



**Universal**  
100 YEARS

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1918 - 2018

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**Universal Corporation**

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Sustainability Review



## UNIVERSAL CORPORATION,

We are the leading global leaf tobacco supplier. We trace our origins to the late nineteenth century, and tobacco has been our principal focus since our founding. Procuring leaf tobacco involves contracting with, providing agronomy support to, and financing farmers in many origins. We do not manufacture cigarettes or other consumer tobacco products. We provide value-added services to our customers, and are also involved in other smaller-scale tobacco and agri-business opportunities.

Please visit us at: [www.universalcorp.com](http://www.universalcorp.com)

O V E R



directly **impacting**  
more than **2,000,000**

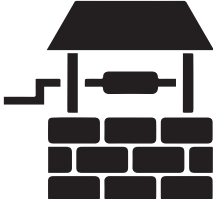
people in the farming areas from which we purchase tobacco



**30** countries in  
which we  
operate

more than   
**20,000** permanent and  
seasonal employees

**2**   
billion in revenue for fiscal year 2018

  
**370**  
wells and boreholes dug in  
Malawi, Mozambique, and  
Tanzania in the last 10 years

  
**500,000**  
farmers working with Universal

**45**   
schools built or improved

**27** schools were  
given educational  
materials



**300,000,000**  
tree seedlings planted in the last 10 years

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**2018 SUSTAINABILITY REVIEW**



## LETTER FROM THE CEO

### Welcome to Our First Sustainability Review

In January 1918, Jaquelin P. Taylor received a charter of incorporation for a new company: Universal Leaf Tobacco Company Incorporated. Over the last century, our business has grown to fulfill his vision of becoming the world's leading leaf tobacco supplier. Our company connects millions of lives worldwide to the global market for a unique agricultural crop. We touch the lives of farmers, their families and their communities by offering a fair and dependable price for the tobacco they grow. As we embark on the next 100 years of our business, we are acutely aware of the responsibilities involved and the potential for expanding the positive impacts of our activities.

That's the spirit in which I welcome you to this report: the first Sustainability Review from Universal. Through it, we invite you to explore our company's journey towards incorporating sustainability throughout the different aspects of our business and throughout our supply chain. We'll explain the core beliefs and values that have always underpinned Universal, and we'll explain how we are evolving our approach and applying these principles to today's challenges and sustainable development priorities.

As we celebrate our 100th anniversary, we are placing greater emphasis than ever on a single Universal brand. This brand carries a promise: that customers can be confident in the tobacco that we supply as well as the way in which we conduct business. Such confidence requires a stable, dependable supply chain that is fully compliant in terms of sustainability and meets each customer's specific and exacting requirements.

In order to fulfill this promise, our business model has to prioritize the well-being of our suppliers. The best way to secure a sustainable supply of tobacco is to ensure that farmers are prosperous and secure, and that they engage in practices that enhance their crops and address the social and environmental well-being of their communities.

We continue to evolve the way Universal operates, with greater coordination between our operating regions, bringing our full international organization together as a team to fulfill our customers' needs. We are using increased coordination to better align supply and demand across our operations, to benefit both our farmers and our customers. We are also incorporating best practices and sustainability throughout our supply chain.

As a business that touches lives across five continents in a great range of economic and political situations, we are fully aware of the positive role we play. Our continued focus on efficiencies, sound practices and the future reflects our commitment to our farmers, our customers and our industry. The improvements that we have made, together with our legacy of success, provide the foundation for keeping our promises to our customers. Doing so enables them to deliver on their own commitments to quality products, sustainability and evolution in the tobacco industry.

Our Universal brand logo embodies the concept of the Universal Effect: the idea that every action we take has broader impacts that resonate beyond the action itself. We are incorporating the ethos of the Universal Effect throughout the Universal business, guiding our decisions and relating each of them back to our core beliefs and responsibilities. Above all, we believe in doing what we say we will do, thereby earning the trust of our customers and the trust of our suppliers. This provides the strongest possible basis for our sustainability journey.



A handwritten signature in black ink that reads "George C. Freeman III". The signature is fluid and cursive, with the "III" written in a slightly larger, more stylized font.

**George C. Freeman, III**  
Chairman, President, and Chief Executive Officer



## EXECUTIVE SUMMARY

Universal currently undertakes activities to promote the sustainability of our business through good agricultural practices, environmental protection, social development and other related programs and initiatives. We believe that our actions bring positive change to all the stakeholders in our supply chain. Information related to our actions has typically been communicated on a country-by-country basis to our customers and our farmers. We also promote a number of programs and projects on our corporate website targeting a wider audience. However, due to the expanding benefits of transparency and the attention of a wider set of stakeholders, we are writing this report to inform a greater audience of our current sustainability projects and what the future will hold. We are refining systems, policies and procedures to improve our ability to report in a comprehensive and timely manner. These efforts support our business and contribute to our ability to serve our stakeholders.



## OUR COMPANY

Universal is the leading global leaf tobacco supplier, operating business-to-business to procure and process tobacco for sale to manufacturers of consumer tobacco products. Our primary business is procuring, financing, processing, packing, storing, and shipping leaf tobacco for sale to manufacturers of consumer tobacco products throughout the world. Procuring leaf tobacco involves contracting with, providing agronomy support to, and financing farmers in many origins. We do not manufacture cigarettes or other consumer tobacco products.

Through various operating subsidiaries and affiliates located in tobacco-growing countries around the world, we contract, purchase, process, and sell flue-cured and burley tobaccos, as well as dark air-cured and oriental tobaccos. Flue-cured, burley, and oriental tobaccos are used principally in the manufacture of cigarettes, and dark air-cured tobaccos are used mainly in the manufacture of cigars, smokeless, and pipe tobacco products. We also provide value-added services to our customers, including blending, chemical and physical testing of tobacco, service cutting for select manufacturers, reconstitute leaf tobacco into sheet, and managing just-in-time inventory. In addition to our core business, we are engaged in other agribusiness opportunities where we believe we leverage our assets and expertise to enhance our farmer base.

## OUR COMMITMENT

ULT is a leader and vital link in the global tobacco supply chain. We are firmly committed to the sustainability and integrity of all aspects of our tobacco supply chain in the areas where we operate. We believe every action should cause a positive reaction in the communities where we operate. We successfully work with farmers to produce quality leaf tobacco for the use of our customers. For tobacco farmers, we seek to expand their ability to produce tobacco in a sustainable and profitable way that enhances their quality of life. For our customers, we strive to make compliant tobaccos available that meet their quality specifications while promoting the sustainability of tobacco production. We are committed to serving as a vital link between these two interdependent stakeholders in the global tobacco supply chain.

## IDENTITY AND GOVERNANCE

### What Does a Global Leaf Tobacco Supplier Do?

As a global leaf tobacco supplier, Universal connects tobacco farmers with tobacco product manufacturers—our customers. Each manufacturer has specialized tobacco requirements used to create various consumer products. A challenge for the industry is coordinating the diverse range of tobacco farmers and tobacco types into a steady and stable supply of the best ingredients for each manufacturer. We must balance the demands of the manufacturer with the fundamental needs of farmers so that the supply chain functions sustainably throughout.

A global leaf tobacco supplier such as Universal impacts millions of people throughout the world. We use our global reach, financial strength and diversified supply chain to ensure that the tobacco supply chain is meeting the needs of our suppliers, customers, and other supply chain stakeholders. We offer farmers a dependable market for their product at a fair price, and seek to engage the farmer to support their long-term success. We offer manufacturers a consistent, competitively priced supply of tobacco they require, without undue exposure to variations in crops or price fluctuations, while providing access to our expansive supplier relationships and facilities.

Universal is able to play this crucial role thanks to our strong local presence in each region where we operate. Our leaf technicians travel throughout our growing areas to help farmers increase yields and quality, improve agricultural practices, and deliver compliant tobacco leaf to the global market. Our innovative mobile technology platform, MobiLeaf™, embeds responsiveness into our operations and drives

continuous improvement in agricultural best practices. Our processing facilities, strategically located at the intersection of tobacco-growing regions and export infrastructure, convert the agricultural crop into products that can be utilized in tobacco product manufacturing. Our local management teams work closely with our customer representatives in different countries to align our products with their exact specifications.

### Our Role in the Leaf Tobacco Market



#### With Farmers:

- Manages farmer relationships on a global scale
- Provides support through on-the-ground advice to farmers throughout field production and marketing
- Often finances field production and supplies crop inputs and technology packages to support farmers
- Monitors field production in support of compliant leaf
- Offers security of income through contracts and support of market stability



#### Universal's Role:

- Sources leaf tobacco
- Knows the farmers and the customers
- Finds buyers for all of the grades and styles produced in a single crop
- Ensures product traceability
- Processes tobacco to customer specifications, through owned facilities in major tobacco-producing regions
- Does not manufacture cigarettes or other consumer products



#### With Manufacturers:

- Works with customers before tobacco is grown to align production to their needs
- Delivers a compliant, processed product meeting the exacting standards of each customer
- Handles logistics, in often challenging, rural regions
- Works to embed environmental sustainability and adherence to codes of labor practice across the supply chain

## WHERE DOES UNIVERSAL OPERATE – AND WHAT DO WE DO THERE?

We conduct business in over:

**30+**  
countries

**5**  
continents

**20,000**  
full and part-time workers

Universal conducts business in more than 30 countries on five continents, handling a large share of global tobacco production. We handle between 30% and 40% of the tobaccos produced in Africa and the United States, and between 15% and 25% of the tobacco produced in Brazil. Together, these three regions represent about two-thirds of all flue-cured and burley tobaccos produced in the world outside of China.

We also operate in other strategic locations in the Americas, as well as in Europe and Asia. Universal works in partnership with Socotab to source Oriental tobacco from Bulgaria, Greece, Macedonia and Turkey.

We directly employ more than 20,000 full and part-time workers across our operations. Every employee plays a role in supporting our farmers and helping to ensure that our tobacco meets strict customer requirements.

We have agronomists that work to develop superior tobacco varieties, or cultivars, with better quality, yield and disease resistance, and to test new products, practices and technologies that Universal can recommend to our farmers. Development of varieties of tobacco is done conventionally without genetic modification.

Our leaf technicians operate in the field, providing technical support and training to farmers during all stages of tobacco production. They arrange contracts, recommend suitable techniques and crop inputs, encourage sustainable farming and use our MobiLeaf system for monitoring yields and adherence to our Good Agricultural Practices (GAP) and Agricultural Labor Practices (ALP) programs.

Our factory production workers and quality control teams work to process tobacco to meet our customers' requirements, carefully monitoring production and the processed tobacco to ensure that it complies with their specifications.

Our sales teams liaise with our customers to establish demand and ensure coordination of our services to meet customer expectations.

Our staff encompasses a large number of supporting roles, working in areas such as logistics, finance, customer support, human resources and IT. All departments contribute to the smooth running of a global supply chain for tobaccos that caters to the needs of our customers.



## AFRICA

- Operations in Malawi, Mozambique, South Africa, Tanzania and Zimbabwe
- Processing plants in Malawi, Mozambique, Tanzania and Zimbabwe
- Sources burley, flue-cured, dark fire-cured and dark air-cured tobaccos
- Farmer, primarily smallholder, agronomic support, and strong monitoring of crop production and labor standards



## ASIA

- Regional headquarters in Singapore
- Sourcing and processing operations in Indonesia and the Philippines
- Sourcing and trading operations in Bangladesh, People's Republic of China and India
- Sourcing and trading in multiple tobacco types



## EUROPE

- Operations in Italy, Hungary, Poland, the Netherlands and Germany
- Processing facilities and contract tobacco production in Italy and Poland
- Sources oriental tobacco through strategic partnership with Socotab in Turkey, Bulgaria, Macedonia and Greece, with processing facilities in Bulgaria, Macedonia and Turkey
- Sources flue-cured and burley tobaccos from Spain and France
- Specialty blending services in Italy
- Specialized facilities for reconstituted tobacco in Germany and the Netherlands



## NORTH AMERICA

- Operations in the USA, Dominican Republic, Guatemala and Mexico
- Sources flue-cured and burley tobaccos from the USA, with additional flue-cured, burley, sun-cured and dark air-cured tobacco from Mexico and Guatemala, dark tobacco from Dominican Republic and flue-cured tobacco from Canada
- Laboratory analytical services providing testing and R&D support to tobacco manufacturers and the tobacco supply chain
- Universal Ingredients operation in North Carolina, developing new and innovative uses for sweet potato and other food crops
- Liquid nicotine production that exceeds USP standards at our AmeriNic operations



## SOUTH AMERICA

- Operations in Brazil
- Sources flue-cured, burley and dark air-cured (Galpão) tobaccos
- Dedicated agronomic center for research and development of new tobacco varieties, as well as improving leaf quality and reducing environmental impact
- Separate sourcing of dark air-cured tobacco from Northern Brazil and Paraguay

## CORE BELIEFS

What we believe has been shaped by what we've learned over 100 years of leading the leaf tobacco industry. Our ten core beliefs are principles that we apply to every area of our business as we reinforce our single Universal brand. They are part of our promise to customers and provide momentum for the Universal Effect, whereby farmers and their communities are empowered through their work with Universal.

# WE BELIEVE

*in our responsibility to make a sustainable impact on our planet.*  
*in the value of cultivating communities through responsible partnerships.*  
*that focusing on the success of suppliers and customers is good business for us.*  
*in adopting sustainable agricultural practices responsive to the needs of farmers and the environment.*  
*in setting the standards for providing compliant products in a transparent manner.*  
*that our global workforce provides the energy that fuels our business.*  
*in maintaining the financial strength necessary to support our communities.*  
*in seeking and developing business opportunities that fit our core competencies.*  
*in learning from the past in order to avoid problems in the future.*  
*in doing what we say we will do.*

### Incorporating Sustainability Within our Business Model

Our success depends upon the integrity of our supply chain. We rely on our contracted farmers to deliver a consistent supply of quality tobacco that is fully traceable and complies with sound environmental and social practices. As we focus our business around a single Universal brand, sustainability is a vital part of our promise to our stakeholders.

Universal's business model cannot be separated from the success of our contracted farmers. We support them as tobacco growers, as farmers in general, as providers for their families, and as members of their communities. Our objective is to ensure that there exists a diverse range of farmers with the ability to grow tobacco in response to demand.

The foundation of our commitment to sustainability consists of our strict compliance with applicable laws, our comprehensive Code of Conduct and our commitment to organizational objectives in eight main focus areas:

- Good Agricultural Practices - We shall use, promote and enhance sound leaf production techniques and strategies that meet our customers' needs, promote farmer profitability and support environmental sustainability, biodiversity and resource conservation.
- Curing Efficiencies and Sustainable Wood Production - We shall monitor and improve tobacco curing efficiencies to reduce fuel usage; continue to increase the availability of sustainable wood resources where wood is used; and investigate alternatives in the interest of conserving natural resources.
- Fair Labor Practices - We shall continue to create opportunities for a qualified and diverse workforce at all levels of our organization; respect workers' freedom of association and other labor rights as defined by applicable laws; help eliminate child labor and forced labor throughout the supply chain; and encourage and assist tobacco farmers and communities to recognize and address agricultural labor issues.
- Good Manufacturing Practices - We shall use, promote and enhance industry best practices and sound technologies to optimize production in our processing facilities while meeting customer requirements, creating a safe working environment, improving energy efficiency and supporting environmental sustainability.
- Environmental Protection - We shall comply with all environmental laws and regulations; monitor our industrial activities; analyze supply chain activities; and cooperate with our supply chain partners to formulate and implement strategies to reduce the environmental impact of the tobacco supply chain, promote energy efficiency, support biodiversity and conserve natural resources.



- Health and Safety - We shall comply with all health and safety laws and regulations; create and maintain a safe working environment; address potential risks specific to our industry, including green tobacco sickness; and encourage our supply chain partners to do the same in the interest of employees, contractors, farmers, farm workers and other supply chain stakeholders.
- Social Responsibility - We shall operate in a fair and responsible manner; strive to be a beneficial and constructive supply chain partner to our stakeholders; and address key aspects and concerns of the tobacco industry and the farming and industrial communities in which we operate.
- Tobacco Integrity and Traceability - We shall continue to implement and deploy programs and strategies aimed at enhancing the security of tobacco supply and promoting tobacco quality throughout the supply chain for the purpose of the long-term supply of compliant tobaccos.

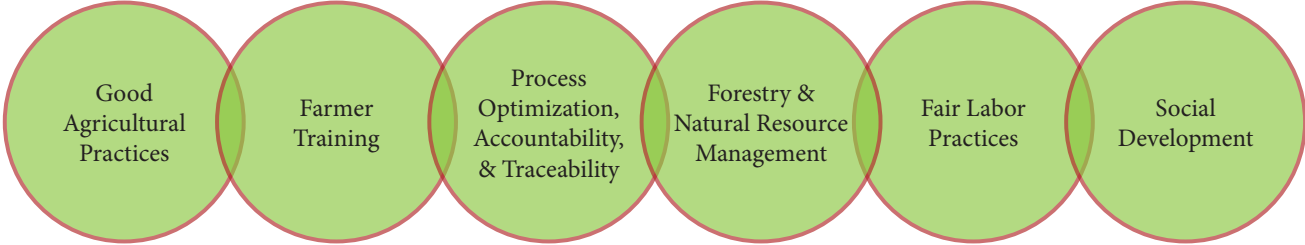


ULT has established these policies, guidelines, and operating processes targeting these important objectives at all levels of our company including corporate, regional, and supply origin levels. We also measure important aspects of our economic, operational, environmental and social performance for the benefit of organizational planning and as information for our key stakeholders. These figures highlight the benefits that our operations provide to our stakeholders; provide information regarding operational, environmental and social impacts in our areas of operation; and are used to identify opportunities for improvement in our sustainability and supply chain integrity activities.

**Sustainability in Our Supply Chain**

We seek to embed sustainability within our supply chain, through:

- A close working relationship with our customers that enables us to forecast demand for tobacco crops and provide a fair price to our contracted farmers.
- The global reach and scale to find buyers for all grades and styles of tobacco within a crop.
- Leaf technicians working closely with farmers on the ground, to improve yields, quality and growing practices.
- Support for farmers through loans and agricultural inputs such as certified seed, improved varieties, crop protection agents (CPAs) and fertilizers.
- Advice to farmers on diversifying the crops they grow and building a broader revenue base.
- Embedding Good Agricultural Practices (GAP) to preserve soil, reduce the use of chemicals, improve yields and quality, and protect water supplies.
- Investing in clean water supplies and sources of water for domestic use and irrigation.
- Monitoring adherence to the Agricultural Labor Practices (ALP) Code, including support for education in rural communities, to help eliminate child labor.



## OUR COMMUNITIES

For Universal, the concept of community includes all the groups that our business depends on—and all those who similarly depend on our business. We have defined our responsibilities towards our different communities in order to reinforce these crucial relationships:

### Our Customer Communities

Our customers have helped shape our business for the past 100 years, rewarding Universal for our integrity and dependability and embedding the core beliefs that guide our company today. Over 75% of our sales are to customers with major positions in their respective markets and with whom we have long-standing relationships. Our customers' commitment to sustainability is an important element in these relationships.

Our Responsibilities to Our Customers:

- Fully compliant, high-quality tobacco that meets international standards on sustainability
- An efficient, transparent and fully traceable supply chain
- Strong inventory management
- The ability to be responsive to changing needs
- Support on innovation that responds to the evolving nature of the tobacco market

### Our Farmer Communities



Our business depends not only on the more than 500,000 farmers in our supply chain, but also on the 2 million people in the communities surrounding those farms. A vibrant and prosperous rural community—attractive to young people—is an essential foundation for stable and sustainable farming.

Our Responsibilities to Our Farmers and Their Communities:

- The agreement of a fair price for the crops that contracted farmers grow for us
- Support in diversifying agriculture to deliver balanced revenues and a more secure future
- Assistance and advice on improving yields and protecting soil quality
- Clean water supplies to meet the needs of both farmers and their communities
- Assistance with a healthy living environment
- Investment in education to support vibrant and dynamic rural life
- Preventing exploitation of farm workers and protecting human rights, including helping to end child labor
- Promoting safety for all those working on farms

### Our Employee Community

More than 20,000 people work for Universal worldwide. Our leaf technicians travel throughout rural areas to support farmers and act as our eyes and ears to monitor adherence with our key sustainability measures. Employees in our factories use their expertise to deliver processed tobacco that meets our customers' exacting standards. We have agronomists that work in our research and development centers as well as in the field to develop new varieties, provide GAP training for farmers, and increase yields per hectare while reducing the environmental impact of growing tobacco.

Our Responsibilities to Our Employee Community:

- Providing regular employment—both full-time and seasonal
- Providing opportunities for people, especially in rural communities—to work, develop skills and build expertise
- Providing a safe working environment
- Respect for human rights, including workers' rights and the freedom of association

## Our Investor Community

Our investors demonstrate their confidence in our business through debt and equity investments. We must continue to earn that confidence by running our business consistently and in line with our beliefs and values, as well as doing what we say we will do.

Our Responsibilities to Our Investor Community:

- Maintaining our strategic market position and financial strength
- Ensuring the sustainability and stability of our business
- Maintaining customer loyalty and a diversified supply chain
- Continuing to deliver returns to our shareholders
- A consistent, conservative management style
- An approach that faces the future with optimism, tempered by common sense

## FARMING COMMUNITIES

The farmers who supply Universal are situated across five continents and 30+ countries, producing a diverse supply of tobacco. They include farmers working in very different environments, cultures, and political and social contexts.

Below are three examples of the diverse farmer groups working with Universal. These examples demonstrate how we adapt our sustainability presence based on the need of our farmers and their economic circumstances. Our goal is to support them in embedding Good Agricultural Practices (GAP), meeting our standards on labor practices and sustainability, diversifying their crops and helping to support the prosperity of rural communities.

### The Independent Smallholder Farmer : **AFRICA**



In Malawi and Mozambique, smallholder farmers often have access to two acres or less of cropland, with farmers growing tobacco alongside other crops for subsistence, and commonly working on other farms when their own farming tasks are complete.

In Zimbabwe, smallholder farmers produce a large proportion of the tobacco crop after the government implemented its land reform and redistribution program. Many of these farmers do not own the land that they farm and require encouragement and support to invest in improving yields and growing tobacco sustainably.

Both types of farm scenarios face challenges in diversifying the range of crops that they grow. In several African countries, the smallholder farmers supplying Universal support one another through co-operatives or clubs, coordinating farming tasks, such as harvesting, so they can provide labor on one another's farms.

The vast majority of smallholder farms are labor-intensive and use minimal mechanization in the growing and harvesting of crops. ULT provides intensive production assistance to better ensure that the tobacco from these regions meet industry standards. We provide elements necessary for growing tobacco as well as social improvements that address fundamental needs of the farmers. Wells are dug and dams built to assist these farmers in having access to water for themselves and for their crops. Schools are built to provide children access to education and keep them out of the fields.

We also review production practices in these areas continuously to educate our farmers on the most energy-efficient methods for crop production, which will minimize environmental impacts and assist these farmers in the implementation of good farm practices with available local resources.



### The Larger Independent Farmer : **BRAZIL**

In Brazil, independent farms are often larger, covering 16 to 20 hectares, of which only 2 to 2.5 hectares are used for growing tobacco. Universal encourages farmers to grow a range of other crops such as corn, black beans and soy beans for their own consumption. Many also farm cattle and other livestock such as chickens. As with smallholder farmers, farming for this group is a labor-intensive business with minimal mechanization.

Universal provides support and assistance to these farmers. In many cases, Universal provides important crop inputs. Additionally, assistance is provided to encourage GAP and sustainable practices during crop production. Universal also provides support to the environmental and social fabric of the growing areas through reforestation efforts, focus on water quality, and support for the strengthening of rural communities.

### The Large Family Farm : **UNITED STATES**

In the United States, mechanization enables larger family farms of hundreds of acres, which are far more likely to specialize in tobacco production as a commercial crop. Our farmers in the United States also include members of the Amish community in Pennsylvania, who grow dark air-cured tobacco for use in manufacturing cigars. The Amish use no mechanization on their farms; rather, family labor plays an important role.

In the United States, farmers are able to access the latest and greatest technologies for producing tobacco and are able to secure their own financing. These operations typically have multiple sources of support that include government and land grant universities. Also, the market of goods and services designed for agriculture are more developed and available. In the United States, farms are subject to industry review and an advanced set of governmental regulations. Universal's core responsibility is to work within the agreed contract, to encourage and support legal compliance, and to support agricultural research and the future of farming.



## RESEARCH AND DEVELOPMENT

### Innovating to Increase Yields and Reduce Environmental Impact

The environmental impacts of any agricultural crop depend largely on the nature of the crop itself. The more inputs that a crop requires in terms of irrigation, fertilizers and crop protection agents (CPAs), the greater the capacity for environmental impact. We work to develop new varieties of tobacco that have fewer requirements for such inputs and can deliver higher yields from smaller areas of land. This not only helps to reduce our environmental impact, but also helps our farmers diversify their use of land and grow a balanced range of crops.

Universal develops new varieties of tobacco using conventional breeding methods without genetic modification. Tobacco is cross-pollinated with other tobacco varieties, and desirable traits are selected. Conventional methods of variety development are very methodical and therefore take time. We develop varieties in multiple countries and also support related academic and third-party activities.

Universal's dedicated agronomic research center in Brazil leads our drive for continuous improvement in tobacco varieties. Over the last eight years, the center has produced more than 15 new seed varieties with greater disease resistance and reduced irrigation needs. The center now provides all of the seed for Universal farmers in Brazil and is working on developing new, more productive and more disease-resistant strains for other regions as well.



The agronomy center does more than export innovation in the form of new tobacco varieties. It also acts as a training and knowledge hub, training farmers on new techniques and offering support for overcoming challenges. The center hosts field days for groups of 30 to 50 farmers offering immersive sessions dedicated to different areas of tobacco production from raising seedlings to field management and curing. When leaf technicians in the field identify farmers who are struggling to produce quality tobacco, we recommend that they attend our relevant field days. The center is also conducting research on more sensitive approaches to pest control and works to inform Brazilian farmers about the role that different insect species play in sustainable crop management.

## UNIVERSAL INGREDIENTS

ULT continually seeks opportunities to expand our capabilities with the resources we have. Greater crop diversification in the fields allows for our farmers to diversify their own business models. Universal Ingredients was founded to support farmers and build a safer, healthier, and more sustainable food supply.

Universal Ingredients is currently operating as Carolina Innovative Food Ingredients, Inc. (CIFI) and focuses primarily on sweet potato processing, but handles other food crops as well. Sweet potatoes are widely used in food manufacturing processes for items such as baked goods, purees, soups and other preparations. New and innovative uses for fruits and vegetables, particularly in the growing health and wellness beverage market and the global pet food industry, are continuously occurring. We believe the demand for these versatile products will continue to grow.



**Carolina Innovative  
Food Ingredients, Inc.**

CIFI is certified as non-GMO, and all production is in the United States. Recent studies have found that a vast majority of consumers want to see more transparency from the food industry, and CIFI aims to support manufacturers through robust, traceable sourcing and advanced processing techniques. As consumers increasingly seek to do business with companies that reflect their values, food processors find great value in developing supplier relationships with companies that promote food safety, sustainability and social responsibility.

Our utilization of a frequently underutilized product provides a compelling sustainability story. We purchase fruits and vegetables that are cosmetically unsuitable for sale as whole vegetables, thereby supporting our grower partners and reducing food waste for a more sustainable food supply.

## UNIVERSAL ENTERPRISES

**AmeriNic, Inc.**

AmeriNic produces USP liquid nicotine in the USA for electronic delivery systems. Our nicotine is produced under United States Pharmacopeia (USP) standards and is manufactured in FDA-compliant (cGMP) facilities. We produce only pure United States Pharmacopeia (USP) nicotine—clean, clear, and consistent.



The company was created to meet growing demand for liquid nicotine for e-cigarettes, vapor and next generation tobacco products. We provide nicotine to a broad range of customers from e-juice manufacturers to electronic nicotine delivery system manufacturers - we serve the entire electronic nicotine delivery systems (ENDS) industry. These devices are intended for adult consumers, and often as an alternative to traditional cigarettes. Our business supports customer innovation in the new generation product marketplace.

AmeriNic offers pure liquid nicotine, produced to exceed the highest production standards for vapor and e-juice products. We pride ourselves on quality and consistency. AmeriNic USP nicotine is manufactured in the USA at our two contract extraction and purification facilities in North Carolina and Georgia. The facilities operate under current good manufacturing practices (cGMP) to produce USP nicotine that is consistent from batch to batch. Each batch is tested to ensure that it exceeds USP standards and comes with a certificate of analysis from an independent, certified laboratory.

AmeriNic believes in being a good steward of the environment. Our manufacturing process utilizes recovery systems to recapture process waste for reuse. Additionally, we have worked with experts in the recycling industry to study the feasibility of recovering nicotine from spent e-cigarette cartridges. We are also evaluating possibilities for extraction from by-products from affiliated Universal companies.



To further support customer innovation and standards, Global Laboratory Services (GLS) provides reliable and dependable testing of tobacco leaf and tobacco products, including new generation products. Our beginnings on the agronomy side of the tobacco industry provide a solid foundation to assist customers on the manufacturing side of the business in matters of good product stewardship, quality control, and regulatory compliance. Our experience, personnel, quality system and state-of-the-art instrumentation contribute to our success in supporting our clients' analytical needs.

As e-cigarettes and next generation products expand, there is a desire for more data about these new products. GLS obtains detailed data and information by testing product operation, e-liquid constituents, and their mainstream vapor. We evaluate and test products effectively and efficiently, working independently or with the guidance of certified toxicologists to provide our customers with the valuable information they need. Quality control testing can detect variations in starting materials that could impact final production. Our state-of-the-art screening techniques give us the ability to detect subtle variations between lots.

#### HTL-DHT



HTL in the Netherlands and DHT in Germany specialize in reconstituted tobacco products. HTL in Eindhoven specializes in the production of cigarette filler, and DHT in Hockenheim services the cigar industry and makes filler, binder, wrapper, one-leaf and tipping paper. Both processes recycle tobacco by-products, reducing tobacco excess from the industry overall.

HTL-DHT supports industry innovation and new products. HTL-DHT's cornerstone is our expertise in the factors that are most critical to tobacco product manufacturers: color, strength, fragrance, moisture and, ever importantly, taste. Modern production methods allow us the flexibility to quickly adapt our process to innovations, customer requirements, and industry trends while closely maintaining desirable characteristics of the tobacco. In addition, because our raw materials are perpetually available, a constant supply is assured. We support industry innovation and needs through our knowledge of tobacco by-product recycling and processing.

## CHANGING AGRICULTURAL PRACTICE THROUGH MOBILE TECHNOLOGY

Universal’s leaf technicians are the eyes and ears of our business. They are a fundamental part of sustainability in our tobacco supply chain; help farmers improve yields and diversify their crops; and embed good agricultural practices and compliance with labor standards throughout our supply chain. We strive to equip them with access to everything that Universal knows at any given point in time: real-time data, shared best practices, and the pooled wisdom of our experience with different farmers in different situations worldwide. When we are able to connect our eyes and ears in this way, we can amplify their ability to support our farmers.



This is possible through MobiLeaf™, our mobile technology platform for capturing and sharing data in real time. It is transforming our ability to think and act as a company, embedding sustainability throughout our supply chain and aligning that supply chain with our customers’ needs.

MobiLeaf™ combines GPS technology with an operating system that works on most popular mobile devices. Technicians take measurements and farm data, which can be reported real-time and combined with other factors that can assist in forecasting likely yields and actions that need to be taken to deliver the ideal crop quality and quantity.

MobiLeaf™ is also an agent of change when it comes to Good Agricultural Practices (GAP) and compliance with labor standards. Recording data on farming practices and activities implemented by farmers, allows Universal to better identify those farmers that follow best practices, as well as those farmers that require additional training and guidance, which improves efficiencies by directing the leaf technician’s focus to the needed areas.

Our technicians are trained to use MobiLeaf™ to identify incidents of child labor on farms and document when a farmer does not follow our Agricultural Labor Practice (ALP) code. This documentation triggers a visit from a specialist ALP team to remedy such issues. Using MobiLeaf™ as a means of enforcing labor standards has played a critical role in helping us to work towards our goal of eliminating child labor from our supply chain.

## SUSTAINABLE RESOURCE USE

		
FOR FARMERS	FOR CUSTOMERS	FOR UNIVERSAL
<ul style="list-style-type: none"> <li>• Shared best practices to help improve yields and value</li> <li>• Focused and proactive interventions from leaf technicians to reduce the risk of crops not complying with contracted requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Compliant product that suits each customer’s requirements</li> <li>• Greater transparency on GAP and ALP compliance</li> <li>• A more responsive tobacco supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Integration of supply and demand</li> <li>• More proactive support for farmers</li> <li>• Efficient sharing of best practices</li> <li>• Delivering compliant product to customers</li> </ul>

### Managing Our Social and Environmental Impacts From Farm to Factory

Sustainable farming isn’t just good for the environment; it’s vital for farmers, their families, and the surrounding communities who depend on natural resources. The actions taken by individual farmers ripple outwards: they affect their own futures by preserving soil quality and safeguarding future crops; they affect safety, security and opportunity for those who work with and depend on them; they affect the resources available to their local community; and in aggregate, they influence the health of the planet as a whole.

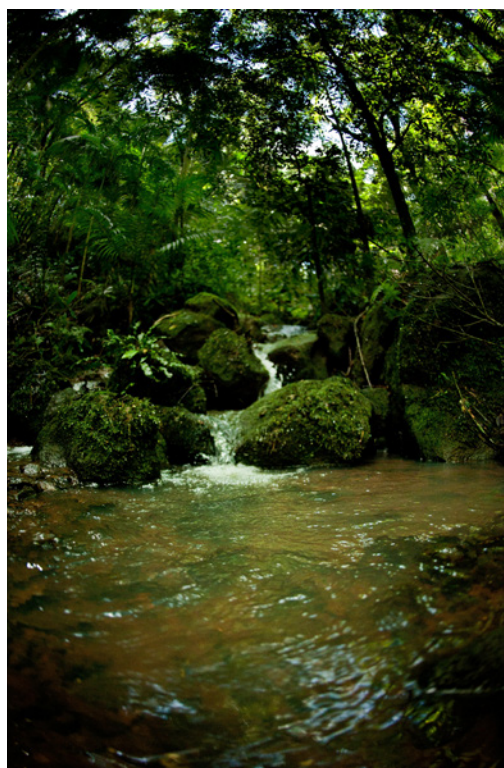


Embedding GAP with the contracted farmers in Universal's supply chain is a priority for our business. It is an essential element in both our business model, which relies on stable and secure farmers, and in our brand promise to deliver a sustainable, compliant product to our customers. However, GAP is not the only area in which we are acting to reduce our environmental impact. The way that tobacco is cured and processed, and the way we power our factories and dispose of waste are equally important in delivering on our sustainability promises.

Because of the many different contexts in which our farmers work, it would be counter-productive to attempt a one-size-fits-all approach. We work with our farmers to address the most pressing issues in each market, adapting our approach to leverage local support mechanisms where available, to overcome cultural barriers and constraints, and to work with the materials and resources that our farmers have available.

For our own production operations, we have focused on process efficiency and standardization to minimize resource usage and to spread best practices around the world.

## Water



Our agronomists work to produce tobacco that requires minimal irrigation throughout the crop's life cycle in order to reduce the use of water in tobacco growing. They also develop varieties that require fewer crop protection agents (CPAs) to minimize the use of agrochemicals in farming, which in turn protects the quality of local water supplies.

Many countries have environmental regulations on the use of agrochemicals and agricultural runoff from fields into local waterways. Through our network of leaf technicians, Universal is able to take a hands-on approach to support environmental protection. Our farmer training is designed to embed awareness of the farmer's role in protecting the environment and the impact of farming on the local community.

Monitoring and guidance through our MobiLeaf™ platform and network of leaf technicians plays a key role in reducing CPA use. Over several years and through these efforts we have managed to reduce the concentration of CPAs used per ton of tobacco. Reduced CPA use protects farmers and farm workers, as well as local water resources.

We also work with our customers to take a proactive approach to protect local water supplies. In Brazil, our Project Water Guardian, in partnership with Imperial Tobacco, incentivizes farmers to conserve water, prevent soil erosion and reduce the use of chemicals. We worked to improve the water quality of crucial springs that supply drinking water through a total environmental approach, discussing good agricultural practices and conservation-oriented management with the farmers. Project Water Guardian has been one of our most successful public service initiatives to date, with the amount of higher quality water rising from 44 percent to over 75 percent, directly and indirectly benefiting approximately 14,000 people. The project was so successful that the local municipal authority took over the running of the project on an on-going basis.

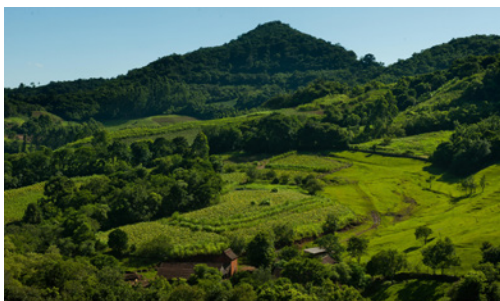
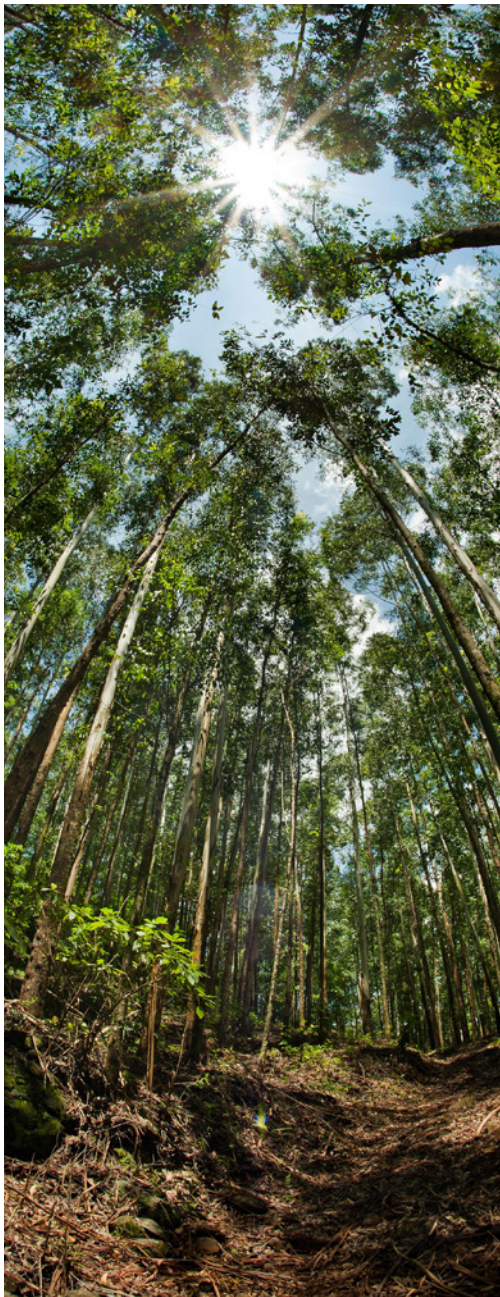


In Malawi, we created eight small dams to supply an estimated 10,000 people in farming communities with water. Universal works with local communities and the Ministry of Agriculture, Irrigation and Water Development to better ensure dams never compromise the water supply of downstream communities, and to put water usage bylaws in place that are designed to ensure water resources are sustainably managed. The surroundings of these dams are planted with trees to help prevent soil erosion.

In parts of Mozambique, water quality can be poor for drinking and sanitation, which affects the health of rural residents. In order to improve the drinking water quality, Universal has drilled more than 60 wells, which supply water to approximately 18,000 people. The well construction initiative is targeted at reducing the dangers of waterborne illnesses, which are a significant issue. It also has the benefit of reducing the time and resources the local community commits to water collection, which reduces child labor, allowing time for other important activities.



## Carbon Emissions and Forestry



Over the last 25 years, Universal has invested significantly in more efficient processing facilities, so that these operations now represent less than 10% of the carbon emissions associated with our business. We continue to monitor energy use at our factories and seek to identify opportunities to reduce our carbon emissions further still. The remaining 90% of the carbon emissions associated with our business originates in the fields, including the curing process undertaken by farmers.

A large portion of our supply chain carbon emissions is the result of the heat-curing of flue-cured tobacco. We are working to reduce the carbon footprint associated with flue-curing through sustainable forestry and curing efficiency improvements. Over the last 10 years, we have worked with our farmers to plant more than 300 million seedlings through tree-planting initiatives. We have also reduced the amount of fuel required for the curing process through improvements to curing barns and deployment of better curing management strategies.

In Brazil, Universal's farmers can source 100% of the wood required for curing from trees planted through a long-running reforestation plan. We are now rolling out similar initiatives in Africa, arranging the planting of woodlots that are often owned and managed by farming communities. A key part of this initiative involves overcoming cultural barriers to tree conservation and ensuring that all trees used by our farmers are replaced. Initiatives in Zimbabwe and Mozambique work with local schools to raise awareness of the value of forest conservation.

Innovation in the curing process has a particularly important role to play in reducing carbon emissions. Universal has developed new designs for barns that increase the efficiency of flue-curing, reducing the amount of wood required for burning. These designs are based on our research in the field, which has established the types of materials available for barn construction in different regions. By developing flexible barn designs to suit local conditions and providing training on construction of new barns, we empower farmers to make improvements that best suit their situation. In Africa, for example, we supply farmers with brick molds that enable them to create their own construction materials from available local resources. This approach has increased the take-up of new curing methods in Tanzania and Zimbabwe. Here, new furnace and flue designs enable farmers to power the curing process with small branches that can be harvested sustainably, rather than large tree trunks.

In Mozambique, we are reducing the impact of air-cured burley tobacco by assisting Universal's contracted farmers to construct "live barns" that use the trunks of growing trees as the frame of the curing structure. Rather than encouraging farmers to source timber by chopping down trees, live barns encourage reforestation, with an estimated 100 trees provided to the farmer per hectare of tobacco. Universal supplies the required tree seedlings and trains farmers on their planting and care.

In Brazil, we have introduced automation into the flue-curing process, offering greater control over temperature and thereby reducing the amount of wood required to feed furnaces overnight. Across our operations, we are exploring options for using biomass in the flue-curing process, to prevent the use of local tree stocks.

## Waste Management



Tobacco farming and processing produce a relatively low amount of waste. Where there is waste in the supply chain, however, we are working to minimize the impact, with a strong emphasis on recycling and disposing of potentially hazardous waste responsibly.

Our tobacco processing facilities in Nashville, North Carolina, USA, and Santa Cruz do Sul, Brazil, each incorporate a dedicated composting facility that reduces the amount of waste going to landfills. In 2018, Universal composted more than 8,500 tons of waste material.

In Malawi, Universal worked with the Malawian Agriculture Research and Extension Trust (ARET) to turn the waste generated by tobacco processing into a new form of organic fertilizer. Prior to this project, around 15% of the tobacco processed in factories was disposed of as waste in the form of tobacco stem and dust. Compressing this waste into pellets has provided farmers in Malawi with a form of environmentally-friendly fertilizer at one-tenth of the cost of artificial alternatives.

Wherever we supply farmers with agricultural inputs such as CPAs, we request farmers return empty bottles and packaging, and work with CPA manufacturers and suppliers on recycling initiatives. In Africa, Universal uses radio broadcasts, in addition to direct farmer training, to spread awareness of safe storage practices and precautions when using and disposing of CPAs.

## Soil

Preserving the quality and productivity of soil is vital for the financial health and sustainability of our farmers. This is a primary focus of both our leaf technicians in the field and the agronomists working at our research centers. We aim to continually develop new techniques to help prevent soil erosion and preserve soil quality.

In Brazil, approximately 50% of our farmers grow tobacco under a conservation tillage system, such as no-til, where the soil is covered with a mulch to reduce the risk of erosion and prevent compromising water supplies.

Crop rotation has a significant role to play in preserving the quality of soil and reducing the risk of disease in plants. This is one of the many reasons why Universal actively requests and encourages farmers to diversify the range of crops that they grow beyond tobacco, allowing them to rotate crops between fields from season to season. In Malawi, for example, we actively encourage farmers to grow peanuts. Similar to our tobacco-growing support, we provide assistance for seeds, fertilizers and other inputs. Universal also contracts to buy peanuts from some of our farmers as part of our agreement with them, seeking to provide a degree of price security and remove many of the barriers of uncertainty that prevent farmers from growing a more diverse range of crops. In 2018 we contracted 568 hectares of peanuts with our farmers in Malawi.

In Mozambique, we are working with our farming co-operatives to increase the market for maize by providing milling facilities to produce chicken feed, thus encouraging a further form of diversification through chicken farming.

In parts of Africa, Universal encourages smallholder farmers to pursue “continuous cropping,” in which food crops are planted to replace harvested tobacco, benefitting from the residual nutrients and remaining rainfall to further increase the field productivity and better secure food requirements.

## LABOR PRACTICES

### Responsible Labor Practices

Universal directly employs more than 20,000 people who work in the field as leaf technicians, in our factories, and in our offices and research centers. Our responsibility for those working for our business, however, extends far beyond these employees. Around half of the farmers who supply our business employ people to work on their farms. Many more work their farms alongside their families. Embedding safe, ethical and sustainable labor practices throughout our supply chain is a significant responsibility for our business. These sustainable labor practices are defined in our Agricultural Labor Practices (ALP) principles. Seven principles outline and describe Universal’s labor expectations for our famers and are outlined on the next page.

## THE SEVEN ALP PRINCIPLES



### CHILD LABOR

- There is no employment or recruitment of child labor. The minimum age for admission to work is not less than the age for the completion of compulsory schooling and, in any case, is not less than 15 years or the minimum age provided by the country's laws, whichever affords greater protection.
- No person below 18 is involved in any type of hazardous work.
- In the case of family farms, a child may only help on his or her family's farm provided that the work is light work and the child is between 13 and 15 years or above the minimum age for light work as defined by the country's laws, whichever affords greater protection.



### INCOME AND WORK HOURS

- Wages of all workers (including for temporary, piece rate, seasonal, and migrant workers) meet, at a minimum, national legal standards or agricultural benchmark standards.
- Wages of all workers are paid regularly, at a minimum, in accordance with the country's laws.
- Work hours are in compliance with the country's laws. Excluding overtime, work hours do not exceed, on a regular basis, 48 hours per week.
- Overtime work hours are voluntary.
- All workers are provided with the benefits, holidays, and leave to which they are entitled by the country's laws.



### FAIR TREATMENT

- There is no physical abuse, threat of physical abuse, or physical contact with the intent to injure or intimidate.
- There is no sexual abuse or harassment.
- There is no verbal abuse or harassment.
- There is no discrimination on the basis of race, color, caste, gender, religion, political affiliation, union membership, status as a worker representative, ethnicity, pregnancy, social origin, disability, sexual orientation, citizenship, or nationality.
- Workers have access to a fair, transparent and anonymous grievance mechanism.



### FORCED LABOR

- Workers do not work under bond, debt or threat and must receive wages directly from the employer.
- Workers are free to leave their employment at any time with reasonable notice.
- Workers are not required to make financial deposits with employers.
- Wages or income from crops and work done are not withheld beyond the legal and agreed payment conditions.
- Farmers do not retain the original identity documents of any worker.
- The farmer does not employ prison or compulsory labor.



### SAFE ENVIRONMENT

- The farmer provides a safe and sanitary working environment, and takes all reasonable measures to prevent accidents, injury and exposure to health risks.
- No worker is permitted to top or harvest tobacco, or to load barns unless they have been trained on avoidance of green tobacco sickness.
- No worker is permitted to use, handle or apply crop protection agents (CPA) or other hazardous substances such as fertilizers, without having first received adequate training and without using the required personal protection equipment. Persons under the age of 18, pregnant women, and nursing mothers must not handle or apply CPA.

- Workers do not enter a field where CPA have been applied unless and until it is safe to do so.
- Workers have access to clean drinking and washing water close to where they work and live.
- Accommodation, where provided, is clean, safe, meets the basic needs of workers, and conforms to the country's laws.



### FREEDOM OF ASSOCIATION

- The farmer does not interfere with workers' right to freedom of association.
- Workers are free to join or form organizations and unions of their own choosing and to bargain collectively.
- Worker representatives are not discriminated against and have access to carry out their representative functions in the workplace.



### COMPLIANCE WITH LAW

- All workers are informed of their legal rights and the conditions of their employment when they start to work.
- Farmers and workers have entered into written employment contracts when required by a country's laws and workers receive a copy of the contract.
- Terms and conditions of employment contracts do not contravene the country's laws.



## Eliminating the Use of Child Labor

Throughout the majority of the world's tobacco-growing regions, there are various long-standing rural traditions of children working in the fields alongside their parents. In Brazil, working on farms has been seen as an important means of integrating children within rural communities and preventing migration to cities. In many regions of Africa, where rural communities suffer from a lack of schools, there are often little or no alternatives to children working in fields. In the Amish farms of Pennsylvania in the United States, children learning the values of work and the skills involved in growing crops are valued cultural traditions.

For these reasons, implementing Agricultural Labor Practice (ALP) standards across the farms in our supply chain is often a significant cultural challenge. However, it is a challenge that Universal is fully committed to meeting. Despite the barriers involved, we believe that restricting the education of children for the sake of field labor is shortsighted and misguided. We are also fully aware of the potential hazards involved in children working on farms—from mechanization to the exposure to chemicals and CPAs. We have documented risky activities in our supply origins, and work with farmers to follow national laws and encourage responsibility.

When it comes to embedding responsible labor practices throughout our supply chain, we vary our approach to reflect the governing environment in each country. Where strong regulations exist, we are able to take a very strict approach to enforcement, leveraging our network of leaf technicians to report incidences. Where no such regulatory support exists, we vary our approach, stressing education on the safety concerns for children working on farms and being clear and forceful in stressing our policy in this area.

In Brazil, where child labor is strictly banned under local law, we have made it a condition of supplying Universal that no one under the age of 18 should work in tobacco production, and we implement this policy through the tools and channels available to us. When our leaf technicians encounter violations of this policy in the course of their interaction with farmers, they use our MobiLeaf platform to alert our local ALP team. This team immediately follows up with visits to stress the importance of complying with our policy, and to warn of the consequences of failing to do so.

In the United States, where different regulations on child labor exist, our approach focuses on education. We encourage farmers to consider the risks to their children of working on farms, many of which are heavily mechanized. We have found this approach to be the most effective means of encouraging changes in behavior.

In Africa, building awareness of the requirements of good Agricultural Labor Practice (ALP) can be a challenge, especially in areas with low literacy rates. In remote rural areas of Mozambique, where the civil war resulted in many farmers never receiving a basic education, Universal uses drama groups that perform short plays illustrating ALP principles, including the need to eliminate child labor. Universal has also built and improved schools in our growing areas, and launched innovative school feeding programs to promote health and encourage school attendance. These improvements and programs reduce child labor, as well as support childhood education.

## Protecting the Rights of Our Own Workers



Universal applies the same standards that we demand of our farmers to our own employee relationships. We are committed to paying all seasonal and full-time workers at least the minimum wage, and typically above the minimum wage, for the countries in which they work. We also support the rights of freedom of association and the rights of workers to form unions everywhere that we operate.

The personal health and safety of every member of the Universal family is of paramount importance to Universal. We believe that our people should go home in the same—or better—state of health and well-being than when they arrived to work that day. Our goal is zero harm, and we continually invest in our people, factories, and other infrastructure to maintain high safety standards. Each employee is responsible for complying with our Environment, Health, and Safety (EHS) policies, standards, and guidelines.

We believe good health and safety is also good business. We can't make a quality product in an unsafe working environment.



At Universal, we take a proactive approach to improving our safety performance. We constantly work to develop suitable improvements to safe working practices, by raising awareness of and analyzing accidents and near misses. Positive safety culture evolves as a result of good information. For good information to flow, the workforce must participate and be prepared to report their mistakes, near misses, and accidents. For us, it's not enough to provide safe equipment, systems and procedures if the culture doesn't encourage healthy and safe work environments and attitudes.

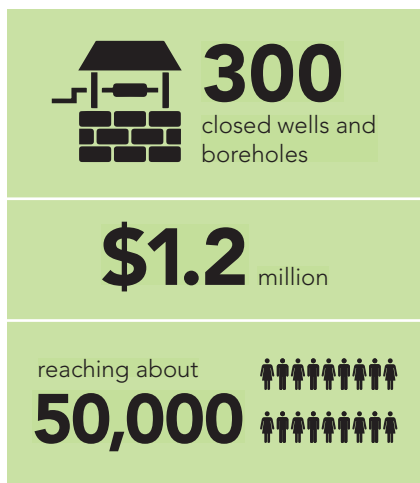
Beyond these fundamental rights, we strive to provide opportunities for people to develop their talents and build their careers. In many of the areas where we operate, Universal is one of the major sources of employment beyond work on farms. The widespread seasonal work available in our factories provides a vital entry point to an alternative career. We encourage our employees to develop the skills associated with our industry, from the craft involved in curing tobacco to the land management and interpersonal skills that our leaf technicians require. We seek to encourage those working with us to move from part-time roles to full-time ones, and from working on the frontline to management positions. We are extremely proud of our strong retention rate amongst our employees, and we believe that this is a direct reflection of the approach that we take.

## INVESTING IN OUR COMMUNITIES

Over the last decade, Universal has made great strides investing in communities to help achieve our goal of sustainability for the future. As part of the Universal Effect, we know that every action we take—from planting a seed to digging a well—ripples out into the surrounding communities that will reap the benefits for years to come. Our actions range from the simplicity of planting trees to the development of cutting-edge technology for sustainable agricultural practices. We take a holistic approach in determining how we can impact every part of a community to lift it up for the future...from providing the basics of clean water and food to offering healthcare and education. After all, if one of these basic needs is not met, a community can't thrive.

Recognizing that everything is interconnected in the areas where we operate, we have initiated multiple programs to help communities prosper as well as protect their natural resources.

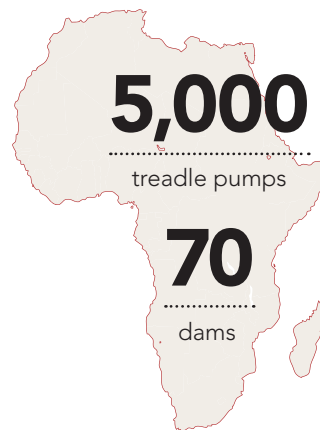
### Quenching a Need



To meet the most fundamental needs, we have initiated projects in Africa to improve access to clean water. For example, we have invested more than US\$1.2 million to install more than 300 closed wells and boreholes in Africa, reaching about 50,000 people. We are also helping build pit latrines to address the lack of toilet facilities in some areas.

To help with the problems of a lack of irrigation resources, we have distributed more than 5,000 manual treadle pumps to help farmers cultivate additional crops in the dry season. We have also built more than 70 dams and reservoirs to harvest rain water. These, and other efforts, have helped residents gain access to water close to home.

Beyond simply providing water, these efforts have decreased the burdens on families, increased school retention, led to health improvements and increased families' food and crop production.



### Improving Health

As many areas where we operate have a lack of access to healthcare, we have initiated projects to help our employees and their families as well as other members of their communities. We established a health clinic for employees at our factory site in Mozambique as well as first aid stations throughout many of our agronomy areas. This clinic sees approximately 1,500 patients per month, which totals about 14,000 consultations per year. We also run another clinic in Mozambique, which serves approximately 16,245 people from 4,727 families.

A major issue of concern in Africa is the prevalence of HIV and AIDS. We established a comprehensive HIV program in Mozambique aimed at the prevention, detection, and treatment of HIV. Over the last decade, we have seen an increase in the number of tests performed and a reduction in the incidence of HIV-positive results.

## Educating Children

To assist us in achieving our goal of eliminating child labor, we have been renovating and building schools, creating tutoring programs and providing learning materials. We have renovated or built 45 schools throughout our growing regions, and provided educational materials to 27 schools.

In one area of Mozambique, we realized that many children were not attending school and came up with a simple yet powerful concept—if we provide meals for the children, they will come to school. We initiated the “Kukula Project,” which aims to fight child labor, absenteeism and underachievement in elementary school through the preparation and distribution of free daily meals at three schools. Overall attendance at these schools increased 1,040 percent compared with the same time-frame in previous years—an astounding success.

## Supporting Youth

We believe it’s not just access to education that keeps children from working in the fields; they need other opportunities and activities to keep them on track.

In the Philippines, we established the “Let’s PLAY” program—a 25-day summer school focusing on sports, music and reading to keep children out of the fields in summer. About 1,500 children have participated in the program, and it has been highly effective in preventing child labor.

In India, we implemented a program to educate communities on the risks associated with child labor and established the After School Program to help keep children in school. Participating schools have seen a 5% to 7% increase in attendance.

One of our most ambitious projects is the Universal Leaf Citizen Program in Rio Pardini, Brazil. This project involves a comprehensive approach to bettering child education in the rural community outside of Santa Cruz do Sul. It is based in a community center that encourages social, cultural, and intellectual development and offers a variety of classes to children ages 5 to 17. Classes range from music to physical fitness. The program also emphasizes coordination and respect through their interactions with each other and the faculty.



## Championing Our Farmers

Worldwide, we contract with more than 250,000 farmers and purchase from more than 500,000. These farmers are essential to our company, and we want them to be successful. By sharing knowledge and technology that demonstrates sustainable agricultural practices, we not only sustain them, but also their families and communities.

One example is the development of a research station and training center in Brazil that has become an international model for developing good agricultural practices. The Agronomic Center works to improve the quality of tobacco and offers a place for farmers, technicians and clients to study tobacco production. The research station develops varieties of tobacco that are more resistant to disease and have improved yield and quality. These varieties help farmers grow stable volumes of their crops.

In Mozambique, we forged an innovative degree program with Blackfordby College of Agriculture in Zimbabwe to offer technicians the opportunity to study general agriculture and management, and then pass on that expertise to farmers. The program allows graduates to deliver important skills and training to the farmer base, improving crop quality as well as sustainability efforts.

We spearheaded a water storage dam project in Malawi to provide water access to growers to help improve the yield, quality and survival of their seedlings. Dams are being built in conjunction with local authorities in strategic locations. This provides the farming communities with a source of water throughout the year for both tobacco and food crops, as well as water for domestic and livestock purposes.

As previously discussed, MobiLeaf offers real-time data from our farmers around the world. It allows us to improve tobacco production at the farm level by bringing standard methods of good agricultural practices to our growers and is helping dramatically in achieving our goal of sustainable tobacco growing.

## Sustaining the Environment

We are also focusing on factors affecting sustainability throughout the supply chain, including reforestation, water conservation, reduced carbon emissions and environmentally-sensitive agricultural practices. As part of this, we have planted 300 million tree seedlings in the last decade.

In the Philippines, we have been working to protect bamboo, which is crucial to many goods and industries and provides environmental value. Bamboo is used by farmers for framing materials in barn construction. To protect this valuable resource and ensure its future supply, we initiated a bamboo reforestation project to rehabilitate existing sources as well as develop new plantings.

As previously discussed, an example of our waste reduction efforts is evident at our leaf-processing facility in Nashville, North Carolina, USA. Rather than sending the factory's by-products of dust and scrap to the landfill, we began composting it in order to reduce our environmental impact. Composting the by-products has reduced landfill costs and even generated revenue through the sale of the compost as a cost-effective alternative to commercial fertilizer.

In southern Brazil, farmers need access to a sustainable source of wood to produce tobacco and avoid sourcing wood from important native forests. To support the preservation of native trees and reforestation, we have supplied more than 80 million tree seedlings there. On average, our contracted farmers are 110 percent self-sufficient in their wood requirements, which allows their excess sustainable wood to be sold to other farmers.

From planting trees to providing clean water to improving education to providing farmers with the tools they need to support their families... everything is connected. We are honored to play a part in each of these communities as they build for the future while working to protect the environment for years to come.

## Universal Leaf Foundation

In the United States, the Universal Leaf Foundation acts as the main channel for our community investment initiatives, with employees nominating community initiatives for support. Universal offers grants to non-profit organizations in areas where our business operations are located. Our four focus areas of giving include education and well-being of children, at-risk individuals, families and groups; higher education; civic/community/the arts; and environment/sustainability/conservation.





## COOPERATION WITH CUSTOMERS



Universal’s customers are also our partners in sustainability. We work with them to supply a compliant product that meets their varied needs—and to embed international standards across their supply chains. Everything begins and ends with the tobacco, but there is a vast amount of work that goes into every kilogram sold.

The process is continuous but starts with initial conversations regarding needs and targets. These conversations allow our regional teams and supply origins to put into motion multi-faceted plans to address tobacco supply, farmer communications, quality targets and sustainability goals.

Where challenges exist, our customers provide support and feedback to drive the industry forward. We work together to avoid multiple messages, and to make progress on the most important issues. The focus on the most pressing issues and continuous improvement in performance are at the heart of the cooperation.





The Sustainable Tobacco Programme (STP) is an industry initiative of our major customers that encompasses critical guiding principles and standards to which tobacco should be grown and processed worldwide. The participating manufacturers expect that purchased tobacco aligns with the standards outlined in the program, and that continuous improvement is achieved toward the performance indicators used to monitor progress. The program governs two primary areas within the tobacco industry—agronomy and processing. Within those primary areas are three pillars that are audited and graded, and a fourth pillar that governs how the three pillars are implemented.

### Agronomy

The four pillars within agronomy are Governance, Crop, Environment and People.

Each pillar has a set of criteria that is reviewed for alignment with the program. All tobacco suppliers grade themselves on each criteria and a third party, ABSustain, assesses all participating tobacco suppliers on their self-assessment grades every three years.

The agronomy guidance focuses on how the crop is grown and what happens in the field. The crop must be produced to a certain level of quality; the environmental impacts should be minimal; and the farmers growing the crop must be supported. The table below outlines the key aspects of each pillar and the various parts of our agronomy process that are reviewed.

THE FOUR PILLARS OF AGRONOMY			
 <b>GOVERNANCE</b>	 <b>CROP</b>	 <b>ENVIRONMENT</b>	 <b>PEOPLE</b>
<ul style="list-style-type: none"> <li>– Policy</li> <li>– Procedures and records</li> <li>– Business integrity</li> <li>– Implementation of STP</li> <li>– Stakeholder Engagement</li> <li>– Training</li> <li>– Traceability</li> <li>– Economic Viability of Farmers</li> </ul>	<ul style="list-style-type: none"> <li>– Risk assessment, training and monitoring</li> <li>– Seed selection and performance</li> <li>– Crop Husbandry</li> <li>– Integrated Pest Management</li> <li>– On-Farm Contaminants</li> <li>– Farmer Profitability</li> </ul>	<ul style="list-style-type: none"> <li>– Risk assessment, training and monitoring</li> <li>– Water Management</li> <li>– Soil Management</li> <li>– Pollution Control</li> <li>– Waste Management</li> <li>– Fuel efficiency and Greenhouse Gas Reduction</li> <li>– Biodiversity</li> <li>– Wood Usage</li> </ul>	<ul style="list-style-type: none"> <li>– Risk assessment, training and monitoring</li> <li>– No Child Labor on farms</li> <li>– No Forced Labor</li> <li>– Safe Working Environment</li> <li>– Fair Treatment</li> <li>– Freedom of association</li> <li>– Income, Work house and benefits</li> <li>– Legal Compliance</li> </ul>



## Processing





The four pillars within processing are Governance, Facilities, Environment and People.

As in agronomy, each pillar has a set of criteria that is reviewed for alignment with the program. All tobacco suppliers grade themselves on each criteria and a third party, ABSustain, assesses all participating tobacco suppliers on their self-assessment grades every three years.

The processing guidance focuses on the industrial processing of tobacco once it has been cured. The processing facilities must be safe and controlled so that adverse impacts of the process are minimized.



## THE FOUR PILLARS OF PROCESSING

 <b>GOVERNANCE</b>	 <b>FACILITIES</b>	 <b>ENVIRONMENT</b>	 <b>PEOPLE</b>
<ul style="list-style-type: none"> <li>- Policy</li> <li>- Procedures and records</li> <li>- Business integrity</li> <li>- Implementation of STP</li> <li>- Stakeholder Engagement</li> <li>- Training</li> <li>- Monitoring complaints and procedures</li> <li>- Regulations</li> <li>- Traceability</li> </ul>	<ul style="list-style-type: none"> <li>- Risk assessment</li> <li>- Emissions</li> <li>- Waste disposal</li> <li>- Fuel and chemical storage</li> <li>- Workplace hygiene</li> <li>- Hazardous materials and biohazards</li> <li>- New processes and equipment</li> <li>- Facility Safety</li> <li>- Guards and protection</li> <li>- Personal Protective equipment</li> <li>- Prevention of Accidents</li> <li>- Fire and Emergency Response</li> <li>- Evacuation</li> <li>- First Aid and Medical Facilities</li> <li>- Facility Security</li> <li>- Vehicles and drivers</li> <li>- Contaminant control</li> </ul>	<ul style="list-style-type: none"> <li>- Risk assessment</li> <li>- Emissions</li> <li>- Disposal of waste</li> <li>- Fuel and chemical storage</li> <li>- Permits and operating licenses</li> <li>- Resource consumption and Greenhouse gases</li> </ul>	<ul style="list-style-type: none"> <li>- Risk assessment</li> <li>- Terms of employment</li> <li>- Training</li> <li>- Appraisal</li> <li>- Labor Codes and conventions</li> <li>- Wellbeing and community programmes</li> </ul>

## FUTURE OF SUSTAINABILITY AT UNIVERSAL



The tobacco industry is a dynamic industry. Over the last 100 years, Universal has successfully adapted to the changing conditions and prospered. Moving forward, our role is to continue to recognize opportunities and maintain a resilient and sustainable supply chain that benefits all of our communities and the millions of people touched by the tobacco supply chain.

Traditional tobacco products continue to power the industry, and new product introductions provide new opportunities to provide tobacco products and new services. This process requires close attention to customer needs, an eye to regulation and a commitment to practices that protect our farmers, farm workers, their communities and the environment. Whether it be new information technologies to drive efficiencies, new production facilities to address new service offerings, new analytical capabilities to address regulation or competent staff to manage a complex supply chain . . . Universal is up for the challenge.

We support the innovation that continuously occurs in the industry and are devoted to continuing to meet our customers' needs. Our industry continues to evolve and we will work with our customers to align the tobacco supply chain, support new product offerings, promote sustainability and improve transparency.

The next steps for Universal are to improve communications surrounding our business and our sustainability efforts. We will continue to align our activities to the key issues important for our company and significant to the communities and markets in which we operate. We will review our sustainability efforts and work to remedy any shortfalls on a continual basis. We will also look for opportunities to display these efforts for the benefit of our stakeholders.

We are striving to become more transparent in our reporting and let the public, our customers and investors know about the efforts we are taking to ensure that the effects from our activities is overwhelmingly positive. We are aware that our impacts extend throughout the world, and we are devoted to ensuring that those impacts are in line with our global sustainability goals, the expectations of consumers and the general public.

We are driven daily to uphold the primary pillars of our business, which support the sustainability of our industry.

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**Universal**  
**100 YEARS**

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