



Universal Corporation

Sustainability Report

Fiscal Year 2020



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## Foreword

At Universal Corporation, our goal is to disclose our operational activities and sustainability performance consistently and in a transparent manner. This Sustainability Report builds on our 2018 Sustainability Review and continues our commitment identified in the 2019 Sustainability Report to disclose metrics, facts, and figures that represent our business throughout the world. Data disclosed in this report reflect activities from April 1, 2019, to March 31, 2020. All entities within the scope of this report are also included in Universal's Annual Report for the 2020 fiscal year. This report has been prepared in accordance with the GRI Standards: Core option. SASB disclosure has also been included in this report and is discussed in detail on pages 5 and 43.

## Letter from the Chairman

This year has been a challenging year for so many individuals and companies around the world. The global pandemic has cost lives and has hampered economic prospects, and will be felt in many forms for years to come. We at Universal Corporation believe that sustainability is more important than ever for businesses and supply chains. While the pandemic has impacted all of us, we believe the actions we have taken and the commitment displayed by our employees will enable Universal to successfully navigate these dynamic times and emerge as a stronger company.

Like many other companies, we have worked diligently to address this crisis and have implemented a number of measures to safeguard the health and wellbeing of our people. Universal conducts business in more than 30 countries across five continents and, during this time, our priority has been the health and safety of our more than 20,000 permanent and seasonal employees. I am incredibly proud of our hard work under challenging conditions while continuing to deliver for our customers, partners, and shareholders.

We understand there's more to business than profit, and we believe that we have a fundamental responsibility to our stakeholders to set high standards of social and environmental performance to support a sustainable supply chain. We continuously strive to improve efficiencies in our operations and supply chain, while also investing in sustainable business practices.

In addition to investing in our core tobacco business, in 2020 we acquired two companies which serve as foundational steps in building out our plant-based ingredients platform while also providing Universal with new growth opportunities in adjacent industries. In January 2020, we closed on our acquisition of FruitSmart, Inc. an independent specialty fruit and vegetable ingredient processor serving global markets. In October 2020, we closed on our acquisition of Silva International, Inc., a privately-held, natural, specialty dehydrated vegetable, fruit and herb processing company.

We also successfully obtained a modification from U.S. Customs and Border Protection ("CBP") of an existing Withhold Release Order ("WRO") on all imports of tobacco from Malawi into the United States. We filed a comprehensive explanation of our supply chain social compliance program, our efforts to identify and mitigate the risks of forced labor with contracted farmers in Malawi, and our ability to trace such tobacco once processed and shipped from the shipping vessel back to the individual farms on which it was produced. CBP rigorously evaluated the Company's filing and concluded that our program and on-farm efforts sufficiently supported our claims that tobacco our Malawi subsidiary purchases is not produced or harvested using forced labor.

I am very proud of the success we continue to achieve while operating safely around the world during a time of unprecedented and disparate challenges. We continue to execute on our plans to diversify our offerings and generate new opportunities for value creation. We also will continue to promote sustainability throughout our operations and supply chain.



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

# Company Activities & Profile



Universal Corporation is located in Richmond, Virginia.

**HEADQUARTER LOCATION**  
Richmond, Virginia, U.S.A.

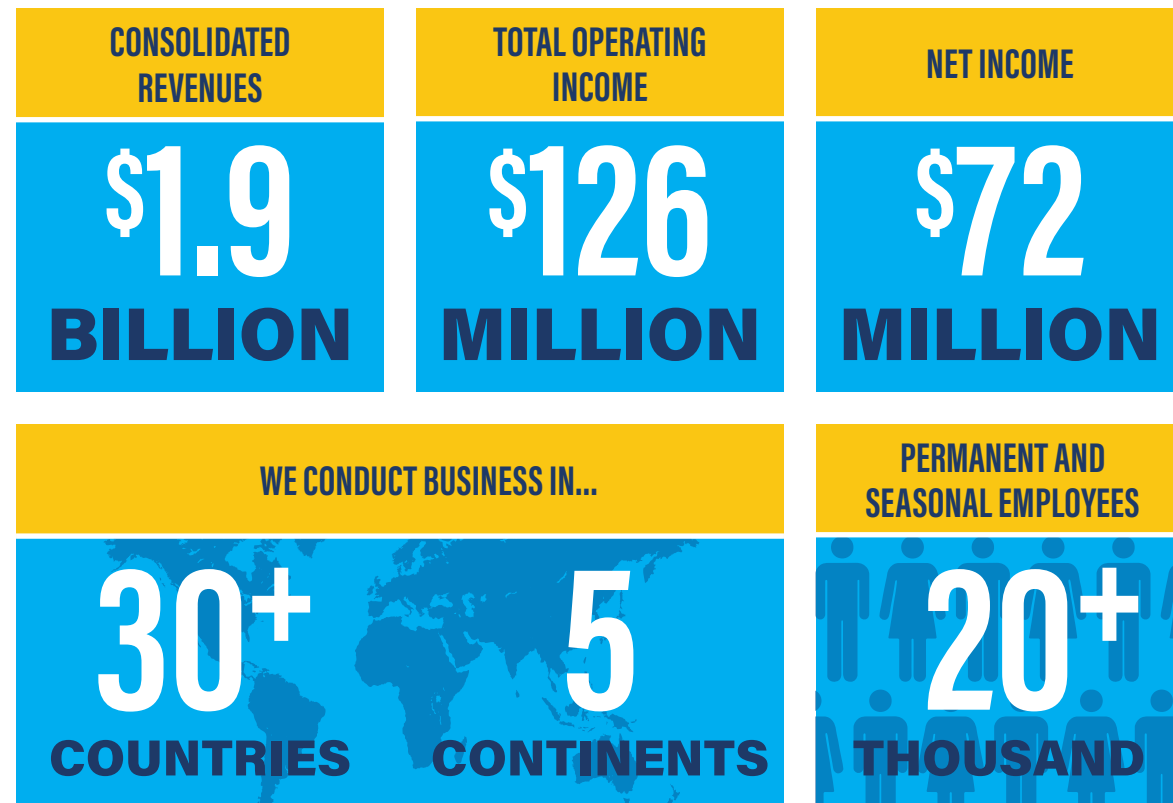
**WHAT WE DO**  
We resource, process, and supply leaf tobacco and plant-based ingredients.

**COMMON STOCK SYMBOL**  
"UVV" on the New York Stock Exchange

**FOUNDING**  
1918

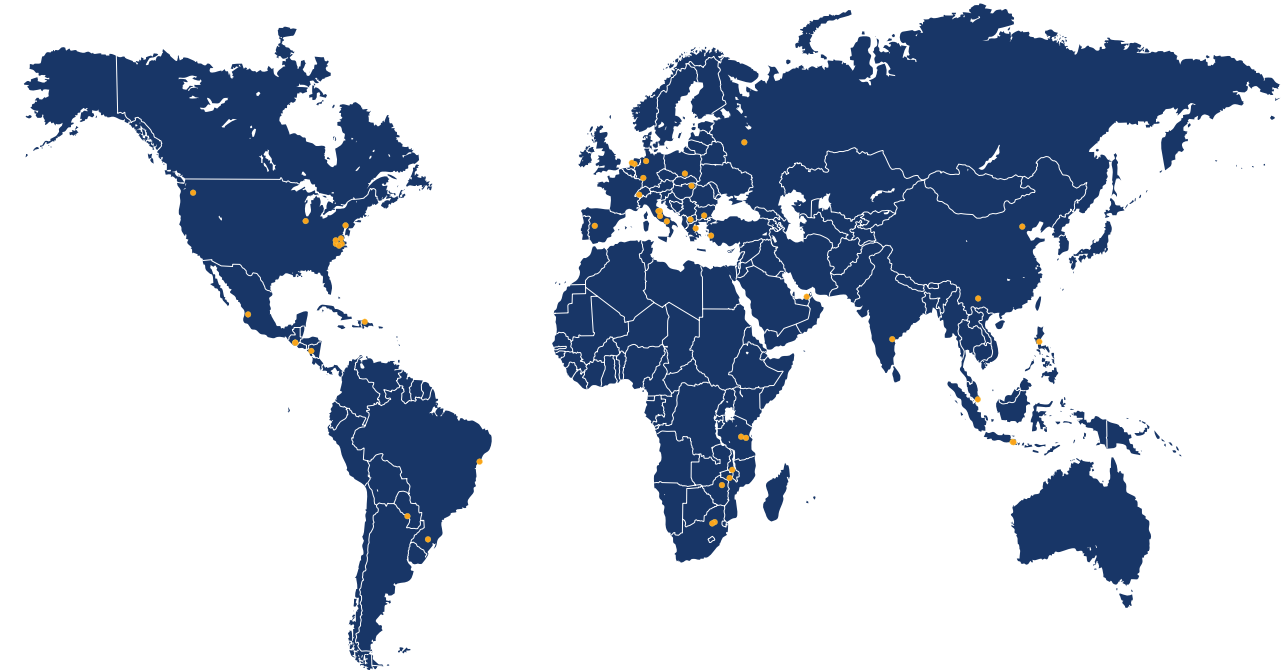
The largest portion of our business involves procuring and processing flue-cured and burley leaf tobacco for manufacturers of adult consumer tobacco products. Universal does not manufacture consumer products. Rather, we support consumer product manufacturers by supplying processed raw products and performing related services for them.

## FOR FISCAL YEAR 2020 UNIVERSAL GENERATED



## Universal Corporation, Sustainability in 2020

Universal understands there's more to business than profit, and we believe that we have a fundamental responsibility to our stakeholders to set high standards of social and environmental performance to support a sustain-



Universal has offices and facilities in more than 30 countries around the world.

able supply chain. We continuously strive to improve efficiencies in our operations and supply chain, while we also maintain programs that support the communities where we operate. This year, Universal supplemented our corporate approach to sustainability by making a public commitment to set a science-based greenhouse gas emissions reduction target and updating global policies concerning the environment and human rights. Our commitment builds on our global efforts with respect to promoting good agricultural practices (GAP) and agricultural labor practices (ALP) in our supply chain.

## Setting High Ethical Standards & Requirements for our Employees & Suppliers

The Universal Code of Conduct, the Universal Environmental policy, and the Universal Human Rights policy define the high ethical, social, and environmental standards we implement across our global operations. We strive to conduct business and handle information and assets with integrity. All employees, officers, and directors must read, understand and comply with these policies, rules and guidelines and report violations and occurrences that are inconsistent with them. Universal is governed by a Board of Directors and a group of senior executives. The Senior Management of Universal Corporation sets high standards and governance principles for the Company's employees, officers and directors. It is the duty of the Board of Directors to serve as a prudent fiduciary for shareholders and oversee that the management of Universal's businesses adheres to the Company's high ethical standards and stated governance principles. To fulfill its responsibilities, the Board of Directors follows the policies and standards that are set forth in Universal's governing documents, including our Corporate Governance Guidelines, which are available on our website. The Board of Directors is composed of five Committees that oversee important aspects of our business. One of those Committees is our Nominating and Corporate Governance Committee. This Committee oversees and reviews Environmental, Social, and Governance programs associated with our supply chain. The Committee reviewed and approved this Sustainability Report for public disclosure.

## Reducing our Environmental Footprint

Universal recognizes three primary environmental risks throughout our global footprint: water usage, waste generation, and greenhouse gas emissions. Universal updated our commitments concerning the environment this year. We issued an updated environmental policy that outlines the significant environmental aspects that

our company monitors and the responsibility we have to engage stakeholders and implement proper management practices throughout our supply chain. Universal believes in careful evaluation and execution when implementing new practices throughout our operations and supply chain to minimize unintended consequences while pursuing new opportunities. We are committed to reducing our environmental impact by maintaining environmental management systems at our local operations, reducing our environmental footprint and impacts, and providing farmers with guidance on good agricultural practices.

### Active Participant in Industry Sustainability Initiatives

Universal and our global family of companies are members of hundreds of organizations at local, national, and international levels. We are particularly proud to support a number of global industry organizations, including the Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA), the Eliminating Child Labour in Tobacco Foundation (ECLT), and the Tobacco Merchant's Association's Global Tobacco & Nicotine Forum (GTNF). Universal's participation expands beyond financial support to include organizational management, board membership, the sharing of best practices and the provision of industry expertise. Each of these organizations represents an opportunity for Universal to engage and implement four of our important commitments: (1) supporting our farmers and their communities, (2) supporting science and evidence-based regulation, (3) eliminating child labor in agriculture, and (4) engaging stakeholders in support of the nicotine and tobacco industry as a whole.

#### INTERNATIONAL ORGANIZATIONS IN WHICH UNIVERSAL PARTICIPATES

| NAME, DESCRIPTION & MISSION  |
|--|
| <p><b>COOPERATION CENTRE FOR SCIENTIFIC RESEARCH RELATIVE TO TOBACCO (CORESTA)</b></p> <p><i>Founded in 1956, CORESTA's purpose is to promote international cooperation in scientific research related to tobacco and its derived products. The scientific work of CORESTA is carried out within four study groups: Agronomy &amp; Leaf Integrity; Phytopathology &amp; Genetics; Smoke Science; and Product Technology.</i></p>                     |
| <p><b>ELIMINATING CHILD LABOUR IN TOBACCO FOUNDATION (ECLT)</b></p> <p><i>ECLT is committed to pursuing collaborative solutions for children and their families that combat the root causes of child labor in tobacco-growing communities. The Foundation brings together the stakeholders of the tobacco supply chain, including its largest group—the growers—along with leaf suppliers and manufacturers to leverage impact.</i></p>              |
| <p><b>TMA'S GLOBAL TOBACCO &amp; NICOTINE FORUM (GTNF)</b></p> <p><i>TMA's GTNF is a global exchange for views and ideas among public health experts, government representatives, investors, and members of the tobacco/nicotine industries. Behind the success of the GTNF is a strong belief that deepening the conversation about tobacco, nicotine, and public health can lead to more informed views and decisions by all stakeholders.</i></p> |
| <p><b>SUSTAINABLE TOBACCO PROGRAM (STP)</b></p> <p><i>The Sustainable Tobacco Program (STP) is an industry-wide initiative that focuses on several topics associated with tobacco production, from Environmental to Human Rights issues. The program is currently undergoing revision with a stronger focus on impact, risk assessment, and continuous improvement in the tobacco supply chain.</i></p>  |

### Stakeholder Assessment

Universal also engages stakeholders on a regular basis. The six stakeholder groups in the following table are the primary focus of the materiality assessment we performed in connection with this Sustainability Report. These stakeholders are important to the successful operation of our business throughout the world. Their varied interests and perspectives assist us to identify and address issues that are important to our business. Based on a review of stakeholder documentation and professional judgment derived from industry involvement, the table on the next page is a compilation of important topics and indicators categorized by the three pillars of this Sustainability Report: Environmental, Social, and Supply Chain Integrity. All stakeholders have their own

#### TOPICS OF CONCERN TO EACH OF UNIVERSAL'S STAKEHOLDERS

| STAKEHOLDER                                       | STAKEHOLDER IMPORTANCE  | KEY TOPICS  |
|---|---|---|
| <b>FARMERS &amp; SUPPLIERS</b>                    | <i>At the beginning of the supply chain are farmers and suppliers of agricultural inputs including curing fuel, fertilizers and CPAs. We provide various levels of support and agricultural inputs to facilitate farmer success.</i>                                  | <ul style="list-style-type: none"> <li>• Training</li> <li>• Good Agricultural Practices</li> <li>• Agricultural Labor Practices</li> <li>• Income</li> </ul> |
| <b>EMPLOYEES</b>                                  | <i>More than 20,000 Universal employees rely on our business for income and support for their families and livelihood. We rely on our employees to execute our business plan with integrity and efficiency.</i>   | <ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Human Rights</li> <li>• Employee Grievance Mechanisms</li> </ul>                        |
| <b>CUSTOMERS</b>                                  | <i>Our customers rely on us for a stable supply of tobacco, processing, and the performance of related services that meets their blend and quality needs. Customer relationships drive our business.</i>  | <ul style="list-style-type: none"> <li>• Product Standards and Requirements</li> <li>• Responsibly Sourced Products</li> <li>• Resource Efficiency</li> </ul> |
| <b>INVESTORS</b>                                  | <i>Investors are important to our business because, as owners of our company, they entrust us with capital to fund our business. We must demonstrate a stable and sustainable business to earn that trust through the generation of returns on their investments.</i> | <ul style="list-style-type: none"> <li>• Business Performance</li> <li>• Corporate Governance</li> <li>• ESG Reporting</li> </ul>                             |
| <b>GOVERNMENTS &amp; REGULATORY ORGANIZATIONS</b> | <i>We conduct our business with integrity and within the law. Cooperation with regulatory organizations is important for us to maintain our operations and build trust in regard to our business conduct.</i>   | <ul style="list-style-type: none"> <li>• Compliance with Local Laws</li> <li>• Anti-Corruption</li> </ul>   |
| <b>LOCAL COMMUNITIES</b>                          | <i>The locations in which we operate and source tobacco around the world should benefit from the presence of our operations. The local people drive our tobacco supply and processing operations; and their success and support is vital for our operations.</i>      | <ul style="list-style-type: none"> <li>• Socioeconomic Stability</li> <li>• Community Engagement</li> <li>• Business Integrity</li> </ul>                     |

perspectives regarding the topics that they deem important within the tobacco supply chain and our operations. While there are many topics, there is a level of convergence related to our business activities which allows the list to be condensed into a few broad focus areas within each Environmental, Social, and Supply Chain Integrity pillar. The table below represents our current summary of material topics. These topics guided the content of this Sustainability Report, and each will be discussed in detail.

**MATERIAL TOPICS FOR EACH PILLAR**

| SUPPLY CHAIN INTEGRITY  | ENVIRONMENT   | SOCIAL  |
|---|---|---|
| <ul style="list-style-type: none"> <li><i>Compliance</i></li> <li><i>Economic Value</i></li> <li><i>Supply Chain Controls</i></li> <li><i>Crop</i></li> </ul> | <ul style="list-style-type: none"> <li><i>Water</i></li> <li><i>Fuel Efficiency</i></li> <li><i>Waste</i></li> <li><i>Agricultural Environment</i></li> </ul> | <ul style="list-style-type: none"> <li><i>Health and Safety</i></li> <li><i>Community Engagement</i></li> <li><i>Employment Practices</i></li> <li><i>Agricultural Labor Practices</i></li> </ul> |

The topics presented in this Sustainability Report are the focus of our data collection, goal setting, and risk assessment, and will shape our efforts and reporting in the future. To properly set goals and assess risks, multiple years of data collection are needed to perform the analyses. After two-to-three years of formal data collection and reporting, risks will be identified, and related goals will be set and reported to our stakeholders.

**Sustainability Accounting Standards Board (SASB) Disclosure**

Universal Corporation has been placed in the tobacco sector according to the SASB reporting standards. However, we feel the metrics for that sector are better aligned with tobacco product manufacturers and do not adequately capture information relevant for our position in the tobacco supply chain. For this reason, we have decided to report on metrics and topics contained within the Agricultural Products standard and we have noted where metrics are not material to our business. We have commented on the suitability of these metrics in our SASB index at the end of this report.



*Contracted dark air cured tobacco in Kentucky.*



# Supply Chain Integrity

Universal's Board has oversight of operational governance issues from anti-corruption measures to environmental and social issues that affect stakeholders in our supply chain. We recognize that good corporate governance is the key to our global supply chain integrity efforts. Universal's Board and strong corporate and local management teams work together to identify solutions to potential impacts within our supply chain.

Universal believes that our value lies in our ability to supply agricultural products to consumer product manufacturers. While tobacco is our primary agricultural product, our company has a strategy to bring value to other agricultural products. We are doing this through strategic acquisitions and by contracting other crops directly with our existing farmers. Universal believes that agricultural products should be sourced in a responsible manner and we work to standardize the policies and practices we apply to the products we source.

Universal has several global policies and practices that guide our operating companies. Global policies include Environmental; Health and Safety; Human Rights; Code of Conduct; Good Agricultural Practices; Agricultural Labor Practices; and Supply Chain Integrity. Our regional management teams determine how best to implement these policies in their regions, which can vary depending on the operating environments and constraints that each region faces. Universal supports our local operations and subsidiaries by establishing policies and monitoring implementation, reviewing regional operating plans, seeking alignment with stakeholders, and funding initiatives identified at the local level.

Our business directly and indirectly supports the communities and regions in which we operate by providing farmers efficient access to global markets, offering our employees a fair and safe working environment, and promoting sustainability in our communities. We are firmly committed to supporting our customers, farmers, employees, communities and business partners through ethical business practices as well as targeted programs and investments aligned with our organizational objectives.



Researcher at our agronomy center in Santa Cruz do Sul, Brazil.



# Creating Value

In fiscal year 2020, Universal continued our commitment to leadership in setting industry standards, operating with transparency, providing products that are responsibly-sourced, and investing in and strengthening the communities where we operate. Throughout the year, we continued to execute on the four key capital allocation priorities we previously laid out in 2018. These are:

- Strengthening and investing for growth in our leaf tobacco business;
- Increasing our strong dividend;
- Exploring growth opportunities in non-tobacco industries and markets that utilize our assets and capabilities; and
- Returning excess capital through share repurchases.

Consistent with these priorities, we made disciplined investments in our leaf tobacco business. We recognize the tobacco industry is changing as consumption continues its slow decline and new products enter the market-place. As a result, our investments were focused on increasing natural wrapper production in strategic regions around the world to meet ongoing and future demands and enhancing our value added services for our natural wrapper customers. In fiscal year 2020, we achieved a net income of \$71.7 million, or \$2.86 per diluted share, compared with fiscal year 2019's net income of \$104.1 million, or \$4.11 per diluted share, operating income of \$126.4 million, compared to operating income of \$161.2 million for the fiscal year ended March 31, 2019, and revenues of \$1.9 billion, decreased by \$317.2 million, for the year ended March 31, 2020, primarily due to lower sales volumes and prices. Lastly, at the end of May, we proudly announced our 50th annual dividend increase, representing the continuation of our strong record of returning value to our shareholders. As we look ahead, we will continue to evaluate opportunities to create shareholder value.

Universal believes that all stakeholders should benefit from a relationship with our company. Operating costs are primarily related to local tobacco sourcing efforts, which puts earnings into the hands of local farmers and service providers and supports local economies. Our sourcing efforts include smallholder farmers in many developing countries. In numerous countries, Universal supplies farmers with inputs and technology so that farmers can succeed.



Universal Corporation, Richmond, VA Headquarters.

## DIRECT ECONOMIC VALUE DISTRIBUTED

|                                    |                 |
|------------------------------------|-----------------|
| Operating Costs                    | \$1,430,031,000 |
| Employee wages and benefits        | 289,219,000     |
| Payments to providers of capital   | 129,986,000     |
| Payments to Governments            | 48,096,000      |
| Community Investments <sup>1</sup> | 3,169,000       |

<sup>1</sup> Community investments does not include contributions by Universal Leaf Foundation which totaled approximately \$725,000.

## Fruit Smart Acquisition – United States



As part of our previously-announced capital allocation strategy to invest in non-tobacco growth opportunities, Universal completed the acquisition of FruitSmart, Inc. ("FruitSmart") in early January 2020. We believe that FruitSmart, as an established value-added fruit and vegetable ingredient processor with a business-to-business customer base in an agricultural niche market, is a good fit for Universal. The acquisition also represents a foundational step in our development of a broader value-added, plant-based agri-products service platform and an investment in the section of the agricultural value chain where we believe we possess significant business expertise. FruitSmart aspires to reduce food waste in the supply chain by utilizing all raw ingredient byproducts from processing. Several products are non-GMO project certified, Kosher certified, and USDA organic. Their processing facilities also maintain BRC certification.

## Cyclone Idai – Mozambique



In early March of 2019, cyclone Idai barreled into southeastern Africa with high winds and heavy rains. By the time it left, it had killed at least a thousand people in Mozambique, Zimbabwe and Malawi. It displaced many more. It destroyed homes and farms, and it brought cholera to waterlogged areas.

Mozambique Leaf Tobacco (MLT) in partnership with its biggest clients distributed over US\$200,000 worth of medicines, foodstuffs, water purifiers, building materials, tents, blankets and mosquito nets to those affected and displaced by the floods. To minimize the post cyclone Idai effects, part of this contribution has been allocated to the rehabilitation of schools damaged by the cyclone in tobacco growing Districts of Tsangano, Angonia and Macanga in Tete Province.



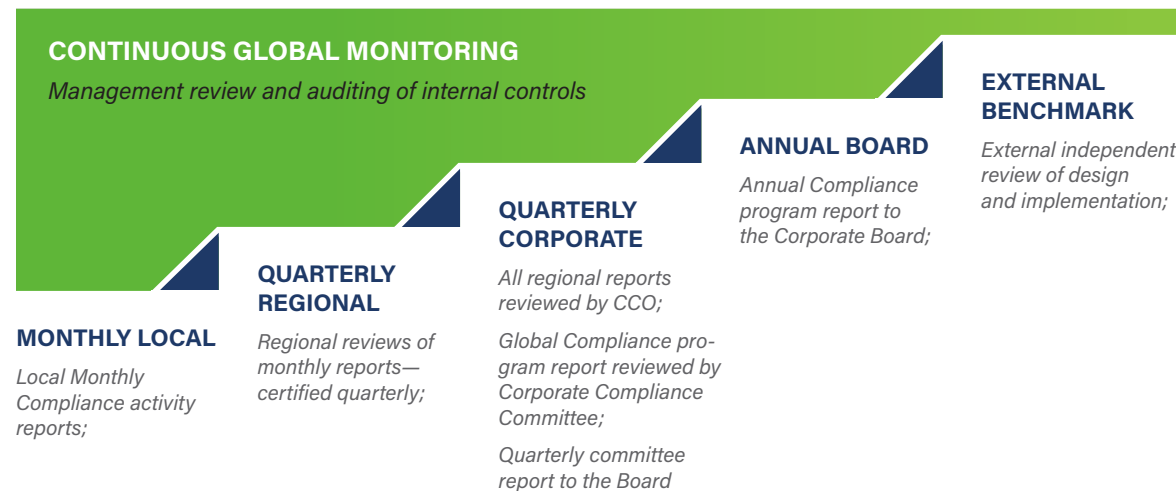
# Compliance & Ethics

## The Right Way Is the Only Way

At Universal, our commitment to compliance and ethics guides our operations at every level from the Board of Directors to our local staff. The Board of Directors of Universal Corporation adopted our Code of Conduct and Anti-Corruption Compliance Manual in order to promote ethical behavior; encourage compliance with ethical standards; facilitate the reporting of unethical and illegal behavior; and address violations of ethical standards, Universal policies, and applicable laws. While it is true that everyone is required to comply with the law, the Code and Manual go beyond the law to set a higher standard to follow. The Code and Manual apply directly to all employees, officers, and directors in the Universal family of companies. In addition, joint venture partners, sales agents and certain third parties who represent our companies are contractually bound to follow the Code and Manual. From risk mitigation to scrupulous attention to laws and regulations, integrity is embedded in our DNA and visible in our risk mitigation efforts, ethical decision-making processes, and corporate governance policies. Universal's management fervently believes that doing the right thing the right way is the only way to conduct business.

Universal's Global Compliance program is constantly evolving. The Corporate Compliance Committee, which consists of our Chief Executive Officer and other senior members of our management, strives to find new ways to improve the program to better mitigate risk and streamline administration to make the program more user friendly for employees and business. Internally, formal monitoring procedures are used to ensure the program is implemented and working as designed. We look externally for changes in law, our operating environments and best practices, and assess our risks annually to ensure our program is a living program tailored to our global operations.

## How Do We Do This?



Our Compliance Policies are supported by detailed Standard Operating Procedures that include both preventive and detective controls. These are closely monitored by both management and our Internal Audit Department. There is a tiered monitoring and reporting system that starts with our Local Compliance Teams reporting monthly to their Regional Compliance Teams, and those Regional Compliance Teams reporting quarterly to the Corporate Compliance Committee on all program elements. Our Chief Compliance Officer delivers a comprehensive report every quarter to the Corporate Compliance Committee, and the Committee reports at least quarterly to the Corporate Board.



In addition to internal monitoring procedures, we engaged the services of a leading global law firm to conduct an independent benchmark assessment of our program. The law firm concluded that Universal designed and implemented a thoughtful and robust Anti-Corruption Compliance program. They reported that our program includes all required program elements and generally executes all elements per regulator expectations accounting for our company's risks, experiences, size, and resources, and they noted there were no significant or material gaps in our program.

Training and communication are key elements of our global Anti-Corruption Compliance program as they help drive company culture. We want to ensure that our employees and third parties regularly hear, see and believe our message. We design and deliver tailored face-to-face training to all employees in compliance-sensitive roles. Our training is developed at our corporate headquarters for consistency, but is delivered by local trainers in local languages to ensure comprehension and the inclusion of local law and examples.

Face-to-face training is bolstered by online learning. Topics and frequency are driven by role and risk, but all those in compliance-sensitive positions must complete at least one course annually.

In addition to training, we communicate frequently about our program in a variety of ways. For example, we use town hall meetings delivered by a local Managing Director, short reinforcement messages during a shift handover, and our quarterly newsletter articles. We believe that keeping our program top of mind will help us identify and manage risk.

## ONLINE COMPLIANCE COURSE COMPLETIONS FOR FY 2020

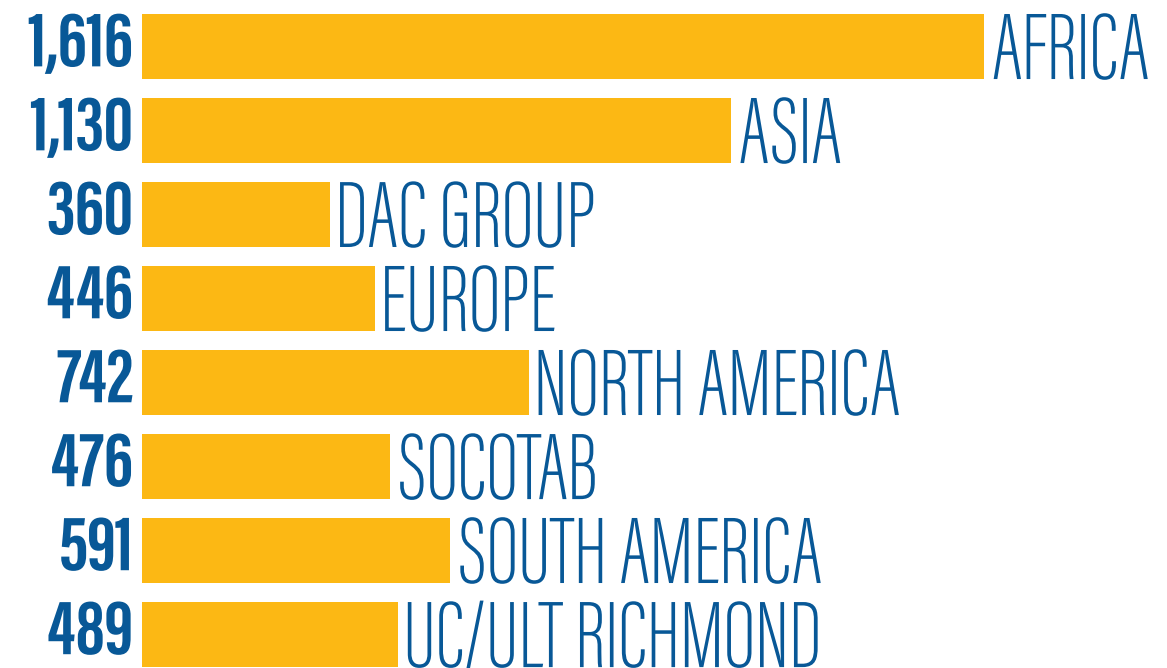


Chart shows the number of online compliance courses completed within the named regions.

In addition to regular compliance communications, we have communicated our Global Anti-Corruption Compliance Program to **100%** of our business partners. Of those business partners, we consider **27%** to represent higher corruption risk based on geography, nature of government interaction, and other compliance factors.

100% of those high-risk business partners received face-to-face and online compliance training, and all our remaining business partners received online training or other forms of compliance communications that reinforce our program.



## [ 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

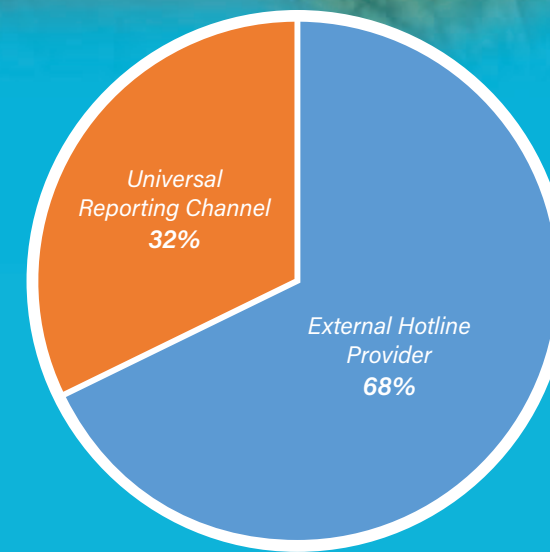
Your supervisor or manager, a member of the Local, Regional, or Corporate Compliance Committee, the Legal Department, Human Resources, or the Internal Audit Department.

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.

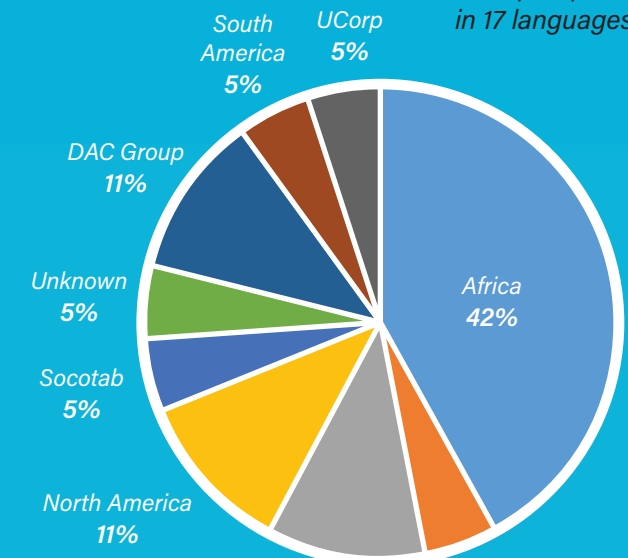
Every report is listened to, followed up on and reported to the Corporate Compliance Committee. We take our Hot Line very seriously and hope you do to. If you see something please report it so that we can work together to stop it.



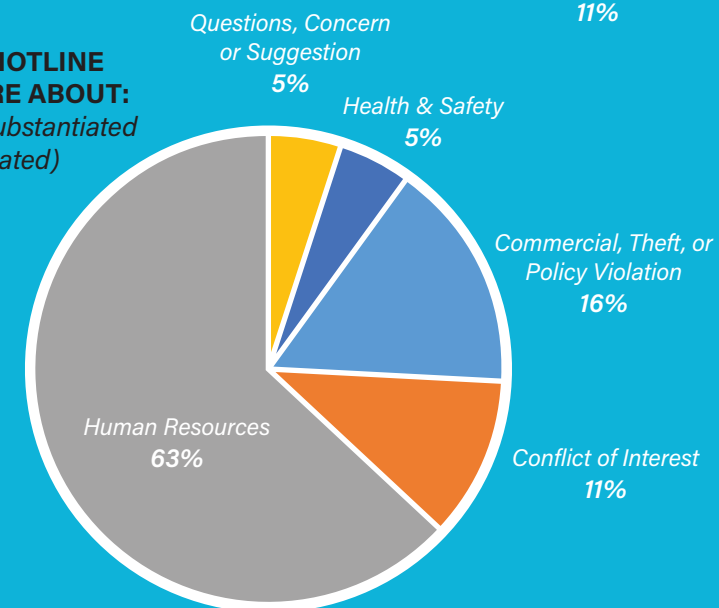
## Universal Global Compliance Program



**WHERE OUR HOTLINE REPORTS ORIGINATE:**  
We accept reports in 17 languages



**WHAT OUR HOTLINE REPORTS ARE ABOUT:**  
(All reports: substantiated & unsubstantiated)



# Supply Chain Controls

Universal's position at the center of the tobacco supply chain provides an ideal platform to implement programs and strategies to protect and enhance the integrity of the tobacco that we supply to our customers. Our efforts are aimed at promoting quality while preserving product integrity and traceability throughout our supply chain. We provide a reliable, long-term supply of responsibly-sourced products from geographically diverse growing areas around the world.

As the industry leader, Universal has implemented sound practices addressing supply chain integrity and traceability including protections against genetically modified organisms (GMOs), non-tobacco related materials, infestation, and spoilage. Our management systems include farm oversight, vendor approval, traceability, leaf assessment procedures, and supply chain sanitation and hygiene practices. Our Field Technicians train, conduct supplier audits on farms, and provide agricultural extension services to our contracted grower base. All contracted farmers are monitored and audited against our Good Agricultural Practices and Agricultural Labor Practices programs. Our supply chain procedures are illustrated on the following page and more details of farmer expectations can be found on pages 16 and 37.

We also institute numerous safeguards at our processing facilities to assure quality and integrity including sanitation, moisture content, non-tobacco related material, and infestation management. Our responsibly-sourced leaf is supervised, purchased, and processed under controlled conditions created by our quality management systems, and remains traceable to the farm-level through our extensive traceability systems. We are able to trace issues such as Non-Tobacco Related Material (NTRM) and agrochemical use back to the farm and utilize findings in our supplier review system. The result is that our customers know they can rely on Universal to consistently deliver a product that is responsibly-sourced and meets their exacting specifications.

Universal also supports agricultural and industry interests through participation and leadership in key cooperative groups including the Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA), Eliminating Child Labour in Tobacco-Growing (ECLT), and numerous local and regional trade and manufacturing



When receiving tobacco bales from farmers the tobacco is graded and moisture content is documented.

associations. Our work in these organizations is intended to stimulate the definition and adoption of sound practices and address key stakeholder concerns.

Universal's Board oversees the funding of significant capital expenditure initiatives requested by our local operations that support product quality and integrity. Our Board, management and designated committees consider and address the issues that may occur in the supply chain. Universal works with our customers to ensure that the tobacco that we source meets or exceeds our customers' social, environmental and quality standards.

## UNIVERSAL'S SUPPLY CHAIN PROCEDURES



Field technicians audit our farmers for labor practice standards and crop quality. If a leaf technician finds a practice inconsistent with our standards a consequence matrix is used to determine the most appropriate action—from training to contract cancellation or non-renewal.

# Environmental Impacts

As stated in our global Environmental Policy, we are committed to environmental laws and regulations, monitoring our industrial supply chain activities, and cooperating with supply chain partners to implement strategies that reduce the environmental impact of agricultural activities. Universal recognizes three primary environmental risks throughout our global footprint: water usage, waste generation, and greenhouse gas emissions. We identified these primary environmental risks by conducting a stakeholder review to understand our critical environmental impacts. In our 2020 fiscal year, several environmental projects and programs were implemented with the goal of improving our environmental footprint.

Numerous laws and regulations have been enacted around the world regarding the protection of the environment by eliminating, reducing, or restricting the discharge or release of contaminants or pollutants into the air, water, and soil. Local environmental regulations provide Universal with best practices to adopt at each operation. Our operations must adapt to the unique environmental challenges that each faces. Governmental requirements and environmental conditions vary amongst our areas of operation, so we depend on our local management teams to ensure that they mitigate environmental impacts while we monitor results on a global basis.

Within our factories, we monitor our environmental impact by focusing on fuel usage, water usage, and solid and liquid waste disposal. We monitor the efficiency of resource utilization along with factory emissions, and we continue to implement biomass fuel usage where practical to reduce fossil fuel usage. Additionally, proper protections are in place to minimize emissions regardless of energy source. In addition, we continue to consider ways in which we can reduce the environmental impact of the tobacco supply chain, including through promoting energy efficiency, supporting biodiversity, and conserving forestry and other natural resources.

Our Nominating and Corporate Governance Committee is responsible for overseeing the environmental performance of the company, and each employee, officer, and director is expected to ensure that his or her activities and those of their fellow workers are environmentally sound.



*Kasungu Tree Plantation owned and operated by Universal's Malawi Subsidiary, Limbe Leaf Tobacco Company.*



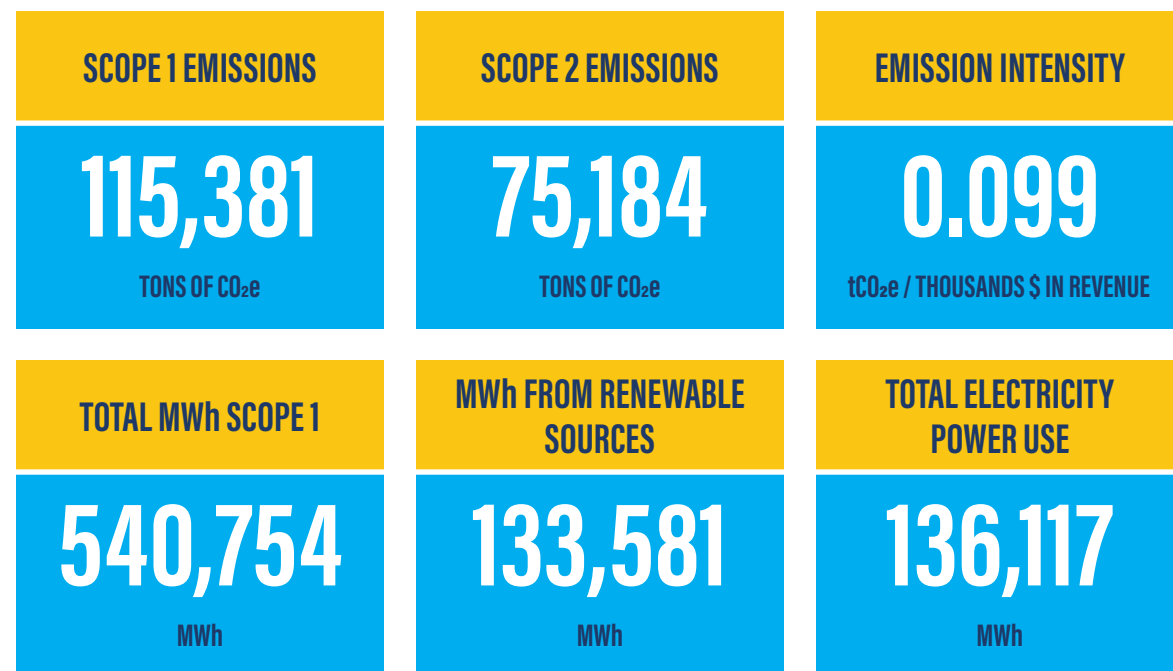
# Emissions

Climate change issues are important considerations directly related to the sustainability of tobacco production and our ability to supply tobacco to our customers. Universal monitors and tracks fuel use throughout our supply chain; from the farm to the consumer product manufacturer. Our scope 1 activities include mobile and boiler combustion, while our scope 2 activities are primarily grid electricity use.

Universal understands the impacts of climate change will vary by geographic region and the possible effects could include changes in rainfall patterns, water shortages, changing storm patterns and intensities, and changing temperature levels that could adversely impact our costs and business operations and the supply of leaf tobacco. Our long-term global strategy to mitigate climate impacts will position our business for the future through pursuit of economies and diversity of supply to address customer needs. In the short term, we also continue to develop new tobacco cultivars and diversify our role in various agricultural supply chains. We teach our farmers resilient farming techniques which are discussed further in the Good Agricultural Practices sections beginning on page 35.

We take our climate impacts seriously. In order to align our operations with the Paris Agreement in support of limiting global warming to well-below 2°C above pre-industrial levels, we have committed to set a science-based greenhouse gas emissions reduction targets through the Science Based Targets Initiative. We plan to establish and meet these targets through a strategy of pursuing operational efficiencies and converting to cleaner fuels according to local markets. Universal has reported emissions through CDP to our supply chain partners since 2009, and this year we publicly disclosed our 2020 CDP submission to provide greater accountability to our customers and shareholders.

Policies and laws regarding emissions and climate change vary greatly around the world. Universal aids our local management teams to identify and fund opportunities for reducing energy use and emissions so our operations can function efficiently to combat climate change. This year we reduced our absolute emissions and emissions intensity throughout our global operations. Data collected from fiscal year 2020 are included below.



## Biomass Boiler – Brazil



In Brazil strict emissions requirements and targets have impacted investments in our processing operations. Our subsidiary, in Santa Cruz, uses biomass boilers to heat water to generate steam for the processing operation. The biomass source is sustainable wood from known wood lots. Our subsidiary has also begun the process of upgrading the boilers in their operation to be more efficient. Fiscal year 2020 was the first full processing season that the first new boiler ran. The company saw a reduction in more than 1,000 CO<sub>2</sub>e which is a 20 percent reduction associated with the boiler emissions at this location. This reduced the wood fuel requirement and saved approximately \$100,000 in operating costs.

## Tree Planting Offsets – Socotab



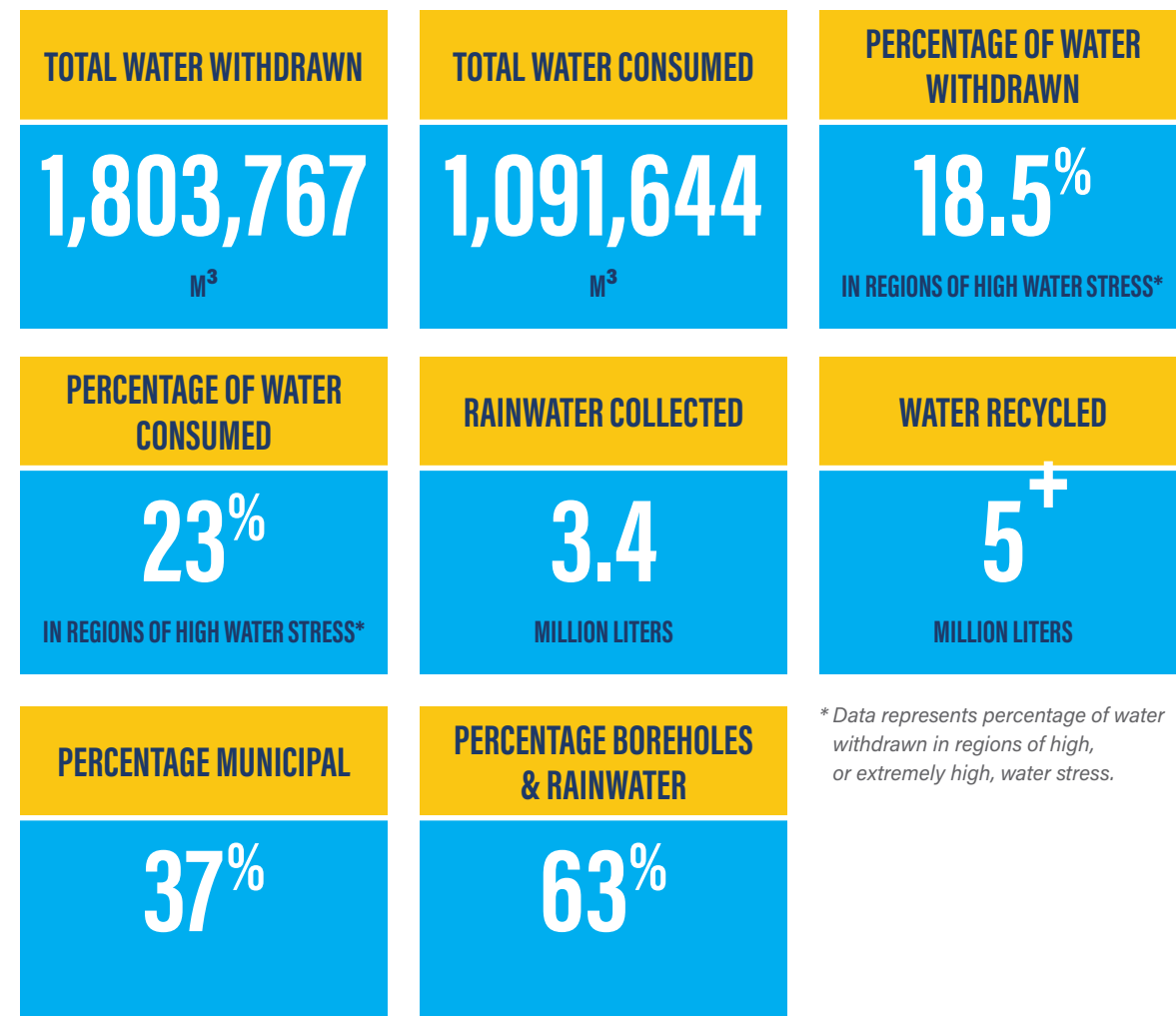
Socotab, our European Oriental tobacco joint venture, after reviewing the emissions associated with their fleet of 120 vehicles used for their agriculture extension services, decided to offset emissions associated with the travel to farmers they contract with by planting trees in each of the countries they operate. Socotab has partnered with multiple third parties to plant more than 44,000 trees over the next 10 years in protected areas. The project will offset more than 4,100 tons CO<sub>2</sub>e in Bulgaria, Greece, Macedonia, and Turkey.

# Water

Universal believes that conserving water is important to our business from both a cost and sustainability perspective. We primarily use water for processing tobacco by heating it in boilers in order to condition and dry the tobacco. This process balances the moisture level in processed tobacco to facilitate storage and long-term use. We limit our use of public water sources to the greatest extent possible, while managing overall water usage and discharge.

Our processing operations primarily rely on boreholes, municipal water systems, rainwater collection, and surface water withdrawals for industrial use. When necessary, water is filtered on-site for our own use. Around the world, we strive to increase our reuse of water, and we fund water projects to address regulatory requirements and long-term reductions in use. The majority of our water consumption is in regions with low water stress according to World Research Institute (WRI) Risk Atlas Tool (aqueduct.wri.org).

On an annual basis, Universal collects water data from our sites to monitor water use within our processing operations. Flow meters and control systems provide the data that drives our understanding of water use and discharge. This year we reduced our water withdrawal and the water intensity per kilogram of tobacco processed. Each of our locations continuously works on decreasing our water footprint. Data collected from fiscal year 2020 is included below.



## Global Flow Meters – International



Universal takes water use seriously and around the world we measure and evaluate the water resources used in our operations. Whether the water comes from a public supply or from a borehole on our premises, the water withdrawn is measured and monitored. We directly measure the water used to process over 95 percent of the tobacco processed in our facilities. Water discharged from our processing facilities is discharged according to local best practices and meets or exceeds regulatory standards. We directly measure water discharges associated with over 75 percent of our tobacco processing. Additional monitoring and evaluation are planned into the future.

## Water Reuse – Brazil



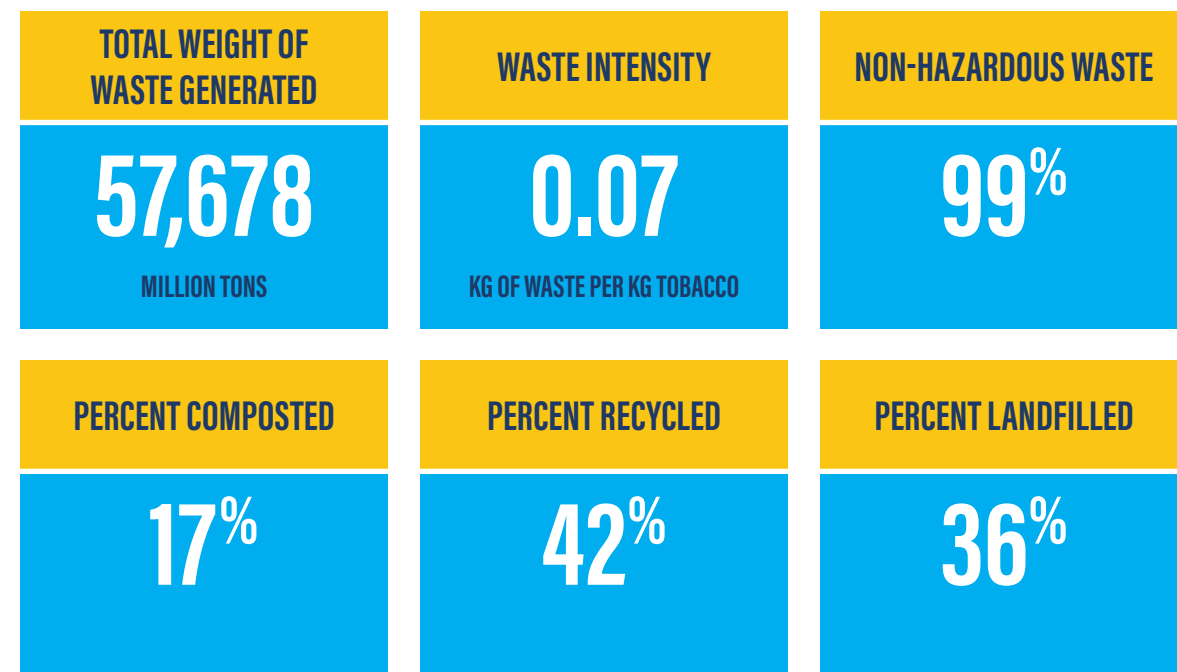
In Santa Cruz, Brazil, strict environmental standards have encouraged our subsidiary to develop a water treatment and reuse program. In 2014, our subsidiary installed an onsite water treatment facility. The facility treats water from their operation prior to discharging the water. Water from personal sanitation and the processing operation enters into an onsite water treatment facility where the water is then reused for toilets or pretreated and discharged offsite. While the facility does utilize boreholes for the industrial supply, treating and reusing water reduces demand from the municipal water supply. In 2020, our subsidiary treated over 22,000 m<sup>3</sup> and reused more than 4,900 m<sup>3</sup>.

# Waste

Universal tracks waste associated with our processing operations, and we believe that lower waste generation is good for our business. Waste disposal is commonly dictated by local regulations, and we regularly monitor our compliance. Our subsidiaries are also encouraged to exceed regulatory requirements by recycling and composting waste in order to reduce our impact on local disposal resources. Universal encourages new technologies for waste reduction and provides the resources needed to implement solutions.

Each year, composting and recycling is expanded within our operations. The less we send to landfills, the less strain we put on local resources. We periodically review the waste data we collect in order to better understand the opportunities for recycling and reuse. We work with our subsidiaries to understand their constraints, so that they have the resources they need to continue to reduce landfill disposal. As a company we produce and handle minimal amounts of hazardous waste. The majority of hazardous waste handled is related to vehicle and equipment maintenance. We do not use chemicals to process our tobacco.

In regards to waste generation, Universal focuses on continuous improvement and reducing our overall waste generation globally while seeking opportunities to reuse byproducts. We seek to improve efficiencies throughout our processes, and this year the waste produced per kilogram of tobacco processed decreased. We also reduced the percentage of waste going to landfills.



## Carolina Recycled Ag Materials – United States



Tobacco waste is the largest portion of Universal's waste and as such our operations around the world have found ways to utilize this organic material without resorting to landfill disposal. Some of our operations have found that composting tobacco stem and dust is the most economical and environmentally safe way of addressing tobacco waste disposal. Since 2014, Carolina Recycled Ag Materials composts the unwanted byproduct from the leaf threshing operations from Universal Leaf North America in Nashville, North Carolina. Capacity has increased over time to handle all the by product volumes from threshing, and in the future will include waste from other local operations. In fiscal year 2020, more than 3,200 tons of tobacco waste was composted. Compost is then sold creating a revenue stream. Since 2014, more than 19,000 tons of compost has been sold.

## HTL & DHT – Netherlands & Germany



Universal believes in using existing capabilities to expand services offered, especially in regards to sustainable supply chains. HTL-DHT in the Netherlands and HTL-DHT in Germany recycle tobacco and food byproducts. HTL-DHT in Eindhoven specializes in the production of cigarette filler, while HTL-DHT in Hockenheim is tuned to the cigar industry and makes filler, binder, wrapper, one-leaf and tipping paper. Both companies were founded in the 1950's and have become experts in the world of upgrading factory byproducts to reconstituted sheet and powder for the tobacco and food industries. In recent years, their operations have expanded services to include recycling and reshaping other agricultural byproducts, like mint and hemp. With this drying process the shelf life is extended considerably and transport costs are decimated. In fiscal year 2020, the two companies processed 11,000 tons of byproducts, reducing waste from processing in a variety of supply chains.

# Social Impacts

Universal operates throughout the world and positively impacts thousands of people every day. We are committed to helping the communities where we operate benefit and thrive from our presence. Our business directly and indirectly supports the communities and regions in which we operate by providing local tobacco farmers efficient access to the global tobacco market and offering our employees and those of our contracted farmers fair treatment and a safe work environment. Universal further supports its farmer and employee communities through specific financial investments, programs, projects, and volunteering opportunities aligned with local business activities and the overall needs of the community.

Universal reviews social issues in the regions where we operate, and we monitor and evaluate them to shape our actions. We 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 as well as the farming and industrial communities in which we operate.



Lunch time at the Universal Citizen Program in Rio Pardo, Brazil.





# Health & Safety

The health and safety of our employees, contractors and visitors is at the forefront of our business efforts. Universal is committed to the prevention of injury and illness in the workplace through strong health and safety management, employee empowerment and accountability, and strict compliance with health and safety regulations. Health and safety is a non-negotiable priority of our culture.

The health and safety commitment of our global team must be highlighted. This commitment is evident through the implementation of Universal policies and the establishment of strong local management systems, which form the foundation of our global program.

Our program is designed to prevent workplace injuries, illnesses, and deaths at our locations. This is our most fundamental objective.

Since 2018, an improved health and safety management system has been paired with a strong database reporting tool to allow all Universal facilities to track their occupational health and safety performance and that of the entire company. These smart reports allow our global teams to analyze the insights collected from our health and safety system immediately.

We strive for zero fatalities and serious injuries/illnesses. In fiscal year 2020, no employee or contractor workplace fatalities were reported. However, we had a limited number of serious injuries that underscore the need for continuous attention and improvement.

Currently, we are managing safety performance based on two rates: medical treatment cases (injuries/illnesses) and lost workdays.

## HEALTH & SAFETY STATISTICS

| FISCAL YEAR | WORKING HOURS | LOST WORKDAYS | FATALITIES | NEAR MISSES | HAZARDS |
|-------------|---------------|---------------|------------|-------------|---------|
| 2019        | 67,084,095    | 1,513         | 1          | 30          | 207     |
| 2020        | 59,655,875    | 2,732         | 0          | 116         | 449     |

\*The fiscal year 2020 working hours were affected due to ULT's decision to discontinue operations at two factories, Malawi-Limbe Factory and Tanzania Tobacco Processors Limited.

**Medical Treatment Cases (Injuries/Illnesses)** – the management and care of a patient to combat a disease or disorder (beyond first aid).

**Lost Workday** – Time that could not be worked as a consequence of a worker being unable to perform their usual work because of an occupational injury or illness.

**Near miss** – An incident or condition that could, in different circumstances, result in damage and/or injury.

**Hazard** – Any source of potential damage, harm or adverse health effect on something or someone.

## TOTAL RECORDABLE INCIDENT RATE (TRIR)

| FISCAL YEAR | INJURIES / ILLNESSES | TOTAL RECORDABLE INCIDENT RATE | INJURIES / ILLNESS LOST DAYS | LOST WORKDAY RATE |
|-------------|----------------------|--------------------------------|------------------------------|-------------------|
| 2019        | 138                  | 0.41                           | 76                           | 0.23              |
| 2020        | 178                  | 0.60                           | 137                          | 0.46              |

**Total Recordable Incident Rate** includes days away, restricted and transfer cases plus cases that involve days of medical treatment or other recordables per 100 full-time workers.

**Lost Workday Rate** represents the number of injuries and illnesses resulting in one or more days away from work per 100 full-time workers.

Our rates have remained significantly lower than those in the most recent U. S. Bureau of Labor Statistics study for our business type (2018, tobacco industry). In 2020, the Universal TRIR was 0.60, compared to 0.41 in 2019. We are not satisfied with this increase; however, it is important to mention that one reason for the increased TRIR relates to the expansion and standardization of the reporting process from a global perspective. This was a large undertaking, which will support our program for years to come through better transparency and accountability.



## EHS Commitment in different levels of the organization

In great safety cultures, leadership proves their commitment to safety through their actions and how they empower others throughout the organization to win with their safety initiatives. Creating a strong safety culture does not happen overnight. Our corporate, regional and local management teams show their commitment every day through careful attention to health and safety issues. Our organizational goals include enabling a strong safety culture, and make a significant contribution to changing employee attitudes and behaviors in relation to workplace health and safety.

## Key Performance Indicators (KPIs)

Health and safety KPIs have been established across our operations to keep the program moving forward. Each factory carried out an in-depth data analysis of prior data and implemented KPIs for improvement and monitoring. By giving employees a goal which they can achieve and monitor in real-time, they will be much more engaged in what they do and better able to help the company succeed.

## Cross-audits with Fresh Eyes

The “fresh eyes” approach to workplace safety involves inviting colleagues from different facilities to share in cross-auditing tasks. In addition to corporate audits, we encourage regional cross-auditing to drive our programs forward. Soliciting constructive feedback requires many of us to step out of our comfort zone, but the benefits of a fresh set of eyes can be lifesaving. Knowledgeable, experienced safety professionals help mitigate workplace injuries while ensuring compliance with applicable standards and regulations.

## Brainstorming

In addition to cross-auditing, we seek to bring our health and safety experts together to work on common issues. This approach provides a framework that establishes common goals and encourages teams to work together, which creates a sense of synergy as members join forces to share and build on ideas. Involving others with the relevant knowledge, experience, and expertise improves the quality of decisions.

## Chemical Management

Universal has developed a detailed set of procedures for the storage of flammable materials, compressed gasses, and other materials commonly used in our facilities. In addition, we have invested in a system to help us improve our hazard communication. Currently, we have over 2,114 chemicals cataloged and managed in our online platform called MSDS Online. This system provides flexible access to chemical inventory information through our mobile devices, in addition to improving chemical management, associated risks, and regulated compounds.

We strive for a culture of transparency and agility, where we put the wellbeing of every employee, temporary worker, contractor and visitor before any departmental or operational consideration.

## Environment, Health, Safety and Security Senior Manager – Philippines



“As a vision, we are committed to conducting our business in a manner that protects the people and the environment. We continue to promote sound stewardship of the creation of a safer workplace by encouraging everyone to accept ownership and accountability of our efforts to zero harm. We also recognize that there is a whole world of opportunity in efficient energy consumption and effective waste recovery through Waste to Energy technology. Our ambition of taking landfills out of the picture, and instead, turn tobacco waste to energy is something that we are exploring. Initiatives like this can be a game-changer for transforming the current energy and waste management practices to a new status quo.”

**Pictured Left:** Jocef Serrano has lead the EHSS Department at Universal Leaf Philippines, Inc since 2015. Over the years, he has introduced several EHSS sustainability projects, particularly targeting energy consumption, waste management, and occupational health and safety.

## Robots – Brazil



Beginning last year our Brazilian subsidiary in Santa Cruz, Brazil, has implemented a Robot—Prototype Project to evaluate and learn about the use of robotization technology in our operations. Learnings from this project are expected to guide our actions and impact the safety and efficiency of our operations into the future. The use of robots is expected to be an enhancement of employee working conditions by eliminating repetitive tasks, reducing heavy lifting and minimizing interactions between humans and machines.

# Employment Policies & Standards

Universal is committed to providing a safe and productive working environment for all our employees. Furthermore, Universal does not employ child or forced labor in any of our operations. Universal recognizes that employees have the freedom of association and the ability to individually or collectively communicate grievances and negotiate compensation without the fear of retaliation, consistent with local, state, and national laws. We want our employees to feel that the company they are working for is reputable and has their best interests at heart.

Each region and origin deals with different laws and regulations regarding employees, and because of this our Human Resources operations are primarily decentralized. All origins and subsidiaries must comply with our Human Rights Policy, Code of Conduct, and Labor Policies and have access to our 24-hour compliance hot line. Universal is an equal opportunity employer throughout the world and selects the best job candidates on the basis of merit regardless of characteristics such as race, sex, color, national or social origin, ethnicity, religion, age, disability, sexual orientation, gender identification or expression, political opinion or any other status protected by applicable law. Universal's operations are naturally diverse, employing people from around the world, and limiting ex-patriate hires to those with essential professional knowledge necessary to the operation of our business.

We value our employees and understand that people are the backbone of our business. Without a reliable workforce, we cannot accomplish all that we do. Regionally, we employ various methods to improve employee satisfaction and decrease turnover. Globally, Universal has twelve collective bargaining agreements in place, that cover more than 65 percent of our workforce. We also support our employees outside of work by offering health and wellness services as well as implementing projects that benefit their communities, such as, building schools and making technology more accessible.

NUMBER OF EMPLOYEES

20,000+

PERCENTAGE OF FEMALE EMPLOYEES

50%

PERCENTAGE OF FEMALE MANAGERS

17%

COVERED BY COLLECTIVE BARGAINING AGREEMENT

65.6%  
OF EMPLOYEES

PERCENTAGE OF EX-PAT EMPLOYEES

0.5%

## Blackfordby Program – Mozambique



Throughout the world, we rely on field technicians to review the performance of our farmers and to provide extension services to ensure that the tobacco crop meets our social, environmental, and quality standards. Since 2014, our subsidiary, Mozambique Leaf Tobacco, has joined with Blackfordby College in Zimbabwe to provide enhanced educational opportunities for our field technicians. Since there are no colleges within Mozambique that provide these specialized tobacco courses, through this partnership with Blackfordby College our agronomy sector leads are provided access to an education that would otherwise be unavailable. The program consists of a two-year term. The first year includes live instruction at the College and the classes include:

1. Crop Production
2. Animal Production
3. Farm Mechanization
4. Farm and Agri-Business Management

The second year is mainly devoted to practical work in the field. The trainees must prepare a business plan and submit to the College for evaluation. Since inception, 27 leaf technicians have graduated from the program, and additional technicians are slated to join in upcoming terms.

## Loan Administration – Malawi



In Malawi, only ten percent of the population has access to banking facilities. Our subsidiary, Limbe Leaf Tobacco, facilitates loan administration for employees. With the company's assistance, employees experience a reduced turnaround time for approval. The company also ensures payment obligations are made on time by deductions directly from payroll. The program is available to all employees and has been a successful program to support life goals, asset accumulation and sound financial management principles.

# Community Engagement

One underlying principle of sustainability is that Universal's success relies on the prosperity of the communities in which we operate. Universal funds various initiatives that support local economies and cultures as shown in Creating Value on page 9. In each community, Universal is open to requests for needs, such as books for school-children or funding and services for local cultural events. While many of our engagements aim to empower our employees, farmers, and their families directly, Universal is also committed to a number of projects intended to uplift communities as a whole. Across our global footprint, Universal supports countless local projects, government programs, charitable events, and local festivals that, in turn, benefit many adjacent to the tobacco supply chain.

It is a critical responsibility of any corporation, and particularly those ingrained as members of the local agricultural community, to support a vibrant and prosperous society as a whole. The stronger the community, the more efficient and effective it is in addressing the labor, environmental, and financial challenges found not only in tobacco, but in the entire agricultural sector.

Ultimately, our company does not simply operate in a community; we are part of it. Universal and our employees are proud to engage as both active corporate citizens and leaders in our neighborhoods, communities, and countries. 100 percent of our regional operations fund local projects on their own initiative or at the request of the people within those communities.

## Universal Leaf Foundation

The Universal Leaf Foundation is a not-for-profit 501(c) (3) organization founded in 1975. The Foundation is the philanthropic arm of Universal Corporation dedicated to fulfilling its social responsibility to the communities in which Universal and its subsidiaries have a physical presence in the United States. Over the past four decades, the Foundation has fulfilled Universal's strong sense of responsibility to its communities by providing pragmatic support for a number of qualifying 501(c)(3) organizations across four categories: higher education, civic/community/arts, environment, and the well-being of children, at-risk individuals, and families. The Foundation is committed to good corporate citizenship as is evidenced by its investments in a diverse array of community programs, its financial support for community events, and its promotion of employee volunteerism. This year the foundation donated \$725,000.

*The Universal Leaf Citizen Program provides after school care to children in Rio Pardiniho, Brazil. This program provides activities and further learning opportunities to children in the community.*



## Global Community Engagement – International



Universal is a proud supporter of the Presidential Precinct, a nonprofit organization with the mission to engage and inspire emerging leaders as they address the most pressing challenges in their respective countries. Since its founding in 2012, the Presidential Precinct has hosted over 1,000 leaders from 150 countries in Virginia—the birthplace of modern democracy. The organization hosts professional fellowships, leadership exchanges, global forums, and provides virtual resources to leaders throughout the globe. Their programming focuses on good governance, human rights and justice, women's empowerment, and economic opportunity, particularly in developing nations. Universal is proud to partner with the Presidential Precinct by funding and participating in one of these premier programs, the Young African Leadership Initiative (YALI), to foster democracy through stable, prosperous, and inclusive societies in the African communities in which we operate.

## Primary School Libraries – Malawi



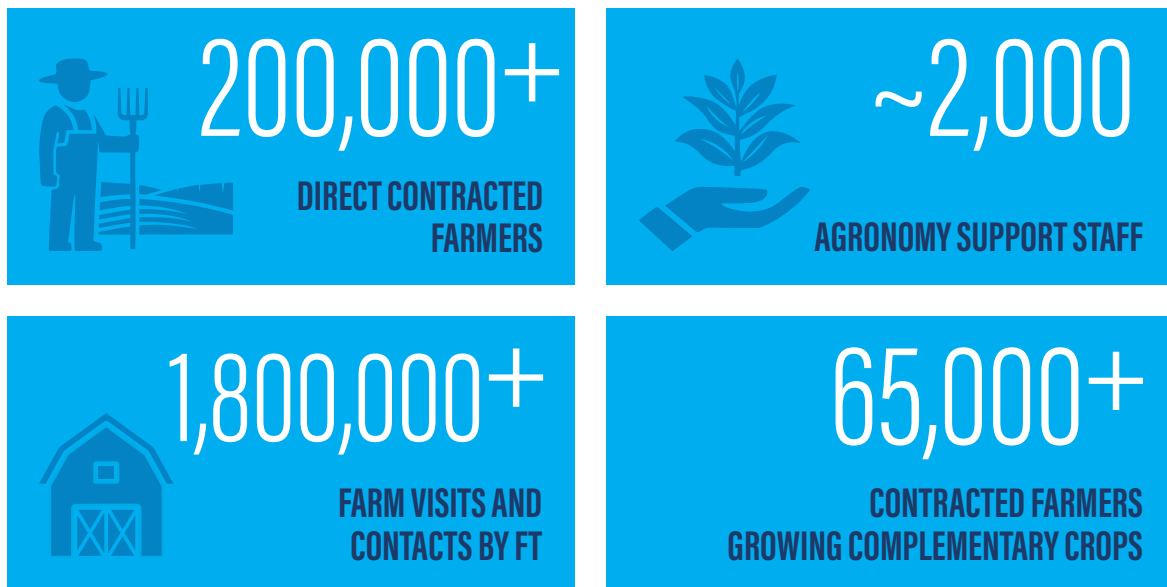
Limbe Leaf Tobacco Company in partnership with Universal Corporation, aided in the construction of two new libraries at the Mwachundu and Kanjoka Primary Schools. The aim of these projects was to ensure that students and the supporting communities have access to the educational materials often lacking in rural Malawi. Since Limbe Leaf began its aid to the Mwachundu Primary School in 2013, it has built six classrooms, renovated a two-classroom block, constructed bathrooms for pupils and teachers, and drilled a borehole that provides safe water for students and members of the surrounding community. At the Kanjoka Primary School, Limbe Leaf worked alongside officials from the Ministry of Education to provide over 600 pounds of books and educational materials to fill the newly constructed library and community center.

# Good Agricultural Practices

At the heart of Universal's business are farmers. Around the world, Universal directly contracts with over 200,000 farmers across more than 20 countries. Universal strives to produce quality, sustainable tobacco in all of these markets by employing approximately 2,000 trained agricultural professionals known as Field Technicians. Universal's Field Technicians work side by side with our contracted farmers to produce a tobacco crop that adheres to industry recognized Good Agricultural Practices (GAP), including Agricultural Labor Practices.

Good Agricultural Practices are a set of best practices extended to our suppliers that ensure farmers and workers produce their crops in a manner that is environmentally responsible, economically profitable, and assures a safe work environment and fair treatment. Good Agricultural Practices are designed to align with international agricultural and worker safety standards. Around the world, Universal's agronomy teams, including Field Technicians, conduct formal and informal training sessions throughout the tobacco production cycle, ensuring that our contracted farmers are properly trained in numerous disciplines that assure a safe, profitable, and responsible tobacco production system, while also auditing their performance against our social, environmental, and quality standards.

In addition to our internal farm monitoring process, Universal participates in independent, third-party assessments of our tobacco-growing operations by international organizations. The results of these third party evaluations provide valuable and transparent feedback on all areas of GAP: Agricultural Labor Practices, Crop Production, and Environmental Stewardship. Annual self-assessments and on-site reviews by third parties better ensure that our operations identify and take corrective actions to address identified risks in our supply chain.

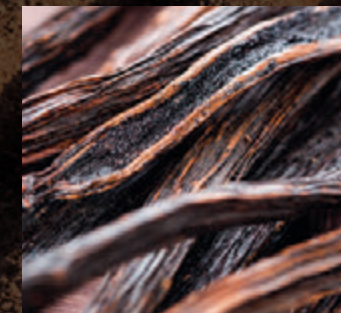


## Diversification

We recognize that our primary business, leaf tobacco, is changing as consumption continues its slow decline and new products enter the marketplace. Universal is proactively adapting to these changes, and we remain committed to our role as the leading global leaf tobacco supplier for our customers. As part of our previously -announced capital allocation strategy to invest in non-tobacco growth opportunities, Universal has invested in other agricultural supply chains. This includes a variety of fruit and vegetable processing, investing in corporate farming, and contracting crops other than tobacco. This extends Universal's skills of sustainable supply chain enhancement to supply chains beyond tobacco.

Below are some examples of agricultural products that Universal now purchases, processes, and/or sells to the global market:

- Peanuts
- Corn
- Vanilla
- Sweet Potatoes
- Blueberries
- Cotton
- Hazelnuts
- Apples
- Cucumbers
- and more










# Agricultural Labor Practices (ALP)



Universal believes in extending our human rights standards to our suppliers, so we review each contracted farmer for safe and fair working conditions on the farm. The Universal Agricultural Labor Practices (ALP) Code consists of seven principles that embody Universal's human rights requirements for our contracted tobacco growers. The ALP Code requires that workers are treated fairly, child labor is progressively eliminated, and workers have a safe work environment. In many cases the ALP Code is part of the farmer contract. If a Field Technician finds a violation, he or she works with the farmer to correct the issue. Each issue warrants a different level of intervention, and depending on the findings, the solutions range from additional farmer training to the development of corrective action plans that are subsequently monitored by Field Technicians. When farmers refuse to comply with our robust requirements, they face the possibility of contract termination and loss of the ability to seek contracts with us in the future.

Universal actively works in our agricultural communities so workers are trained on how to safely perform their job tasks. As part of the Universal ALP Code, contracted farmers are trained and often provided with personal protective equipment (PPE) that is used for handling of green tobacco, to prevent green tobacco sickness (GTS), and applying crop protection agents (CPAs). The ALP Code is discussed regularly with our contracted farmers. The methods of communication and training vary among regions, but the seven principles are the same throughout our global footprint.

## The Seven ALP Principles

|   |  |  |
|---|--|--|
| <br><b>CHILD LABOR</b>          | <br><b>INCOME AND WORK HOURS</b> | <br><b>FAIR TREATMENT</b>         |
| <br><b>FORCED LABOR</b>        | <br><b>SAFE ENVIRONMENT</b>     | <br><b>FREEDOM OF ASSOCIATION</b> |
| <br><b>COMPLIANCE WITH LAW</b> |  |  |

|  |   |
|--|---|
| <br><b>75,000+ FARM WORKERS RECEIVING CPA OR GTS TRAINING</b> | <br><b>200,000+ FARMERS RECEIVING CPA OR GTS TRAINING</b> |
|--|---|

## ALP Introduction - China

In growing regions around the world, Universal introduces ALP principles to farmers, workers and other supply chain stakeholders to improve understanding regarding significant human rights issues. In 2013, our Chinese operational team introduced ALP to our suppliers. Three demonstration areas were chosen and the process began with the establishment of grower profiles, training activities and labor surveys. From 2013 to present the program has expanded to cover more than 15,000 farmers, including the distribution of over 20,000 PPE kits to the associated farms. This program is currently being expanded to all Universal sourcing areas.

### ALP IMPLEMENTATION PATTERN



## Worker Interviews - Italy



Globally our leaf technicians monitor and audit farmers on our ALP principles in addition to our routine leaf technician monitoring activities. In response to an identified risk of migrant worker treatment our Italian subsidiary, Deltafina, increased unannounced farmer visits and began conducting worker interviews in 2019 in addition to farmers being regularly monitored by leaf technicians. Using these interviews, Deltafina agronomy staff discuss farm conditions with workers to verify farm practices, assess fair treatment principles and evaluate results from routine leaf technician visits. The interviews are conducted one-on-one, without the presence of the worker's employer. In their first year, the program covered 149 farms and interviewed 66 workers. Through the interview process, Deltafina staff confirmed that 100 percent of workers had written contracts, and there was no indication of unfair treatment.

# Agriculture Environmental Impacts

Universal is dedicated to managing our environmental impact in the areas where we purchase and process tobacco. We routinely gather data and review the environmental implications of tobacco production and implement projects to reduce negative impacts. We work with key industry stakeholders to implement locally appropriate standardized practices that are beneficial to all of our farmers, not only our contracted farmers. A consistent industry approach to environmental issues is the key for continued success in implementing these initiatives. Through Good Agricultural Practices, responsible sourcing and recycling programs, and innovative technologies, Universal strives to reduce carbon emissions and protect the environment.

## Curing Emissions

Certain types of tobacco require additional direct energy inputs in the curing process. Through our review of our emissions in our supply chain, we have found that Scope 3 emissions associated with farmers curing tobacco through the use of heat are the largest source of emissions in the supply chain. Universal is working diligently to ensure that these energy inputs come from traceable and sustainable sources, including managed agroforestry projects and biomass operations. Additionally, Universal is working with our farmers to replace and/or upgrade their curing infrastructure to increase efficiency to reduce their total fuel consumption.

## Biodiversity

Maintenance of biodiversity in our growing regions is also an important issue for Universal. Different operating regions experience varying biodiversity risks, and our farmers are trained on practices to mitigate these risks. Universal also supports biodiversity in our operating regions with forestation and conservation projects that increase the success of biodiversity in various regions.

**250,678 tCO<sub>2</sub>e**  
**CURING EMISSIONS**  
**(30 PERCENT OF COLLECTED EMISSION)**

**13,000,000+**  
**TREES PLANTED IN**  
**FY2020 CROP SEASON**

## Soil & Water Conservation

As part of Universal's Good Agricultural Practices, our operations look for ways to improve the sustainability of contracted farms. In addition to ensuring the responsible use and disposal of CPAs and CPA containers, Universal also monitors cultivation practices. To protect the water and soil resources, our operations promote conservation techniques such as: cover crops, crop rotation, contour farming, drip irrigation, and reduced tillage.

## Biodiversity Study – Paraguay



Biodiversity is an important aspect of environmental conservation, and our operations around the world review their impacts to biodiversity and use that information to inform farmers on best practices. In Paraguay, our operation partnered with a local university to understand how farmers may be impacting biodiversity, and determine what best practices to recommend to minimize those identified impacts. Species of flora and fauna at risk of extinction were found during the field work and an inventory was documented. Our Paraguay subsidiary then developed a manual to teach farmers the importance of protecting biodiversity on their farms, as part of sustainable agriculture. Recommended practices include soil conservation practices, knowledge of endangered species, nesting boxes for migratory species, and reforestation of native trees. The manual is distributed annually to more than 500 farmers.

## Live Barns – Malawi & Mozambique



Climate change is a result of increased greenhouse gas emissions and global deforestation, and in southern Africa land conversion and increased populations have led to greater pressure on forestry resources. In response to the increased pressure our operations in Malawi and Mozambique have developed a creative solution to promote forestry on contracted farms. To cure burley tobacco, barns are constructed each year from locally sourced wood. In the past 8 years, our operations have distributed saplings to farms specifically for use as the primary barn structure. This practice reduces the need for sourced wood and promotes tree growth on farm. Since the program began in 2012, more than 40 million trees have been distributed for planting.

# Sustainable Crop Production

In order to produce our products in a responsible way, Universal takes great care in selecting and training the contracted farmers from whom we source our tobacco. The contracted farmers within the Universal supply chain are expected to adhere to a strict set of production practices that promote the sustainability of agricultural lands. For crop production to be sustainable, the plants and fields must be properly managed. Part of this process is selecting crop varieties that are suitable for the various farm conditions and encouraging farmers to properly rotate crops to reduce soil stress and disease. Universal also encourages practices that are reasonable for the farmers to implement. Practices that encourage farmer welfare have a better chance of success because the farmers are benefiting from the practices.

## Responsible Crop Protection Agent Application

Our Field Technicians and other agronomy staff work closely with our contracted farmers to manage insect and plant disease infestations. Universal works with our tobacco operations to transition away from a sole reliance upon traditional pesticides, by utilizing effective biological controls, organic products, and alternative control methods. Our efforts include working with partners in the industry to identify, test, and embrace new pest control products and methods that offer farmers safer tools to produce their crops. Utilizing Integrated Pest Management (IPM) practices, our Field Technicians advise our farmers on proper utilization of CPAs and other control strategies to produce a tobacco crop that meets the quality demands of our customers.

## Genetically Modified Tobacco

Universal does not supply or endorse the use of genetically modified tobacco seed for commercial tobacco production and we work hard to ensure that we do not purchase genetically modified tobacco. We work with growers to use tobacco seed from approved sources and bred with traditional plant breeding practices. We regularly test tobacco for genetic identifiers and will reject tobacco if we find evidence of genetically modified tobacco.

## Farmer Livelihood

Ultimately, for the crop to be sustainable, the farmer must be profitable. Universal works in our growing regions to enhance our contracted farmer's profitability. Universal finances crop inputs in several regions, monitors cost of production, and provides technical support to farmers to promote improved yields and quality. In some countries we also employ programs to help farmers better understand financial management, so that they are better able to pay workers on time and plan for future expenses. The crop cannot be grown without farmers, so we work with farmers to support their evolving needs.



## Community Leadership Accountability Program (CLAP) – Mozambique



Around the world, Universal works to provide the necessary support for farmers to grow tobacco and meet our labor practice standards. In Mozambique, our subsidiary, provides training to community leaders because full engagement of multiple stakeholders will lead to a better understanding of the Agricultural Labour Practices (ALP) program. Training community leaders brings more awareness to our human rights standards, so that the community leaders can influence and encourage farmers to follow the requirements as well as help mediate disputes between farmers and their workers.

## Financial Literacy – Malawi



Smallholder farmers around the world often have not been exposed to good financial practices, and as a result, are not always able to budget their incomes and plan for the future appropriately. Our subsidiary in Malawi conducted a root cause analysis on ALP issues such as child labor and worker incomes, and found that if farmers were taught to budget appropriately, they would have the funds to pay workers and not have children assist in crop production. Limbe Leaf Tobacco has taken steps to train farmers, not only in crop production but also financial literacy in an effort to reduce these issues. In 2020, over 1,700 farmers were trained. The result? Data shows that farmers were better able to plan and save their incomes along with better record keeping. Some farmers were even able to use their profits to diversify their income stream to pursue improved profits in the future.



SASB INDEX

| DISCLOSURE TITLE   | ACCOUNTING METRIC |
|--|-------------------|
| <b>Green House Gas Emissions</b>   |                   |
| Gross Scope 1 Emissions  | FB-AG-110a.1      |
| Discussion of Strategy, Targets, and Performance   | FB-AG-110a.2      |
| Fleet Fuel   | FB-AG-110a.3      |
| <b>Energy Management</b>   |                   |
| Operational Energy Consumed  | FB-AG-130a.1      |
| Percentage Electricity   | FB-AG-130a.1      |
| Percentage Renewable   | FB-AG-130a.1      |
| <b>Water Management</b>  |                   |
| Total Water Withdrawn  | FB-AG-140a.1      |
| Total Water Consumed   | FB-AG-140a.1      |
| High Baseline Water Stress   | FB-AG-140a.1      |
| Description of water management  | FB-AG-140a.2      |
| Water non-compliance incidents   | FB-AG-140a.3      |
| <b>Food Safety</b>   |                   |
| GFSI audits and non-conformance  | FB-AG-250a.1      |
| Suppliers audited  | FB-AG-250a.1      |
| Recalls  | FB-AG-250a.1      |
| <b>Workforce Health and Safety</b>   |                   |
| (1) Total recordable incident rate (TRIR),   | FB-AG-320a.1      |
| (2) Fatality Rate  | FB-AG-320a.1      |
| (3) near miss frequency rate (NMFR) for (a) direct employees and (b) seasonal and migrant employees                  | FB-AG-320a.1      |
| <b>Environmental and Social Impacts of Ingredients Supply Chain</b>  |                   |
| Discussion of strategy to manage environmental and social risks arising from contract growing and commodity sourcing | FB-AG-430a.3      |
| <b>GMO Management</b>  |                   |
| Discussion of strategies to manage the use of genetically modified organisms (GMOs)                                  | FB-AG-430b.1      |
| <b>Ingredient Sourcing</b>   |                   |
| Identification of principal crops and description of risks and opportunities presented by climate change             | FB-AG-440a.1      |
| Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress           | FB-AG-440a.2      |

| LOCATION OF DISCLOSURE | NOTE   |
|------------------------|--|
| 19                     |  |
| 19                     |  |
| See Note               | Universal is reviewing the data collection process and will be disclosing this information in future reports   |
| 19                     |  |
| 19                     |  |
| 19                     |  |
| 21                     |  |
| 21                     |  |
| 21                     |  |
| 21                     |  |
| See Note               | Universal did not have any water non-compliance water incidents in FY 2020   |
| See Note               | Because a small percentage of revenues come from food products, this metric is not yet material to our business. As our non-tobacco revenues increase, we will be collecting data on this metric to report in the future |
| See Note               |  |
| See Note               |  |
| 28                     |  |
| 28                     |  |
| 28                     |  |
| 16, 35 to 43           |  |
| 43                     |  |
| 19, 39                 |  |
| See Note               | Based on an analysis of our global sourcing footprint, Universal sources less than 20% of its tobacco from regions of High or Extremely High water stress  |

**NOTE:**

Universal Corporation has been placed in the tobacco sector according to the SASB reporting standards. However, we feel the metrics for that sector are better aligned with tobacco product manufacturers and do not adequately capture information relevant for our position in the tobacco supply chain. For this reason, we have decided to report on metrics and topics contained within the Agricultural Products standard and we have noted where metrics are not material to our business. We have commented on the suitability of these metrics in our SASB index.

**GRI REPORTING INDEX**

| GRI STANDARD | STANDARD TITLE                 | DISCLOSURE NUMBER  | DISCLOSURE TITLE  |
|--------------|--------------------------------|--|---|
| 102          | General Disclosure             | 102-1  | Name of Organization  |
| 102          |                                | 102-2  | Activities, brands, products, and services  |
| 102          |                                | 102-3  | Location of headquarters  |
| 102          |                                | 102-4  | Location of operations  |
| 102          |                                | 102-5  | Ownership and legal form  |
| 102          |                                | 102-6  | Markets served  |
| 102          |                                | 102-7  | Scale of the organization   |
| 102          |                                | 102-8  | Information on employees and other workers  |
| 102          |                                | 102-9  | Supply chain  |
| 102          |                                | 102-10   | Significant changes to the organization and its supply chain  |
| 102          |                                | 102-11   | Precautionary Principle or approach   |
| 102          |                                | 102-12   | External initiatives  |
| 102          |                                | 102-13   | Membership of associations  |
| 102          |                                | 102-14   | Statement from senior decision-maker  |
| 102          |                                | 102-16   | Values, principles, standards, and norms of behavior  |
| 102          |                                | 102-18   | Governance structure  |
| 102          |                                | 102-40   | List of stakeholder groups  |
| 102          |                                | 102-41   | Collective bargaining agreements  |
| 102          |                                | 102-42   | Identifying and selecting stakeholders  |
| 102          |                                | 102-43   | Approach to stakeholder engagement  |
| 102          |                                | 102-44   | Key topics and concerns raised  |
| 102          |                                | 102-45   | Entities included in the consolidated financial statements  |
| 102          |                                | 102-46   | Defining report content and topic Boundaries  |
| 102          |                                | 102-47   | List of material topics   |
| 102          |                                | 102-48   | Restatements of information   |
| 102          | 102-49                         | Changes in reporting   |   |
| 102          | 102-50                         | Reporting period   |   |
| 102          | 102-51                         | Date of most recent report   |   |
| 102          | 102-52                         | Reporting cycle  |   |
| 102          | 102-53                         | Contact point for questions regarding the report                         |   |
| 102          | 102-54                         | Claims of reporting in accordance with the GRI Standards                 |   |
| 102          | 102-55                         | GRI content index  |   |
| 103          | Economic Performance           | 103-1,2,3  | Management Approach   |
| 201          |                                | 201-1  | Direct economic value generated and distributed   |
| 103          | Anti-Corruption                | 103-1,2,3  | Management Approach   |
| 205          |                                | 205-1  | Operations assessed for risks related to corruption   |
| 205          | 205-2                          | Communication and training about anti-corruption policies and procedures |   |
| 103          | Water                          | 103-1,2,3  | Management Approach   |
| 303          |                                | 305-1  | Water withdrawal by source  |
| 303          |                                | 303-3  | Water recycled and reused   |
| 103          | Emissions                      | 103-1,2,3  | Management Approach   |
| 305          |                                | 305-1  | Direct (Scope 1) GHG emissions  |
| 305          |                                | 305-2  | Energy indirect (Scope 2) GHG emissions   |
| 305          |                                | 305-4  | GHG emissions intensity   |
| 103          | Effluents and Waste            | 103-1,2,3  | Management Approach   |
| 306          |                                | 306-2  | Waste by type and disposal method   |
| 103          | Occupational Health and Safety | 103-1,2,3  | Management Approach   |
| 403          |                                | 403-1  | Workers representation in formal joint management-worker health and safety committees   |
| 403          |                                | 403-2  | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities |
| 103          | Local Communities              | 103-1,2,3  | Management Approach   |
| 413          |                                | 413-1  | Operations with local community engagement, impact assessments, and development programs                                      |

| LOCATION OF DISCLOSURE | NOTE   |
|------------------------|--|
| 1                      |  |
| 1                      |  |
| 1                      |  |
| 2                      | Available also in Universal's Annual Financial Report 2020 (pg. 5)                                 |
| 1                      |  |
| 2                      |  |
| 1                      |  |
| 31                     |  |
| 1                      | Available also in Universal's Annual Financial Report 2020 (Pg. 3-4)                               |
| See Note               | The purchase of Fruit Smart is discussed on page 10  |
| See Note               | Universal is conservative and cautious when implementing new practices throughout our supply chain |
| 2 to 3                 |  |
| 2 to 3                 |  |
| ii                     |  |
| 1                      |  |
| 1                      |  |
| 4                      |  |
| 31                     |  |
| 4 to 5                 |  |
| 2 to 5                 |  |
| 4 to 5                 |  |
| See Note               | See exhibit 21 "Subsidiaries of the Registrant" in Universal's Annual Financial Report 2020        |
| i                      |  |
| 5                      |  |
| N/A                    | No restatements of information are contained within this report                                    |
| N/A                    | No material changes in reporting in FY 2020  |
| i                      |  |
| See Note               | December 2019  |
| ii                     |  |
| See Note               | sustainability@universalleaf.com   |
| i                      |  |
| 45 to 46               |  |
| 7,9                    |  |
| 9                      |  |
| 7,11 to14              |  |
| 12                     |  |
| 12 to 13               |  |
| 21                     |  |
| 21                     |  |
| 21                     |  |
| 19                     |  |
| 19                     |  |
| 19                     |  |
| 19                     |  |
| 23                     |  |
| 23                     |  |
| 27                     |  |
| 27                     |  |
| 27 to 28               |  |
| 33                     |  |
| 33                     |  |



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