



Hail & Cotton Fighting Against Forced Labour and Child Labour in Supply Chains Report FY 2024

I. Introduction

This report was prepared by Hail & Cotton Inc. ([Hail & Cotton](#)) to meet the requirements of the Canadian *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the Act) for the reporting period ending 30 June 2024. It was approved by the Board of Directors on 27 May 2025.

Hail & Cotton is proudly a family-owned global company that has been operating for more than 120 years. Our mission is to be the preferred independent supplier of sustainable, quality leaf tobacco and services while striving to improve the welfare and environment of the communities in which we operate.

We are committed to eradicating forced labor, child labor, and other forms of modern slavery from within our business and supply chains. We are committed to respecting all internationally recognized human rights, as contained in the *International Bill of Human Rights*. Our approach to addressing human rights impacts is aligned with the principles contained in the United Nations Guiding Principles on Business and Human Rights (UNGPs), the *OECD Due Diligence Guidance for Responsible Business Conduct* (OECD Guidelines), and the International Labour Organization (ILO) *Declaration on Fundamental Principles and Rights at Work*, and other applicable national legislation. More information on our commitment in respect of human rights is included in our Global Human Rights Policy.

Driven by our shared values of integrity, mutual respect, and dedication across the communities in which we operate, we are also committed to taking a people-centered approach to addressing identified adverse human rights impacts and improving our practices through continuous dialogue with affected rightsholders and stakeholders.

II. Structure, Activities, and Supply Chains

Our Structure and Business Activities

For the purposes of the Act, this report is a joint report filed by Hail & Cotton Inc. (H&C Inc.) on behalf of itself and Hail & Cotton (Canada) Ltd, which is a wholly owned subsidiary of H&C Inc.

Hail & Cotton is a supplier of several types of leaf tobacco, value-added products, and services to the world's manufacturers of tobacco products. We are a leading producer of most types of tobacco through both large- and small-scale growers.

Hail & Cotton is an international business, headquartered in the United States, with operations and offices spanning 14 countries worldwide. Our team comprises more than 5,000 employees, among permanent and seasonal, across all facets of our business.

Hail & Cotton distinguishes three types of businesses across global locations:

- *Operations – countries where production and other integral functions of the business are performed. We operate in: Brazil, Canada, Colombia, Dominican Republic, Ecuador, Indonesia, Malawi, Paraguay, United States, Zambia, and Zimbabwe.*
- *Offices – countries where administration, sales, and/or management functions are performed. We have offices in: China, Indonesia, Mauritius, The Netherlands, and the United States (HQ).*



- *Sourcing – countries where tobacco and related products are purchased from independent companies. Our core sourcing countries include: Bangladesh, China, India, Mexico, and Nicaragua.*

Our Supply Chain

We grow and source raw leaf tobacco from tobacco-producing countries in South America, North America, Africa, Asia, and Europe. Our supply base primarily consists of tobacco growers, who represent most of our sourcing, complemented by other tobacco suppliers including third-party vendors and government-regulated market floor 'auctions.' Our Commercial and Field Operations teams regularly communicate directly with our suppliers and other key stakeholders.

Our supply chain also includes inputs (such as chemicals and fertilizers), packaging material (such as hogsheads and cartons), machinery, equipment, vehicles, fumigation materials, factory supplies (for repairs and maintenance of equipment), and health & safety supplies.

III. Steps to Prevent and Reduce Risk

Within our own operations, we have strict recruitment and HR processes in place to ensure that all employees, whether permanent or temporary, are of the appropriate age to work and are authorized to work. Candidates are thoroughly vetted, and documents are verified at various stages of the process for compliance. These processes are guided by relevant internationally recognized and local labor legislation and regulatory frameworks, specifically when it comes to forced and child labor.

Our recruitment protocol addresses the risk of underage workers and includes necessary checks that an agency must provide at our request. Alongside the protocol, our contracts with labor agency providers strengthen the checks that are carried out and enable Hail & Cotton to audit agency practices to ensure compliance with the contractual provisions.

Within our supply chain, we regularly monitor tobacco growers by following the guidelines of the Sustainable Tobacco Program ([STP](#)), which includes the H&C Global Agricultural Labor Practices (ALP) Code. This is our main method to prevent and reduce risks related to human rights and labor issues.

Under the STP, as part of our Growers' Monitoring System, our Field Technicians make unannounced visits to farms to ensure labor standards are being followed. If any suspected violations of these standards are found, we act according to our established due diligence processes.

Our Field Technicians are specially trained to identify instances of forced labor or child labor during their farm visits, among other issues. They are required to register, report, and resolve any suspected cases of forced or child labor that they encounter.

By making these unannounced monitoring visits and properly reporting violations, our Field Technicians play a crucial role in upholding labor standards and human rights throughout our tobacco supply chain.

IV. Policies and Due Diligence Processes

Governance

Hail & Cotton's Board and Executive Committee establish the company's strategic direction, ensuring operations align with our commitment to responsibility and sustainability. Our Leadership Team provides comprehensive oversight as we integrate sustainable practices throughout the organization. The Global Sustainability Team manages alignment and compliance with international sustainability frameworks, while site-level managers implement these principles into local operations and ensure their effective execution.

During the reporting period, we continued the process of establishing our governance structure. Our sustainability committees actively address key issues, including human rights and governance, through regular meetings. We have published our Sustainability Approach that clearly communicates our intentions and ambitions regarding environmental, social, and governance aspects. Hail & Cotton's sustainability governance structure continues to evolve, but with the Executive Committee maintaining ultimate responsibility for upholding our principles. Senior management oversees the implementation on a day-to-day basis in all countries where we operate.

We have been expanding our sustainability team by hiring dedicated Sustainability Managers across various operations, with plans to continue this expansion, where necessary. Our goal is to ensure that all operational sites have access to specialized sustainability personnel who can effectively implement our global strategy while responding to local contexts. These professionals play a crucial role in identifying both positive and negative sustainability impacts within their operations and coordinating appropriate responses. This growing network of sustainability experts strengthens our ability to embed sustainable practices at every level of our business and ensures consistent implementation of our sustainability commitments across our global footprint.

Two committees are now active and governing our approach:

- Sustainability Steering Committee – Reports directly to the Board and comprises Division Presidents, Chief Financial Officer, Senior Sales VP, and two Board Members. This Committee meets monthly and receives regular updates from representatives of the Sustainability Strategic Committee.
- Sustainability Strategic Committee – Reports to the Sustainability Steering Committee and comprises Tobacco Operations Managers, as well as senior leadership from Human Resources, Information Technology, and Finance departments. It is led by the Global Sustainability Director. This Committee provides a platform to address day-to-day operational challenges and explore sustainability improvement opportunities, including strategies to address forced and child labor issues, and provide support to the implementation of important social and environmental initiatives.

To further enhance our governance framework, we are in the process of establishing specialized sub-committees composed of subject matter experts across various disciplines. This initiative, scheduled to become operational in the next reporting period, will create focused working groups that can dive deeply into specific sustainability challenges and provide country-specific information. Each sub-committee will bring together cross-functional specialists who can identify emerging issues, develop tailored solutions, and implement best practices across all operational sites. By leveraging collective expertise in areas such as environmental management, human rights, supply chain transparency, and

climate adaptation, these sub-committees will serve as innovation hubs that strengthen our problem-solving capabilities and accelerate our progress toward sustainability goals. Their recommendations will flow upward through our governance structure, ensuring that specialized knowledge informs strategic decision-making at the highest levels.

Policies

Hail & Cotton has several policies and procedures in place to govern our approach to human rights, forced labor, and child labor. These include:

- Code of Business Conduct, Integrity, and Ethics - outlines the norms, rules, responsibilities, and proper practices within our organization. This includes the principles of adhering to standards set by national and international labor laws regarding working conditions and child labor.
- [Sustainable Tobacco Program \(STP\) Policy](#) - defines Hail & Cotton's approach to human rights due diligence and meeting the requirements of the STP program.
- [Good Agricultural Practices \(GAP\) Statement](#) - establishes standards for the safe and sustainable production of crops and livestock. It aims to help farm owners maximize yields and optimize business operations while also minimizing production costs and negative impacts. This includes but is not limited to labor management, elimination of forced and child labor, and health and safety.
- [Labor Policy: Elimination of Child Labor, Equal Opportunities, and Health & Safety USA](#) - sets out Hail & Cotton's standards on labor, equal opportunities, and Health & Safety.

We maintain several key global policies that strengthen our sustainability framework. These include:

- [Global Human Rights Policy](#) - outlines Hail & Cotton's overall approach to human rights and adherence to international standards and best practices.
- [Global Child Labour Policy](#) - contains detailed guidance and expectations regarding child labor.
- [Global Sustainability Approach](#) - provides an overview of Hail & Cotton's actions, initiatives, and aspirations to improve sustainability performance, including issues related to human rights and labor practices.
- [Agricultural Labour Practices Code](#) (ALP Code) - sets the minimum standards to be followed by growers, including labor intermediaries or crew leaders in all origins without replacing local legislation. Our ALP Code follows the International Labor Organization Declaration on the Fundamental Principal Rights at Work and other important ILO Conventions.
- [Global Extreme Breach and Prompt Action Protocol](#) - establishes a structured framework for identifying, escalating, and remediating compliance violations in our agricultural supply chain, with defined timelines and accountability measures to address both severe infractions requiring immediate intervention and less urgent non-compliance issues that impact ethical labor standards.
- We have now launched our [Global Issue Resolution Policy](#), which establishes whistleblowing standards and provides a structured program for receiving and managing grievances from employees. The [Your Voice Matters](#) Program has been published and rolled out and includes an online platform enabling employees to make reports in their local language, a robust case management system, and training materials developed in all local languages. During this initial phase, we are targeting 100% completion of employee training. Beginning with the next reporting period, we will phase in the extension of this program to our broader value chain, using our global platform



complemented by local solutions tailored to the specific needs of each operation as needed, with full implementation expected to be completed within our FY26.

We continue to work diligently on the development and implementation of comprehensive global policies to address emerging sustainability challenges and opportunities. Our policy development roadmap prioritizes areas where standardized approaches will have the greatest positive impact across our operations.

Due Diligence Processes

Hail & Cotton maintains a decentralized approach to due diligence procedures. Each country of operation has its own individual procedure. Hail & Cotton has participated in the Sustainable Tobacco Program (STP) since its inception (early 2000s) and all country processes have aligned with the STP framework. STP is an industry-wide impact-oriented initiative that includes a focused approach to sustainability aspects and issues relevant to the tobacco industry's supply chain. It aims to improve environmental and social footprints in the tobacco supply chain and includes comprehensive third-party in-depth assessments, monitoring, and improvement plans. It provides tobacco supply chains with actionable information to drive measurable impact and improvement. Our conformance with the requirements of STP helps ensure high environmental, social, and agronomy standards in our tobacco leaf supply chain on a day-to-day basis for aspects including Human & Labor Rights, Crop Protection & Integrity, Water Stewardship, Biodiversity, Livelihoods, Climate Change, Natural Habitats, and Soil Health.

All Canadian growers with substantial labor use the Seasonal Agricultural Worker Program (SAWP) through the Canadian government. Where we contract growers directly, Field Technicians visit farms to provide technical advice on crop management and discuss good labor practices. Field Technicians make unannounced visits to our suppliers (growers) and are trained to identify instances of forced or child labor during these visits. If they identify labor-related issues, they report their observations internally, and depending on the nature of the issue, they may also make recommendations to the grower. The frequency of visits may vary according to the crop phase and country. In the United States and Canada specifically, a grower receives a Field Technician visit at least three times during the crop season. When a grower employs migrant workers, they are expected to follow federal guidelines regarding migrant worker employment.

Conformance regarding the grower's performance against the STP themes is collected and individually analyzed by the local STP coordinator/ manager in each country. Every quarter, all origins supply the STP Secretariat with data, as part of an STP self-assessment conducted per country. The STP Secretariat then reviews the collected data and may request clarification and changes to continuously improve the monitoring processes. Based on a country-level risk analysis of STP data, the STP Secretariat may also conduct In-Depth Assessments (IDAs) within tobacco-growing origins.

During the reporting period, we conducted a global review of our Sustainable Tobacco Program (STP) to update our Growers Management System application across the relevant operating origins. As of the publication of this report, we are in the process of finalizing the standardization of STP data collection and strengthening our corporate risk management system, as part of the implementation of our planned Global Supply Chain Due Diligence Framework. We aim to extend this standardized approach to all operating origins by the end of FY26.

We recognize that a more robust supply chain due diligence process is essential to meet evolving legislative requirements and uphold our corporate responsibility under internationally recognized human rights and due diligence frameworks. In preparation for compliance with upcoming European regulations, we will develop a Global Supply Chain Due Diligence Framework, to ensure that our due diligence processes and procedures are centralized under a single global approach.

V. Assessing and Managing Forced Labour and Child Labour Risks

Hail & Cotton is aware of the risk of forced and child labor associated with agricultural supply chains, particularly in a smallholder context. The risk of forced and child labor is assessed to be lower, although not insignificant, in the United States and Canada. We understand that there is the potential for adverse human rights impacts within our operations and supply chain.

To manage the risk of child labor and exploitation within our own business, we rely on our recruitment protocol to prevent instances of child labor within our operations. This includes a provision for reporting and investigating suspected cases and requesting information from agency staff providers as appropriate.

As part of the Sustainable Tobacco Program (STP) process and requirements, operations keep registers of initiatives taken to improve field issues identified during the technical assistance visits, as part of our field monitoring system. Our field technician in Canada visits growers regularly (on average every other week during the growing season). Due to our small grower base in Canada (13 growers in the 2024 season), we can easily visit and keep track of every grower and their operations. We use farm monitoring to identify actual or potential issues and concerns. Every visit is documented, and all issues are recorded and reported.

During the reporting period, we implemented a digital Grower Management System. This bespoke Hail & Cotton tool is accessible via mobile devices and monitors growers in our supply chain, assessing their compliance with our policies and procedures, as well as their conformance with the Sustainable Tobacco Program (STP) Principles and our Global ALP Code, including, but not limited to, child labor prevention and fair labor practices.

We require all our growers in the United States to attend annual GAP Connections training. The 2024 GAPC Training Report is available [2024 GAPC Training Report](#) and includes statistics, training topics and resource-building efforts for all 2024 GAPC training activities. Canadian growers are trained annually by our field technician based on GAP guidelines, materials, and updates.

The GAP Connections Certification program is an option available to growers that is a transparent tool to verify compliance with best practice implementation. The program consists of an annual self-assessment, annual recordkeeping requirements, worker interviews, housing inspections, and an annual monitoring visit (i.e., audit or site visit). A third-party monitoring firm confirms that each grower has satisfied GAP Connections standards and best practices for the grower to become certified. This program supplements our internal STP program and provides further assurance as to the labor practices of the growers we source tobacco from.

Farm worker training is also offered through the GAP Connections program. This is a voluntary training program available to growers, giving them access to training for their H2A workers. Topics covered include Worker rights and responsibilities, Worker concern helpline, Health &

Hygiene, Human Trafficking awareness & prevention, Sexual Harassment, General Farm Safety, Operation of Equipment, Personal Protective Equipment, Emergency Plans & response, Agrochemicals, COVID-19.

VI. Remediation Measures

As reflected in our Global Human Rights policy, if instances of forced or child labor are found, we implement remediation measures, monitor their effectiveness, and maintain open communication in line with our responsibilities under the UNGPs.

During the reporting period, no instances of forced or child labor were identified within Hail & Cotton Inc. or Hail & Cotton (Canada) Ltd. operations. Consequently, no remediation actions were necessary, including measures to address income loss for vulnerable families that might otherwise result from the elimination of such practices.

Hail & Cotton's approach to remediation is outlined in our Global Human Rights Policy, and in our Prompt Action and Extreme Breaches Protocol, which complement the provisions of the Sustainable Tobacco Program (STP) implemented in Canada and other divisions. This approach establishes a clear process for responding to suspected cases of negative human rights impacts, including modern slavery (such as forced labour) and child labour. It focuses on safeguarding the rights of affected individuals, providing appropriate remedies, and ensuring robust internal reporting and monitoring mechanisms.

VII. Training

A training matrix has been developed and will be implemented in the next reporting period. This matrix will include mandatory training modules on Human Rights, Child Labor, and Forced Labor among other important topics. Different training will be provided based on an employee's role and responsibilities within Hail & Cotton.

For our agricultural supply chain, we are currently piloting an extensive training program in one of our sourcing origins, with plans for a global roll-out. Our agronomy teams prepare yearly crop-season calendars that incorporate comprehensive training for our Field Technicians on adhering to our Global Agricultural Labor Practices (ALP) Code and relevant procedures.

The "Train the Trainers" approach ensures this training extends beyond our staff to the tobacco growers, their workers, and local communities surrounding the farms, where applicable. User-friendly visual aids and posters are created in local languages to reinforce our guidelines and expectations in an easily understandable way.

VIII. Assessing Effectiveness

Through the STP Program, Hail & Cotton continuously monitors the potential occurrence of human rights risks at the farm level. Managers within individual Hail & Cotton entities are responsible for overseeing the implementation of the STP Program. This includes assessing the data collected by Field Technicians to establish whether further action is needed.

We aim to proactively evaluate criteria such as plot size, crop stage, and number of workers on site with every grower across all our operations to anticipate situations with higher potential for human rights violations before they occur. We are currently in various stages of implementing this approach, with different operations progressing at different paces and achieving varying levels of compliance. This data-driven methodology, which will include heat

mapping and unannounced field visits as outlined in our remediation protocol, represents our commitment to effectively assess risk and take preventative measures to uphold ethical labour standards among our suppliers. As we continue the implementation process, we aim to achieve consistent application of these practices throughout our global operations.

Moving forward, we remain committed to continuous improvement in our human rights practices. We will regularly evaluate the effectiveness of our monitoring systems, strengthen our training programs, and enhance collaboration with all stakeholders to create sustainable positive change throughout our operations and supply chain.

IX. Approval and Attestation

This report was approved pursuant to subparagraph 11(4)(b)(i) of the Act by the Board of Directors of Hail & Cotton Inc.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate, and complete in all material respects for the purposes of the Act, for the reporting year listed above.



Patricia Rietveld
CFO
5/27/25

"I have the authority to bind 'Hail & Cotton Inc.'"