



OUR SUSTAINABILITY APPROACH

2024-2025



Foreword

Welcome to Hail & Cotton's Sustainability Approach.

As we progress our business, we understand, now more than ever, the importance of sustainable practices. We are committed to ensuring these practices create positive impacts on people and our planet and that our attention to environmental and social issues is an evolving area of focus.

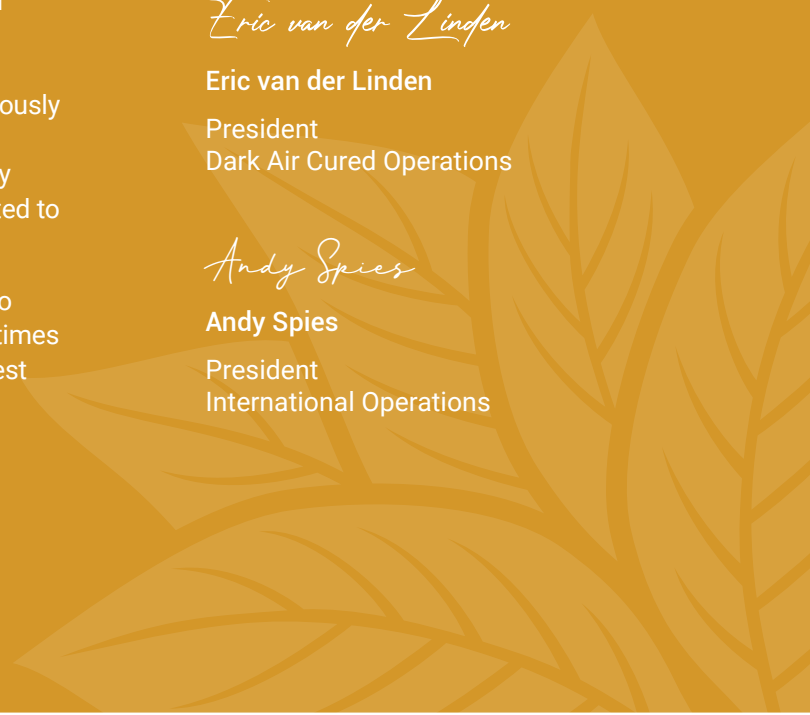
As a family-owned business with deep roots, we are proud of our efforts to date, but we also recognize that there is more to be done. We will seek out opportunities that can help us deliver greater impact to our business, and those that also create meaningful value for our people and stakeholders.

We see it as our corporate responsibility to strive to meet the highest standards of social and environmental responsibility, and to implement sustainable operations across our business.

Our people are at the core of our success - from our employees to our growers and their communities, and we work together to consistently improve and explore new ways of working. Our culture of continuous improvement will underpin our endeavours to further systematize our strategies and embed sustainability principles into our operations.

We are identifying, planning, and implementing initiatives aligned to our material issues, which were defined after dialogue with our stakeholders. In the short term, we intend to establish targets and key performance indicators whose evolution will be continuously monitored by the Executive Committee. We intend to report our progress to our key stakeholders periodically and are committed to improving year on year with dedication.

This is only the beginning as we work to go beyond good practice knowing that sometimes the smallest changes can create the biggest impacts.



Chris Cooksey

Chris Cooksey

President
North America Operations

Eric van der Linden

Eric van der Linden

President
Dark Air Cured Operations

Andy Spies

Andy Spies

President
International Operations



Introduction

This document describes Hail & Cotton's Sustainability Approach as of February 2024. It includes our intentions and ambitions, which are underpinned and guided by our purpose, mission, and values.

We recognize that we are in the preliminary stages of our sustainability journey and that we will evolve our approach as our understanding, knowledge, and ability grows. For now, we intend to leverage our existing efforts and strengthen our policies, systems, and processes. Next year we aim to establish goals and targets, and define key performance indicators to help us monitor and manage our progress. We are confident that we will be able to make our contribution to several UN Sustainable Development Goals (SDGs), particularly 5, 6, 8, 12, 13, 15, 16, and 17, which were identified as areas of focus.

Message from our Global Sustainability Director

I am proud to share Hail & Cotton's first formal Sustainability Approach, which is intended to create shared value and positive impact. It applies a human-driven approach while also remaining business-focused, and is designed to identify and deliver solutions to global social and environmental challenges.

As a company with a global footprint, we know that it will be the smaller local actions and initiatives that will create the biggest change in the long-term. At a time when thinking and acting sustainably is no longer a matter of choice, we will be implementing our strategy with commitment and with dedication to consolidation, change, and improvement. The strength of our teamwork and collaboration with our stakeholders will be invaluable for this approach to succeed.

We will periodically review our approach enhancing it over time with targets and performance metrics. We will monitor and measure our progress and look forward to sharing our achievements and the next steps in our journey with you.



Eduardo Jardim Alves

Global Sustainability Director



Contents

Who We Are	6
Our Sustainability Framework	9
Process	14
Planet	18
People	24
Community Support Program	32

WHO WE ARE

Our Global Footprint

Hail & Cotton is proudly a family-owned global company that has been operating for more than 100 years. With headquarters in the United States, we boast a team of more than 5,000 permanent and seasonal employees across our operations and offices spanning 13 countries worldwide. Additionally, we possess robust sourcing capabilities from other relevant tobacco-producing countries in Africa, Asia, and Europe.

Our commitment to product integrity, sustainable agriculture, and social responsibility is the backbone of our relationship with our valued customers, growers, and employees. It drives us to provide our customers, from major manufacturers to niche-product specialists, with the highest quality tobacco and the highest quality service.



● HAIL & COTTON OPERATIONS

Brazil, Canada, Colombia, Dominican Republic, Ecuador, Indonesia, Malawi, Paraguay, United States, Zimbabwe

● HAIL & COTTON OFFICE LOCATIONS

China, Indonesia, Mauritius, The Netherlands, United States (HQ)

● CORE SOURCING COUNTRIES

Bangladesh, China, India, Mexico, Nicaragua

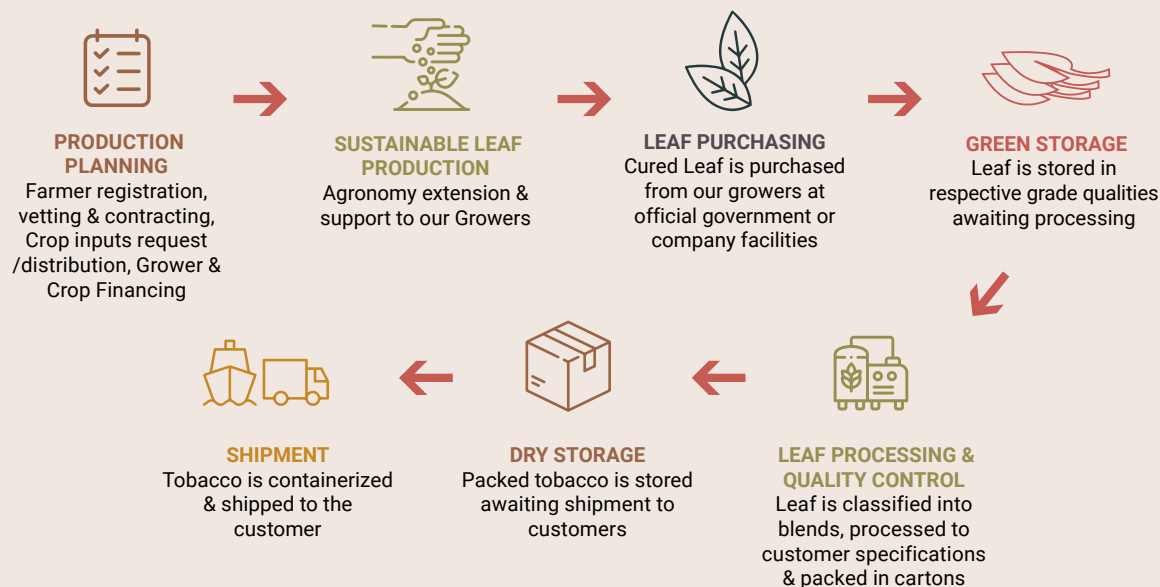
Our contribution to the SDGs

Hail & Cotton is passionate about contributing to the achievement of the UN Sustainable Development Goals (SDGs). We are seeking to address the challenges and targets identified in the SDGs in context of our own business activities and operational environments. Throughout this document we have highlighted our contribution to the achievement of these important global goals in relation to our ambitions, programs, and initiatives, which are in alignment to our material sustainability topics.

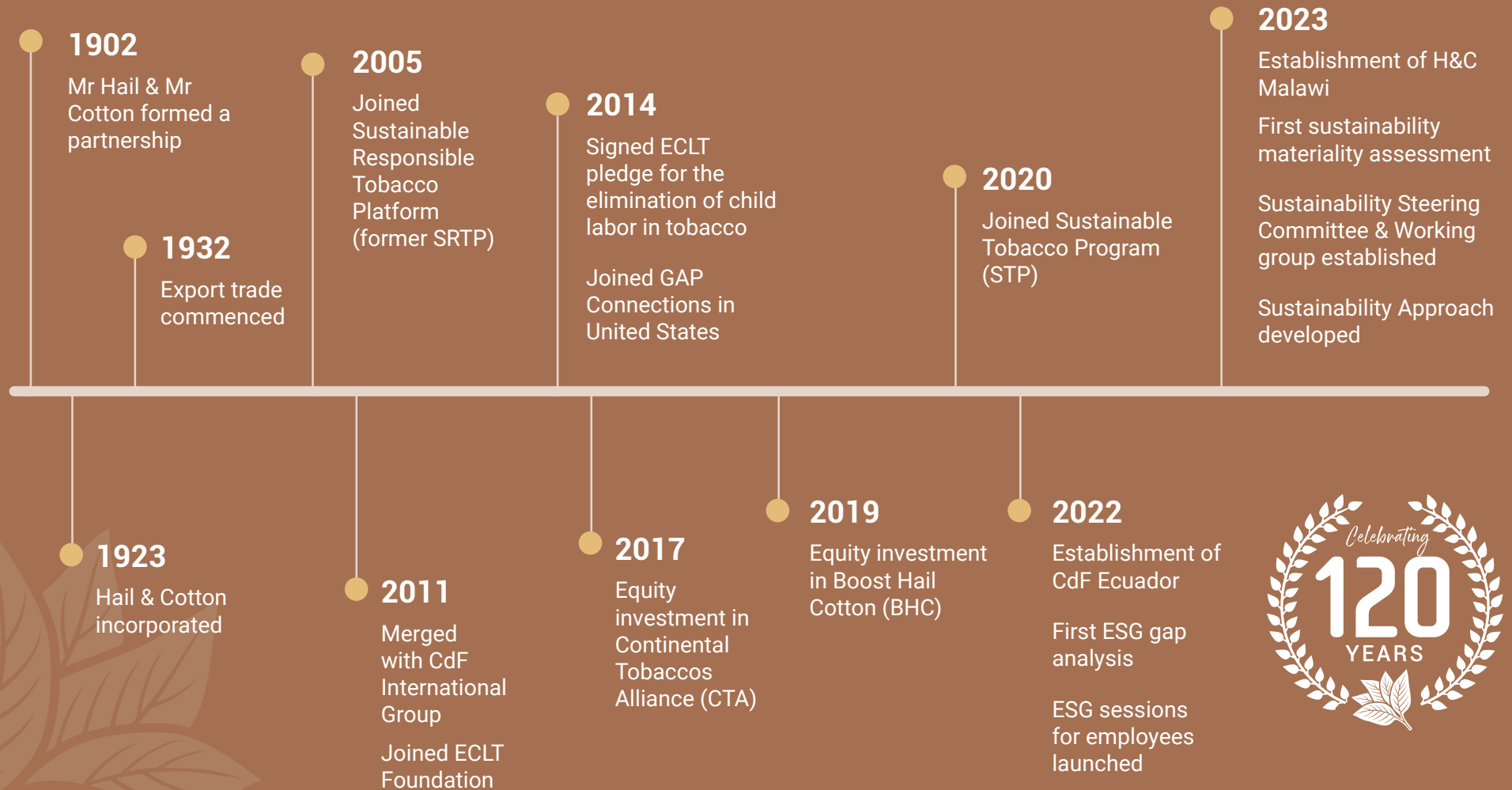


Our Supply Chain

Hail & Cotton is committed to delivering social and environmental impacts with positive outcomes across our supply chain in all countries where we operate. We will engage with our employees, grower communities, customers, business partners, service providers, and other key stakeholders as we mature towards improving our sustainable business practices.



Our Sustainability Milestones



OUR SUSTAINABILITY FRAMEWORK

Our Sustainability Framework relates to our operational activities that allow us to create value over the long term – for people, the planet, and ourselves. At the same time, Environment, Social, and Governance (ESG) considerations are integrated into our Sustainability Approach, which is structured around three primary pillars of Planet, People, and Process, which is fully aligned with our purpose, mission, and core values, and supported by our Executive Committee and Board of Directors.

OUR MISSION

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.

OUR PURPOSE

To be an ethical, reliable, and personable supplier of all types of leaf tobacco and value-added products and services to the world's manufacturers of tobacco products.

OUR VALUES

Guiding the delivery of our purpose.

Integrity

We build trust and long-term relationships by acting ethically, responsibly, and in good faith.

Passion

We are driven, resilient, resourceful, and love what we do.

Teamwork

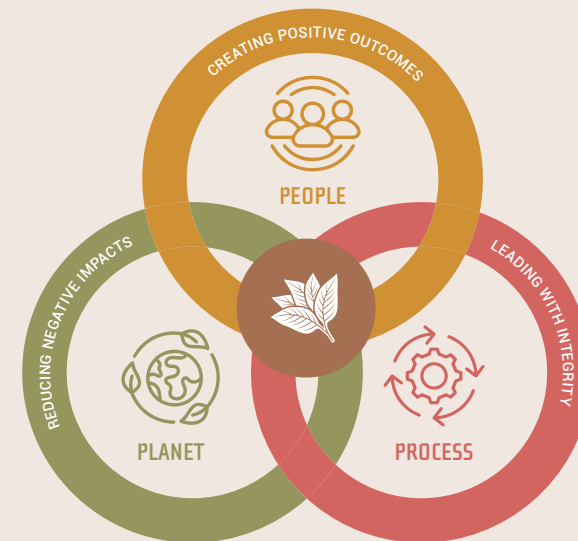
We value individual expertise while understanding the power of harnessing this into a focused momentum.

Mutual Respect

We listen, empower, encourage creativity, and cultivate an inclusive culture.

Dedication

We are committed to going the extra mile with all our valuable stakeholders across all facets of our business.



Biodiversity & Sustainable Wood Use
Chemical Management
Climate
Land Management
Water



Diversity, Equality & Inclusion
Health & Safety
Human Capital Development
Human & Labor Rights
Socioeconomic Success of Communities

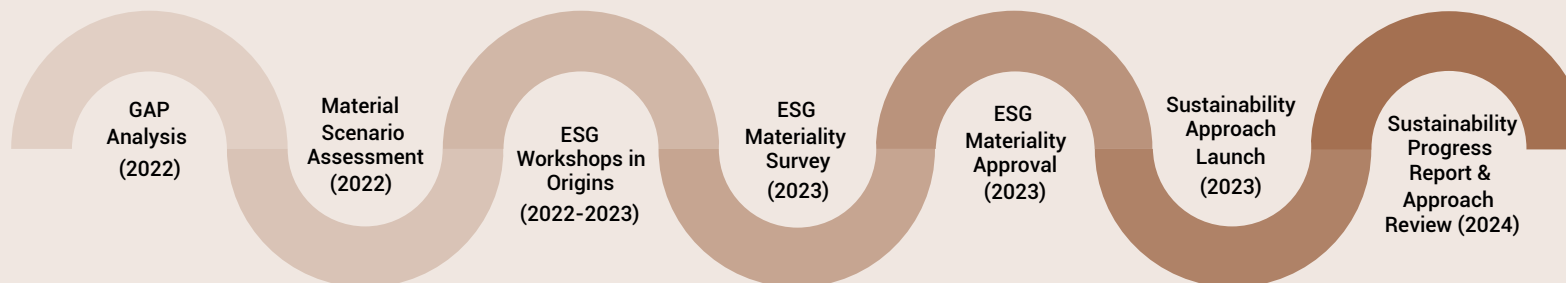


Business Ethics & Integrity

How we developed our approach

Hail & Cotton recognizes that developing a robust sustainability approach is imperative to the adaptability and resilience of our long-term success. As part of our strategy development, we engaged expert consultants to perform a gap analysis via a benchmark study of our current maturity in addressing sustainability and ESG principles. The review involved both desk research, an employee survey, several visits to the operation countries, and stakeholder interviews. The results of these activities provided a springboard from which our strategic sustainability approach was developed. A roadmap for prioritised and continuous improvement of policies, procedures, and the promotion of sustainability as part of the company culture was also developed.

Steps in our development process



MATERIAL ASSESSMENT PROCESS

Our first materiality definition process considered risks and their relative likelihood and severity of impacts and topics were categorised supported by the expertise and experience of our consulting team as well as stakeholder insights. A provisional list was compiled based on research conducted by an independent third-party. This proposed a risk assessment, impact assessments, an employee survey, external stakeholder engagement, focus groups with reference to legislation, and best practice sustainability reporting frameworks. Our next step is to develop a set of corporate Key Performance Indicators (KPIs) for each of our material topics.

We are committed to reviewing our material topics periodically to account for developments in our operations, as well as evolving global trends and changing stakeholder expectations.

Implementing our approach

GOVERNANCE AND LEADERSHIP

The Board and Executive Committee of Hail & Cotton provide oversight on our strategic direction, ensuring we operate in a responsible and sustainable manner. Our day-to-day efforts towards sustainability and resilience across all levels of our business are overseen by our Leadership Team. More specifically, our Global Sustainability Team ensures the management, alignment, and implementation of sustainable practices across the company's operations, and the senior managers at Operation level support this global position and the implementation of local initiatives. Our approach to sustainability was approved and signed by our Executive Committee and will be regularly reviewed in line with changes to legal and regulatory frameworks and industry best practice.

Responsibility for ensuring that the principles set out in our Sustainability Approach are upheld, rests with the Executive Committee, but we also rely on senior management to oversee strategic implementation on a day-to-day basis in the countries where we operate. We believe that reducing our impact and adding value is the responsibility of all employees, business partners, suppliers, and agents who work on our behalf, and we encourage them to seek for solutions to create positive impacts at work and in their own communities.

Governance support structures

We have established two key committees to ensure that we live up to the high standards we have set for ourselves, they are:

- **Sustainability Steering Committee** – Our Sustainability Steering Committee comprises the company's Division Presidents, the Chief Financial Officer, Senior VP for Finance and Administration and Senior Sales VP and General Managers of our company's significant tobacco operations. This Committee meets monthly and receives information from representatives of the Sustainability Strategic Committee and reports to our Board.
- **Sustainability Strategic Committee** – Our Sustainability Strategic Committee supports the decision-making of the company's Board by reporting to the Sustainability Steering Committee. This Committee comprises Tobacco Operations Managers and is led by the Global Sustainability Director, supported by the Senior VP for Finance and Administration. This Committee meets to provide a platform to learn more about day-to-day challenges being encountered in our operations, and to hear and explore ideas for sustainability projects that could be implemented across our business.



OPERATIONAL MANAGEMENT

Our operational management approach to sustainability addresses our current understanding of our material issues and industry best practices. It includes management systems that are certified or aligned to international standards, performance monitoring and reporting, employee awareness training, responding to customer compliance programs, and partnerships with external organizations. We will regularly assess and adapt our approach over time and in response to evolving and emerging practices.

We strive to ensure that sustainable resilience is present on all levels of our business. Our management approach is underpinned by our values, core principles, and business ethics, and we remain open to innovation and new ways of collaborative working. We understand that hard work, commitment, and respectful relationships are necessary for our future success.

Quality Management Systems (QMS)

All USA facilities are certified to the guidelines of ISO 9001:2015, an internationally recognized compliance program that ensures top management commits to the quality of our product, on-time deliveries, and promoting a safe working environment for all our employees. In Brazil, CTA Continental Tobaccos Alliance, a group company, is also certified with ISO 9001:2015.

Monitoring and reporting

In addition to any regulatory reporting requirements, we continuously monitor our efforts to achieve our ambitions across our operations and will report our progress to key stakeholders annually.

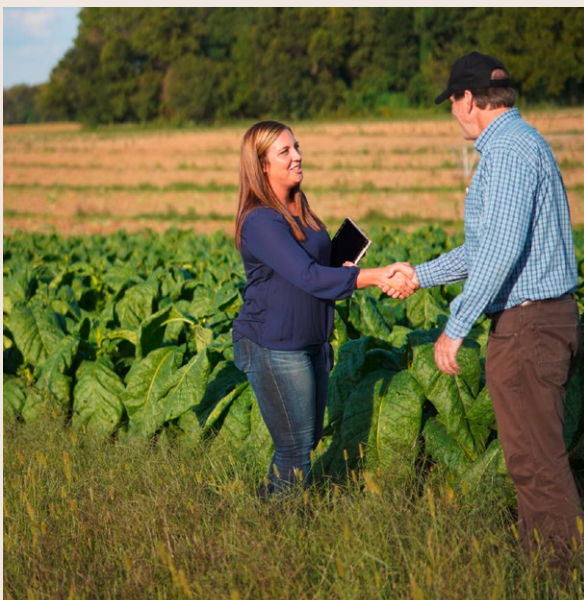
Customer sustainability programs

In addition to the requirements of the Sustainable Tobacco Program (STP), our customers have supply chain compliance programs and requirements that provide them with visibility of our practices and initiatives to ensure we fulfill their high-quality standards, ESG, and sustainability commitments.

Training

All our employees are expected to act in accordance with our policies and we will be developing a training matrix to ensure that appropriate learning opportunities are provided to employees across the business. Our ESG Lunch & Learn sessions for employees was conducted by a third-party expert over a series of months in 2022 with the intention of raising awareness about key sustainability concepts and the growing importance of ESG, as well as legislative requirements and changes, and specific issues such as child labor and deforestation. We recognize that Training & Development of our employees and other stakeholders is a key component for our future success, and effective achievement of our ambition.





Partnerships

We believe that partnerships and joint efforts with our stakeholders are important for the successful delivery of sustainable initiatives and subsequent achievement of our goals, and we intend to establish key partnerships addressing issues identified in many of our material topics.

In order to strengthen our sustainability efforts, we look to engage with external organizations that can offer additional expertise on how to address challenges, create long-term impact, and generate benefits and value to society and the communities where we have a footprint.

We actively participate in global organizations, including the Eliminating Child Labor in Tobacco Growing Foundation (ECLT) and CORESTA, both of which aim to promote international cooperation in tobacco, in legal and social best practices, research and development, respectively.

At the local level we also participate in various country specific programs and initiatives, for example, but not limited to:

- **Brazil** – Brazilian Tobacco Industry Union (SindiTabaco) and Growing up Right Institute
- **Dominican Republic** – PROCIGAR
- **Indonesia** – Industry Collaboration Initiative (ICI)
- **Malawi** – Tobacco Industry Working Group
- **United States** – GAP Connections
- **Zimbabwe** – Tobacco Leaf Exporters Association of Zimbabwe (TLEAZ), the Sustainability Afforestation Association (SAA), and Tobacco Industry and Marketing Board (TIMB)

Since 2022, we have collaboratively supported implementation of an industry-wide Agricultural Labor Practices (ALP) code in Zimbabwe with the TIMB, and are doing the same in Malawi, working closely with Tobacco Industry Working Group supported by the ECLT Foundation and local governments.



OUR NEXT STEPS

- Continue to actively participate in international and local organizations, and engage with external parties to strengthen the implementation of our sustainability efforts, to promote dialogue and listen to our stakeholders' voices
- Identify sustainability training requirements across the business
- Continuously improve our Quality Management System (QMS)
- Begin reporting our performance progress to stakeholders
- Establish new partnerships to implement our Sustainability Approach





PROCESS

Business Ethics & Integrity

Hail & Cotton is a multinational company with a unified culture that seeks to ensure responsible business behavior in all our global operations, while respecting local laws, workforces, and traditions. Our business is guided by our core values, which reinforce ethical behavior and dedication to our customers, employees, growers, and communities.

Our Global Code of Business Conduct, Integrity, and Ethics and our Global Anti-Corruption Laws and Illegal Business Activity Policy address compliance with relevant laws and regulations. These policies apply to all employees and agents. We have a compliance officer who provides advice and guidance to employees, subsidiaries, and other affiliates of Hail & Cotton on regulatory compliance and corporate policies. We also procure independent third-party services from attorneys and consultants specializing in various compliance areas to review our policies and procedures and to provide guidance and recommendations for improvements beyond compliance with the laws.



CORPORATE POLICIES

Our corporate policies framework comprises key policies, applicable across the operations. Our policies and codes are regularly reviewed, updated and approved by the highest level of management of the company and are communicated internally and externally as relevant. Our Code of Business Conduct, Integrity, and Ethics, includes reporting concerns and whistleblowing protection measures and is currently being reviewed by an external third-party. A gap analysis has helped us identify opportunities to strengthen our policies and where required, to develop new ones.

Global policies being developed or strengthened

- Supplier Code of Conduct for business partners
- Agricultural Labor Practices Code for tobacco growers
- Whistleblower Procedure and comprehensive grievance mechanism
- Human Rights Policy founded on international standards and guidelines
- Environmental Policy
- Health & Safety Policy
- Child Labor Policy

In our journey to strengthen our sustainability ambitions, all of our suppliers will also be expected to follow the principles set out in our policies, and those that will be articulated in our Supplier Code of Conduct. We will work with our suppliers in the first instance to encourage them to improve their sustainable practices and to progressively cascade our expectations to their own partners and suppliers where appropriate. We will work to make sure that our corporate policies are communicated to ensure they are implemented appropriately.

LEGAL AND REGULATORY FRAMEWORKS

We operate in many countries, all of which have different legal and regulatory environments, and some countries have higher levels of legal and ethical risk. We aim to conduct our operations in accordance with all applicable laws and regulations, and are developing voluntary initiatives to improve our corporate performance where appropriate. We recognize that high standards of governance are required to operate in compliance with regulations and continue to meet stakeholders' expectations.

Stakeholders are often interested in our policies and procedures and we engage in dialogue with them, applying relevant feedback to our improvement measures. In certain operations where it is required and/or customary to work with local agents, we typically establish and maintain long-term relationships with these agents, who are often considered an extension of our business. We have a no tolerance approach for corruption and money laundering, especially:

- **Anti-corruption** – We do not tolerate corruption in any form and aim to embed responsible business practices in line with OECD Due Diligence Guidance.
- **Anti-money laundering** – We seek to comply with international sanctions legislation. This extends to conducting checks in the context of anti-money laundering and combating the financing of terrorism. To avoid any compliance risks we have incorporated no acceptance of cash-payments, and ‘Know-Your-Customer’ checks, which are performed by a specialist third-party.

RAISING CONCERNS

All individuals within the scope of our corporate policies are expected to report any known or suspected non-compliances, including any violation of related laws, rules, regulations, or corporate policies. We encourage any person who knows of or suspects a violation to immediately report the conduct to a supervisor

or manager. Any breach will be confidentially investigated and acted on as appropriate. We recognize that having a robust grievance mechanism is a key element of demonstrating our duty to respect human rights. Therefore in the short-term will review and strengthen our grievance mechanisms with a view to developing a global remediation protocol.

INDUSTRY STANDARDS

Sustainable Tobacco Program (STP)

The Sustainable Tobacco Program (STP) helps to drive industry-wide standards in agricultural practices, environmental management, and key social and human rights areas. It delivers continuous improvement in the tobacco supply chain. Robust governance procedures support the STP implementation, which topics include Crop Protection & Integrity, Water Stewardship, Human & Labor Rights, Biodiversity, Livelihoods, Climate Change, Natural Habitats, and Soil Health. All operations are called to adopt the STP, and each year participate in an STP self-assessment, which is reported via the WorldFavor platform. Results are shared with most of our customers to promote transparency of our operations. As part of the STP, we may also be selected to participate in In-Depth Assessments (IDA) by the STP Secretariat, which aims to enhance industry understanding of the achievements and challenges, and to continuously improve on priority sustainability topics.

Good Agricultural Practices (GAP)

Good Agricultural Practices (GAP) is a collection of principles to apply to on-farm and post-production processes that result in safe and healthy agricultural products, while taking into account economic, social, and environmental sustainability. The agricultural standards and practices support the production of quality crops while protecting, sustaining, or enhancing the environment, ensuring the safety and rights of farm workers, and recognizing growers who are committed to standards. Through our GAP and US GAP Connections programs we create awareness and cultivate positive environmental and social impacts, through implementation of good practices to support our growers.

Good Manufacturing Practice (GMP)

The Good Manufacturing Practice (GMP) describes a set of principles and procedures that ensure manufacturing products are consistently produced and controlled according to a set of quality standards. The GMP is clearly identified and promotes a clean working environment where the product and our people are protected.

BUSINESS INTELLIGENCE SYSTEMS

Hail & Cotton is committed to continuous improvement, and this extends to our Business Intelligence (BI) systems. We believe that robust and sustainable BI systems are critical for driving informed decision-making across our business. We are currently undertaking a

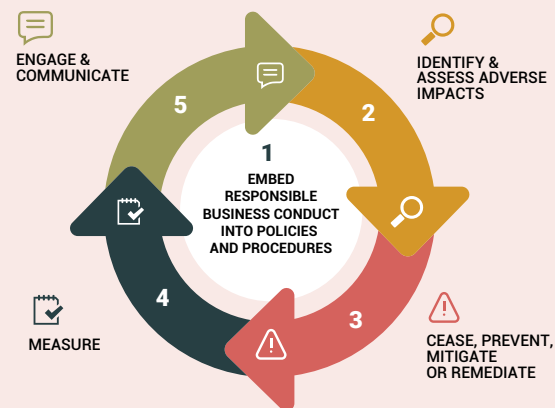
comprehensive review of our BI infrastructure to ensure it effectively addresses two key areas: integrated farm monitoring and enhanced supply chain transparency. By improving the identification and response to supply chain issues, and seamlessly integrating data from our farm monitoring systems, we aim to achieve higher data accuracy for risk-based decision-making and reporting.

Our BI systems play a multifaceted role in supporting proactive risk management and provide valuable insights into the quality and quantity of production at the individual level, enabling us to tailor support and resources effectively. The also foster enhanced communication amongst stakeholders throughout the supply chain, facilitating the development and implementation of effective Community Support Programs. Ultimately, our BI systems are designed to empower responsible and sustainable business practices, while protecting data privacy and security in line with global best practices.

SUPPLY CHAIN DUE DILIGENCE FRAMEWORK

We recognize a robust supply chain due diligence process is a critical requirement to meet legislative requirements and our corporate responsibility, under the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Due Diligence Guidance for Responsible Business Conduct, to identify potential adverse human rights and environmental impacts, and

to engage with our stakeholders. We are in the process of developing our approach to supply chain due diligence to progress towards meeting our commitments. As part of the development of our Supply Chain Due Diligence Framework we understand that we will have to consider the responsibility to identify potential or adverse impacts and the instances where we will have to cease, prevent and mitigate any negative impacts that we have responsibility to address. This includes developing our remediation measures, monitoring their effectiveness, and reporting on the steps we are taking to address the impacts. In addition, as part of the Sustainable Tobacco Program (STP), we are expected to implement due diligence of our growers' labor, environmental, and other crop-related practices, and to work in close collaboration with them to improve these practices as part of a continuous improvement cycle. Doing so helps us to work in closer collaboration towards improvement necessary for sustainable practices.



» OUR NEXT STEPS

- Develop a Global Human Rights Policy
- Develop a Global Child Labor Policy
- Develop and implement a Global Supplier Code of Conduct
- Develop a Global Supply Chain Due Diligence Framework and social compliance management plans for the operations
- Strengthen key policy requirements and develop new global policies as appropriate
- Strengthen our grievance mechanism and develop a global remediation protocol
- Ensure the efficiency of STP program's continuous improvement cycle across the business
- Review our BI Systems to improve farm monitoring, support risk-based decision-making, and enhance supply chain transparency



PLANET

Climate

Climate change can impact various aspects of our operations including cultivation, production, manufacturing and distribution. Erratic precipitation patterns, rising temperatures and an increased frequency of extreme weather events can lead to lower crop yields, reduced leaf quality, and reduced crop resilience against pests. The quality of soil, availability of water, and reliability of timely transportation could also be affected. A greenhouse gas (GHG) emissions inventory can help identify opportunities to understand climate change impacts and establish an approach to emissions reduction. Good Agricultural Practices (GAP) also play an important role in reducing emissions.

WHAT WE'RE DOING

Baseline emissions inventory

We have commenced a companywide baseline greenhouse gas emissions inventory, starting in Brazil (CTA and Fumex Bahia) and will extend to other operations.

Identifying emissions reduction opportunities

Following on from our baseline emissions inventory, we will work to identify opportunities to help us manage and reduce the emissions in our facilities and will work towards developing implementation plans. We intend to share our performance and progress accordingly.

Working with growers

We are working with our growers to raise awareness of the impacts of climate change and the importance of reducing greenhouse gas emissions. We are encouraging them to adopt good agricultural practices that can help strengthen their resilience against extreme weather events.



OUR NEXT STEPS

- Complete a GHG inventory of our Scope 1 and 2 emissions to establish our global targets and develop our global KPIs
- Identify emissions reduction opportunities across our operations
- Assess opportunity to conduct a climate risk scenario analysis
- Begin reporting on progress towards our initiatives and emissions reductions
- Assess legal requirements to address climate change and develop appropriate action plans to meet these requirements

OUR AMBITION

We intend to:

- Assess the GHG emissions produced at our facilities and establish emissions reduction targets
- Work towards implementing plans to manage and reduce GHG emissions and environmental impacts of our business activities
- Work towards minimizing and/or reducing the use of non-renewable energy in each segment of our business where possible
- Find collaborative ways to reduce GHG emissions in our supply chain by working with contractors, suppliers and customers, and work with growers to promote the use of Good Agricultural Practices (GAP)



OUR AMBITION

We intend to:

- Encourage the conservation and preservation of biodiversity and the ecosystems where we operate
- Endorse sustainable agricultural practices and engage with growers to promote good stewardship of available land
- Work with growers, suppliers and other stakeholders to enhance the integration of sustainable resource management practices into our agricultural programs
- Work continuously to evaluate ways to reduce wood use and replace it with alternative, more sustainable options
- Continue to increase the use of recycled and reusable materials in our packaging where possible
- Seek opportunities to reduce the impact of our tobacco processing facilities



Biodiversity & Sustainable Wood Use

Wood is used in tobacco production primarily as a fuel to cure and process tobacco leaves. The smoke produced by burning the wood creates unique attributes and flavour in the tobacco. Wood is also used as a construction material for curing barns and in packaging materials. Wood used from natural forests can lead to deforestation and biodiversity degradation, therefore using sustainable wood can help protect, conserve, and even enhance biodiversity ecosystems, as well as reduce waste and lower carbon footprints.

WHAT WE'RE DOING

Our environmental initiatives aim to promote sustainable and economic production of quality tobacco in grower communities, while protecting soil, water, air, animals, and plant life.

Sustainable Afforestation Association membership

In Zimbabwe we are a member of the Sustainable Afforestation Association (SAA), an initiative to grow timber for the sole purpose of curing tobacco. In order to support afforestation efforts, we are exploring the growing of additional trees with SAA support.

Supplying growers with sustainable wood

A pilot project has commenced in Brazil to identify areas where firewood may become scarce in the coming years. We also supply farmers with sustainable wood and trees seedling for curing wood. In the United States our growers use a byproduct of harvested timber that they source from local mills. The timber has been harvested from independent loggers on private land, which means the growers are not felling any trees themselves but rather using tree bark and sawdust that is generated during milling.

» OUR NEXT STEPS

- Support implementation of reforestation projects in operations
- Continue to encourage use of sustainable wood and curing fuel through awareness raising, monitoring, and trainings
- Explore recycling opportunities at our facilities in the operations
- Explore new technologies to reduce wood use, promoting education and future initiatives
- Explore opportunities to enhance our approach to biodiversity via partnerships

Land Management

Responsible land management can minimize the impact of tobacco farming on the environment. Effective land management ensures optimal utilization of available land, and includes decisions related to land preparation, field layout, and crop rotation, where possible. It also takes into consideration issues such as soil health and fertility, nutrient management, erosion control, irrigation, responsible pesticide use, and conservation practices. Proper land management can contribute to the production of higher-quality tobacco, therefore, improved growers' livelihoods.

WHAT WE'RE DOING

Promoting Good Agricultural Practices (GAP)

Through better productivity, improved tobacco quality and larger yields, growers can earn better incomes, which can impact the socioeconomic success of grower communities. We teach our growers Good Agricultural Practices (GAP) promoting site selection and fertility, land and crop rotation, composting, ridging, alternative crops, according to the best practices and local adaptation. We also promote the use of fertilizers with known nutrient content and adoption of appropriate application rates based on soil analysis according to the tobacco type and style.

Holistic farming in Zimbabwe

In Zimbabwe, selected growers who have worked with Boost Hail Cotton (BHC) for at least three years are supported with implementing additional farming practices that help ensure their land is well-managed. We assist the growers financially, enabling them to pay for additional labor and supply them with the necessary inputs for these alternative crops. Some of the initiatives include promotion of GAP techniques, such as land and crop rotation, composting, ridging and support for alternative crops such as maize and cassava.

Farmers tending land for food

Our Cassava Plant Project in Zimbabwe helps farmers increase their self-reliance, even on small plots of land. Cassava is a relatively high-yielding plant with roots that can be dried, milled, and cooked with water to make a porridge; and two plants can sustain a family of four for one week when incorporated with daily meals. We provide Holistic Farmers with sufficient plants to provide a year's supply of alternative food source.



OUR NEXT STEPS

- Continue to promote our GAP Policy for improved land management and support sustainable farming techniques for growers
- Encourage the implementation of Model Farms (those in grower communities that deploy good practices), to promote growers' training and replication of good farming practices and techniques

OUR AMBITION

We intend to:

- Help improve growers' practices and trainings based on our GAP Policy regarding land preparation and fertilization, and post tobacco field management
- Support growers with production of higher-quality tobacco and increased productivity (yield)
- Encourage the take up of Model Farms



OUR AMBITION

We intend to:

- Seek opportunities to minimize the quantity of water used in our operations and to reuse it
- Work towards ensuring that any wastewater or pollutants that have the potential to create adverse impacts do not reach water bodies, such as rivers or lakes, from our operational side
- Encourage and educate growers regarding water usage and protection of water sources

Water

Water is essential for the growth and development of healthy tobacco plants, especially at the early seedling stages. It helps regulate a plant's temperature, and maintains hydration and moisture of the soil and leaves, which is also an important factor in the curing process. When plants are water-stressed they can become less resilient against pests and diseases, so effective water management is a crucial element of sustainable crop management processes. When tobacco is in the field, it is more reliant on rainfall. Reliable access to water also provides the tobacco growers and their communities with opportunities for food security, and potential to improved livelihoods through higher crop yields. Water is also an important aspect of tobacco processing and in facilities for sanitation purposes.

WHAT WE'RE DOING

We work in partnership with our customers to help address water issues, including a diaper waste project in Indonesia, and a water spring preservation program in Brazil.

Preventing diaper waste entering waterways

Through our participation in a Reusable Diapers Waste Disposal and Livelihoods Project in Indonesia, we are helping reduce the potential for disposable diaper waste ending up in rivers and waterways. We engage with our growers and communities on the usage of reusable diapers. Over the past 2 years we have distributed reusable diaper packages to more than 2,000 mothers with newborns and prevented more than 250 tons of diaper waste ending up in landfills and waterways.

Water spring preservation program

In Brazil, our first water spring preservation program improves the quality of life for growers and grower communities. It protects ground water, improves hygiene and sanitation conditions, and provides clean, safe drinking water to communities even when they are faced with adverse weather events.

Fertigation Project In Ecuador

Our fertigation system in Ecuador allows us to precisely manage our cultivation. Through this integrated water, fertilizer and systemic Crop Protection Agents (CPA) application system we have obtained significant reductions in our use of water and reduced the impact of harmful substances to the environment.

» OUR NEXT STEPS

- Encourage our operations to seek opportunities and implement initiatives related to water conservation in our operations (growing communities and facilities)
- Enhance education and awareness raising of growers about water usage and protection of water sources



Chemical Management

Responsible chemical management plays a critical role in the overall success of tobacco farming. It is fundamental to the health and safety of tobacco growers, workers, their families, and communities, and the environment. It also helps protect and minimize the effects on the environment and supports the health of tobacco crops by preventing disease, pests and weeds, and can lead to increased crop quality and yields. Through the effective and safe use of chemicals, growers can produce lower cost and consistent crops. Many countries have strict quality standards for safe chemical management in tobacco production and we are required to meet various regulatory requirements as well as customers' recommendations.

WHAT WE'RE DOING

Integrated Pest & Diseases Management (IPDM)

We encourage our growers to use Crop Protection Agents (CPAs) as a defense against diseases and pests when their population cannot be maintained at acceptable levels using other methods. Our IPDM Program encourages the appropriate use of CPAs. When they are applied, it is done so in accordance with manufacturers' recommendations and applicable country or regional laws and regulations. We provide CPA training for growers and technical assistance is provided by our Field Technicians. We encourage the proper disposal of CPA empty containers, to prevent contamination of soil, air, rivers, food, animals, and communities.

Provision of Personal Protective Equipment (PPE)

We provide adequate Personal Protective Equipment (PPE) for chemical applications and provide training on the use of PPE to our growers, particularly when using Crop Protection Agents. Our Field Technicians continuously monitor the use of PPE and the use of non-high hazardous pesticides (HHP) by growers. Corrective actions and action plans are agreed with

growers if health and safety recommendations are not met.

Financing safe storage facilities

We provide growers in many countries with funds to purchase CPA cabinets that are suitable for the correct and safe storage of chemicals and CPA spraying equipment.



OUR NEXT STEPS

- Increase the number of CPA management training and awareness campaigns for growers and their workers
- Increase the amount of PPE and CPA cabinets supplied to growers
- Establish partnerships to improve collection of CPA empty containers and correct disposal, according to the local laws

OUR AMBITION

We intend to:

- Increase training at farm level and encourage growers to responsibly manage hazardous waste, such as agrochemicals and empty Crop Protection Agents (CPA) containers and any other hazardous waste, as well as its correct disposal
- Reinforce growers' education on correct storage of CPAs
- Increase growers' awareness on the importance of wearing proper and adequate Personal Protective Equipment (PPE)
- Increase training to educate growers to responsibly manage the use of agrochemicals and, when possible, to reduce it





PEOPLE

Human & Labor Rights

Respecting and protecting human and labor rights is extremely important for businesses that operate globally and is embodied in the corporate duty to respect human rights as set out in the UN Guiding Principles for Business & Human Rights (UNGPs). This duty interconnects with various corporate issues related to governance and risk management. The importance of respecting and protecting human rights is also encapsulated in international standards set by the UN Declaration of Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Company specific human rights policies and procedures such as good governance and due diligence frameworks are therefore crucial for demonstrating a company's commitment.

WHAT WE'RE DOING

Strengthening policy

We have undertaken a gap analysis of our current policies and procedures and have worked to strengthen our existing policies and develop new ones at global level, including a Human Rights Policy. We will do this with the guidance and support of a third-party expert.

Global Supply Chain Due Diligence Framework

We have started work on establishing a corporate Supply Chain Due Diligence Framework, which will include Human & Labor Rights and identify the salient human rights issues in our value chain.

Employee training

We aim to invest in the capacity building of our employees on human and labor rights as we recognize the increasing importance of this topic to our business. These trainings will be identified in our training matrix and will form part of our Supply Chain Due Diligence Framework.



OUR NEXT STEPS

- Develop a Global Human Rights Policy
- Develop a Global Child Labor Policy
- Identify our salient human rights issues, and develop our approach to mitigation and remediation, as part of the development of a Global Supply Chain Due Diligence Framework
- Increase human rights capacity building and training for growers, employees and business partners
- Consider undertaking a Human Rights Impact Assessment (HRIA), and assessment of salient human rights issues, aligned with our Supply Chain Due Diligence Framework

OUR AMBITION

We intend to:

- Encourage our employees and suppliers across our supply chain to follow our policies, which are intended to prevent and mitigate the risk of potential human rights violations in our value chain, including those related to:
 - the worst forms of child labor according to the ILO and relevant local legislation
 - any form of modern slavery (forced labor, servitude or bonded labor, slavery, human trafficking)
 - freedom of association and collective bargaining
 - non-discrimination or non-harassment
 - fair wages and working hours



OUR AMBITION

We intend to:

- Continue to comply with the health and safety legislation of each country
- Continue promoting a safe working environment at all levels of our value chain

Health & Safety

Every worker should be able to work in a safe environment, protected from potential workplace accidents, injuries, illnesses, and occupational hazards. Continually improving safety management plans, promoting training for workers and growers, providing personal protective equipment, and conducting regular technical assistance visits to growers and monitoring are just some ways in which this can be achieved. Tobacco production in general is a labor intensive process and much of the work is performed by hand, particularly in less industrialized countries. We are acutely aware about health and safety for both our employees and growers and strive to adopt international standards wherever we operate.

WHAT WE'RE DOING

Employee training

We execute employee training, awareness programs, evacuation and emergency drills to avoid accidents at work, promote well-being, and to maintain a safe working environment across our factories and facilities.

Grower training

At farm level, we understand that growers and workers should be protected from the existing risks associated with farming activities, including the management and application of Crop Protection Agents (CPAs), with the use of proper personal protective equipment (PPE). Symptoms of Green Tobacco Sickness (GTS) can be avoided if growers are trained and wear protective equipment when necessary.

Investing in safety equipment

In our factories and operations, we continuously invest in safety equipment and safety devices for improving processes and working conditions for our employees.



OUR NEXT STEPS

- Introduce a Corporate Health & Safety Policy to ensure an aligned approach to reference international standards and applicable laws across the operations
- Conduct comprehensive Health & Safety assessments across all operations, aligned with international standards and informed by findings from the Corporate Health & Safety Policy implementation
- Evaluate the creation of a Health & Safety Sub-Working Group to monitor and discuss best practices and initiatives across the business
- Establish partnerships via community support in operations to offer health and safety initiatives to growers and workers



Human Capital Development

The tobacco industry is constantly evolving. Investing in employees supports the ability of a business to be productive, innovative, adaptable, and resilient in the future. Investing in people and developing their capabilities is vital for continued success, sustainability, and growth.

WHAT WE'RE DOING

Lunch & Learn sessions for employees

Lunch & Learn sessions have been offered to employees in English, covering broad sustainability concepts, legislative frameworks, and specific topics such as child labor, modern slavery, and deforestation. In the future, we plan to look for additional opportunities to make these sessions available in other languages.

Training for management and employees

Issue specific training has been offered to management and key positions to help us to fast track building our capacity and mature our sustainability approach. A training matrix is being developed to cover core material topics, including child labor, business and human rights, legislation, bribery and corruption, and other topics that are key to implementing sustainable business practices. New employees' training needs will be assessed and they will be invited to develop their sustainability skills.



OUR NEXT STEPS

- Assess the training needs across the company
- Develop and implement a sustainability training matrix
- Evaluate the creation of a Human Resources Sub-Working Group to discuss best practices and initiatives across the business, and support development of an evaluation and career plan
- Implement a career and development plan for key roles
- Implement a succession plan for key roles
- Implement a Global Human Resources (HR) function, to ensure achievement of our ambitions regarding our employees

OUR AMBITION

We intend to:

- Develop opportunities to increase the expertise of our employees regarding sustainability and ESG, as well as soft and hard skills to progress in their career
- Empower our employees and unlock their full potential by providing broader knowledge through training programs specifically tailored to different roles and responsibilities



OUR AMBITION

We intend to:

- Increase education and awareness of the importance of diversity, equality, and inclusion in our workplace
- Encourage the development of women leadership through training and career development plans
- Assess our approach to diversity and inclusion to develop an integrated approach across our business
- Strengthen our policy approach on equal opportunity, anti-discrimination, and anti-harassment

Diversity, Equality, & Inclusion

Promoting diversity, equality, and inclusion (DEI) enables employees to feel respected and valued. It can lead to improved employee morale, reduced absenteeism, increased talent attraction and retention, and boosted productivity, aimed at business continuity. Businesses that prioritise DEI as a business imperative may also find that they improve problem solving capacity and drive innovation.

WHAT WE'RE DOING

Equal Opportunity Employer

We are an Equal Opportunity Employer and treat all employees fairly and equally in all aspects of their jobs. We employ a diverse workforce, with employees, managers, and leadership comprised of people from across the globe. We also have strong gender diversity across the company and recognize our potential to have a positive impact on equality in the workplace. We therefore seek to ensure that our employees are provided with appropriate support and equal access to opportunities in their employment.

We treat everyone equally and with the same attention, courtesy, and respect regardless of their age, disability, gender identity or expression, ethnic or national origin, marital or civil status, race, religion, sexual orientation, or any other characteristics protected by law.

Recruitment practices

We continuously work to ensure our recruitment practices are inclusive and that we remain an attractive and approachable company to a diverse candidate pool. We take an experience-based approach to hiring all employees and will seek to eliminate any common biases from our recruitment process.

Gap analysis

We operate in 13 countries around the world, which provides us with broad insights into diversity, equality, and inclusion. We are in the initial stages of developing a structured approach to DEI and have started consulting with the operations to better understand the opportunities for improvement. In response to findings to date, we have identified the need to develop a robust Global DEI Policy, and to provide awareness-raising campaigns and training across our operations. We expect this will help ensure that DEI principles are understood, and that it will prompt changes that may be required to ensure that the policy commitments are adhered to.



Employee survey

We have conducted an employee survey to a cross section of our employees to gauge their understanding of Environmental, Social, and Governance (ESG) issues. Through this survey, we gained valuable insights into the priorities and training needs of our participants. The findings were collated into a gap analysis report with recommendations.

DEI in our value chain

We recognize that DEI is an important consideration in our supply chain, particularly in some regional contexts that present unique challenges in relation to gender equality. Impact assessments in our tobacco growing operations have also shown that the industry has the potential to have a positive impact on equality in growing communities. For example, women farmers in a smallholder setting may experience increased economic empowerment concerning their financial management and control. Our Community Support Program approach will help identify initiatives that support women empowerment through future programs. For example, we are seeking to expand this approach through the implementation of Village Savings and Loan Associations (VSLA), where appropriate, which can contribute to economic empowerment of women in grower communities through access to microfinance.



»» OUR NEXT STEPS

- Develop a Global Diversity, Equality & Inclusion Policy and embed the policy's principles
- Develop a Global Equal Opportunities, Anti-discrimination, and Anti-harassment Policy
- Develop a training program, including awareness-raising campaigns focused on DEI
- Establish career development plans that consider leadership opportunities for all, based on our future DEI Policy
- Continue to identify community support projects to support equality in growing communities

OUR AMBITION

We intend to:

- Continually work to build community resilience and rural succession for sustainable business continuity
- Contribute to the socioeconomic success of grower communities, through continuous dialogue, and implementation of good practices.



Socioeconomic Success of Communities

Contributing to the socioeconomic success of grower communities is complex. It can be measured through grower income levels, as well as access to resources, education, health, and overall wellbeing. Efforts to improve the socioeconomic success of grower communities can include promoting the adoption of sustainable agriculture practices, which typically leads to higher productivity, better crop quality and improved working conditions. In turn, this increases the opportunity for improved income-earning potential and long-term livelihoods. Working to help communities to achieve socioeconomic success and become more resilient not only makes rural life and succession attractive, it also secures product supply in the future.

WHAT WE'RE DOING

Increasing access to drinking water

In Zimbabwe, we have installed Elephant Pumps in communities to improve access to clean drinking water, and we plan to install more. Elephant Pumps are award-winning water pumps that are based on an ancient Chinese simple rope pulley system used to lift water. A rope and washer pump are installed onto a protected shallow well and can reach a water table depth of up to 20 metres. Because of the simplicity of their design, they are easily repaired and have a relatively long life.



Farm monitoring

Farm monitoring, in line with the Sustainable Tobacco Program (STP), helps us identify the needs of growing communities, growers, and their workers. We are developing a Community Support Program approach with specific themes to help address the challenges faced by our growers in the communities. Our three main pillars for Community Support are: Education; Livelihoods; and Natural Resources.

Holistic Farming in Zimbabwe

In Zimbabwe, Holistic Farming project initiatives are helping to ensure food security with the promotion of land and crop rotation, composting, vegetable gardens, and bee keeping. By farming alternative crops, growers can also generate additional income.

AgroTop Project

Agrotop Project in Brazil (CTA) aims to encourage good agronomic, environmental, social practices, and increase profitability of selected growers interested in improving their farming practices and quality of life. This project supports growers to increase the crop quality and yield, to preserve forests, springs and water sources, to grow

wood for tobacco curing where land is available, aimed at self-sufficiency, to comply with local legislation and corporate programs, and to encourage farm succession.

» OUR NEXT STEPS

- Improve our farm monitoring to better understand farming needs and identify issues
- Ensure our Community Support Program creates more resilient growers in our supply chain by addressing the root causes of challenges through business-driven initiatives, followed by continuous monitoring & evaluation, and impact measurement
- Establish key partnerships to implement initiatives aligned to our Community Support Program
- Conduct a formal growers' living income assessment across our operations

VILLAGE CONCEPT MODEL

The Village Concept Model aims to empower rural communities in which we work, creating sustainable, self-contained, and community-centric living environments. With implementation planned for Malawi over the next two years, this project includes mapping the concentration of the grower base in the village, and gaining community interest. As a business-driven initiative other advantages include:

- **Economies of scale** – the provision of goods and services becomes more efficient and cost effective when growers are in one vicinity. Training and focused support can also be implemented at reduced agronomic extension costs
- **Implementation platform** – it creates a platform through which community support programs can be implemented, easily monitored, and evaluated
- **Improved effectiveness** – GAP and best practices can easily be rolled out and implemented effectively
- **Improved efficiencies** – it reduces waste and streamlines supply chain inefficiencies
- **Increased opportunity for collaboration** – sustainable agronomic practices can be performed collectively, from production to input management
- **Community engagement** – it fosters a sense of ownership and belonging within the village
- **Increased impact creation** – social and environmental improvements, and value are created in grower communities



COMMUNITY SUPPORT PROGRAM

Support for tobacco growing regions can help address social, economic, and environmental issues while also empowering individuals and communities. Investing in programs and initiatives in grower communities stimulates local economies through improved livelihoods and better sustainable agriculture practices. They can also help protect the environment, and facilitate access to education, healthcare, water, and food security.

STRATEGIC APPROACH

As a response to the social and environmental issues identified in our supply chain, and based on our farming communities, we have established a Community Support Program (CSP) for the operations. This includes priorities and initiatives that are also aligned to our Sustainability Approach and our mission of improving the welfare and environment of the communities in which we operate. The CSP aims to address, manage, mitigate, and respond to social and environmental challenges across our value chain, and forms part of our approach to respecting human rights as enshrined in Pillar II of the UN Guiding Principles on Business and Human Rights.

Our strategic approach to community support addresses the relationship between our business

operations and the communities in which we operate, including, but not limited to, the management of direct and indirect impacts of human rights and the treatment of people. The approach may cover socioeconomic community impacts, increasing community engagement and continuous dialogue, cultivation of local workforces, impact on local businesses in growing communities, and environmental and social impact assessments.

We recognize that many of our significant social and environmental impacts are likely to occur in our supply chain, which is why we intend to work hard with suppliers, especially with our tobacco growers, to enhance the integration of sustainable practices into our agricultural programs. Initiatives can be implemented proactively by our operations or in response to issues identified through our continuous supply chain due diligence process, supported by the Sustainable Tobacco Program (STP), and our farm monitoring system. By supporting our growers in this way, and in line with our Community Support Program and principles, we hope to help them improve their resilience and wellbeing. We aim to promote a responsible approach across our operations, contributing to creating a shared value and positive impact, and improved business resilience.



OUR COMMUNITY SUPPORT PROGRAM PRINCIPLES

Our Community Support Program initiatives are aimed at addressing the impacts our business creates, directly or indirectly, in the communities in which we operate, these are therefore, business-driven initiatives. Within the context of our operations, these initiatives should help identify where they can address root causes of systemic issues and are underpinned by our core values, and key Community Support Principles.

We are focused on operating responsibly and with integrity to build trust and long-term relationships

This means addressing the impacts our business has on people and the planet through preventative means and practical solutions. Furthermore, we aim to meet our direct responsibilities and capitalize on the learnings to prevent, resolve, or mitigate the issues.

We acknowledge the power of collaboration

This enables us to upscale the size of our initiatives and increase the impact that they have

However, we understand that value alignment is key for partnerships to be successful

Collaboration drives ownership, therefore, long-term sustainability

We believe that Community Support provides us with an opportunity to strengthen relations with stakeholders across all facets of our business and the communities that we operate in

This means regularly seeking feedback on current and future initiatives and incorporating it where appropriate. Continuous dialogue is key for success

We value our work, our people and our corporate responsibility

This means sufficiently resourcing our Community Support Program initiatives and delivering them in a way that creates meaningful and sustainable impact

We are committed to developing and delivering a successful approach

To achieve this, we will evaluate forming a Sub-Working Group dedicated to Community Support and continue to review the effectiveness of our efforts with monitoring & evaluation of our efforts as our approach matures

COMMUNITY SUPPORT STRATEGIC PRIORITIES

We will seek to regularly monitor environmental and social challenges to ensure that our efforts can support our communities. To encourage alignment across our operations and ensure that our Community Support initiatives are aligned to our material impacts, we have identified three core themes including topics within each theme.

EDUCATION

- Child labor elimination initiatives
- Training
- Awareness-raising initiatives

LIVELIHOODS

- Health and safety
- Healthcare and wellbeing
- Income generation
- Labor practices
- Water, Sanitation & Hygiene (WASH)
- Food security
- Women empowerment
- Chemical management
- Financial literacy

NATURAL RESOURCES

- Biodiversity
- Deforestation and wood use
- Energy
- Land management
- Sustainable/regenerative agriculture
- Water use
- Pollution
- Waste and emissions

CUSTOMISED APPROACH PER COUNTRY

With operations across the globe, we are aware that a universal approach will not be successful in every region. We have taken the different contexts in which we operate into consideration when formulating our Community Support Programs core themes and topics, and have reviewed country data to ensure that future initiatives address critical and relevant challenges. Therefore, every Operation will develop its own plans, based on the issues identified.

TARGETS AND KPI'S

For every initiative implemented, SMART key performance indicators (KPIs) will be proposed, approved, monitored, and progressively communicated, as part of our governance underpinned by our Process pillar, and in line with any targets we establish. This continuous monitoring will help us to understand the trends and efficiency of the initiatives implemented, as part of our risk-based approach, and also ensure that positive impact has been created across the growing communities where we operate.

PARTNERSHIPS AND STAKEHOLDER RELATIONSHIPS

We work with partners to understand the challenges they face within our operating context and seek to address them by engaging in stakeholder dialogue. We have partnerships with customers, for example in Brazil, that are addressing water issues, and in Indonesia, that are protecting water and promoting increased livelihoods. We participate in several industry-driven initiatives, such as the Sustainability Afforestation Association (SAA) in Zimbabwe addressing deforestation, in the Industry Collaboration Initiative (ICI) in Indonesia, and are a member of the Eliminating Child Labor in Tobacco Growing (ECLT) Foundation.

» OUR NEXT STEPS

- Evaluate the creation of a Community Support Sub-Working Group
- Build capacity of our teams to implement our Community Support Program effectively
- Monitor and evaluate the impact of our community support initiatives over time and report our progress routinely
- Establish more partnerships to deliver our Community Support Program initiatives
- Improve engagement with growers to better understand their needs to be assertive with Community Support investments and contribute to generating shared value across the supply chain
- Support the operations to identify the projects they will implement



Corporate Headquarters
2500 S. Main Street, Springfield
TN 37172, USA
+1 (615) 384-9576
sustainability@hailcotton.com

International Operations
Zwarteweg 149, 1431 VL Aalsmeer,
Netherlands
+31 (297) 345-991

