



MODERN SLAVERY ACT STATEMENT

1 January – 31 December 2021

“The UN Guiding Principles on Business and Human Rights make the pathway clear: companies have a responsibility to respect the rights of those they impact through their business operations and supply chains. That is especially important during a global pandemic. Our commitment to respecting human rights and to conducting due diligence never wavered during the COVID-19 crisis, and 2021 was no exception. Our people, our suppliers, and our communities make us who we are, and it is vital that we continue to care for them, hear their voice, and respect their human rights.”

Charlie Watson

JTI's Director, Human Rights

Introduction

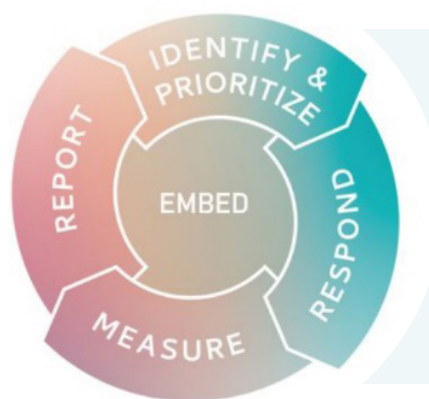
This is the sixth Modern Slavery Act Statement to be approved by the Board of Directors and published in accordance with the Section 54, Part 6 of the Modern Slavery Act 2015 by Gallaher Limited (JTI UK). It sets out the steps taken by Japan Tobacco International (JTI) including JTI UK during the year ended 31 December 2021 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 does not tolerate modern slavery in any of its forms – such as forced labour, slavery, servitude and human trafficking and is committed to tackling it through a range of initiatives including our global human rights programme (See [Our Policies and Procedures](#) for more information).

There are approximately 40 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.*

Our human rights strategy is based on five pillars. This circular approach provides a systematic way of conducting ongoing due diligence and is in line with the UN Guiding Principles on Business and Human Rights, the Organization for Economic Co-operation and Development (OECD) guidelines, and the Food and Agriculture Organization (FAO) guidance on responsible agricultural supply chains.

In 2021, COVID-19, and its variants, brought an additional challenge to the entire world. Aware of the risks that COVID-19 poses on human rights, we continued implementing a series of measures to ensure that our response towards the pandemic followed best practice. We completed the *United Nations Development Program Human Rights Due Diligence* and *COVID-19 Rapid Self-Assessment for Business* which provides structure to our response and ensures we make rights-respecting decisions across the business. Our approach to the pandemic is discussed in the [Protecting and respecting employee rights during the pandemic](#) section below.



Human Rights Strategy

1. Embed
2. Identify and prioritize
3. Respond
4. Measure
5. Report

* United Nations - International Day for the Abolition of Slavery, 2 December [website](#)

Our Business and Supply Chain

JTI UK is an indirect subsidiary of Japan Tobacco Inc. (JT), which is listed on the Tokyo Stock Exchange (TSE: 2914) forms part of Japan Tobacco International (JTI), which is a leading international tobacco company (wholly owned by JT) 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 40,000 people globally and owns 39 factories.

JTI UK has its head office in Weybridge, Surrey, and employs around 500 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 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](https://www.jti.com) and our [JT Group Integrated Report](#).

JTI Value Chain



Protecting and respecting employee rights during the pandemic

The safety and wellbeing of our employees, contractors, their families, and the communities in which we operate are at the heart of every decision we make.

For many of our employees and contractors, working from home is not an option because they work in factories, sales distribution, and other field-based jobs. To ensure they can work safely, we put in place stringent measures that take a risk-based approach and put people first.

Throughout the pandemic, key decisions have involved many of those directly impacted, enabling us to effectively safeguard their rights and see impacts and issues through the eyes of people who might be harmed. In addition, our international tobacco business developed global guidelines that help identify and try to protect employees and contractors who are most vulnerable. We have taken the same risk-based approach for office-based workers. No one should feel unsafe in the workplace. In locations where conditions have allowed employees to return to the office, individuals are empowered to decide whether they deem it safe to return based on the new safety measures in place.

Remote due diligence during the pandemic

With challenges posed by the pandemic regarding conducting on-site assessments, we expanded the roll-out of our human rights self-assessment questionnaires. In 2021, we upgraded the self-assessment questionnaire by enhancing its focus on the newly established salient issues. We also included questions related to how our markets were implementing new COVID-related guidelines and controls. These covered subjects such as personal protective equipment, working from home, and procedures for returning to the office. The responses to these questions are reviewed by both internal and external human rights experts with relevant gaps and risks identified, which the business is able to address through targeted action plans.

The large deployment of self-assessment questionnaires is a stop-gap measure for high-risk countries until on-site assessments can be conducted again. To ensure our responses align with human rights best practice, we follow the United Nations Development Program Human Rights Due Diligence and COVID-19 Rapid Self-Assessment for Business which provides structure to our response and ensures we make rights-respecting decisions across the business.

From the start of the pandemic, we made decisions that helped protect and respect our employees' rights.

"We take a science-based approach to identifying the highest risks to our employees. Our COVID-19 policies and guidelines are accessible to all employees worldwide through our health and safety platform, ensuring a constant flow of clear and scientifically accurate information. Using new online technologies, we have increased collaboration across risk functions to make sure our people have the information and tools they need to protect themselves and their loved ones."

Alicia Olo Martinez, JTI's Director, Global Health & Safety

Read more about how we have responded to the pandemic from the perspective of [Community Investment](#), [Health & Safety](#) and [Supply Chain](#).



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 JTI. 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**. 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 Labour Practices (ALP)** programme
- **ARISE** (Achieving Reduction of Child Labour in Support of Education) programme
- Grower Support Programmes

JTI has been committed tackling child labour in our four tobacco growing communities (Brazil, Malawi, Zambia and Tanzania) since 2011. In 2021 we introduced a new ARISE governance and management model which aims for enhanced local ownership and partnerships.

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.



10th

Anniversary of
ARISE with 64,000
children enrolled
in formal and
informal education



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.

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.

Since 2021, JTI UK has included sustainability in our tender process as one of the criteria we use to decide which goods and services we procure and which suppliers we work with. This supports the UK Market ambition to become more sustainable in all that we do. Tenders include questions on Human Rights, about areas such as good employment practice and the key steps organisations are taking to mitigate modern slavery risks in their operations and supply chains.

OUR TARGET: SUPPLIER SCREENING

We will screen all key suppliers against environmental, social, and governance criteria by 2023.



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.

We develop strong partnerships with our key suppliers in order to achieve mutual long-term success. Our strategic relationships are built on shared values and objectives. This allows us to find sustainable solutions together, ensure a stable supply in a dynamic environment, and adapt to innovative technologies.

With people, operations and supply chain that stretches across the entirety of the globe and, we are keenly aware that our business doesn't operate in a vacuum. We know that the social, ethical, and environmental footprint of our products cannot be dissociated from our suppliers'.

As such, one of our core sustainability targets is to screen all our key suppliers* against environmental, social, and governance (ESG) criteria by 2023.

At the end of 2021, 100% of our key suppliers had been screened accordingly. To structure and further improve our screening methodology, our international tobacco business is now implementing a new onboarding solution.

In 2021, we have developed a new and through supplier screening process, selected and initiated the discussion with the right business partners to kick off a pilot implementation for 2022.

In our tobacco business in Japan, we screen key suppliers using our supplier database, which lists companies according to their D-U-N-S® Numbers**. In 2021, we built on this process by reassessing the key suppliers identified as high-risk in our 2020 assessment. We also helped these suppliers to make improvements

Agricultural Labour Practices

Tobacco leaf sourcing is a key part of our supply chain. We have been working closely with our directly contracted tobacco leaf growers and third-party leaf merchants to build security of supply and enhance leaf provenance.

In 2021 we worked with more than 59,000 directly contracted tobacco leaf growers in Bangladesh, Brazil, Ethiopia, Japan, Malawi, Serbia, Tanzania, Turkey, the U.S., and Zambia. Contracting leaf growers directly enables us to produce a customized crop, while improving growers' productivity, leaf quality and leaf integrity. The direct contracting model also allows us to maintain verifiable provenance and traceability of leaf supply.

Tobacco leaf sourcing

Every year, we purchase approximately 50% of our planned leaf requirements from leaf merchants. The volume of leaf sourced from each established sourcing country varies from year to year, depending on the quality and volumes required. In most cases, our leaf merchants source the tobacco leaf directly from contracted growers. This means that there is a direct contract between the leaf merchants and the growers, and that the grower receives advice on crop management and good labor practices from the leaf merchant.

In some countries, leaf can be sourced in a different way, for example in India at auction. This can make it challenging to determine the provenance of the leaf and implement Agricultural Labour Practices. In these cases, we work with the leaf merchants and other stakeholders (e.g. the Indian Tobacco Board in India) to find a way to implement a robust and relevant supply chain due diligence process. Although we source leaf from more than 30 countries, the vast majority still comes from eight key global suppliers. We work closely with these suppliers to ensure good practices.

*Key suppliers are defined as (a) suppliers with a planned or actual annual spend greater than 500,000 U.S. dollars, or equivalent, (b) companies involved in our Know Your Supplier (KYS) program, (c) third-party leaf merchants, (d) intermediaries, and (e) contract manufacturing and licensees. **D-U-N-S® Number is a unique nine-digit identifier for businesses. This number identifies a company as being unique from any other in the Dun & Bradstreet Data Cloud.

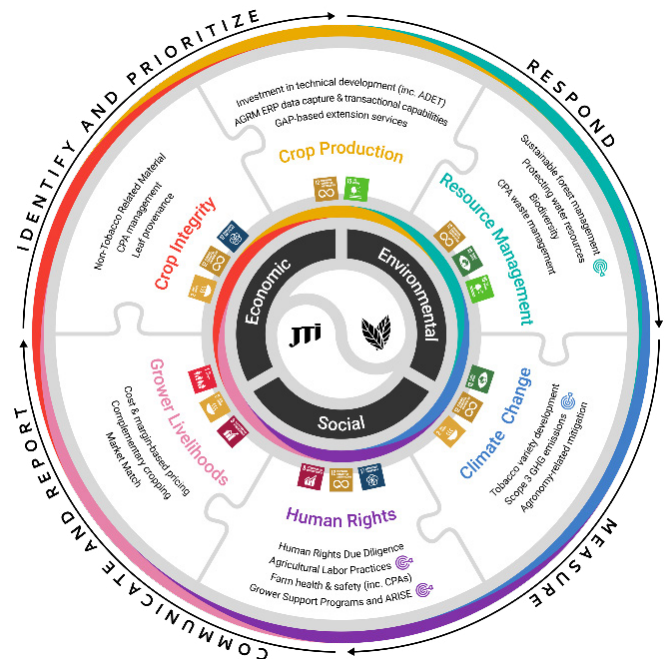
Agriculture Labour Practices and Leaf Supply Chain Due Diligence

Our Agricultural Labour Practices (ALP) are based on the International Labour Organization's (ILO) 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 our 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 Leaf Supply Chain Due Diligence (SCDD) 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.

Our SCDD is based on a five-step framework - Identify, Prioritize, Respond, Measure, and Communicate and Report, while our ALP program helps us to identify issues on tobacco farms on a daily basis. This process follows the Guidance on Responsible Agricultural Supply Chains provided by the Organization for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization (FAO), as well as recommendations by the ILO. It also follows the UN Guiding Principles for Business and Human Rights.

Leaf Supply Chain Due Diligence (SCDD) process



OUR TARGET: AGRICULTURAL LABOR PRACTICES

We will implement our Agricultural Labor Practices (ALP) program in all sourcing countries by 2025.



"In spite of the ongoing pandemic, we took some big steps forward in 2021. We not only continued our Supply Chain Due Diligence process, but also integrated it further into the way we operate. For example, our local teams developed action plans following the 2020 Grower Livelihoods Assessment in Zambia and Supply Chain Impact Assessment in India, a new livelihoods assessment was carried out in Malawi, and Supply Chain Impact Assessments were executed in Bangladesh, Turkey, and Ethiopia. As this important journey continues, we remain committed to driving positive change across the leaf supply chain by making an impact through collaboration and listening to rightsholders."

Vuk Pribic, Leaf Supply Chain Due Diligence Director, JT International

We made significant progress over the last few years. Here are a few examples of what we achieved:

Supply Chain Impact Assessments

In spite of the challenges posed by the pandemic, we conducted a Supply Chain Impact Assessment (SCIA) in both Bangladesh and Ethiopia in 2021. This allowed us to identify any adverse impacts and prioritize them according to severity of impact and likelihood of the harm occurring. We then developed detailed action plans to address these salient issues.

The prioritized issues also helped us to select the most appropriate ALP observation criteria for Bangladesh and Ethiopia. This tailored approach made ALP implementation easier. It also increased the relevance of the program in these countries.

In 2021, the team in Bangladesh also implemented ALP and due to the high number of directly contracted growers in this origin it had a significant impact on some of our reported KPIs.

Reporting improvements

In 2020, we launched a new online reporting platform for ALP. This enables us to process data faster and with greater accuracy.

In 2021 we improved our dialogue with Leaf Merchants – not only through annual Supply Chain Due Diligence (SCDD) reporting and annual meetings, but also by conducting series of webinars around supply chain due diligence. This enabled us to share best practices, discuss each step of the SCDD process, and promote collaboration. Momentum is building behind a common focus across the sector.

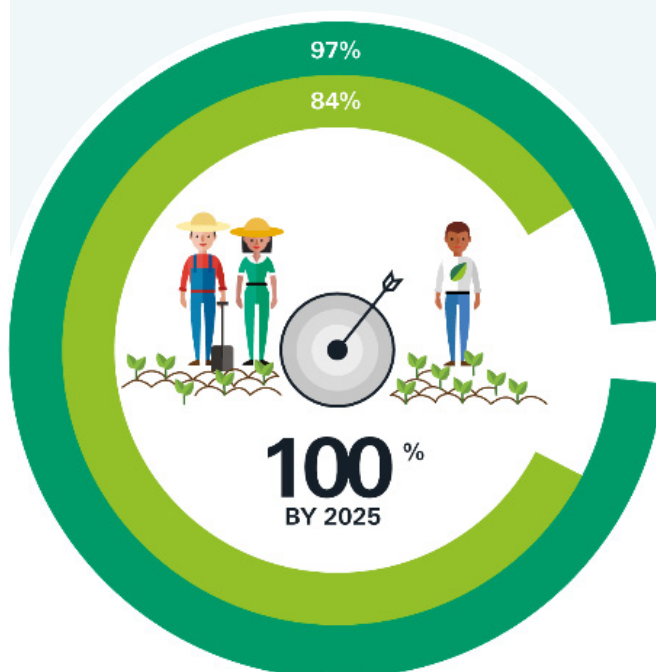
Towards our 2025 ALP target	2021 Progress
100% of our supplying entities to report on ALP	97% of our supplying entities reported against ALP
100% of our growers to be covered by ALP	84% of our directly contracted growers and 97% of our leaf merchants' growers were covered by ALP
100% of tobacco leaf volumes to be covered by ALP	79% of our volumes were covered by ALP

Growers Covered by ALP (%)

Leaf merchants data comes from reporting entities only and excluding India and China*

2021 scope of planned purchases:

- Leaf merchants' growers
- Directly contracted growers



*Introducing ALP in China and India is challenging due to the way the market is structured in these countries. For instance, the third-party leaf merchants do not have direct contracts with growers e.g. in India flue-cured tobacco is sourced via auction floors. We are working with leaf merchants to establish a tailor-made approach on how to run a leaf supply chain due diligence, covering ALP related matters.

Collaboration

Sustainable Tobacco Program (STP)

Our international tobacco business is one of five global manufacturers participating in the STP Steering Committee. STP is a risk-based program, a collaborative platform to enable continuous improvement in relation to supply chain due diligence. It is also an impact driven program. The aim is to improve the sectors environmental and social footprints, to contribute towards the United Nations Sustainable Development Goals (SDGs) and to enable transparent communication of responsible practices across the supply chain. Since 2019, we have been working with other manufacturers, leaf merchants, external subject matter experts, and various organizations and service providers to further develop STP. One of the key themes is "Human and Labor Rights". The development phase of the new STP was completed in June 2021, and full implementation of STP begun. An external STP Secretariat has been appointed to support the implementation by selecting One Peterson, a company with a proven sustainability track record. After two years of chairing the STP throughout the development, JTI handed over the rotational role of the STP Steering Committee chair to another manufacturer.

Also in 2021, our Leaf Merchants finalized the online self-assessments for the crop year 2020. Self-assessments cover all STP themes: Water, Human and Labor Rights, Livelihoods, Climate Change, Soil Health, Crop, Natural Habitat and Governance. Online self-assessments for the crop year 2021 are well in progress. Detailed and focused in-country pilot assessments are underway for 2022.

Two decades of industry action

For over 20 years, we have worked as part of the ECLT Foundation alongside other major tobacco companies, suppliers and the International Tobacco Growers' Association. ECLT's objective is to create a world with thriving agricultural communities, where children are free of child labour.

ECLT focuses on two key areas that are helping to bring long-lasting change in areas where tobacco is grown: Firstly, there are high impact projects that tackle the root causes of child labour at the operational level. Secondly, ECLT provides technical advocacy by engaging with policymakers, other agricultural sectors and organisations working on the ground to create policy change.

Since 2011, ECLT has helped over 204,000 children escape child labour. They have also financially empowered over 96,000 families by establishing village-based saving schemes and loans, which have helped to reduce poverty, a root cause of child labour. Training and advocacy have helped to raise awareness of the issue among 711,000 people.

1,035,000
children, farmers and families in
tobacco-growing communities
supported in the fight against
child labour by ECLT since 2011



Reducing the risk of exploitation of workers in the supply chain by recruitment and employment agencies

In 2019, the ILO issued guidance confirming that workers should not be charged recruitment fees nor any related costs for finding work – ILO General principles and operational guidelines for fair recruitment & Definition of recruitment fees and related costs. Migrant workers are especially vulnerable to exploitative recruitment and employment practices. When recruitment fees are charged, workers often end up indebted to the recruiter or the employment agent. In addition, failure to repay these fees can have severe consequences in which workers can be exploited by the employer, such as long working hours or having wages deducted. These debts coupled with job and residency insecurity leave foreign and domestic migrant workers particularly vulnerable to forms of modern slavery.

Through our remote human right's due diligence in 2021, we have been working to extend the requirement that suppliers adhere to the ILO core labour standards and strongly prohibit third parties to charge recruitment fees. Ensuring responsible recruitment and employment practices protects migrant workers before they leave their country of origin so that they are less vulnerable at their destination. Eradicating recruitment fees for migrant workers is a core part of protecting the global workforce from modern slavery.

In Romania, Angola and Cambodia, we identified that third-party recruitment and employment agencies used did not include a clear prohibition to charge recruitment fees. In these markets, we are working to ensure specific clauses are inserted into contracts that prohibit the agency from charging illegal recruitment fees and to drive greater awareness of the JTI Supplier Standards.

ROMANIA (2021)

International tobacco business

Human Rights Category: Fair recruitment practices

FINDING: JTI Romania uses third party labour agencies for recruitment and employment of local workers. Provisions regarding fair working conditions of third-party workers are not formally included in contractor agreements, but contractors are informed and spot-checks of contracted workers are carried out. It is recommended to include provisions regarding fair working conditions of third-party workers in contractor agreements, with a clear prohibition to charge recruitment fees and other costs to workers. It is also recommended that the now ad hoc checks on contracts and workers, are formalized and documented.

JTI WILL: Verify that non-JTI employees recruited or employed by a third-party agency enjoy fair working conditions (working hours, pay, rest time) as per contractual agreement and clearly prohibit any form of employment or recruitment fees to be charged by any third-party labour agency used by JTI Romania.



Risk Assessment & Due Diligence

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 concerns reporting mechanism called **Your Voice**, established in 2008. Your Voice is a dedicated channel to confidentially raise concerns directly with JTI's Business Ethics team. It is available to all our employees and suppliers who can raise a concern via mobile and/or web in more than 50 languages.

Upgraded in December 2020, Your Voice portal is user friendly and complies with very high data protection and security standards. This ensures that we listen to and act on the concerns of those whose human rights are impacted by our activities. 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, 2021 was no exception. Full details about both the grievance procedure and Your Voice are published on the employee intranet for easy access by our employees. Employees and business partners additionally have other available channels where they can raise concerns with JTI such as via jti.com or a dedicated email account.

We believe that everyone should be able to raise concerns and have their voice heard, in their own language, and even if they do not have access to a Company computer or the Company network. That is why we ensure secure access to the reporting system for all of our employees and business partners at all times and from anywhere. Reporting concerns mechanisms play a critical role in opening channels for dialog, problem solving, investigation, and, when required, providing remedy. They enable workers and other rights-holders to raise complaints freely and obtain effective resolutions. They can also help identify country-specific solutions and pre-emptive action.

Your Voice key principles

Concerns raised in good faith will be followed up and dealt with impartially and in confidence

The identity of the reporting person is kept confidential and protected at all times

Zero tolerance for retaliation

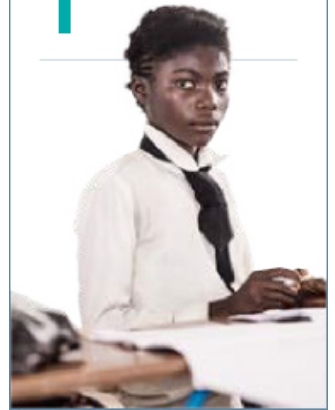
JTG Salient Human Rights

Most stakeholders now recognize that companies – regardless of size – need to prioritize their salient human rights issues. Salient human rights issues are the human rights at risk of the most severe negative impact through the Company's activities and business relationships.

In 2021, after an extensive process involving consultation within and beyond our business, we identified nine salient issues: Child labour, Environmental impacts, Fair wages, Forced labour, Harassment and gender impacts, Health and safety, Health risk, Non-discrimination and equality, and Working hours.

Child labour

1



Environmental impacts

2



Fair wages

3



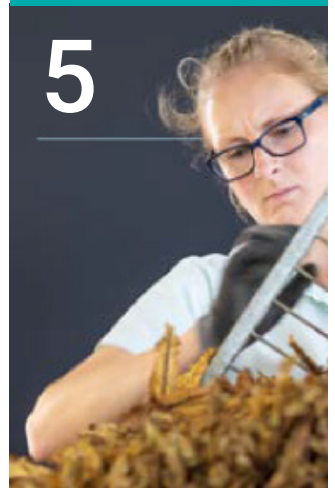
Forced labour

4



Harassment and gender impacts

5



Health and safety

6



Health risk

7



Non-discrimination and equality

8



Working hours

9



Identifying salient issues

To identify the salient human rights issues, the assessment analysed them using the Severity and Likelihood methodology, in line with the UN Guiding Principles on Business and Human Rights. We identified the full range of human rights that could potentially be negatively impacted by our activities, before prioritizing potential negative impacts by severity and likelihood.

Assessing Severity

The severity of human rights impacts was assessed by their scale, scope, and irremediability. Based on this, we identified the severity of each human rights issue with a scoring system for risk mapping.

Assessing Likelihood

After assessing the likelihood of human rights issues, we analysed our five key business categories: Leaf sourcing, Processing, Manufacturing, Office, and Sales and Marketing, across 130+ countries. We also determined the magnitude of risk for operational categories in each country, by quantifying each risk using environmental and social country indices published by Verisk Maplecroft and country indices published by international organizations.

Mapping Risk

This mapping exercise was done for our three businesses; tobacco, pharmaceuticals, and processed food. In the consolidated map of those businesses, the issues of high severity and high likelihood were finally identified as salient.

We have identified the following areas above as salient, and therefore prioritized. Yet while we currently prioritize the identified salient risks through focused efforts and collaborative engagements, the full scope of human rights risk is continuously managed through our human rights due diligence cycle and program.

For the purposes of this Modern Slavery Statement, we outline some further information on one of those salient issues Forced Labour.

SALIENT ISSUE EXAMPLE: FORCED LABOUR

Right not to be subjected to slavery, servitude or forced labour

Forced labour is a widespread phenomenon, even in the most developed countries. It remains a key issue in agricultural supply chains and is a concern in many traditional manufacturing and other sourcing supply chains. The scale of impacts is particularly grave because forced labour practices severely limit the realization of many other human rights. Vulnerable groups such as migrant workers, ethnic, racial or other minorities, contract workers, women and children are among those especially at risk of becoming targets for this kind of exploitation.

We do not tolerate modern slavery in any of its forms, such as forced labour, slavery, servitude, and human trafficking, and we are committed to tackling it through a range of initiatives, including our global human rights program.

Going forward

Our ultimate goal is to achieve appropriate and effective action plans for each salient issue that not only lead to mitigation of the risks for both the rights-holders and the Company but also to value creation for the Company resulting from improved performance. In 2022, we will prioritize two salient issues: child labour and fair wages. We aim to follow a systematic approach in addressing our salient issues that includes designing a similar roadmap for each one, addressing issues in a consistent manner and developing a risk mitigation model and metrics that will allow for consolidated reporting on progress.

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 of the rights-holders, 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 the 67 high-risk countries where we operate by 2025 in our tobacco business, we have completed ten HRIAs across our entire value chain in the last four years: Dominican Republic, Egypt, Ethiopia, Kazakhstan, Kyrgyzstan, Malaysia, Mexico, Myanmar, Tanzania, and Bangladesh. This demonstrates our approach to prioritizing, which involves considering where our greatest risks to people lie. It also shows our willingness to go into countries with histories of human rights allegations and assess the on-the-ground reality.

We have also conducted Human Rights Impact Assessments in our tobacco leaf supply chain in 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 tobacco growing business – and the challenges that tobacco growers face in their communities.



10

Human Rights Impact Assessments completed in high-risk countries between 2017 and 2021.

17 self-assessment questionnaires across our value chain

Number of high-risk countries assessed



From 2020, with our ability to conduct in-person Human Rights Impact Assessments disrupted by the pandemic, we had to adapt. One of the ways we did this is by expanding the human rights self-assessment questionnaires.

We applied a smart mix of self-assessment questionnaires and on-site Human Rights Impact Assessments. The questionnaires cover a broad spectrum of human rights issues and aim to identify the greatest potential risks in our operations, which include our nine salient human rights issues.

In 2021, we upgraded the self-assessment questionnaire by enhancing its focus on the newly established salient human rights issues. We also included questions related to how our markets were implementing new COVID-related guidelines and controls.

In 2021, the self-assessment questionnaire was launched in five new markets: Angola, Cambodia, Jordan, Nigeria, and Romania, following the 12 markets in 2020.

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 integrated human rights into existing risk identification tools such as our internal audit procedure. We adapted the methodology to include a greater focus on risks to people, rather than simply risks to the business, and trained our internal auditors accordingly. This means that our internal audit procedure is now able to identify and understand risks to people on top of standard audit methodology.

The findings of the internal audit are then shared with our human rights team, helping build a wider picture of potential risks to people and allowing for more targeted and effective human rights assessments.

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 report on the findings 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 between 2018 and 2021, and our responses. For more findings, see our [Human Rights Impact Assessment Map](#).

Brazil (2020)

International tobacco business

Human rights category: Working hours

Human Rights Self-Assessment Questionnaire:
July 2020

Action Plan (resulting from assessment) launched:
May 2021

FINDING: JTI Brazil did not specify its overtime policy directly in Employee Contracts. This was not a local legal requirement. There are, however, information resources to inform employees, and regular registration of overtime through various systems. Employees receive a monthly report where they can approve or reject potential overtime hours.

JTI BRAZIL HAS: published and communicated a detailed overtime guidance to employees in July 2021. This guidance outlines clearly to employees what the regulation is on overtime when it can take place, how employees are remunerated and that it must be voluntary, not mandatory. Employees have been proactively informed via a communication campaign.

UAE (2020)

International tobacco business

Human rights category: Forced labor

Human Rights Self-Assessment Questionnaire:
October 2020

Action Plan (resulting from assessment) launched:
May 2021

FINDING: JTI UAE uses recruitment agencies and third parties for temporary assignments. To avoid the potential risk of modern slavery and forced labor, it is recommended a clause on the prohibition of recruitment fees is included in all agreements with third-party labor and recruitment agencies.

JTI UAE HAS: revised the current contract with the facilities management third party to include a detailed clause specifically prohibiting charging employees rendering services to JTI any type of recruitment or employment fees. In addition, we are integrating the clause in standard local contracts for similar vendors.

Thailand (2020)

International tobacco business

Human rights category: Freedom of Association

Human Rights Self-Assessment Questionnaire:
July 2020

Action Plan (resulting from assessment) launched:
January 2021

FINDING: According to Thai Law, a Welfare Committee needs to be established as an intermediate body between employer and employee. It is recommended to formalize the process of setting up such a committee in Thailand to respect the right to freedom of association as a core ILO convention and human right commitment by JTI.

JTI THAILAND HAS: Finalized the setting up of the Welfare Committee and subsequent procedure (e.g., frequency of management interactions) in Thailand after starting the process in November 2020. A communication campaign was made to announce the Committee to all employees.

Action Plans

To address our human rights issues, markets put in place their own customized corrective measures through human rights action plans. We also have global programs that can be applied by the local markets to ensure a consistent approach across the Group.

We develop human rights action plans for each country that has undertaken an assessment, each with an agreed timeline. A total of 37 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 where human rights risks are relevant. 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.

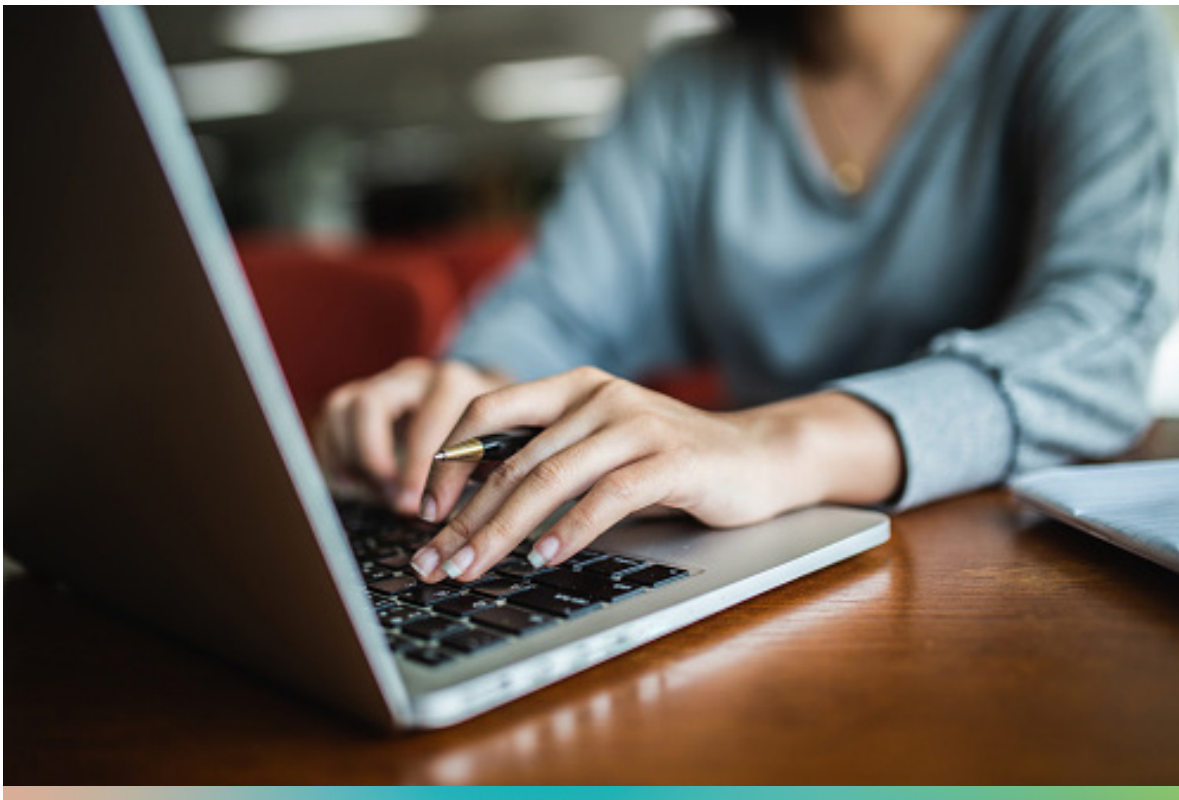
Training and Employee Awareness Raising

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.

In the digital world, we have taken a different approach to e-learning, moving away from the linear, box ticking e-learning of the past to something more dynamic, interactive and engaging. In 2020 and 2021, we laid the groundwork to launch a digital human rights e-learning campaign in 32 languages which focuses on behavioural change. The objective is to increase awareness and understanding of human rights risks, and to empower our employees to do the right thing with regards to ethical behaviours. The campaign offers employees bite-sized training modules via a new human rights e-learning platform that will better enable employees to spot risks and avoid human rights abuses in our workforce and supply chain. The digital platform will be launched in March 2022.

For our most recent approach, please read more on 'Culture change through training' in our [Human Rights Report](#).

92% of 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.A. (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 and activities implemented. 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.

In 2021, we investigated 33 potential Extreme Breaches that were recorded by our Agronomy Technician's in the JTI AgroMobility App. After further investigation, 17 of the reported cases were found to be either unsubstantiated or incorrectly recorded in the system and 16 were confirmed as an Extreme Breach and swift corrective action followed.

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. We expect each supplier to have a management process incorporating three elements:

- 1. Protection for the victim and rapporteur**
- 2. A clear escalation route, timeline, and remediation plan**
- 3. Access to specialist support**

Example of an Extreme Breach management procedure



Reporting and Communicating

From principles to practice

In 2021, we published our first standalone Human Rights Report, to coincide with the 10th anniversary of the United Nations Guiding Principles on Business and Human Rights, which examines the potential human rights risks arising from our worldwide operations.

The report identified nine salient human rights issues, and the steps we are taking to remedy them. Going forward, our plan is to corroborate these salient issues with rights-holders on the ground. This will enable us to better understand and focus our efforts and resources on those issues perceived most at risk in each market. We will do this by integrating them into our Human Rights Impact Assessment methodology and self-assessment questionnaires.



"The publication of this report has provided us with an opportunity to highlight both the achievements of which we are so proud as well as the challenges we have faced."

Masamichi Terabatake, Representative Director and President, Chief Executive Officer, JT Group.

For more info please visit the [JT Group Human Rights Report, Sustainability section in JTI.com](#) or our [Sustainability Web Hub](#).

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

Ensuring fairness, justice, and respect for human rights is non-negotiable. While we have made significant progress in our efforts identify and eradicate modern slavery and other human rights impacts, we still have much work to do. We know the challenge remains significant, but we are fully committed to the challenge and to being a part of the solution to bring about sustainable development for all.

Our work to integrate the UNGPs into our business operations identify and eradicate modern slavery and other human rights impacts is a continuing, collaborative and evolving process, and one which we are committed to achieve. Our work to 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 salient issues, including where we see any new or increased risks due to the COVID-19 pandemic.

In 2022, JTI will continue to prioritize 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.

Human rights due diligence as a means to tackle modern slavery risks continues to be the main approach we take. It is simply smart business and responsible business conduct. In 2022, we will continue to embed our five-step due diligence strategy in our business as a management system. It is a system of self-evaluation, correction and improvement. We know we need to do more and improve if we are going to enhance the position of rights-holders in our Company and supply chain. Our main focus is to continue to move beyond sound policy and process into sound practice.

This statement has been approved by the board of directors of JTI UK on 29 March 2022.

Dean Gilfillan

Managing Director. For and on behalf of JTI UK

JTI's UK trading company is Gallaher Limited. Registered in England & Wales. Registration Number 01501573. Registered Office: Members Hill, Brooklands Road, Weybridge, Surrey, KT13 0QU, UK