltafina has already increased resources in crop 2019 through:

1. Increased training
2. Updated MobiLeaf™ software version
3. Increased number of unannounced visits to cover at least 20% of farms
4. Concentrated interviews to monitor labor practices in the fields

MobiLeaf™ can be customized to meet the needs of organizations of various sizes and locations. In fact, MobiLeaf™ is also utilized in other countries where Deltafina buys tobacco, including Spain and Hungary.

- Cultivation & Harvesting Data - MobiLeaf™ is a tool for real-time tracking of cultivation and harvesting data including plot sizes and dimensions, plot soil analyses, plant spacing information, crop, irrigation and rainfall information, input information, crop maturity information, crop yield estimates and actual crop yields.
- Compliance Data - Universal's commitment to be a responsible participant in the communities in which it operates has been incorporated into MobiLeaf's™ development. MobiLeaf™ tracks data related to Agricultural Labor Practices (ALP), Good Agricultural Practices (GAP), anti-corruption laws such as the Foreign Corrupt Practices Act (FCPA), local government regulations, social and labor issues and other social responsibility programs.
- Accuracy & Efficiency - As MobiLeaf™ is a mobile application, farm data can be entered on-site, thereby increasing accuracy and eliminating the need to re-record data later.



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*There is no efficient factory if there is not an integrated approach to human capital.*

### Bastia Umbra and Francolise

Deltafina's history dates back to the Bastia Umbra plant construction between 1936 and 1939 by Francesco Giontella where a cigar tobacco variety (Kentucky) was produced. After suffering considerable damages during the Second World War, the factory was rebuilt and enlarged. In the early 1960s, the plant was sold to the Dutch company "Deli Maatschappij." It was sold again in 1964 to the American Universal Leaf Tobacco Company with the name of Deltafina. In the following years, investments were made in research and new tobacco-processing systems. In 1982, the plant production was moved to the new factory in Ospedalichio, and has since been considered as one of the biggest and most innovative in Europe.

General Information Bastia Umbra:

- Factory of 32,000 square meters
- Processing about 11,000 kilograms of tobacco per hour
- Technologically advanced
- NTRM removal devices in the processing line
- Main tobacco type processed: Virginia

At the end of the 1960s, Deltafina invested in the Campania region, opening a factory in Presenzano (CE). Following the increase of tobacco cultivation in the area, an increase in processing was consequently needed. For this reason, in 1971, Deltafina invested in a new plant in Francolise, Caserta. Since 1974, the factory has performed basic tobacco processing, consisting of blending, drying and packing. In the same years, a threshing line was incorporated in order to provide complete processing services.

## General Information Francolise:

- Factory of 24,000 square meters
- Processing about 8,500 kilograms of tobacco per hour
- First tobacco factory in Europe to use innovative technological systems
- Strategic positioning with respect to Burley production area and main ports
- NTRM removal devices and customized projects to eliminate them
- Main tobacco type processed: Burley



## Deltafina Certifications:

- Quality Management System according to UNI EN 9001 standard
- Quality Environmental Management according to UNI EN ISO 14001 standard
- Health and Safety at Work Management System according to BS OHSAS 18001 standard

## Health and Safety

Deltafina is strongly committed to paying the utmost attention to the health and safety of employees and workers in our facilities. Our goal is zero harm, and we have programs in place to maintain high safety standards. Each employee is

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responsible for complying with our Environment, Health, and Safety (EHS) policies, standards and guidelines.

The Universal Group is also strongly committed to health and safety, demonstrated by the establishment of the Health & Safety Regional Committee, which monitors the performance of all subsidiaries and shares best practices on a global level.

The integrated management system, which is compliant with the BS OHSAS 18001 Standard, allows Deltafina to systematically support the relevant aspects concerning occupational health and safety, also ensuring compliance with the stringent requirements of the STP.

The certification covers all workers and activities carried out by the company, without exceptions.

Deltafina established its own Health and Safety Committee, composed of the Factory Manager, a third party Responsible for Protection and Prevention (RSPP), the occupational medical doctor and a worker representative. The committee meets on a monthly basis to discuss Deltafina's Health and Safety performance, and any time a new safety issue occurs. The committee also meets once per year to analyze the

development of health and safety issues.

Workers participate and contribute to the development and improvement of the occupational health and safety management system and share experiences, communicate their own mistakes and report near misses and accidents.

During training sessions, the RSPP updates employees on the development of the most relevant aspects regarding health and safety at work.

Deltafina promotes a safety culture by seeking to reduce risks and providing personal protection equipment (PPE) where needed.



A specific software application, VelocityEHS, has been implemented worldwide by the Universal Group to collect and report Health and Safety data, including injuries, near misses and corrective actions.

An occupational doctor performs regular health checks of all employees and also conducts drug and alcohol tests for workers in charge of specific tasks, such as drivers. Through those checks, the company can evaluate compatibility between workers' test results and specific tasks and workplaces in order to protect the safety conditions of employees.

The company organizes health and safety training sessions for employees, and the doctor trains and prepares a first aid team. All workplaces are equipped with first aid supplies and automated external defibrillators (AEDs), which personnel have been trained to use.

In Italy, access to non-occupational medical and healthcare services is granted by the national welfare system. In addition to this, the current labor contract includes the possibility for Deltafina employees (both permanent and temporary) to access additional medical services through a health fund.

All Deltafina employees and third party workers on our premises are covered by the internal Health & Safety management system.

The following data shows work-related injuries in our factories. The percentage is calculated using a reference of 200,000 hours worked.

During fiscal year 2019, the number of injuries in the company decreased. In the Francolise factory, no injuries occurred, while two injuries occurred at the Bastia Umbra factory. Neither of the incidents resulted in severe injuries.



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WORK-RELATED INJURIES (DATA REFERRED TO ALL EMPLOYEES)	UNIT OF MEASUREMENT	FY17	FY18	FY19
Fatalities as a result of work-related injury	n.	0	0	0
	%	0%	0%	0%
High-consequence work-related injuries (exclude fatalities; include injuries as a result of commuting incidents only where the transport has been organized by the organization)	n.	0	0	0
	%	0%	0%	0%
Recordable work-related injuries (include fatalities as a result of work-related injury; include injuries as a result of commuting incidents only where the transport has been organized by the organization)	n.	7	6	2
	%	2,86	2,27	0,75
The number of hours worked	n.	489.940	527.551	572.050

Deltafina strives to keep the number of injuries as low as possible and to minimize the consequences of those that do occur by applying appropriate procedures and corrective actions as well as conducting risk assessments.

## Certifications

Deltafina has adopted integrated management systems to manage and efficiently control all significant areas of business. Our commitment to our customers, workers and communities is to comply with international standards of quality, environmental commitment and health and safety, with appropriate management systems including:

- UNI EN ISO 9001:2015: Quality Management System;

- UNI EN ISO 14001:2015: Environmental Management System; and
- BS OHSAS 18001:2007: Health and Safety at Work Management System.

In the last year, integrated policies on quality, environment and safety have been updated to reinforce our commitment to STP requirements.

Deltafina is firmly committed to measuring, monitoring and continuously improving its management systems with respect to quality, environmental, and health and safety.





To promote and encourage this vision across the entire organization and with our stakeholders, Deltafina maintains organizational objectives based on:

- **Focus on the interested parties** to proactively manage the interests of the supply chain
- **Applicable legal requirements and business ethics** including compliance with laws and regulations and to the Universal Code of Conduct
- **Pollution prevention and environmental stewardship** through the identification and monitoring of environmental impacts

- **Prevention of accidents and work-related illnesses** through the continuous monitoring of risk factors
- **Employee personal and professional development** through training and knowledge transfer of roles
- **Supplier relationships** that contribute to mutual benefits and improvement
- **Social responsibility** in the communities where Deltafina operates

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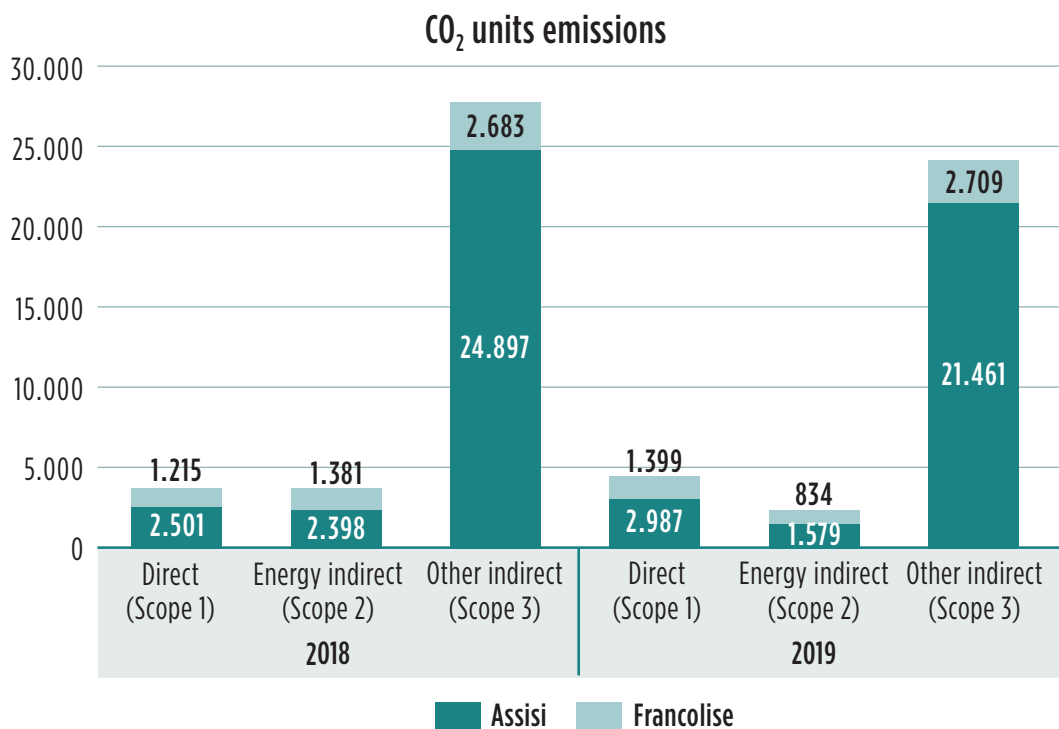
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## GHG emissions

Deltafina monitors greenhouse gas emissions associated with the activity of its factories according to ISO 14001. CO<sub>2</sub> - equivalent (CO<sub>2</sub>e) emissions (direct and indirect) amounted to 30,968 tons in 2019. This was a reduction of 11.7% from the prior year.

The adjacent table is a list of emission sources by scope.

Category	Scope
Cars	Scope 1
Industrial/Commercial equipment	Scope 1
Natural gas	Scope 1
Electricity	Scope 2
Electricity	Scope 3
Natural gas	Scope 3
Other fuel(s)	Scope 3
Agricultural equipment	Scope 3
Fertilizer application	Scope 3
Road freight, whole vehicle (km factors)	Scope 3



## Recyclable Waste program

Deltafina developed a plan to control and manage waste resulting from production and support activities. The factory management teams are responsible for monitoring and limiting waste generation. Specific attention is given to waste disposal, trying to maximize the amount of waste sent to recovering and recycling, as well as reduce the production of hazardous waste.

The program's targets include:

- ensuring legal compliance;
- controlling environmental impacts;
- verifying authorization of transport and waste disposal service providers; and
- governing the operational and administrative aspects of the environmental policy.

The waste is categorized according to the European Waste Catalogue (E.W.C.) and is stored in temporary deposit locations to await transport.



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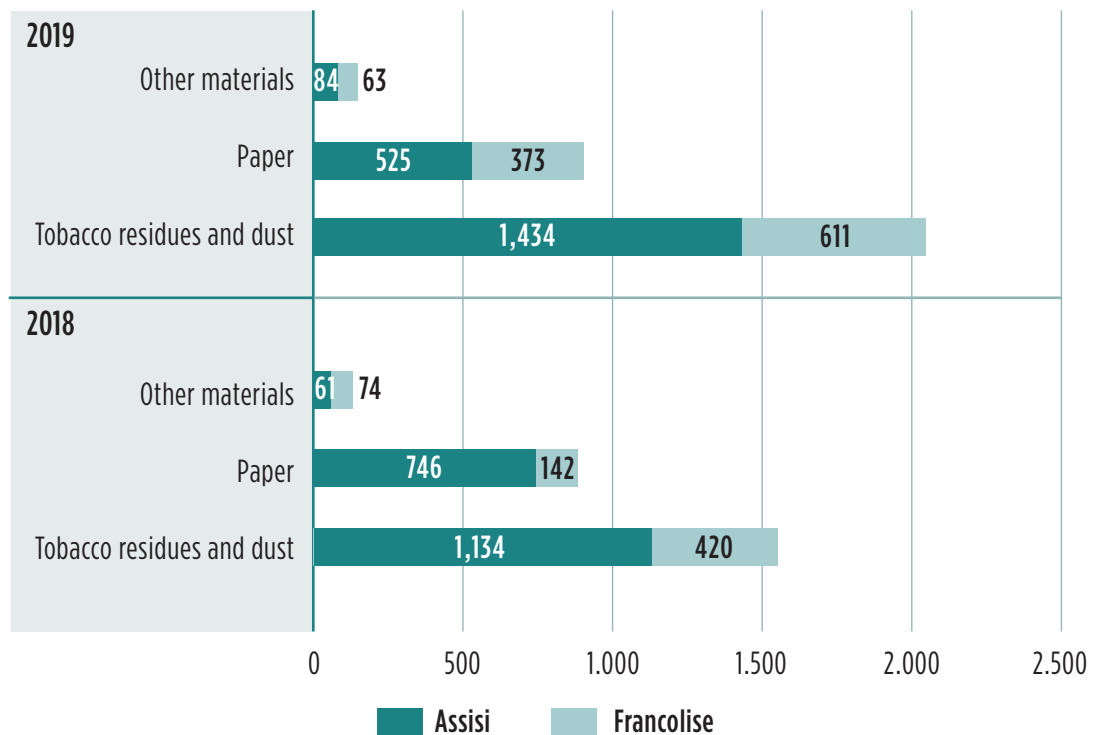
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Before releasing waste to the transporter, Deltafina verifies that the transporter and destination have valid licenses to handle the waste. In 2019, 3,090 tons of waste were produced, 98.5% of which were recycled, which shows an increase of 2.1% over the prior year.

The majority of waste is recyclable because the largest categories are tobacco residues (which are natural materials that are easily recovered for composting) and paper (the recovery of which has saved the felling of 9,593 trees, contributing to the preservation of the environment).

Produced Waste (tons)



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## Methodological note

The third edition of Deltafina's Sustainability Report, which is published annually, is intended to transparently communicate the performance of economic, social and environmental aspects as well as to disclose the main activities and annual results.

Data in this document refers to fiscal year 2019 (1 April 2018 - 31 March 2019) of Deltafina srl, according to the financial cycle of the company.

The Sustainability Report has been prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative ("Core" option). Published data from previous years has not been changed, and data limitations are clearly indicated in the document where applicable.

The document has not been subjected to external review. The Sustainability Report was approved by the Board of Directors before external publication.

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GRI STANDARDS	DISCLOSURE GRI	Page number	Omission	
<b>GRI 101: Foundation 2018</b>				
<b>General Disclosures</b>				
GRI 101: Foundation 2018	<b>Organizational profile</b>			
	102-1	Name of the organization	8	-
	102-2	Activities, brands, products and services	8	-
	102-3	Location of headquarters	34	-
	102-4	Location of operations	34	-
	102-5	Ownership and legal form	13	-
	102-6	Markets served	8	-
	102-7	Scale of the organization	8	-
	102-8	Information on employees and other workers	16 - 17	The most important organization activities are performed by Deltafina employees
	102-9	Supply chain	10	-
	102-10	Significant changes to the organization and its supply chain	10	-
	102-11	Precautionary Principle or approach	The precautionary principle is incorporated in the good agricultural practices that Deltafina shares with its tobacco suppliers.	-
	102-12	External initiatives	26	-
	102-13	Membership of associations	9	-
	GRI 102: General Disclosures 2018	<b>Strategy</b>		
		102-14	Statement from senior decision-maker	5
<b>Ethics and integrity</b>				
102-16		Values, principles, standards and norms of behavior	18	-
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102-18		Governance structure	18	-
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102-40		List of stakeholder groups	10	-
102-41		Collective bargaining agreements		-
102-42		Identifying and selecting stakeholders	10	-
102-43		Approach to stakeholder engagement	10	-
102-44		Key topics and concerns raised	10	-
<b>Reporting practice</b>				
102-45		Entities included in the consolidated financial statements	43	-
102-46		Defining report content and topic boundaries	12	-
102-47		List of material topics	12	-
102-48	Restatements of information	43	-	
102-49	Changes in reporting	43	-	
102-50	Reporting period	43	-	
102-51	Date of most recent report	43	-	
102-52	Reporting cycle	43	-	
102-53	Contact point for questions regarding the report	43	-	
102-54	Claims of reporting in accordance with the GRI Standards	43	-	
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102-56	External assurance		-	

DISCLOSURE GRI	Page number	Omission
<b>Material topics</b>		
<b>Voluntary Compliance (certifications)</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
(No GRI) Voluntary certifications acquired by Deltafina		
<b>Compliance with legal requirements - Standard 307 2018: Environmental Compliance</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
307-1 Non-compliance with environmental laws and regulations	During the reporting period no sanctions for non-compliance with laws or environmental regulations have been reported	-
<b>Business integrity (fair competition, anti-corruption) - Standard 205 2018: Anti-corruption, 206 2018: Anticompetitive Behavior</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
205-1 Operations assessed for risks related to corruption	18	-
206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices	18	-
<b>Economic value generated and distributed - Standard 201 2018: Economic Performance</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
201-1 Direct economic value generated and distributed	14	Direct economic value generated is omitted, and direct economic value distributed is disclosed partially for confidentiality constraints set by the parent company
<b>Occupational levels - Standard 401 2018: Employment</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	14-17	

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<b>Material topics</b>		
<b>Workers' rights in the tobacco fields - Standard 407 2018: Freedom of Association and Collective Bargaining, 408 2018: Child Labor, 409 2018: Forced or Compulsory Labor, 412 2018: Human Rights Assessment</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	11	-
408-1 Operations and suppliers at significant risk for incidents of child labor	11	-
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	11	-
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		-
<b>Quality and Traceability of Tobacco Sold - No GRI Standard identified</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
<b>Health and safety in the tobacco fields - Standard 403 2018 Occupational Health and Safety</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	34	-
<b>Health and safety of workers at the Bastia Umbria and Francolise facilities and in Rome office - Standard 403 2018 Occupational Health and Safety</b>		
103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
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103-1 Explanation of the material topic and its boundary	12	-
103-2 The management approach and its components		
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308-1 New suppliers that were screened using environmental criteria	All tobacco farmers and tobacco producer groups are aligned to the STP program so all the environmental criteria are met.	



# Glossary

**Agronomy:** the science of agriculture, particularly related to crop production and soil management.

**Blend:** The term refers to a specific mixture of tobacco varieties and grades. This mixture is made to meet customers' needs with specific levels of quality, flavor and aroma of tobacco.

**Burley tobacco:** a type of tobacco usually air-cured with a color range from light brown to dark brown.

**Curing:** the process carried out after harvesting to remove the natural moisture. There are four methods of curing: air-curing, flue-curing, fire-curing and sun-curing.

**Dark air-cured tobacco:** a type of tobacco that can be identified from its fermentation process that gives it a medium- to dark brown color and a distinctive aroma. This tobacco is used in cigars, dark cigarettes, pipe mixtures and chewing tobaccos.

**First processing:** a series of physical transformations during which no additives other than water are used. The processors sort and grade the tobacco leaves, then separate the lamina from the stems ("threshing") and package the lamina as tobacco strips.

**Flue-cured tobacco:** this kind of tobacco is cured through artificial heat. It ranges from light yellow to dark orange in color and has a sweet aroma. It is also known as bright leaf or Virginia tobacco.

**Flue-curing:** one of main methods of curing that involves the removal of natural moisture from tobacco leaves. This method uses artificial heat and ventilation. The tobacco barns are outfitted with pipes that supply the heat and fans that circulate the heat to reduce moisture levels.

**Grade:** an indicator of quality of tobacco according to stalk position, color, texture and leaf size.

Best Practices

Our Processing Factories

Environment: continuous attention to our planet

Reading guide

Glossary

**Harvesting:** The process of collecting tobacco leaves from the plant once they have reached the desired stage of maturity. This activity can be performed either manually or by mechanical means. Flue-cured is harvested in stages, with the leaves removed as soon as they have matured individually. Burley tobacco is collected in several stages or by cutting the entire stalk close to the ground and removing all of the leaves at the same time.

**Leaf:** the primary product of the tobacco plant. The shape and position on the stalk determine its quality.

**Maturity:** this term describes tobacco's state of ripeness in the field.

**Non-Tobacco Related Material (NTRM):** any material other than tobacco that is inadvertently mixed in with tobacco leaves. It can include stones, glass, strings, pieces of metal, etc.

**Processing:** this term refers to the physical processes applied to tobacco after its curing and before its use in the manufacture of consumer tobacco products. These processes include many stages such as curing, threshing, drying and packaging.

**Raw tobacco:** tobacco harvested and cured, but not available to be consumed.

**Strips:** large pieces of tobacco lamina that have been threshed or cut away from the stem.

**Threshing:** one of the stages in tobacco processing, in which the lamina is mechanically cut from the stem. The resulting lamina are called strips.

**Virginia tobacco:** an equivalent of flue-cured tobacco. It was originally typical of the U.S. state of Virginia, but its cultivation now takes place globally.



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