MODERN SLAVERY ACT STATEMENT

1 January – 31 December 2023

"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. The UNGPs remain the baseline for corporate and state behavior and present a great opportunity for States and businesses to drive improved and wider respect for people. At JTI, we have a steadfast commitment to respecting human rights. 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

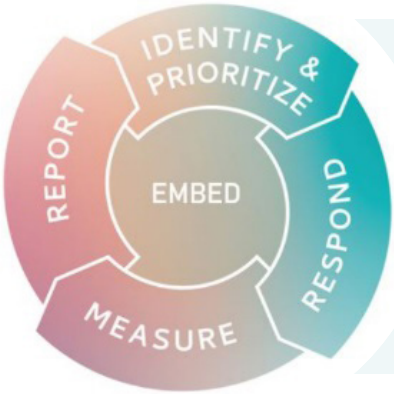
This is the eighth Modern Slavery Act Statement to be approved by the Board of Directors and published in accordance with the Section 54, Part 6 of the Modern Slavery Act 2015 by Gallaher Limited (JTI UK). It sets out the steps taken by Japan Tobacco International (JTI) including JTI UK during the year ended 31 December 2023 to respect human rights and to prevent modern slavery in our business and our supply chain.

We operate in vastly varied environments around the world, including, inevitably, in some territories where human rights are at risk. 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 50 million people living in modern slavery and of these, 28 million people are in forced labour, with 86% of people being forced to work are in the private sector.[1]

Our human rights approach is based on five pillars: Embed, Identify & Prioritize, Respond, Measure, and Report. This circular due diligence model is in line with the UNGPs, the Organisation for Economic Co-operation and Development (OECD) guidelines, and the UN's Food and Agriculture Organization (FAQ) guidance on responsible agricultural supply chains.

This approach provides a consistent, efficient and systematic way of conducting due diligence to prevent, mitigate and remedy any adverse impacts on human rights based on our own activities and connected to us through our business relations.



Human Rights Srategy

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), and forms part of Japan Tobacco International (JTI), which is a leading international tobacco company (wholly owned by JT) and 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 46,000 people globally and owns 38 factories.

JTI UK has its head office in London and employs around 572 people. Our employees work in a wide range of roles and environments in UK. JTI UK acts as the sole distributor of tobacco, heated tobacco, e-cigarette and nicotine containing pouches products in the UK for JTI. The tobacco products and heated tobacco sticks 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. The heated tobacco devices which JTI UK distributes are manufactured in Indonesia.

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 Integrated Report**.

JTI Value 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
- Working with the Eliminating Child Labour in Tobacco-Growing (ECLT) Foundation

Since the 2012 launch, we have rolled out ARISE in six countries (Brazil, Malawi, Zambia, Tanzania, Ethiopia and Bangladesh). Today, more than 66,800 children are enrolled in formal education, and we have assisted governments to develop 80 policies that support children thanks to more robust protection systems. Our existing ARISE programme aims to establish and enhance local ownership and partnerships. Recently we developed a new, holistic approach to tackle child labour. Our new child labour elimination framework consists of a mission, commitment, and strategic levers to deliver on our vision. The ARISE programme plays a key role within this framework to prevent and remediate child labour risks identified in our supply chain.

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.



12th

Anniversary of **ARISE** with over 66,800 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. Our Code of Conduct applies to all individuals worldwide in an employment relationship with any JTI entity, as well as external staff, such as temporary personnel, even if not employed directly by JTI.

"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 42 languages, and we provided printed booklets for those with limited internet access. To ensure that our Code of Conduct is communicated effectively throughout the entire organisation, we run various communication campaigns, initiatives and training courses for all employees. We also use an interactive Code of Conduct video in multiple languages to guide our employees to make the right choices.

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 includes 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 also 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.

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. In 2023, building on the efforts made to reach the supplier screening target, we have committed to proactively manage ESG risks with all our critical suppliers by 2025, to ensure sustainable business continuity.

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 was to screen our key suppliers against Environmental, Social, and Governance (ESG) criteria by 2023. By the end of 2021, 100% of our key suppliers* had been screened accordingly.

The objective of the screening process is to assess if our suppliers protect the environment, respect labour and human rights, and promote ethics and sustainable procurement.

We are evaluating the sustainability performance of our critical suppliers using EcoVadis, a global leading sustainability rating platform. The assessment is based on 4 main criteria: Environment, Labor and Human Rights, Ethics and Sustainable Procurement. This will provide transparency on ESG risks and track the compliance of our critical suppliers with the JTI Suppliers Standards. The results of this monitoring will be reviewed, and follow-up actions will be taken if and when required.

To structure and further improve our screening methodology, our international tobacco business is now implementing a new onboarding solution. In 2023, Global Indirect Procurement has fully deployed the risk centre using Dun & Bradstreet data enrichment and Maplecroft indices for potential risk at country/industry level. In the meantime, our Compliance team has continued a monitoring programme with PwC to identify risk in the supply chain with 5,454 key suppliers.



In 2023 **100%** of our key suppliers were screened against environmental, social and governance criteria.

*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.

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 2023, we worked with more than 65,000 directly-contracted tobacco leaf growers in Bangladesh, Brazil, Ethiopia, Japan, Malawi, Serbia, Tanzania, Turkey, the US, 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

We purchase half of our planned tobacco leaf requirements from directly-contracted growers, and the other half from third-party leaf merchants.

The direct contracting model allows us to maintain verifiable provenance and traceability of leaf supply. In most cases, our third-party 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 labour practices from the leaf merchant.

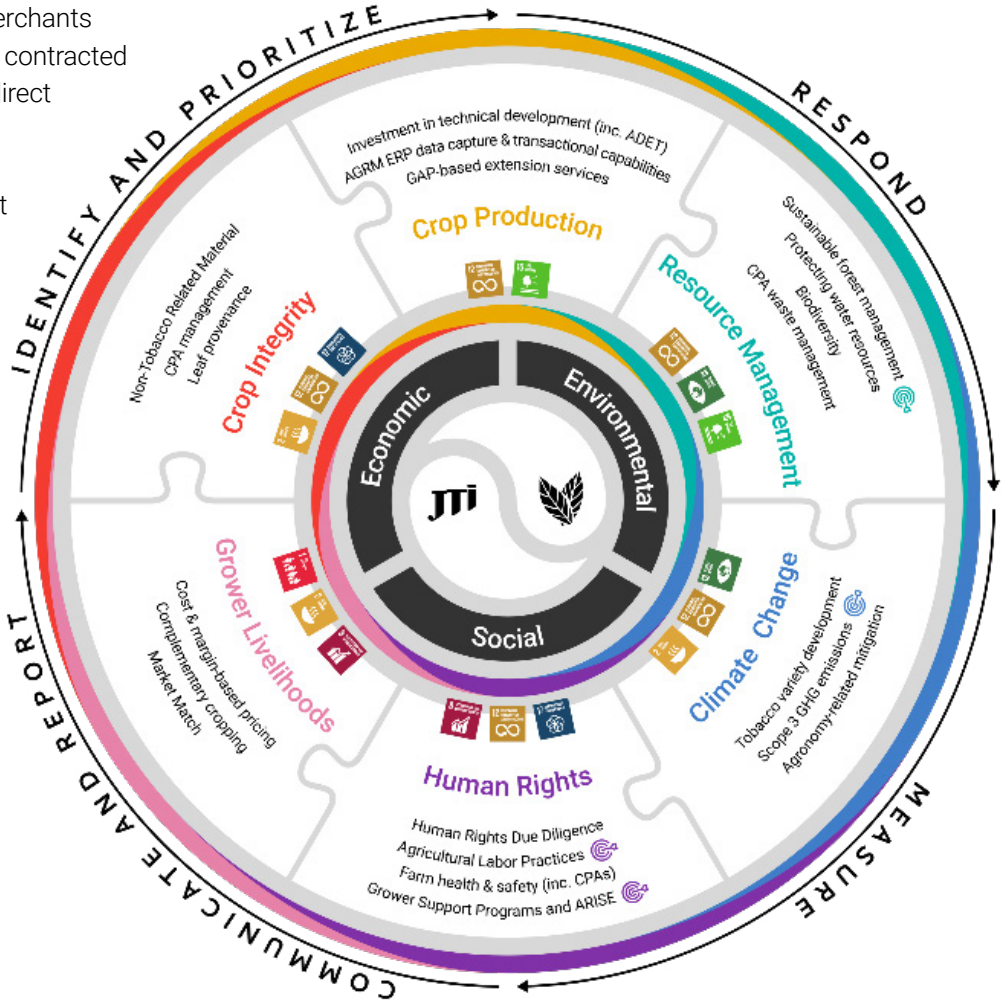
In some countries, leaf can be sourced in a different way, for example in India at auction.

This can make it challenging to determine the provenance of the leaf and implement Agricultural Labor Practices. In these cases, we work with the leaf merchants and other stakeholders 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.

The volume of leaf sourced from each established sourcing country varies from year to year, depending on the quality and volumes required.

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 programme 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 International Labour Organization (ILO). It also follows the UN Guiding Principles for Business and Human Rights.

"Agricultural Labor Practices is the one of key programs for our leaf supply chain management and an integral part of our due diligence process. The ALP program started in 2012, by launching guidance, with minimum expectations on child labor elimination, improving workers' rights, and health and safety conditions on a farm level.

JTI extended the ALP program from own operations to also cover leaf merchants in 2015. The program has evolved through continuous learning and engagement with all the stakeholders (growers, International Labor Organization, OECD, our own operations, third party suppliers, etc.).

ALP today is part of the broader Leaf Supply Chain Due Diligence process. We continue to deliver against the JT Group's target to implement ALP in all sourcing countries by 2025. We have made significant progress by fully implementing ALP in newly acquired businesses in Bangladesh and Ethiopia.

Supply chain management was a very high priority issue in our original materiality assessment. JTI's latest materiality assessment emphasized the need to further strengthen the efforts against mapped challenges in our leaf supply chain."

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

To date, we have conducted eight supply chain impact assessments. 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.

We have also initiated in 2022 similar assessments with the same goal under the umbrella of the industry-wide Sustainable Tobacco Programme – in-depth assessments.

In Indonesia, for the first time, the SCIA included our third-party clove suppliers as well as tobacco suppliers. In 2023, we completed the final report and action plans by third-party suppliers relating to our participation in November 2022 in an industry-wide workshop in Surabaya, Indonesia, to map opportunities for collaboration. Representatives from the ECLT (Eliminating Child Labour in Tobacco Growing) Foundation also took part in the meeting.

Our target is to implement ALP in all the countries we source from by 2025. A significant milestone was achieved in 2022 with the full implementation of ALP in Bangladesh and Ethiopia, which contributed significantly towards meeting our ALP target KPIs.

In 2023, we made progress towards our ALP target, in spite of our sourcing base changing from year to year due to new acquisitions or closures, demand to supply impact, and climate change. An example is the review of the ALP booklet that will be published in 2024. We have a clear plan to continue the progress in 2024. A credible, impactful implementation of our programs and processes requires time and effort.

Reporting improvements

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

JTI's ALP and SCDD reports continue through Worldfavor, the sustainability management and reporting platform used by the Sustainable Tobacco Program. This enabled us to process data faster and with greater accuracy. We have also introduced annual, crop-season-based ALP/SCDD reporting instead of biannual reporting. This allows us to review reports over the crop season, focus time and resources to reviewing the reports, and seek more substantial feedback and dialogue for improvement.

In 2023, we continued our dialogue with tobacco leaf merchants on strategic ESG priorities, both from the rightsholders and business perspective. An example of that engagement is the holding of annual meetings with ten key tobacco leaf merchants, which have been taking place since 2015.

Towards our 2025 ALP target	2023 Progress
100% of our supplying entities to report on ALP	**98.6%** of our supplying entities reported against ALP
100% of our growers to be covered by ALP	**100%** of our directly contracted growers and **99.99%** of our leaf merchants' growers were covered by ALP
100% of tobacco leaf volumes to be covered by ALP	**89.1%** of our volumes were covered by ALP

Growers Covered by ALP (%)

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

2023 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 seven global manufacturers participating in the Sustainable Tobacco Programme (STP) Steering Committee. One manufacturer joined the programme in 2023, widening and strengthening the STP network. STP is a risk-based programme (with a focus on mapping and addressing high-risk areas and priorities), and a collaborative initiative to enable continuous improvement in relation to supply chain due diligence. It is also an impact-driven programme. The aim is to improve the sector's environmental and social footprints, to contribute towards meeting the United Nations' Sustainable Development Goals, and to enable transparent communication of responsible practices across the supply chain.

Since 2019, we have been working with other manufacturers, leaf merchants, external experts, and various organizations and service providers to further develop STP. Participants work together on eight themes, including Human and Labor Rights.

The development phase of the programme was completed in June 2021, and full implementation is ongoing. One Peterson continues to support the programme in the role of STP Secretariat.

All our tobacco leaf merchants and vertically-integrated origins are expected to submit STP self-assessments for each crop season. These assessments cover all eight of the STP's themes: (1) Water; (2) Human and Labor Rights; (3) Livelihoods; (4) Climate Change; (5) Soil Health; (6) Crop; (7) Natural Habitats; and (8) Governance. The countries and themes for the assessments are selected following a risk matrix.

In 2023, JTI participated in three focused in-country assessments (IDAs) that were completed in 2023, and three more are ongoing since end 2023 with the aim to complete them in 2024. For those assessment that were completed, depending on the findings, action plans were shared by leaf merchants. Action plans based on the assessments are required to be developed and their progress is monitored. IDAs are executed by independent service providers, that are selected for each country through a separate process.

The STP secretariat is continuously improving risk assessments, both at country and leaf merchant level. This will enable smart use of data and support the dialogue for improvement of JTI's supply chain due diligence process and pre-competitive industry collaboration.

ECLT Foundation

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.

Looking back since 2011, it is clear to see ECLT's positive impact. Since 2011 it has helped remove over 370,000 children from child labour. They have also financially empowered over 170,000 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 1,232,000 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 2023, we have been working to extend the requirement that suppliers adhere to the ILO core labour standards and absolutely 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.



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 June 2022, 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, 2023 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

To strengthen the focus of our policies and programmes on human rights areas that matter most, it is crucial to have an understanding of our respective 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 2016, we initially identified nine salient issues, which have been reviewed in 2021 and 2023. As external and internal environments have evolved, our salient issues have been updated following our last review to best represent the most relevant risks associated with our own operations, value chain and new business relationships.

In 2023, we have identified ten salient issues, which are are: (1) Child labour; (2) Conflict minerals; (3) Diversity, equity & inclusion; (4) Gender impact; (5) Health risk; (6) Living income & wage; (7) Modern slavery; (8) Nature & climate change; (9) Workplace health & safety; and (10) Working hours.

JTI's Human Rights Commitment

We are committed to respecting all internationally recognized human rights across our global operations as expressed in the International Bill of Human Rights, which encompasses the Universal Declaration of Human Rights, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.





Identifying salient issues

The salience assessment focused on severity and likelihood of impacts, in line with the UN Guiding Principles on Business and Human Rights. First, we identified the full range of human rights that could potentially be negatively affected by our activities or through our business relationships. We then prioritized potential negative impacts using a severity and likelihood framework.

Assessing Severity

The severity of human rights impacts was assessed by the scale, scope, and remediability of the impacts – which means how serious the impact would be, how widespread the impact would be, and how hard it would be to put right the resulting harm. Using this framework, we identified the severity of each issue using a scoring system for risk mapping.

Assessing Likelihood

In assessing the likelihood of human rights issues in our value chain, the following steps were taken. We analysed the operations of our entire value chain (in over 130 countries) across five categories: Leaf sourcing, Processing, Manufacturing, Office, and Sales and Marketing. We determined a magnitude of risk for each operational category in each country. We then quantified each risk using environmental and social country indices published by a leading global risk analytics company and using country indices published by international organizations.

Mapping Risk

In a consolidated risk map, ten issues of high severity and high likelihood were finally identified as salient.

We have identified the 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 programme.

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

SALIENT ISSUE EXAMPLE: CHILD LABOUR

Child labour elimination framework

Our vision is to eliminate child labour in our global operations and supply chains. Child labour is an unacceptable practice that has no place in our supply chain. It is, however, a complex problem that requires a comprehensive and collaborative approach to solving it.

Recently we developed a new, holistic approach to tackle child labour. Our new child labour elimination framework consists of a mission, commitment, and strategic levers to deliver on our vision. The ARISE program plays a key role within this framework to prevent and remediate child labour risks identified in our supply chain.

Our child labour elimination framework reiterates our commitment to respect and support child rights, in accordance with the Convention on the Rights of the Child, the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and relevant ILO Conventions such as Convention 138 on Minimum Age for Admission to Employment and Convention 182 on The Elimination of the Worst Forms of Child Labour. We base our approach on the internationally agreed definitions provided in these Conventions.For more information on our approach to child labour and our impact to date, please visit **www.arise.org**

Going forward

Knowing what our salient issues are has been vital to prioritizing our work. However, this list is not exhaustive. We know that there are other important human rights issues in our value chain and as a company we are committed to identifying and responding to human rights challenges of all kinds. So, 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 programme. In 2023, we updated our salient human rights issues – we know we need to keep our salient issues under review in order that we remain focused on the things that matter most.

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 our high-risk countries by 2025, we have completed eleven human rights impact assessments, seventeen self-assessment questionnaires and eight supply chain impact assessments.

We have conducted eleven human rights impact assessments across our entire value chain, in: Bangladesh, Dominican Republic, Egypt, Ethiopia, Indonesia, Kazakhstan, Kyrgyzstan, Malaysia, Mexico, Myanmar, and Tanzania. Our approach to prioritizing countries for on-site assessments is based on a context risk evaluation. Human rights impact assessments are conducted in countries where the greatest risks to people may lie, where human rights may be weakly enforced or violated, and where JTI's operational footprint is most significant.



11

Human Rights Impact Assessments completed in high-risk countries between 2017 and 2023.

17 self-assessment questionnaires across our value chain

As suggested by our External Human Rights Advisory Board, in 2019, we introduced a self-assessment questionnaire to evaluate the human rights risk profile of more countries and increase the scope and impact of our human rights due diligence. Following the same methodology as our human rights impact assessments, this smartly designed survey targets lower ranked high-risk countries that have not been prioritized for human rights impact assessments in the short term. During the COVID-19 pandemic, the self-assessment questionnaire became a valuable tool for conducting remote human rights due diligence.

To further improve our human rights due diligence work, we have enhanced the inclusion of human rights in our internal audit methodology. Our internal auditors receive guidance on how to further integrate human rights into their standard audit. Human rights elements are now integrated into the internal audit process, to ensure that we embed responsible business practices into the business and have an additional means to identify potential blind spots. Prior to a human rights impact assessment, Internal Audit share relevant human rights findings from their audits with our human rights team, which helps create a more targeted and effective impact assessment.

Starting from 2018 until now, we have completed eleven human rights impact assessments and seventeen self-assessment questionnaires. 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.

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 2023, 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

Year of the closure of the Action Plan: 2023

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 labour, it is recommended a clause on the prohibition of recruitment fees is included in all agreements with third-party labour 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

Year of the closure of the Action Plan: 2023

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 programmes 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 38 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.

In 2024, we will be reviewing our list of high-risk countries to ensure we prioritize our due diligence efforts adopting a risk-based approach in the countries which have the potential greatest risk to people.

38

Human Rights Champions appointed



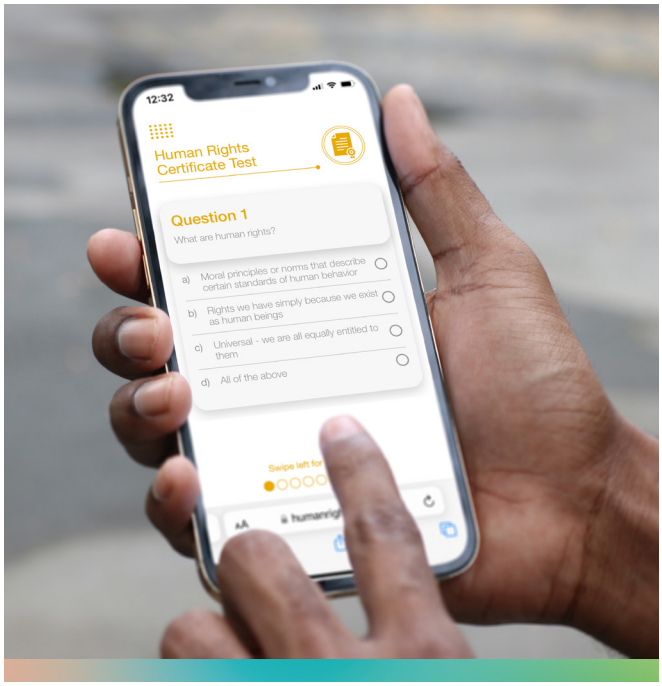
Training and Employee Awareness Raising

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.

To create a global culture around equality, respect and human rights, in 2022 we launched a new company-wide human rights e-learning module. The platform was made accessible to all JTI employees via desktop and mobile and in 38 languages. The platform offers a new way of learning about human rights through dynamic and interactive bite-size content. The training helps to enable employees to spot human rights impacts and prevent abuses occurring in our workforce and supply chain, working to instil a better understanding of how these issues play out in practice, using practical everyday examples. One of the main modules was focused on modern slavery risks.

The JTI human rights e-learning portal allows users to take a modular approach to learning. Upon entry to the site, employees are presented with a dashboard hosting several modules focusing on our salient human rights issues. Within each of these modules are numerous sub-categories. Users can complete the modules in any order they like and will be able to drop into and out of modules and sub-categories, making for a more personal experience that caters to people's busy lifestyles. Rather than completing a lengthy training session in one sitting, employees can learn about human rights through bite-size content and gamification. This method is effective in improving engagement and promoting better retention of information.





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.

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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 2023, we investigated 38 potential extreme breaches that were recorded by our Agronomy Technicians in the JTI AgroMobility App (the application for data collection for the enterprise resource planning system). 22 of the reported cases were found to be either unsubstantiated or incorrectly recorded in the system; 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

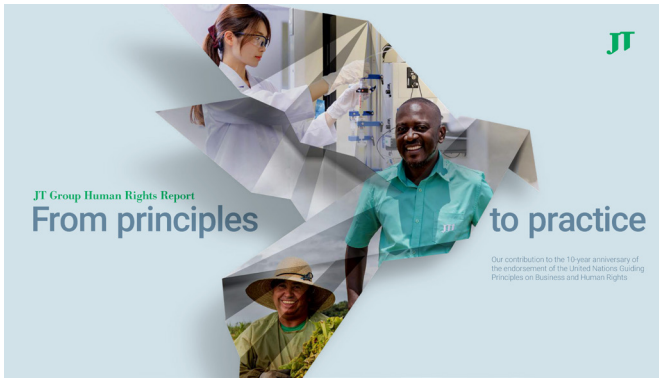


Reporting and Communicating

From principles to practice

To coincide with the 10th anniversary of the United Nations Guiding Principles on Business and Human Rights, JTG published its first standalone Human Rights Report in 2021, which examined the potential human rights risks arising from our worldwide operations. The report identified nine salient human rights issues, including child labour, environmental impacts, and fair wages, and the steps we are taking to remedy them.

"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.

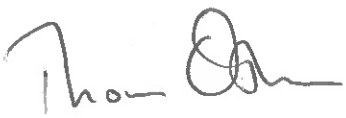
Our work to integrate the UNGPs into our business operations identify and eradicate modern slavery and other human rights impacts is a continuing, collaborative and evolving process, and one which we are committed to achieve. Our work to respect human rights will evolve and adapt to the changing economic 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.

In 2024, JTI is working on developing an improved model for due diligence with the aim to further embed human rights into the business. The model seeks to implement lessons learnt so far from conducting due diligence across our value chain. As part of this exercise, we are undertaking a risk assessment to re-identify our high-risk markets, updating our Human Rights Policy and Salient Issues.

We 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 our high-risk countries 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 2024, 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 6th June 2024.



Tom Osborne, Managing Director
For and on behalf of JTI UK

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