



MODERN SLAVERY ACT STATEMENT

1 January – 31 December 2019

Respect for human rights is an absolute requirement integrated into Gallaher Limited's (JTI UK) approach to sustainability. We are committed to respecting human rights across our global operations and supply chain. Valuing the rights of every individual is central to the way we do business.

Introduction

This is the fourth Modern Slavery Act Statement to be approved by the Board of Directors and published in accordance with the Section 54, Part 6 of the Modern Slavery Act 2015 by JTI UK. It sets out the steps taken by JTI UK during the year ended 31 December 2019 to respect human rights and to prevent modern slavery in our business and our supply chain.

We acknowledge that we operate in parts of the world where human rights are at risk, including our supply chain being exposed to modern slavery risks. JTI UK strongly opposes modern slavery in all its forms – such as forced labour, slavery, servitude and human trafficking – and is committed to tackling it through our global human rights programme.

According to the latest estimates there are approximately 40.3 million people living in modern slavery and of these, 24.9 million people are in forced labour, with 16 million people being forced to work under threat or coercion in the private economy worldwide.¹



1. The Measurement, Action, Freedom Report published by the Minerdo Foundation's Walk free Initiative, June 2019.

Our Business and Supply Chain

JTI UK is a member of the JT Group and is an indirect subsidiary of Japan Tobacco Inc. (JT), which is listed on the Tokyo Stock Exchange (TSE: 2914). Japan Tobacco International (JTI) is a leading international tobacco company and is a major player in the e-cigarette, heated tobacco and nicotine containing pouches categories, with offices and factories in more than 70 countries and products sold in more than 130 countries. JTI employs over 45,000 people globally and owns 35 factories.

JTI UK has its head office in Weybridge, Surrey, and employs over 600 people. Our employees work in a wide range of roles and environments in UK. JTI UK

acts as the sole distributor of tobacco, e-cigarette and nicotine containing pouches products in the UK for JTI. The tobacco products which JTI UK distributes are manufactured in JTI owned factories including those in Romania and Poland. The e-cigarette devices and ancillary products which JTI UK distributes are manufactured in China; the liquids to be used with the devices are manufactured in Europe (nicotine containing) and in Japan (containing zero nicotine). The nicotine containing pouches are produced in Sweden.

JTI Value Chain



JTI UK's supply chain forms part of and leverages the global JTI supply chain network. Further information about JTI's tobacco leaf supply, processing and manufacturing, as well as our approach to human

rights and labour practices in our business, can be found on the "[Our Tobacco Products](#)", "[Our Reduced-Risk Products](#)" and "[Sustainability](#)" pages of jti.com and our [JT Group Sustainability Report 2018](#).

Our Policies and Procedures

JTI UK is committed to maintaining consistently high business and ethical standards, and respecting all human rights. As such, freedom from modern slavery is an integral part of the way in which we conduct our business. These standards, and our commitment to human rights are laid out in our policies. They apply to every individual working for or on behalf of JTI UK, including all the companies within the JTI Group. Our policies are regularly reviewed and updated to ensure they continue to meet the high expectations we have for our business.

In order to ensure the highest levels of sustainability and integrity across the supply chain, all our suppliers are required to comply with our **JT Group Supplier Standards** at Group level and with the **JTI Supplier Standards** in the international tobacco business. We select suppliers based on quality, service, and cost. This is reflected in our **JT Group Responsible Procurement Policy**.

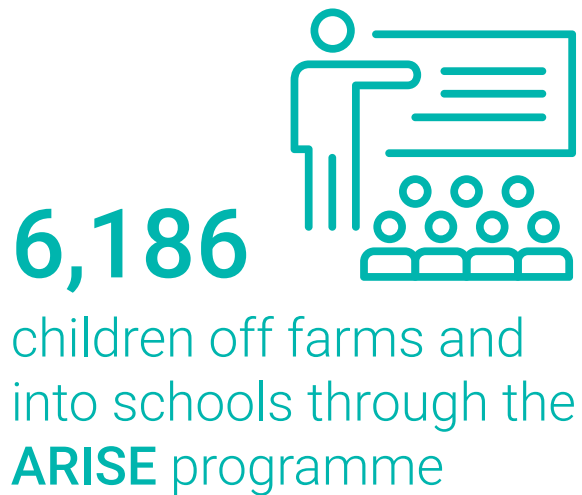
Our contracted leaf growers and merchants are also subject to the **JT Group Principles in Leaf Tobacco Production**. Although we work with many different suppliers, our leaf Supply Chain Due Diligence process provides us with a 360° view of the entire supply chain at farm level. This process includes:

- Supply Chain Impact Assessments
- **Agricultural Labor Practices (ALP)** programme
- **ARISE** (Achieving Reduction of Child Labor in Support of Education) programme
- Grower Support Programmes

In addition, we continue to conduct ongoing risk analysis and mapping in relation to the supply chain of our portfolio of e-cigarette and e-liquid products. Our commitment to human rights is also reflected in our **JT Group Human Rights Policy**, and reinforced in both the **JTI Code of Conduct** and our Reporting Concerns Mechanism.

JT Group Human Rights Policy

Our JT Group Human Rights Policy follows the framework provided by the UN Guiding Principles on Business and Human Rights (UNGPs) to monitor, influence, and improve business practices within our own operations and those of our suppliers and partners. This means acting with due diligence to avoid infringing on the rights of others and addressing the adverse impacts of our global operations. We not only have a responsibility to respect human rights - we also have the ability to advance and promote these rights in all the areas we operate.



JTI Code of Conduct

Our JTI Code of Conduct ensures that we conduct business ethically and are a responsible corporate citizen. The Code provides guidance to employees to uphold a culture of integrity in all that we do.

"Whilst we work for a truly diverse Company, we must all embrace the same ethical standards and uphold our Company values. The Code supports this expectation by guiding us in how we operate and confirming what it is that makes us different. We will only be successful by operating within the framework of our Code of Conduct and by always doing the right thing." – Eddy Pirard, JTI's President and CEO

Our Code of Conduct is a digital, easy-to-read document, including a decision-making guide to assist employees in making the right choices. It is available in 37 languages, and we provided printed booklets for those with limited internet access. We also continue to provide training on the Codes of Conduct to our employees face-to-face and online.

Reporting Concerns Mechanism

We have an established grievance procedure in the UK to reflect the ACAS Code of Practice. In addition, we have a global grievance mechanism called **Your Voice**, established in 2008, through which all our employees can raise concerns directly with our HQ Compliance department. This ensures that we listen to and act on the grievances of those whose human rights are impacted by our activities or those of our business partners. We encourage employees and suppliers to speak up on human rights, without fear of retaliation, about any concerns they may have. We continue to undertake periodic reviews of our existing reporting mechanisms to ensure they remain effective in swiftly resolving employee and worker concerns.

Each year, we launch annual global communication campaigns to maintain and increase awareness of the Your Voice reporting channel. Full details about both the grievance procedure and Your Voice are published on the employee intranet for easy access by our employees. Business Partners have other available channels where they can raise concerns with JTI such as via jti.com or a dedicated email account of JTI's Compliance department.

JTI Supplier Standards

JTI aims to achieve high standards of integrity across its business operations and its supply chain. Our supplier standards (JTI Supplier Standards) define the requirements for suppliers providing goods and services to JTI. We require suppliers to comply with the JTI Supplier Standards and to also ensure that their suppliers involved in providing goods and services to JTI comply with the JTI Supplier Standards. We expect suppliers (and their suppliers) to have policies, employee communications, due diligence processes and control systems to implement these standards within their business operations and supply chains.

Human rights and labour standards are integrated into the JTI Supplier Standards. Our suppliers shall respect human rights by adopting and maintaining standards of labour practices and working conditions that comply with all applicable local legislation and international conventions. Modern slavery in all its forms such as servitude, using forced or compulsory labour in all its forms, human trafficking, exploitation, and child labour are prohibited.

Supplier Screening

We aim to achieve high standards of integrity across our business operations and supply chain. We can only achieve this through close cooperation with our suppliers.



As of the end of 2019, 67% of our key suppliers were screened against ESG criteria in our international tobacco business. As our supplier screening target shows, we are committed to achieving 100% by 2023.

In our international tobacco business, prior to entering into a commercial relationship, our key suppliers* undergo a screening process which includes onboarding and qualification. This process allows us to understand potential risks related to compliance, human rights, environment, and health and safety. If any risks are identified, we offer support and collaboration on how to mitigate these risks and make necessary improvements.

In 2019, we further enhanced our supplier screening process by introducing our 'Lookback' screening service to identify potential supply chain risks with new key suppliers. This service automatically reviews a potential key supplier's business history over the previous five years using publicly available information. We have also strengthened and automated the annual process for renewing the certification of our existing key suppliers, by integrating a continuous key supplier monitoring service.

*Key suppliers are defined as suppliers with a planned annual spend greater than 500,000 U.S. dollars, suppliers who either purchase or handle Japan Tobacco International tobacco products, leaf merchants, suppliers representing Japan Tobacco International before government, and contract manufacturing, and licensees.

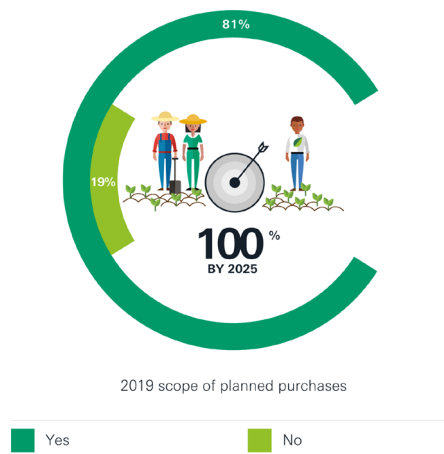
Agricultural Labor Practices

Our Agricultural Labor Practices (ALP) are based on the International Labour Organization's conventions and recommendations. The programme consists of three pillars: tackling child labour, respect for the rights of workers, and ensuring workplace health and safety.

As part of JTI's continuous improvement approach, the ALP programme allows us and our suppliers to identify potential labour challenges on tobacco farms and help improve labour practices on the tobacco farm. Being an integral part of the Supply Chain Due Diligence process, it also contributes to the social aspects of grower communities and supports sustainable agriculture overall. Whether we source tobacco directly from growers or through tobacco leaf merchants, our contracted suppliers are committed to implementing our ALP.

See how we are progressing on this target on our [Sustainability Web Hub](#).

SUPPLYING ENTITIES REPORTING DIRECTLY CONTRACTED GROWERS & LEAF MERCHANTS



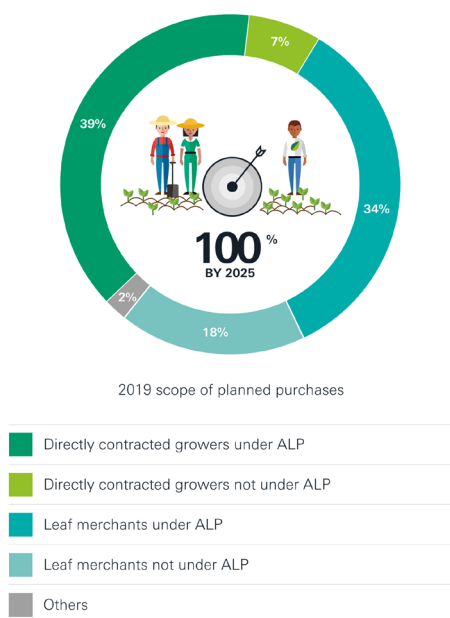
Target

100% of our supplying entities to report on ALP.

Progress so far

Of all the entities that provided us with tobacco leaf, either directly or through leaf merchants, 81% reported against ALP in 2019.

VOLUMES COVERED BY ALP (%) DIRECTLY CONTRACTED GROWERS & LEAF MERCHANTS



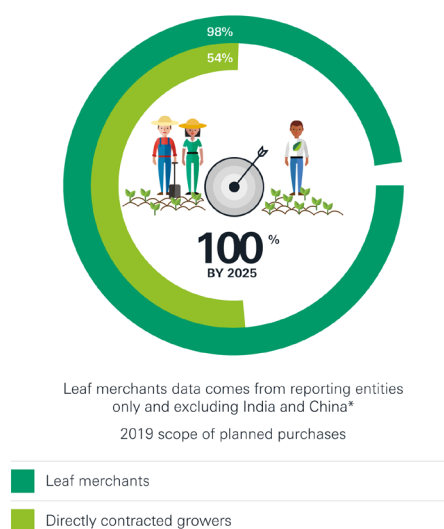
Target

100% of tobacco leaf volumes to be covered by ALP

Progress so far

In 2019, 73% of our volumes were covered by ALP.

GROWERS COVERED BY ALP (%)



* Introducing ALP in India and China is challenging due to the way the market is structured in these countries. For instance, our suppliers do not have direct contracts with growers e.g. in India flue-cured tobacco is sourced via auction floors. A tailor-made approach needs to be applied. We are working together with the industry in India on the best way forward with regards to how to run a leaf supply chain due diligence. In 2020, we will explore the way forward in China with all relevant stakeholders.

Target

100% of our growers to be covered by ALP

Progress so far

In 2019, 54% of our directly contracted growers and 98% of the growers supplying through our leaf merchants were covered by ALP. The decrease from 96% in 2018 to 54% in 2019 is due to new acquisitions. Before acquiring Bangladesh, for instance, we had around 40,000 directly contracted growers. Bangladesh alone brought 29,000 more growers. Reaching this target is one of our major challenges.

Risk Assessment and Due Diligence

Human Rights Impact Assessments

JTI conducts Human Rights Impact Assessments (HRIAs) to identify and assess the nature and extent of actual and potential human rights risks. In line with the UNGPs, our HRIAs focus on the greatest risk to people, both within our own Company and through business relationships with our suppliers, from farm to store. As a result of the HRIAs, we aim to address the identified human rights risks, meet our stakeholder expectations on respecting human rights, and mitigate against the overall risks to people and the business.

As part of our commitment to assess 100% of high-risk countries by 2025 in our tobacco business, we have completed nine HRIAs across our entire value chain in the last two years. This includes assessments in the Dominican Republic, Egypt, Ethiopia, Kazakhstan, Kyrgyzstan, Malaysia, Mexico, Myanmar, and Tanzania. These assessments demonstrate our approach to prioritizing, which involves considering where our greatest risks to people lie. It also shows our willingness to go into countries with reported human rights violations and assess the on-the-ground reality.

Over the last year, we have also conducted HRIAs in our tobacco leaf supply chain various markets, including Ethiopia and India. These assessments provide a more comprehensive understanding of the human rights impacts within one specific part of our value chain – our tobacco supply chain and farming business – and the challenges that tobacco growers face in their communities.

In Bangladesh, we carried out a post-acquisition Human Rights and Environmental Health & Safety (EHS) assessment. The purpose was to identify actual and potential impacts on people across all five segments of JTI operations: Leaf, Processing, Manufacturing, Offices, and Sales and Distribution.

As suggested by our External Human Rights Advisory Board, this year we introduced a self-assessment questionnaire to evaluate the human rights profile of more countries, to increase the scope and impact of our human rights due diligence. Following the same methodology as our HRIAs, this smartly designed survey targets our lower ranked high-risk countries that have not been prioritized for HRIAs in the short term.

9 Human Rights Impact Assessments completed in high-risk countries



Piloted in Morocco and Colombia, the questionnaire is designed to identify human rights risks to people, so that we can act on that information and meet our responsibility to respect human rights. Effectively assessing human rights impact requires building the know-how of the colleagues involved in the assessment.

To further increase our human rights due diligence work, we also enhanced our inclusion of human rights in our internal audit methodology in one pilot country (Egypt) in 2019. Our internal auditors received guidance on how to integrate human rights into their standard audit. Their findings, which included health and safety-related points, were then shared with our human rights team prior to the HRIA. This helped to make the assessment more targeted and effective. Each finding was then formalized into recommendations for improvement, as part of an action plan approved by the local management in Egypt.

Some of our key findings and how we address them

Our HRIAs focus on the impacts to people within our main operations and value streams. Key activities during an HRIA include visiting and observing farming, processing, manufacturing and, sales and distribution operations. During the assessments, we conduct a series of interviews with employees and workers, as well as representatives of suppliers, clients, and partners.

At the end of the assessment, we write a report and discuss recommendations for improvement with local management. Our head office then works closely with the local team to address any issues raised and improve the situation. The following list of key findings includes one human rights risk identified in each of our assessments, to demonstrate the wide range of issues our stakeholders may face.

Below are examples of some of our key findings from the HRIAs that took place in 2018 and 2019, and our responses. For more findings, see our [Sustainability Web Hub](#) launched in May 2020.

BANGLADESH (2019)

International tobacco business

Human Rights Category: Health & Safety

Driver safety is a significant risk with a large number of motorcycles in use.

WE HAVE: checked the validity of all driving licenses, conducted a driver safety programme and training on safety rules, and provided personal protective equipment (PPE) such as helmets to all JTI employees and third-party employees.

EGYPT (2019)

International tobacco business

Human Rights Category: Non-discrimination

Within our international business there is a respectful environment towards women, but there are opportunities to further encourage diversity in the workforce.

WE WILL: further elevate standards regarding women's empowerment and equal opportunity promotion by actively seeking to employ more women across all departments. We will make job descriptions and roles more inclusive for women by addressing safety concerns, creating mixed teams, seeking women's feedback, and raising awareness in line with JTI's Gender Equality commitment.

DOMINICAN REPUBLIC (2018)

International tobacco business

Human Rights Category: Health & Safety

Transitioning from one to three shifts at the factory could lead to potential human rights risks.

WE HAVE: adopted a human rights-based approach to identify and respect the rights of vulnerable groups, maintaining heightened awareness of those whose rights could be affected by the transition. This includes open dialogue with employees and a survey to understand each employee's individual situation and preferences, transport to and from the factory for night workers, increased communication regarding rest and breaks, and a new canteen open 24/7.

ETHIOPIA (2019)

International tobacco business

Human Rights Category: Non-discrimination

Women's rights and health are high-risk with some cases of sexual harassment and gender discrimination identified.

WE WILL: ensure equal working conditions and opportunities for both men and women by carrying out an internal assessment to better understand the situation, implement a training programme to raise awareness, establish a gender mainstreaming policy, and create a women's association to empower, educate, and support women in the workplace.

INDIA (2019)

International tobacco business

Human rights category: Health & Safety

One of the key challenges mapped: Crop Protection Agents (CPA) usage always presents a risk in agriculture. There is a risk that workers could be exposed to these agents due to inconsistent CPA management and a lack of personal protection equipment.

OUR SUPPLIERS WILL: besides continuous training and awareness raising, eliminate the use of Highly Hazardous Pesticides Criteria 1 in our leaf global supply chain by the end of 2021. This will be done in cooperation with the Indian Tobacco Board and the rest of the industry.

MALAYSIA (2018)

International tobacco business

Human Rights Category: Living wage and working hours

Workers at a JTI supplier reported long working hours.

WE HAVE: together with the supplier, we have reviewed the labour laws on working hours and overtime to ensure their full compliance with applicable laws and regulations. We have also strengthened awareness of available rest breaks and vacation entitlement among workers through consultations. We conducted training for managers and other employees on the links between rest, productivity, and safety performance.

KAZAKHSTAN & KYRGYZSTAN (2019)

International tobacco business

Human Rights Category: Access to grievance mechanism

Employees are generally familiar with the grievance mechanism Your Voice, but there are opportunities to further raise awareness.

WE WILL: improve our Your Voice communications, including posters in offices and onboarding for new employees across our operations.

MEXICO (2018)

International tobacco business

Human Rights Category: Health & Safety

We will continue to take Mexico's severe security concerns into consideration when developing routes and sales objectives across the country. As the third-party sales team expands, workers at JTI distributors need to be properly trained on security and safety.

WE HAVE: designed a training platform for employees at JTI distributors, enabling them to easily access information on their smartphones. This is in addition to the existing due diligence and routes modification to ensure appropriate security provisions are in place. The platform contributes to our overall training programme for sales workers, ensuring the necessary security measures are in place to protect people from harm.

MALAWI (2019)

International tobacco business

Human rights category: Exploitation of workers

It is believed that tenant farming could lead to the exploitation of tenants and their families by the farmer or landlord, potentially causing many adverse impacts.

WE HAVE: proactively run supply chain due diligence throughout our leaf supply chain globally. We have enforced our approach in Malawi in 2018. As a preventive response, among other actions, we have committed in 2019 to moving away from tenant farming in Malawi by March 2021. All of our large-scale commercial growers operating a tenant farming system will transition their tenant farmers to employment contracts in 2020.

MYANMAR (2018)

International tobacco business

Human Rights Category: Labour rights

Contracted workers had written contracts and received pay slips, but this documentation was not communicated in the local language.

WE HAVE: translated all contract worker contracts and pay slips into Burmese. All communication posters regarding the Your Voice grievance mechanism and 'Your Guide to Making Ethical Decisions' are now available in both English and Burmese.

TANZANIA (2018)

International tobacco business

Human Rights Category:

Access to grievance mechanism

Awareness of the Your Voice grievance mechanism could be improved to increase its overall effectiveness.

WE HAVE: relaunched the Your Voice communication campaign in May 2018 to reach all employees. We translated our communications and training programmes into Kiswahili, the local language. We have actively promoted Your Voice and the Code of Conduct on notice boards, leaflets, at a launch event, and in direct communication from the General Manager. In our ongoing global effort to encourage employees to speak up, we continue to provide targeted communications for markets.

INDIA (2019)

International tobacco business

Human Rights Category: Health & Safety

One of the key challenges mapped is that workers may be exposed to Crop Protection Agents (CPA) due to inconsistent CPA management and a lack of personal protection equipment.

OUR SUPPLIERS WILL: eliminate the use of Highly Hazardous Pesticides Criteria 1 in our leaf global supply chain by the end of 2021. This will be done in cooperation with the Indian Tobacco Board and the rest of the industry.

ZIMBABWE (2019)

International tobacco business

Human rights category: Health & Safety

Workers on farms could be exposed to the risk of toxic substances.

OUR SUPPLIERS WILL: eliminate the use of Highly Hazardous Pesticides (HHPs) Criteria 1 in our leaf global supply chain by the end of 2021. Furthermore, all of our suppliers have made a commitment to develop a human rights policy.

Action Plans

We have developed nine action plans for specific countries, each with an agreed timeline, since 2018. A total of 20 Human Rights Champions were appointed within these countries, as part of a network. The responsibility of this network is to ensure that action plans are managed and implemented by each country, and respect for human rights is firmly established in the business.

The Human Rights Champions are selected by the local management, typically from departments in which human rights improvements are required. The Champions manage the implementation of the action plans locally, on top of their usual roles. Our head office provides the Champions with training materials on the UNGPs, as well as support with specific points within the action plans.

This year, we carried out a review of our high-risk countries, including a more detailed analysis on which countries have the greatest risk to people. Previously, we identified our high-risk countries using publicly available geopolitical data on human rights. This year, we decided to improve this process by integrating additional criteria regarding JTI's operations and impact into our overall matrix.

The criteria included the number and type of JTI operations in each country, historical data on human rights cases in our operational grievance mechanism or Agricultural Labor Practices programme, the health and safety performance of JTI operations in each country, and our salient issues. This improvement to the process ensures we have a much more accurate picture of our potential risks in each country, and that we are able to prioritize our actions where they are needed most.

Training and Employee Awareness Raising

We are working hard to embed human rights thinking in our Company culture, and to improve employees' understanding of the human rights implications of business decisions.

To do this, we provide regular training and continuously share information about human rights and the JT Group Human Rights Policy.

The training involves an online human rights e-learning module, which is available in 25 languages. We also provide printed communication materials to increase employee awareness and strengthen their understanding of human rights.

In 2019, we relaunched our human rights e-learning module globally to target the employees who had not completed the training in the first phase. To train employees without computer access, we integrated a section on respecting human rights into our face-to-face Code of Conduct training in Malawi, Ethiopia, Zimbabwe, and Bangladesh. This section will be included in all future Code of Conduct trainings in our other territories.

Employees in our Japanese operations have completed an online human rights e-learning module, which was offered in Japanese, English, and Chinese. The scope of the training included our subsidiary companies in China and Thailand (processed food business) and the U.S. (pharmaceutical business).



Measuring Effectiveness

We are committed to continually measuring the effectiveness of, and improving where possible, our approach to respecting human rights and tackling modern slavery in all its forms.

Since we started our HRIAs in 2018, we have been measuring the effectiveness of our Action Plans. See the examples of our findings and how we have been responding in Some of our key findings and how we address them above.

Each Action Plan we develop includes an individual set of key performance indicators to measure the effectiveness of our improvements over time. More broadly, as we expand our HRIAs globally, we will measure the overall effectiveness of our HRIA responses collectively.

There are various ways to measure the effectiveness of our responses in our leaf supply. One of them is the number of ALP issues which we may observe during subsequent crop cycles. In the case of modern slavery, should we observe what we call extreme breaches, which include the worst violations of workers' rights, such as slavery, forced labour, human trafficking, violence, or severe physical, mental, or sexual abuse, these will be tracked and addressed. These can be difficult for a tobacco leaf technician to identify, or to know how to address – especially if the issue is associated with criminal activity. Responding to extreme breaches therefore requires care and, in many cases, support from the police and/or other authorities or NGOs.

It is essential for us to have a management process setting out how to respond to an extreme breach, to ensure that action is taken promptly and appropriately when indicators are observed. JTI expects each supplier to have a management process incorporating these three elements:

1. Protection for the victim and observer

2. A clear escalation route, timeline, and remediation plan

3. Access to specialist support

Reporting and Communicating

In 2019, we published our human rights correspondence with Human Rights Watch, the UN Human Rights Council, and The Guardian on our [website](#).

Looking Ahead

Our work to identify and eradicate modern slavery is a continuing, collaborative and evolving process, and one which we are committed to achieve.

Our work to promote and respect human rights will evolve and adapt to the changing economic and political context of the countries where we operate. Our approach to human rights due diligence is ongoing, as the risks to human rights may change over time. We will continue to act where actions are necessary and focus on our human rights priority areas.

In 2020, we will continue to prioritise countries based on a set of risk-based criteria in order to assess our most high-risk countries first. Going forward, we are committed to assessing actual and potential human rights risks in at least six countries each year and will continue to embed respect for human rights within the business.

This statement has been approved by the board of directors of JTI UK on 9 March 2020.



Dean Gilfillan

Managing Director

For and on behalf of JTI UK

INTEGRATED REPORT 2019

SUSTAINABILITY WEB HUB

JTI CODE OF CONDUCT

JT GROUP HUMAN RIGHTS POLICY