



DELTAFINA S.r.l.

Sustainability Report 2020





Sustainability Report 2020



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Interview with Domenico Cardinali, President of Deltafina

Deltafina is one of the main tobacco processors in Italy, connecting growers and manufacturing companies. Mr. Domenico Cardinali, President of Deltafina, talks about the important role that Deltafina plays in coordinating the value chain.

1) How does Deltafina support Italian tobacco growers?

The two main assets of our company are tobacco farmers and company employees. Growers represent the first stage in the supply chain, and the quality of their work and their product are extremely important for the entire tobacco sector. Tobacco is a unique product. Quality in tobacco is a global concept that includes not only the organoleptic characteristics and intrinsic properties, but also integrity and traceability. To obtain an excellent quality product, the agronomic practices in each phase of the cultivation cycle are important. To reach the desired level of quality, growers need to continuously invest in order to maintain adequate structures and machinery on their farms. They also need stability in order to continue their business on a medium- to long-term timeframe. We believe that our role, acting as a market representative, is essential to ensure stability from a business perspective. We do this by not only signing purchase contracts with farmers at the beginning of each crop, but we also provide continuous technical assistance—following specific agricultural and labour programs—and give economic support throughout the cultivation season.

2) How does Deltafina work with tobacco growers to ensure that the quality goals of the end product are met?

To satisfy the needs of the international markets where we sell our tobacco, we need to guarantee quality and integrity at the highest levels. To do this, we enforce agronomic practices that include, among other things, procedures to use chemical products in a very strict way



and to follow total traceability of tobacco from the seed to the final product. This result is possible only thanks to the intensive monitoring and full dedication of our agronomy department and strong partnerships with our tobacco growers.

3) How does Deltafina verify that the working conditions on farms respect the dignity of the people?

Deltafina's attention and respect for health and safety issues as well as the fair treatment of workers have always been a top priority.

We feel directly responsible for our employees and for our contractors' employees. Workplaces must be safe and comfortable, and people should return to their homes in equal or better conditions than when they arrive.

With regard to workers' rights and working conditions on the farms, we have implemented a program to train farmers and provide information while using recurrent and systematic monitoring on the farm. This monitoring includes worker interviews to assess farm labor conditions, and to build trust in the supply chain. Thus, we ensure the full application of our policies, not only in our workplaces but also on the farms.

4) How does Deltafina manage its sustainability policies at its tobacco processing facilities?

Making sustainability a primary concern in a processing facility means giving maximum attention to the safety and health of operators, investing in modern and high-performance equipment and machinery while at the same time minimizing emissions, in full compliance with the protection of the environment. All of the above is possible only by promoting a culture of sustainability among all of our personnel working in the factories, from the bottom up to the top.

5) What measures are being taken by Deltafina to protect the health of workers during the COVID-19 pandemic?

At the beginning of March, Italy was faced the COVID-19 crisis. The scientific community and health institutions were objectively unprepared for the dramatic events of this pandemic. Our first objective was to provide safety and protection for our operators, and certainty for the business. For this reason, in addition to applying rigid COVID-19 prevention procedures, we decided to suspend activities for six weeks starting in mid-March. At the same time, in order for farmers to feel our full support, we announced an extraordinary contribution to each farmer, based on the area

cultivated in crop 2020. In addition, we supplied all farmers with personal protective equipment for themselves and for their employees. Farmers reacted with deep demonstrations of esteem and gratitude reaffirming the good spirit of community that reigns in our supply chain and that we live every day.

6) How does Deltafina help keep the cigarette trade within the bounds of legality?

Illicit trade is one of the largest problems for the tobacco industry—not only because of the state’s resulting loss of economic resources, but also because of the danger associated with illicit products and the crime it generates. To combat this phenomenon, Deltafina together with other processors and farmer representatives formed OIT (Interprofessional Tobacco Organization) which represents more than 80% of the Italian supply chain and has been recognized by the Italian Ministry of Agriculture. In this inter-professional agreement—in force since 2015—compulsory cultivation contracts and effective and transparent production controls are achieved. This ensures full traceability of all non-manufactured products. The EU ELTI (European Leaf Tobacco Interbranch) held meetings with OLAF—European Anti-fraud Office—aimed at extending the Italian rules in other EU countries.

7) Deltafina has been publishing a Sustainability Report for 4 years now. Why is it important for you to continue this reporting process?

The growth in the path of corporate sustainability is not measurable only by figures and objectives, but by the perception that every operator in our supply chain is changing attitudes and keeping an eye on sustainability. This phenomenon is not rapid; it takes time, patience, resources and effort for the transformation to occur, but it is absolute and irreversible. It multiplies the message within any community where people live and socialize, in the schools of the children and in everyday activities. We are strongly convinced that once activated, like yeast, it can truly contribute to changing people’s behavior and therefore the fate of our planet in terms of the environment and civil coexistence.

Domenico Cardinali
President

Key figures

▶ **187** Sustainability Criteria



101 €
million
turnover



+50%
of purchased
tobacco of
Italian origin



Over 450
Farmers



23,4 mill kg
Tobacco
purchased





+50

Countries
of export



Over 430

Permanent
and seasonal
employees



98%

Recycled
Waste



23,368 tCO₂e

of GHG
emissions



1. A sustainable business model

The model of Deltafina in the Italian tobacco sector

Deltafina is a company owned by the multinational Universal Leaf Tobacco Company, a leading global leaf tobacco supplier that sources, processes, and supplies agri-products. Its primary business is procuring financing, processing, packing, storing and shipping leaf tobacco for sale to manufacturers of consumer tobacco products.

The most important sustainability topics of the company's business model are:

- ◆ the commitment to support growers with the **sharing of experience, skills and technologies**; and
- ◆ the realization of **better protections for workers** in the tobacco value chain.



Sharing of experience, skills and technologies

The cultivation of tobacco in Italy, although not favored by climatic conditions, is possible because of the experience, skills and technologies that Deltafina helps to develop and spread among growers. Deltafina's Agronomy Department works in close collaboration with the field technicians of the farmers' associations to train and support farmers.

Thanks to these important activities, Italian tobacco is characterized by consistent quality and is appreciated by customers. Tobacco cultivation requires intensive labor but in many cases, offers more stable and predictable revenues than other crops.

Protection for workers

Deltafina is committed to respecting the rules and principles that concern sustainability of working conditions, and, in fact, our rules and standards are stricter than the Italian regulatory requirements. Deltafina goes beyond the legal requirements to respect labor conditions and protect all workers in the tobacco chain from field to factory.

Growers can count on us to purchase agreed quantities of tobacco every year, and our company contributes to stabilizing the local workforce.









Deltafina consistently engages with growers to maintain the most efficient labor practices, by offering training courses and applying best practices to preserve the environment and to sustain good working conditions.

Stakeholders

Deltafina's stakeholders include all people, organizations, cooperatives and institutions that are engaged and impacted by the company's business activities or that may affect the company's business. Deltafina firmly believes that the development of long-term, positive relationships with its stakeholders is at the base of its success. Only through close cooperation and collaboration with all stakeholders is it possible to achieve sustainable tobacco production.



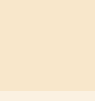








Over the last year, we conducted stakeholder engagement initiatives, and several issues emerged as particularly important to the various stakeholder groups of Deltafina. The company is working to offer solutions to these topics, especially those identified as material to Deltafina in the materiality analysis (described in the next pages). Furthermore, the company is committed to meeting stakeholder expectations through concrete actions during daily operations.

Stakeholder	Involvement	Stakeholder expectations
 <p>Universal Group</p>	<p>Deltafina is owned by the multinational Universal Leaf Tobacco Company, which is part of Universal Corporation. The company complies with the Universal Code of Conduct and all Universal policies.</p>	<ul style="list-style-type: none"> • Respect of Universal policies, programs and guidelines • Compliance with applicable laws • Attention to direct and indirect environmental impacts • Cost containment and productivity improvement • Human resource development and employee well-being • Corruption prevention
 <p>Suppliers</p>	<p>Supplier management targets sustainable and quality tobacco production. Deltafina, with particular reference to suppliers, contributes to keep relationships based on loyalty and mutual trust and trains tobacco farmers to apply good agricultural practices.</p>	<ul style="list-style-type: none"> • Respect of contract and payment terms • Long-term supply relationships • Good agricultural practices training • Technical support for sustainable tobacco growing • Clear and on-time communications
 <p>Environment</p>	<p>Deltafina pays utmost attention to the environmental aspects of our business, especially during crop production and processing. The company promotes and trains growers on good agricultural practices, many of which address the environmental impact of crop production.</p>	<ul style="list-style-type: none"> • Compliance with environmental laws and regulations • Attention to direct and indirect environmental impacts
 <p>Regulatory Organizations and Institutions</p>	<p>Deltafina believes in the importance of building long-term and quality relationships with all regulatory bodies, in order to achieve long-term, growing and sustainable development targets within local communities. The company engages with representatives to find the proper balance between business, market trends and local community needs.</p>	<ul style="list-style-type: none"> • Compliance with applicable laws • Respect for agreements • Illicit behavior prevention • Support of local communities
 <p>Trade Unions</p>	<p>Union relationships are positive and constructive, and are oriented to share information about respect for workers' rights and other relevant subjects important for the company and employees.</p>	<ul style="list-style-type: none"> • Cooperation regarding negotiations about «CCNL» (national contract) renewal • Respect for workers' rights
 <p>Local Communities</p>	<p>Deltafina respects regions and local communities where operates and maximizes the positive socio-economic and environmental impacts.</p>	<ul style="list-style-type: none"> • Maximizing positive impacts • Minimizing negative impacts • Clear and transparent communication • Relationships based on trust
 <p>Tobacco Product Manufacturers</p>	<p>Tobacco product manufacturer relationships to target the commercialization of sustainable and quality tobacco; Deltafina engages customers to discuss the volumes and qualities required in order to organize its work with growers during the crop cycle.</p>	<ul style="list-style-type: none"> • Compliance to standards and requirements • Production cost control • Supply chain monitoring and improvement • Clear and transparent communications
 <p>Employees</p>	<p>People are the center of all activities performed by Deltafina, from the technicians helping the farmers implement sustainable tobacco production to processing operators preparing lots for sale to customers. Thanks to their engagement and devotion, Deltafina best realizes its mission to sell tobacco.</p>	<ul style="list-style-type: none"> • Job protection • Respect for workers' rights • Health and safety protection • Ability to listen • Skills training and development

The 2020 Sustainability Report is structured according to material topics identified by Deltafina. These topics reflect the most substantial economic, environmental and social impacts of Deltafina many of which influence stakeholder evaluations and decisions.

The materiality analysis of the previous Sustainability Report has been updated, considering the evolution of the business and stakeholder priorities. Deltafina's material topics have then been linked to GRI Standards, if applicable. See the following tables for further details on Deltafina's Materiality Assessment.

Area	Material topic	Boundaries (where the impacts occur)	SDG	GRI Standard
Compliance	Voluntary compliance (certifications)	Tobacco product manufacturers	 12 Responsible Consumption and Production	-
Compliance	Compliance with legal requirements	Community	 12 Responsible Consumption and Production	GRI 307: Environmental Compliance
Compliance	Business integrity	Community	 16 Peace and Justice Strong Institutions	GRI 206: Anti-competitive Behavior
Economic Value Shared	Economic value generated and distributed	All stakeholders	 8 Decent Work and Economic Growth	GRI 201: Economic Performance
Economic Value Shared	Employment	Farm and Deltafina workers	 8 Decent Work and Economic Growth	For Deltafina workers: GRI 401: Employment For farm workers:
Economic Value Shared	Farm workers' rights	Farm workers	 8 Decent Work and Economic Growth	GRI 407: Freedom of Association and Collective Bargaining GRI 408: Child Labor GRI 409: Forced or Compulsory Labor GRI 412: Human Rights Assessment
Product Quality	Tobacco quality and traceability	Universal Group, tobacco product manufacturers	 12 Responsible Consumption and Production	-
Health and Safety	Farm health and safety	Farm workers	 3 Good Health and Well-being	GRI 403 2018: Occupational Health and Safety
Health and Safety	Employee health and safety	Deltafina employees	 3 Good Health and Well-being	GRI 403 2018: Occupational Health and Safety
Environment	Crop health (air, water, soil)	Farm workers environment, local communities	 6 Clean Water and Sanitation	GRI 308: Supplier Environmental Assessment

To each material topic, a specific United Nations' Sustainable Development Goal (SDG) has been represented, as shown in the table. The UN SDGs are 17 global goals adopted by all the U. N. Member States as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The underlying principle is that development must balance social, economic and environmental sustainability. Acknowledging the SDGs communicates our commitment to conducting a sustainable business.

This document has been created with the collaboration of Deltafina's personnel, who provided the information and data disclosed.

To assure the quality of the content, the principles of balance, comparability, accuracy, timeliness, clarity and reliability have been applied.

Deltafina's role in the value chain

Deltafina operates as a primary tobacco processor, buying raw product from farmers, predominately – but not only – in Italy. The processing of the raw tobacco takes place in two factories, located in Bastia Umbra (PG) and Francolise (CE). The Bastia Umbra Factory also houses the Blended Strip Operation, created to store and blend tobacco. The company also has a corporate office in Rome.

The origins of tobacco cultivation in Italy

Tobacco cultivation in Italy dates to the sixteenth century. Thanks to the action of a prelate, seeds were taken from the new continent to Italy, where they were initially grown in clerical properties with medicinal plants. The cultivation then began to spread and started being used for smoking or snuff, mainly in the Cospaia Republic—a small area now corresponding to San Giustino, a village near Perugia.



In the factories, the main activity is threshing tobacco leaves, an industrial process that mechanically separates the stems from the leaves sorting, threshing and re-drying the raw tobacco. This is an essential process that occurs with the addition of only water and steam, and it prepares the product for further industrial processing by manufacturers of final tobacco products. Without these preliminary processes, the raw tobacco would quickly degrade due to the moisture content in the leaves and stems.

Tobacco plants have different color, nicotine concentration, humidity and dimensions every year due to the varying weather conditions. Deltafina buys the tobacco leaves once cured and dried by the farmers, and then combines and processes the tobacco to meet customers' requirements. Deltafina has highly specialized expertise to fulfill our customers' needs and to guarantee our product meets their expectations. This allows the tobacco manufacturers to ensure consistency in their consumer products year after year. The tobacco processed by Deltafina is sold and exported to more than 50 countries.



“We conduct our business by combining the pursuit of our economic goals with respect for integrity, ethical principles and legal requirements. We always keep in mind the communities in which we operate and strive to generate positive impacts through our role as a “corporate citizen.””

The supply chain

A common goal

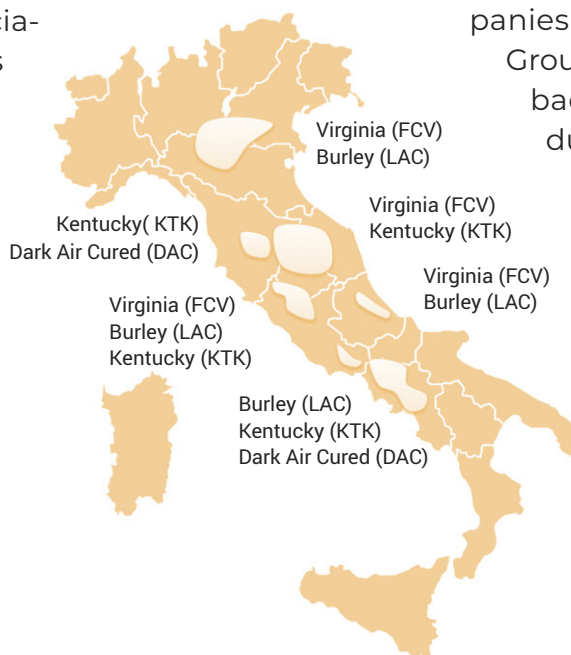
Deltafina buys tobacco mainly from farmers' associations, but some varieties, such as Havana and Kentucky, are bought from other tobacco companies.

Additionally, Deltafina processes not only the volume it buys directly from the market, but also provides processing services to third parties.

Deltafina also buys tobacco from other origins in Europe primarily Hungary, France and Spain. The tobacco is bought from local farmers' associations in those countries and then shipped to Italy for processing in Deltafina's factories. A portion of the Spanish crop is processed at origin by a third party.

In Italy, tobacco is grown mainly on small or medium-sized farms, primarily in the Campania, Umbria, Veneto and Tuscany regions. Italy is the largest producer of tobacco in Europe, with an annual harvest close to 44,000 tons.

In Italy, France and Spain, tobacco is purchased directly from local farmer associations and then shipped to Italy for processing in Deltafina's factories. In Poland and Hungary, Deltafina purchases tobacco (packed or green) from other companies in the same Universal Group, which in turn buy tobacco from the local producer associations.



Italy	Flue-cured or Virginia Bright	Light air-cured or Burley	Dark air-cured or Havana	Dark fire-cured or Kentucky	Total
Growers	394	1,052	244	210	1,900
Hectares	9,580	3,107	384	1,355	14,426
Tons	26,635	14,212	962	1,930	43,739

Deltafina processes different varieties of tobacco leaves:

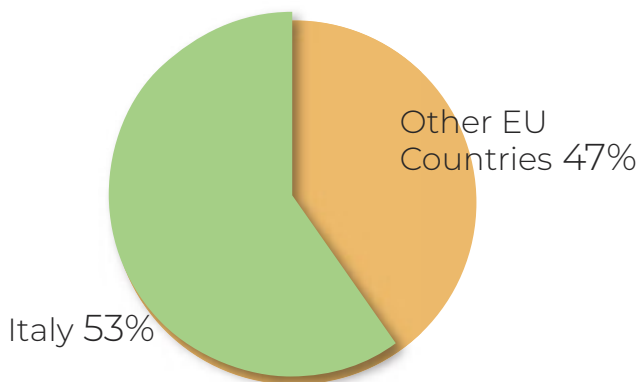
Flue-cured or Virginia Bright
This type is dried in special bulk-curing barns using controlled heat and regulated air flows that allow farmers to carefully control temperature and humidity.

Light air-cured or Burley
This style is cured by a natural process of hanging the leaves inside the greenhouses. The drying process is determined by the actions of changing environmental conditions along with the skilled activities carried out by the farmers.

Dark air-cured or Havana
This type is cured in a similar manner to light air-cured. Due to variety differences and cultural practices, the cured leaves are darker and stronger than burley. Usually, the dark air-cured also requires a fermentation process to obtain products for cigars or fine-cut tobacco for pipes.

Dark fire-cured or Kentucky
This variety is cured in spaces with controlled fire. The fire heats the spaces and dries the tobacco, giving the leaves a specific aroma through the action of smoke. The dark fire-cured is typically a cigar tobacco.

Origin of Tobacco purchased



Tobacco production is a strategic resource for many farmers and rural communities. Deltafina provides stability to farmers who maintain volumes year after year. The company supports growers through advance payments and continuous assistance, allowing them to have a long-term vision.

Moreover, tobacco growers benefit from contracts that define, at the beginning of the crop season, quantities, qualities and prices.

Deltafina works in collaboration with farmer associations and manufacturers in all countries to reach common long-term goals. Deltafina believes that applying a sustainable approach to all activities in the chain will allow us to successfully remain in business for a long time.

Furthermore, Deltafina, in close and constant cooperation with its suppliers, is evaluating new business opportunities that may bring advantages and profits to all stakeholders in the value chain.

Quality control and traceability

Quality control allows Deltafina to meet the high expectations of its customers and represents an important part of the company culture, through the implementation of specific procedures and monitoring systems. The company sells only blends of known origins and only to customers operating in full compliance with laws and regulations. Deltafina applies specific traceability procedures in order to meet customers' needs. A rigorous and detailed tracking system allows Deltafina to select the right tobacco to obtain the blends required by customers and to provide them detailed information about the origin of each single blend.

Quality and traceability control allow Deltafina to trace the entire supply chain of the tobacco purchased.

Although the commercial relationships are formally established with the associations of tobacco growers, Deltafina has close contact with each individual grower. Deltafina constantly monitors the tobacco in its factories according to its own Quality Management System, compliant with the ISO 9001 Standard.

Thanks to the close collaboration and excellent relationships with farmers, the company collects detailed information about each farm.

“We start taking care of tobacco leaves from the seeds, before the plant even sprouts. We believe that each and every aspect of the tobacco value chain – from the cultivation to the transportation to customers – contributes to the quality of the final product.”

Audits are carried out during crop production to monitor each aspect of the cultivation: the quantity and quality of tobacco being produced in each field; the use of pesticides and fertilizers; the method and frequency of irrigation; and compliance with laws and industry standards.

Farm information is gathered and shared by software called MobiLeaf™, which allows Deltafina to communicate with its management and customers in a timely manner.



MobiLeaf™ is a Universal-developed mobile software application to track farm data related to the complete life cycle of crops—from plant cultivation and harvesting to compliance with laws and industry standards. The application combines GPS technology with an operating system compatible with most popular mobile and computer technology. All data is collected, stored and transferred in full respect of GDPR.

Farmers are provided with unique labels to be placed on packed tobacco so that Deltafina can trace the product back to its origin (including field and farmer).

The economic value of the tobacco is established based on several parameters:

- ◆ quality index, bale weight and industrial classification;
- ◆ verification of the absence of non-tobacco related material (NTRM);
- ◆ use of integrated pest management principles and use of the proper crop protection agents; and
- ◆ nitrosamine content verification.



Processing Technicians control the tobacco lots in order to ensure full compliance with clients' requirements. Compliant lots are also certified with a document issued by an independent laboratory. Finally, a check by the customer is performed by taking samples of the tobacco lots.

Deltafina's approach to quality and traceability of tobacco is considered highly effective by the company and by its customers.

2.

Deltafina Management System and results

Governance

Deltafina is a limited liability company owned by the multinational Universal Leaf Tobacco Company. The governance structure is based on the Board of Directors. The Board is comprised of up to five members, according to the Ordinary Assembly, and is entrusted with the management of the Company. The Directors can be elected among non-members as well, and remain in place until revocation or resignation, or until the term established by the Assembly.

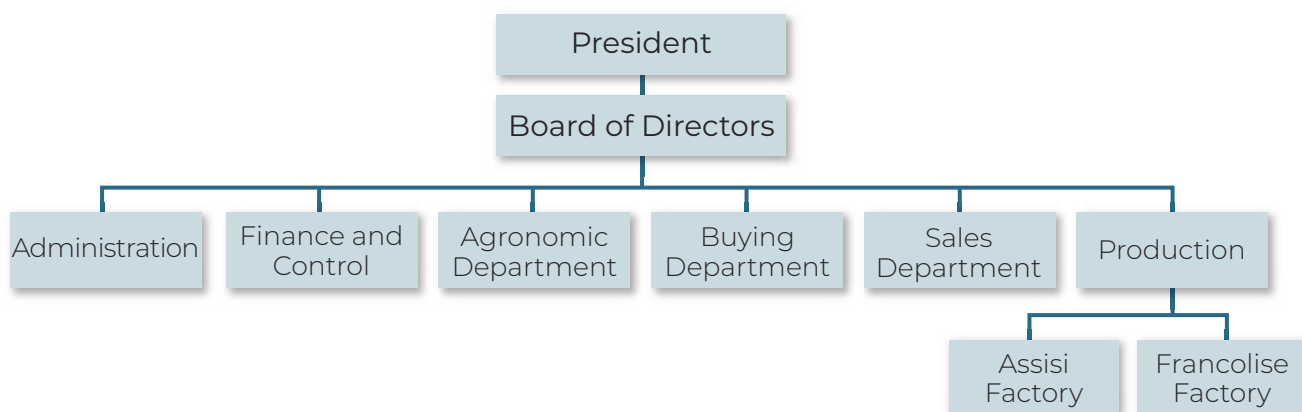
Directors also represent the company, while the President of the Board of Directors has the power of attorney in order to represent the shareholders. The current Board of Directors is composed as follows.

President	Domenico Cardinali
Vice President	Enrique del Campo Ros
Member	Giorgio Marchetti
Member	Donatella Pontarollo



An independent Auditor is named by the Assembly according to law and is in charge of a controlling activity and assistance to the Board of Directors in fulfilling its corporate governance and management role. The Ordinary Assembly also determines the legal auditor.

Deltafina's organizational chart, as of March 31, 2020, appears in the following figure.



Deltafina is officially recognized as a primary processor of tobacco by the Agenzia per le Erogazioni in Agricoltura (AGEA,) which registers the producer group contracts in Italy. Deltafina is an active member of several associations, including:

- ◆ APTI, the national association that represents the primary processing tobacco companies and tobacco exporters operating in Italy;
- ◆ Tobacco Italia (OIT), a professional network composed of national organizations growing and processing tobacco;
- ◆ the European Federation of Tobacco Processors (FETRATAB), which represents the interests of European companies and workers operating in the primary processing of raw tobacco; and

- ◆ the European Leaf Tobacco Organization (ELTI), an officially recognized transnational interbranch organization in the raw tobacco sector in the European Union, founded by FETRATAB and UNITAB.

Deltafina operates according to a governance system based on the values of responsibility, integrity, organizational efficiency and transparency. The Company follows behavioral standards, abiding by responsibility principles towards its stakeholders and the Universal Corporation Global Compliance Program requirements, which provide a framework to keep the business moving forward with integrity, honesty and impartiality.

Business Integrity and Compliance Program

Meeting pertinent legal requirements is of the utmost importance to Deltafina.

Universal's Global Compliance Program requires active participation of all employees, Board members, third parties and management. The Program has defined three organizational levels with specific functions and responsibilities:

1. the **Corporate Compliance Committee** (CCC), composed of Universal management members;
2. the **Regional Compliance Team** (RCT), in the form of seven regional teams, which support the Compliance Function by carrying out the activities assigned (the European regional compliance team is composed of four members from Deltafina management); and
3. the **Local Compliance Team** (LCT), composed of specialized local members at the company level.

The Universal Anti-Corruption Compliance Manual contains policies and explains how to address corruption risks (www.universalcorp.com/compliance). This document is distributed to all Universal employees along with guidelines on how to report illegal behavior. Anyone can file an anonymous report or request information from the Corporate Compliance Committee by:

- ◆ calling the Compliance Hot Line, available in several languages 24 hours a day, 7 days a week;
- ◆ using the web platform www.ethicspoint.com; or
- ◆ sending an e-mail to the Chief Compliance Officer at compliance@universalleaf.com.

Training programs on corporate compliance and ethical behavior are mandatory every year for administrative, technical, senior and selected authority positions. The trainings are designed to help employees and third parties learn the principles of the program, comprehend the rules and create a common corporate compliance culture.

Deltafina has procedures in place to evaluate third parties, through due diligence and research on legal compliance. Any third party that might represent the company before a government official or institution is duly trained on anti-corruption rules. Only after this training may the third party be included on an Authorized Vendors List and conduct business with the company.

Attendance at the training sessions is regularly checked and recorded in a system which is maintained throughout the entire Universal Group. Moreover, effectiveness of training is verified through final tests for all employees.

Deltafina purchases and processes tobacco in compliance with applicable local, national and EU regulations, as well as in compliance with the stringent company and Universal Group policies and practices. The company regularly contributes donations to charities as well as to communities and organizations that hold local events.

On-Line Training on Business Integrity (Compliance) Topics			
Fiscal Year	FY18	FY19	FY20
Number of courses	161	147	139
<i>Online</i>	156	140	132
<i>Face to face</i>	5	7	7
Growth vs. previous FY	-4%	-9%	-5%
Topics	<ul style="list-style-type: none"> • Ethical Interactions with Government Officials • Financial Integrity and Fraud • Retaliation: Odd Man Out • Ethical Leadership: Anti-Corruption 	<ul style="list-style-type: none"> • Avoiding Corruption and Observing the FCPA • Anti-Bribery: It Helps Us Both • Working Together: Promoting Mutual Respect • Conflicts of Interest 	<ul style="list-style-type: none"> • Avoiding Corruption and Observing the FCPA • Conflicts of Interest • Raising Concerns: A Few Modifications • Reporting Concerns: Making the Call • Reporting Incidents: No Harm Done?

Maintaining leadership with integrity is a principle inherent in the Universal Code of Conduct and the Anti-Corruption Compliance Manual related to company and employee behavior. Doing business with integrity is a must for our company-conducting business in an ethical way and in compliance with policies and laws.

When it comes to ethics and integrity, we have three primary goals:

- ◆ **working with integrity**
(freedom from discrimination and harassment, following environmental, safety and health rules, social responsibility);
- ◆ **conducting business with integrity** (competition and fair dealing, rejection of all forms of corruption, gifts and entertainment expenses, trade restrictions and boycotts); and
- ◆ **handling information and assets with integrity**
(no insider trading, no conflicts of interest, protecting corporate information and assets, reporting, books and records, accounting controls).

Every employee, officer and director has an obligation to report possible violations of this Code so that the conduct can be considered, and the company can address the situation and take appropriate action.

Our operations are assessed for risk related to corruption. No significant risks related to corruption have been identified through the risk assessment process.

To us, a “bribe” is anything that has a value and is offered, promised, or given to influence a decision to do business. This includes obtaining new business, retaining existing business, or gaining any other improper advantage. At Deltafina (and Universal), we do not allow the payment of bribes to anyone. Universal’s employees, officers, directors and any third parties acting on our behalf, are strictly forbidden from providing anyone with anything that can be considered a bribe.

We do not conduct business by means of unfair competition, corruption or other unlawful or unethical acts. We proudly stand behind our products and services, and we offer them to our customers knowing that we compete fairly and honestly.

We do not engage in agreements or arrangements with our competition that have not been pre-cleared by our Legal Department. In no case will we have any agreement or understanding with a competitor regarding pricing, customers, markets or other competitive subjects.

Economic results

The value generated by Deltafina is shared with stakeholders. Through the creation of employment and the use of suppliers and investments, Deltafina adds value to the local communities where the factories are located—in the Perugia and Caserta areas. The company regularly contributes donations to charities and to communities and organizations that hold local events. In April 2020, during the COVID-19 crisis, Deltafina contributed a total of €24,000 to three different hospitals in Legnago, Perugia and Caserta, to support the purchase of medical equipment and materials.

A core aim of Deltafina's corporate governance is to maximize economic profits as well as ensure long-term economic sustainability for the company as well as the sector. The corporate view of economic sustainability is to generate stable economic value for all stakeholders, including employees, unions, suppliers and local communities.

During FY 2020, company net sales were €101,084,290 with a total capitalization of €113,396,912 (€105,003,844 of debt and €8,393,068 of equity).

Value distributed to stakeholders (%)	FY18	FY19	FY20
Value distributed for salaries and benefits	13.7	13.1	12.3
Value distributed for operational costs	83.4	85.3	83.6
Value distributed for other payments (capital suppliers, PA, local communities...)	2.9	1.6	4.1



Deltafina's personnel

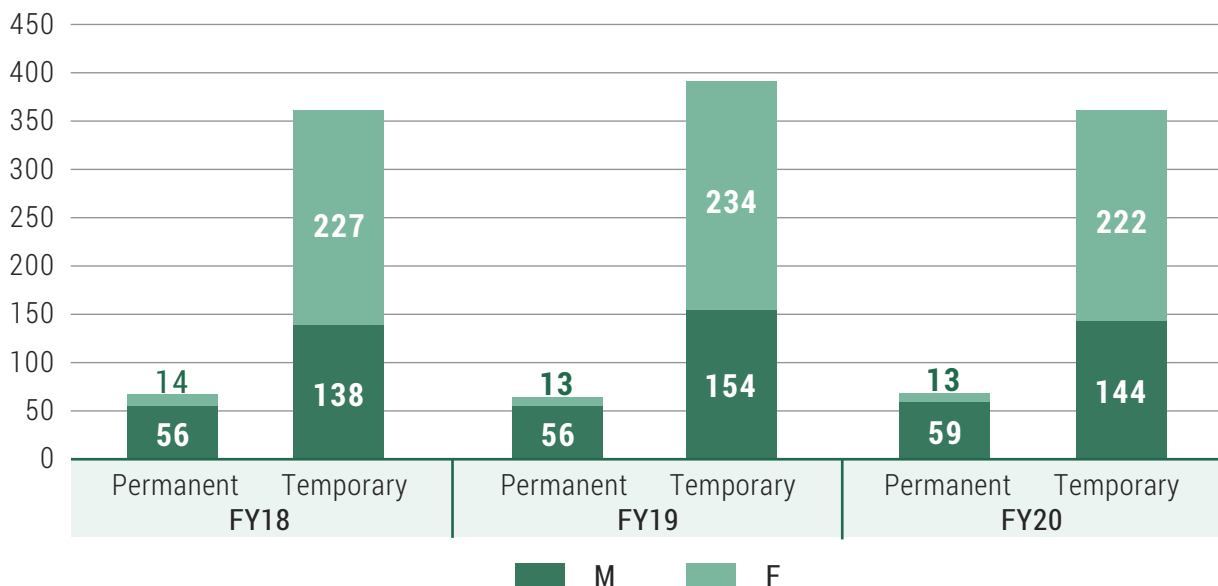
The number of people directly employed by Deltafina at the end of the Fiscal Year was 438. These employees work in the fields (leaf technicians and agronomists), in the factories (permanent and seasonal employees) and in our offices (administration and general services). We are proud of our strong employee retention rate, as we believe it directly reflects the positive and inclusive approach adopted by the company.

Deltafina is one of the major sources of employment in the communities where we operate. Beginning with seasonal employment, workers have opportunities to develop their skills and build careers in the tobacco industry.

We apply high standards to our direct employees as well as our farmers and their employees. All our employees, both seasonal and permanent, are paid above the minimum wage and are contracted under a collective bargaining agreement discussed and signed with the Italian primary processor association (APTI) and three national labor unions. We support the workers' basic labor rights of freedom of association, of forming unions and of bargaining collectively.

Deltafina has an efficient organizational structure with 72 permanent and 366 seasonal employees (as of the end of fiscal year 2020). The company hires seasonal employees every year because the factories' activities are linked to the seasonality of the tobacco crop. Manufacturer demand determines the size of the crop and, in turn, the volume of the tobacco processed and the number of employees.

Deltafina employees by type of contract and gender



Employee training and benefits

At Deltafina, permanent and seasonal workers receive the same treatment and have the same rights and benefits.

Most of the training during the last Fiscal Years concerned Health and Safety, Privacy and IT:

Fiscal Year	FY19	FY20
Number of courses	88	117

In May 2020, the Deltafina Board of Directors distributed a questionnaire to employees asking their opinions about some important aspects of the company. In total, 152 employees participated by answering the 12-question survey. Based on the results accomplished, the company decided to present to the management of each department, a series of actions to undertake, in order to improve the main activities and aspects of the company.



Sustainable Tobacco Programme (STP)

The Sustainable Tobacco Programme (STP) is an industry initiative developed by manufacturers that encompasses critical guiding principles and standards to which tobacco should be grown and processed. The Sustainable Tobacco Programme (STP) is an industry-wide initiative that focuses on several topics associated with tobacco production, from environmental to human rights issues. The program is currently undergoing revision with a stronger focus on impact, risk assessment and continuous improvement. Deltafina has participated in the process for program revision and looks forward to continuing to support the program in the future. The previous program focused on two areas – Agronomy and Processing – with four pillars each:



Each pillar has a set of:

- ◆ **Guiding Principles:** short statements that guide the farmers and Deltafina towards the sustainability of tobacco production;
- ◆ **Criteria:** used to measure how well the best practices on farms or at Deltafina’s facilities aligned with the specific Guiding Principles.

Historically, Deltafina has used STP to identify areas of improvement, specific action plans and timelines and specific improvement targets.

“Success doesn’t depend on the starting point; rather it will be measured by the progress made over time.”

Agronomy Pillars	Processing Pillars
Governance	Governance
Crop	Facilities
Environment	Environment
People	People

Based on the STP guidance, Deltafina created an STP Steering Committee, composed of Deltafina's Board of Directors, two STP Coordinators (Agronomy and Processing Coordinator) and the STP Country Team, in order to define roles and responsibilities for the effective implementation of the STP.

The STP Steering Committee is responsible for:

- ◆ providing guidance;
- ◆ allocating human resources;
- ◆ verifying the right order of priorities; and
- ◆ engaging with external stakeholders.

The STP Coordinators are responsible for:

- ◆ coordinating with the STP Country Team; and
- ◆ driving the implementation of the STP and continuous improvement.



The STP Country Team communicates regularly in order to plan, coordinate and manage all activities relating to the STP, including:

- ◆ reviewing and approving the STP online self-assessment;
- ◆ ensuring that issues are correctly recorded and addressed;
- ◆ monitoring the implementation of recommended actions; and
- ◆ passing any issues that it cannot resolve to the STP Steering Committee.

Deltafina within the Universal Group has the responsibility of collecting and consolidating the STP performance data of Italy, Hungary, Spain and Poland.

The evaluation concerning the Agronomy Pillars and Processing Pillars showed overall positive results, with minor areas for improvement. Deltafina's self-assessment has been reviewed by the independent auditor (last on June 2018) using evidence collected in the Bastia Umbra and Francolise factories and during farm visits to 20 Burley farms (in the Caserta and Benevento Region) and 16 Virginia farms (in the Umbria Region). The best performances were achieved in the People and Governance pillars.

Based on the external audit evaluation, Deltafina achieved the following results for each pillar:

Governance

Deltafina embedded within its business practices the processes necessary for the successful implementation of the STP and the maintenance of the STP's integrity and credibility through the Guiding Principles, procedures, Business Integrity and Company Policies.

Facility

Deltafina successfully implemented the procedures related to Health & Safety, Hygiene, NTRM, Permits and Certification in its facilities respecting all the criteria required by the STP guide.

Crop

Deltafina implemented and managed all Good Agricultural Practices, which result in tobacco that is sustainable and traceable, and has the right quality, style and integrity to meet both regulatory and STP Manufacturer requirements.

Environment

Deltafina worked with farmers to produce tobacco and workers to process tobacco with the minimum possible adverse impact on the environment, considering the impact of tobacco production in the context of both the local environment (e.g., natural resource and waste management) and potential wider effects (e.g., climate change).

Deltafina also adopted a program in order to reduce the Greenhouse Gas (GHG) Emissions from tobacco processing and a sustainable recycling waste program.

People

Deltafina ensured through its business practices that the safety and labor rights of permanent and temporary employees working on farms and in its facilities are protected. Additionally, based on the ALP program, Deltafina ensured the fight against child labor, the workers' rights to freedom of association, a safe working environment and fair treatment.

The People Pillar is an integral part of STP and supports this objective by defining the labor practices, principles and standards expected to be met on all tobacco farms and facilities.

Deltafina will continue to adapt to new program updates, so that we may continue our culture of sustainable production.

Promoting the culture of sustainability

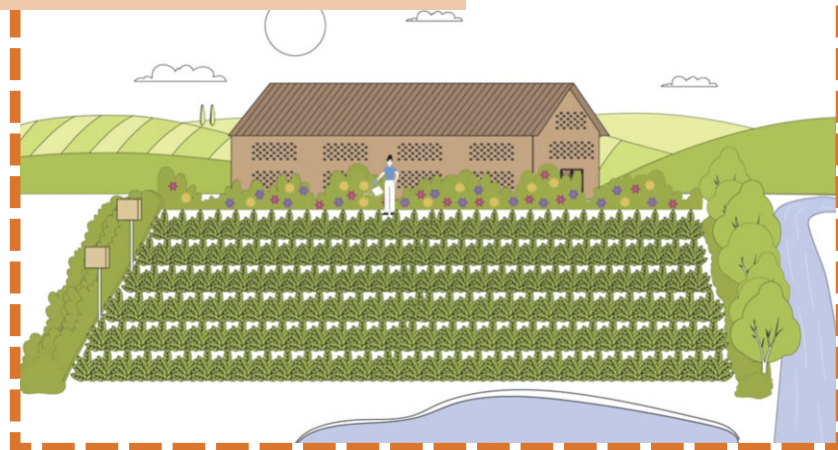
Biodiversity is among the many initiatives pursued by Deltafina to reinforce the culture of sustainability, in line with the STP principles. Biodiversity is a fundamental element that guarantees the sustainability of agriculture over time.

Deltafina collaborated with Fundación Global Nature and Ibertabaco (the Spanish farmers' association) to produce a video comparing two farms: one adopting conventional agriculture practices and one using an integrated pest management approach that safeguards biodiversity around the field. The video explains to farmers and stakeholders that the farm using integrated pest management practices gains productivity and vitality in the long term.

Other initiatives promoted by Deltafina include distributing posters and publications to train farmers in adopting sustainable agricultural practices that respect the environment as well as the people working in the tobacco fields.

For Deltafina, a high-quality product is one that ensures not only optimum physical and chemical intrinsic characteristics, but one that is produced at high standards from social, ethical and sustainability aspects.

The video is available at:
https://www.youtube.com/watch?v=_dpM66HNZsg&feature=youtu.be



GAP: Good Agricultural Practices

In order to achieve an efficient, quality and competitive product as well as to reduce the impact on the environment, Deltafina follows Good Agricultural Practices (GAP). The GAP program is a set of rules and guidelines with the goals of conserving soil and water, protecting the environment and other natural resources, and improving the well-being of tobacco growers.

Deltafina has developed a list of best practices that are shared and continuously reviewed and discussed with field technicians, growers' associations and farmers. The practices are implemented every crop year and carefully monitored and evaluated following defined key indicators.

In order to ensure the best final product quality and help minimize the impacts on the environment, Deltafina organizes training sessions with farmers and field technicians in each growing area (5 sessions in FY 2020). These are designed to reinforce awareness among farmers of how to protect the environment as well as positively impact the local community.

Our field technicians travel throughout the growing areas to monitor farmers' practices that focus on maintaining profitability, improving agricultural practices, and delivering a sustainable, compliant product to our customers.

In FY 2020, Deltafina decreased the total number of these visits regarding flue-cured Virginia (FCV) and Burley (BLY), because the number of farmers contracted during the Crop 2019 was lower than Crop 2018. In addition to the data collected through Mobileaf™, further information was collected through personal interviews.



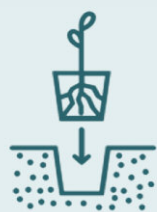
Visits to farmers			
Crop Year	Crop 2017	Crop 2018	Crop 2019
Number of visits FCV	1,029	1,106	730
Number of visits BLY	2,146	2,663	2,024
Average number of visits per farmer	8.4	7.9	6.7

Soil fertility protection and management

Soil cultivation should reduce environmental impacts, ensure adequate use of natural resources, and minimize the risks linked to soil degradation and low fertility. Deltafina's Agronomy Department encourages farmers and association technicians to undertake soil analyses and activities in the farms, including:



1. soil analysis at least every three years, conducted according to official soil chemistry analysis methods published by the Italian Society of Soil Science (S.I.S.S.);



2. soil nutrient management using appropriate types and amounts of manure and fertilizers, applied according to soil analysis results with attention to water pollution risk; and



3. respect for current laws and regulations and the use of a soil and water preservation plan, implemented by Deltafina to give farmers another tool for success in tobacco growing.

Soil preparation and tobacco transplanting

The appropriate seeds and varieties are selected and grown in seedbeds. Farmers prepare the soil and transplant tobacco plants in order to maximize growth and obtain a uniform crop. This practice optimizes usage of chemicals and minimizes crop diseases.

The correct usage of plant protection products

Cultivation practices are selected through collaboration between Deltafina, tobacco producer groups and farmers. This process is crucial to minimizing the use of agrochemicals and maximizing plant protection. Deltafina's efforts are guided by continual research by the Agronomy Department and with communication with growers to ensure alignment with national guidelines related to biodiversity and to operator health. All growers are required to use only agrochemical products registered in Italy for tobacco and must strictly follow the product labels. When agrochemicals are necessary, growers are encouraged to adopt the use of those with the lowest toxicological class and declared not harmful for beneficial insects such as bees or ladybugs. All operators handling agrochemical products must have a license issued by relevant authorities and utilize the proper personal protection equipment (PPE) provided by Deltafina. The products must then be stored in a suitable space in an appropriate container with correct labeling, to which only authorized trained personnel have access. Waste products from usage are designated as special waste and must be disposed according to regulation.

This interaction between Deltafina and farmers and continuous monitoring activities ensure compliance with applicable laws and regulations, and reduce the use of agrochemicals, thus playing an important role in environmental protection and on workers' health and safety.

Deltafina rules are more stringent than regulations regarding maximum residue limits (MRLs) of plant protection products and residue levels.

ALP: Agricultural Labor Practices

Our commitment to workers goes beyond our direct employees. Most workers in the tobacco chain are concentrated on the farms. We use significant resources to ensure safe, ethical and sustainable labor practices throughout our supply chain.

These sustainable labor practices are defined in the Universal Group ALP principles-seven principles and 32 measurable standards that must be observed and respected by all the members in the tobacco supply chain.



ALP 7 principles are:

	Child labor	there shall be no child labor;
	Income and work hours	workers shall not work excessive or illegal work hours;
	Fair treatment	farmers shall ensure fair treatment of workers;
	Forced labor	there shall be no forced labor;
	Safe environment	farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks;
	Freedom of association	farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively;
	Compliance with the law	farmers shall comply with all laws of their country relating to employment.

- ◆ The first ALP principle refers to child labor as protecting children from child labor is of utmost importance. According to Italian law, strong regulations exist against child labor.
- ◆ Every worker receives a fair salary and it is part of our business integrity to create a fair system in the supply chain.
- ◆ While Deltafina does not have its own grievance mechanism, workers in tobacco fields have access to a government grievance mechanism. If reported, the government is compelled to investigate an issue to ensure that Italian work and wage laws are enforced. Universal Corporation also maintains a 24-hour hotline that is available in multiple languages, including Italian, to anyone to call and report issues in any part of our supply chain.
- ◆ No one should work under bond, debt or threat, and all workers are free to leave their employment at any time with reasonable notice.
- ◆ In a continuous cooperation with all stakeholders, Deltafina works to prevent and mitigate risks related to health and safety in the tobacco fields. Deltafina is continuously monitoring and auditing growers, training field technicians and providing recommendations to farmers to reinforce actions and improve health and safety conditions in the fields.
- ◆ Deltafina also monitors farmers to ensure that they respect their workers' basic rights to join associations, organizations and unions, and bargain collectively. Worker representatives have the right to carry out their representative functions in the workplaces. Deltafina in close

collaboration with technicians and farmers ensures that workers are informed of their legal rights and the conditions of their employment when they start to work.

- ◆ Farmers and workers enter into written employment contracts. The company every year at the beginning of the season carries out a training aimed at technicians to reinforce the message on the ALP Code. In addition, various presentations are delivered to our leaf technicians to emphasize the importance of our cooperative work with the farmer and the technology available to help with ALP monitoring and reporting.

All agreements established between Deltafina and the Producers Group or Italian Third Parties include human rights clauses, according to the seven ALP principles.

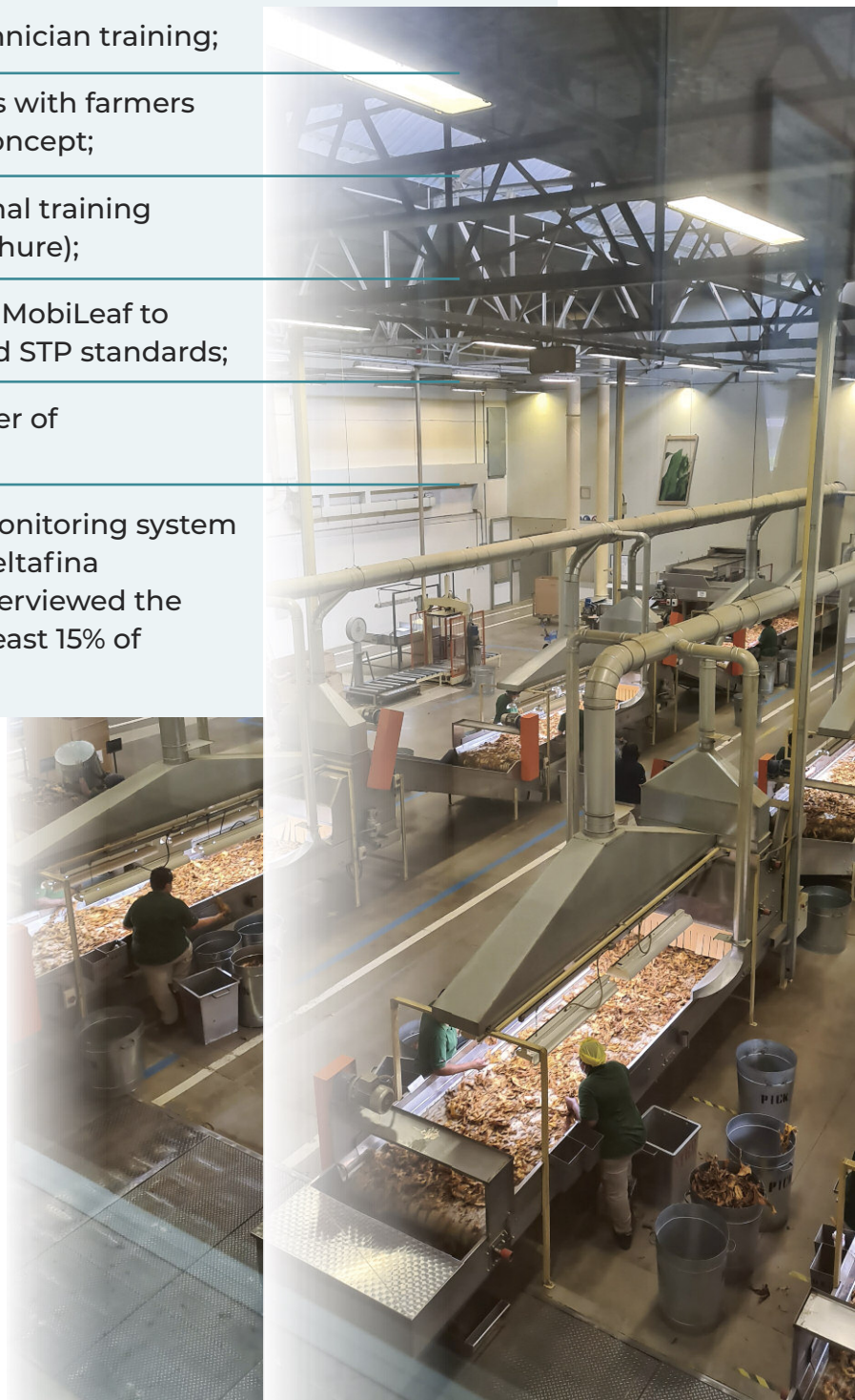
The implementation of ALP on the farms is a significant cultural challenge since the tobacco cultivation is a sector with long lasting traditions. Deltafina has implemented a training program that includes meetings with technicians and growers, to explain rules and laws regarding labor practices according to ALP standards. Field technicians, during their field visits, are responsible for monitoring, detecting and reporting any non-conformities with the ALP principles.

Thanks to the implementation of ALP, workers in the tobacco fields in Italy have now achieved better working conditions both compared to tobacco growers from other parts of the world and compared to Italian growers of other types of crops.

All Universal Group companies apply the ALP program, assuring purchased tobacco respects ALP principles.

During FY2020 Deltafina has reinforced the ALP program implementing the following actions:

- ◆ increasing field technician training;
- ◆ increasing meetings with farmers stressing the ALP concept;
- ◆ provision of additional training materials (new brochure);
- ◆ working to improve MobiLeaf to align it with ALP and STP standards;
- ◆ doubling the number of unannounced visits;
- ◆ creation of a new monitoring system that covers labor. Deltafina Agronomy Dept. interviewed the farm workers of at least 15% of farmers.



Below the ALP poster of Universal Leaf Tobacco Hungary.



Universal
ULT MAGYARORSZÁG KFT.

JÓ MEZŐGAZDASÁGI FOGLALKOZTATÁSI GYAKORLATOK ALAPELVEI



NYIDOTER KFT.
NYÍRSÉGI
DOHÁNY
TERMELŐI CSOPORT

1. GYEREKMUNKA

1. **TILOS** a gyermekmunka. Fiatalkorú foglalkoztatásának alsó korhatára **16 év.** (tankötelezettség vége)
2. Termelő segítő családtagja lehet fiatalabb, de kizárólag **KÖNNYŰ MUNKÁT** végezhet felnőtt felügyeletével.
3. 18 év alatti személy nem végezhet **VESZÉLYES MUNKÁT.**



2. FIZETÉS ÉS MUNKAI DŐ



1. Fizetés eléri az érvényes minimálbér mértékét.
2. Fizetés **rendszeresen**, előre megállapodott időben.
3. **Ledolgozott munkaidő** a törvény szerint.
4. A túlórázás **önkéntes** alapú.
5. A túlórát a törvényben meghatározott pótlékkal fizetik.
6. Garantálják a törvény által meghatározott szabadnapot és juttatásokat.

3. TISZTESSÉGES BÁNÁSMÓD

1. Nincs **fizikai** bántalmazás.
2. Nincs **szexuális** zaklatás.
3. Nincs **szóbeli** fenyegetés.
4. Nincs semmilyen alapon történő **diszkrimináció.**
5. Átlátható és névtelen **panaszbejelentés** lehetősége sérelem esetén.



4. KÉNYSZERMUNKA ÉS EMBERKERESKEDELEM

1. Munkavállalás **önkéntes** alapon történik
2. Dolgozók bármikor **szabadon** kiléphetnek a munkahelyükről.
3. A termelő nem kér **pénzbeli** letétet a foglalkoztatás kezdetekor.
4. A termelő **nem tartja** vissza a **fizetés** semmilyen indokkal.
5. A termelő **nem tartja** magánál a dolgozó **személyi** iratait.
6. **Tilos** a kényszermunka bármilyen formája.



5. BIZTONSÁGOS MUNKAKÖRNYEZET

1. A termelő megtesz minden lehetséges intézkedést a **biztonságos** munkakörnyezet biztosítása és a **balesetek kockázatának csökkentése** érdekében.
2. A dolgozók megfelelő képzést kapnak a **zöld dohánybetegségről (GTS.)**
3. **Növényvédő szereket** csak a törvény által előírt megfelelő képzés után és **egyéni védőeszközt** viselve kezelnek.
4. Permetezés után betartják az előírt **várakozási időt.**
5. A munkahely közelében biztosítanak **ívó- és mosakodó vizet.**
6. A törvény követelményeinek **megfelelő szálláshelyet** biztosítanak.





6. EGYESÜLÉSI SZABADSÁG

1. Tiszteletben tartják a munkavállaló **kollektív érdekvédelmi** jogát.
2. A munkavállalónak **szabadon** jogában áll bármely szakszervezethez **csatlakozni.**
3. **Nincs hátrányos megkülönböztetés** a munkavállalói képviselőt ellátó dolgozókkal szemben.



7. TÖRVÉNYEKNEK VALÓ MEGFELELÉS






1. A munka **megkezdése előtt** tájékoztatják a munkavállalókat **jogaikról** és megállapodnak az **alkalmazás feltételeiben.**
2. Mezőgazdasági idénymunka esetén a **munkaszerződés szóban** vagy **írásban** köthető.
3. A munkaszerződés feltételei nem lehetnek ellentétesek a Munka Törvénykönyvével.



Below the ALP poster of Taes Slu (Spain).



Programa ALP "Derechos y obligaciones de los trabajadores"



1.- Edad mínima para trabajar.

- ❖ **16 años (sólo trabajos ligeros)**

No pueden trabajar en horario nocturno, ni hacer horas extras, ni trabajos pesados o peligrosos...

- ❖ **18 años**


Pueden realizar cualquier actividad.

2.- Salario mínimo.

Extremadura

- El convenio del campo de establece un salario mínimo para los trabajadores eventuales del sector en 2019 de:

6.92 € / hora






3.- Horas de trabajo.



Se establece por el convenio del campo que:

- La jornada laboral: **39 horas semanales máximo.**
- Distribuidas de lunes a sábado: **9 horas diarias máximo.**

4.- Consultas y reclamaciones.

Para cualquier consulta, aclaración o reclamación, respecto a las cuestiones laborales, diríjase:






- O buzón de SUGERENCIAS de la página web de IBERTABACO, www.ibertabaco.com

5.- Horas extras.

Si fuese necesario realizar horas extras:



↑ 75%

- Durante las **2 horas primeras**

↑ 100%


- A partir de 2h

- Domingos y festivos

6.- Alojamiento de trabajadores.

Si se ofrece alojamiento al empleado:


- **La vivienda debe estar en condiciones adecuadas para el empleado y su familia.**



7.- Contratos.

El convenio del campo de Extremadura dice que:

- **Deberán constar por escrito todos los contratos que superen un mes de vigencia.**



8.- Prevención de riesgos laborales.

Entorno de trabajo seguro e higiénico con medidas de prevención de accidentes y actuaciones frente a ellos.

Teléfono de EMERGENCIAS:

112

Emergencias

Monitoring and traceability data

In FY2020, Deltafina detected 28 Prompt Action Issues and other minor non-conformities, mainly related to workplace health and safety, farm safety and machinery and hand tools. The field technicians discussed all Prompt Actions with the farmers while on the farms, and the issues were either remediated at that time or an Action Plan was developed with the farmer to ensure future compliance. The field technicians performed follow-up visits with the farmers receiving Prompt Action notices to monitor their remediated performance or their implementation of the Action Plans.

During the last crop, Deltafina conducted unannounced visits to 92 growers, which is about 20% of the fields, doubling from the previous year. Those visits were concentrated on the farms where technicians had

previously detected points to improve. Interviews to monitor labor practices were conducted on 69 farms, accounting for 15% of the total.

All data and information gathered during the audit activities is entered into our MobiLeaf™ software. MobiLeaf™ is a mobile software application developed in-house by Universal that allows a thorough tracking of farm data related to the complete life cycle of crops – from plant cultivation and harvesting to compliance with laws and industry standards. The application combines GPS technology with an operating system compatible with most popular mobile and computer technology. This allows Deltafina to inform its management and customers in a timely manner about possible issues.

MobiLeaf™ can be customized to meet the needs of organizations of various sizes and locations. In fact, MobiLeaf™ is also utilized in other countries where Deltafina buys tobacco, including Spain and Hungary.

- ◆ Cultivation & Harvesting Data – MobiLeaf™ is a tool for real-time tracking of cultivation and harvesting data including plot sizes and dimensions, plot soil analyses, plant spacing information crop, irrigation and rainfall information, input information, crop maturity information, crop yield estimates and actual crop yields.
- ◆ Compliance Data - Universal's commitment to be a responsible participant in the communities in which it operates has been incorporated into MobiLeaf's™ development. MobiLeaf™ tracks data related to Agricultural Labor Practices (ALP), Good Agricultural Practices (GAP), anti-corruption laws such as the Foreign Corrupt Practices Act (FCPA), local government regulations, social and labor issues and other social responsibility programs.
- ◆ Accuracy & Efficiency - As MobiLeaf™ is a mobile application, farm data can be entered on-site, thereby increasing accuracy and eliminating the need to re-record data later.



Factory processing in Bastia Umbra and Francolise plants

Deltafina's history dates back to the Bastia Umbra plant construction between 1936 and 1939 by Francesco Giontella where a cigar tobacco variety (Kentucky) was produced. After suffering considerable damages during the Second World War, the factory was rebuilt and enlarged. In the early 1960s, the plant was sold to the Dutch company Deli Maatschappij. It was sold again in 1964 to the American Universal Leaf Tobacco Company with the name of Deltafina. In the following years, investments were made in research and new tobacco-processing systems. In 1982, the plant production was moved to the new factory in Ospedalichio, and has since been considered as one of the biggest and most innovative in Europe.

At the end of the 1960s, Deltafina invested in the Campania region, opening a factory in Presenzano. Following the increase of tobacco cultivation in the area, an increase in processing was consequently needed. For this reason, in 1971, Deltafina invested in a new plant in Francolise, Caserta. Since 1974, the factory has performed basic tobacco processing, consisting of blending, drying and packing. In the same years, a threshing line was incorporated in order to provide complete processing services.

Bastia Umbra Factory

- ◆ Factory of **32,000** square meters
- ◆ Processing about **11,000** kilograms of tobacco per hour
- ◆ Technologically advanced
- ◆ NTRM removal devices on the processing line
- ◆ Main tobacco type processed: **Virginia**



Francolise Factory



- ◆ Factory of **24,000** square meters
- ◆ Processing about **8,500** kilograms of tobacco per hour
- ◆ First tobacco factory in Europe to use innovative technological systems
- ◆ Strategic positioning with respect to burley production area and main ports
- ◆ NTRM removal devices and customized projects to eliminate NTRM
- ◆ Main tobacco type processed: **Burley**

Deltafina Certifications

- ▶ Quality Management System according to UNI EN 9001 standard
- ▶ Quality Environmental Management according to UNI EN ISO 14001 standard
- ▶ Health and Safety at Work Management System according to BS OHSAS 18001 standard

The main activity in Deltafina's factories is the threshing of tobacco leaves, an industrial process that mechanically separates the stems from the leaves. The processing line can be described as follows:

1. Feeding line
2. Direct conditioning cylinder (DCC)
3. Blending silos
4. Picking : Visual evaluation and control of the tobacco leaves
5. Ordering cylinder prior to threshing
6. Threshing line
- 7 Re-dryer
8. Packing
9. Quality control
10. Storage and shipping



The tobacco blends are delivered to manufacturers, which produce cigars, cigarettes and other similar products to be distributed through wholesale and retail sales channels and to finally reach consumers.

In Bastia Umbra factory there is also the Blended Strips Operation processing line, where different flavorings may be added to the blends according to client request.



Health and Safety

Deltafina pays the utmost attention to the health and safety of employees and workers in its facilities. The goal is to achieve zero harm, and there are programs in place to maintain high safety standards. Each employee is responsible for complying with Environment, Health, and Safety (EHS) policies, standards and guidelines.

The Universal Group is strongly committed to health and safety standards and has established the Health & Safety Regional Committee, which monitors the performance of all subsidiaries and shares best practices on a global level. Deltafina is a contributing member of this committee.

In line with its parent company, Deltafina established its own Health and Safety Committee, composed of the Factory Manager, a third party Responsible for Protection and Prevention (RSPP), the occupational medical doctor and a worker representative. The committee meets at least once a month or ad hoc to discuss Deltafina's Health and Safety topics. Once a year the committee analyzes the health and safety performance of the factories.

The integrated management system certified under the BS OHSAS 18001 standard (currently evolving towards the newer UNI EN ISO 45001 standard) allows Deltafina to systematically support the relevant aspects concerning occupational health and safety. The certification covers all workers and activities implemented by and within the company.

Workers are encouraged to actively participate and contribute to the development and improvement of the occupational health and safety management system and to share experiences, communicate their own mistakes and report near misses and accidents.

During training sessions, the RSPP updates employees on the development of the most relevant concerns regarding health and safety at work.

Deltafina promotes a safety culture by seeking to reduce risks and providing personal protection equipment (PPE) where needed.

A cloud-based software application called Velocity EHS has been implemented worldwide by the Universal Group to collect and report Health and Safety data, including accidents, near misses and corrective actions.

An occupational doctor performs regular health checks of all employees and conducts drug and alcohol tests for workers in charge of specific tasks, such as drivers. Through those checks, the company can evaluate compatibility between workers' test results and specific tasks and workplaces in order to protect the safety conditions of employees.

The company organizes health and safety training sessions for employees, and the doctor trains and prepares a first aid team. All workplaces are equipped with first aid supplies and automated external defibrillators (AEDs), which personnel have been trained to use.

In Italy, access to non-occupational medical and healthcare services is granted by the national welfare system. In addition to this, the current labor contract includes the possibility for Deltafina employees (both permanent and temporary) to access additional medical services through a health fund.

All Deltafina employees and third-party workers on the premises are covered by the internal Health & Safety management system.

Deltafina strives to keep the number of injuries to zero and to minimize the consequences of those that do occur by applying appropriate procedures and corrective actions as well as conducting risk assessments.

The following data shows work-related injuries in our factories. The percentage is calculated using a reference of 200,000 hours worked.

Work-related injuries (data referred to all employees)	Unit of measurement	FY2018	FY2019	FY2020
Fatalities as a result of work-related injury	n.	0	0	0
	%	0%	0%	0%
High-consequence work-related injuries (exclude fatalities; include injuries as a result of commuting incidents only where the transport has been organized by the organization)	n.	0	0	0
	%	0%	0%	0%
Recordable work-related injuries (include fatalities as a result of work-related injury; include injuries as a result of commuting incidents only where the transport has been organized by the organization)	n.	6	2	3
	%	2.27	0.70	1.3
The number of hours worked	n.	527,551	572,050	448,620

The COVID-19 pandemic has created significant concerns and disruptions with closures of factories and offices and restrictions on transport and travel producing an impact in our operations.

All managerial and administrative activities were provided remotely, thanks to the investments made in recent years in digitization, which have equipped the employees with tools suitable for remote work.

The impact and duration of the pandemic is unpredictable as it depends on factors that are out of our control and meanwhile the most we can do is to take care of our people, creating protocols that protect the safety and health of the communities where we operate and secure an economic and substantial continuity of our activity.

Certifications

Deltafina adopted a Quality, Environment and Health & Safety integrated management system to effectively and efficiently manage and control all significant areas of business. The system is certified under the following standards:

- ◆ UNI EN ISO 9001:2015: Quality Management System;
- ◆ UNI EN ISO 14001:2015: Environmental Management System; and
- ◆ BS OHSAS 18001:2007: Health and Safety at Work Management System.

On July 2020, Deltafina started the activities to update its Health & Safety certification from BS OHSAS 18001 to the UNI EN ISO 45001.

Last year, the company reviewed and updated its integrated policies on quality, environment and safety in order to reinforce its commitment to STP requirements.

Deltafina is firmly committed to measuring, monitoring and continuously improving its management systems with respect to quality, environmental, and health & safety.

To promote and encourage this vision across the entire organization and with our stakeholders, Deltafina maintains organizational objectives based on:

◆ **Focus on the interested parties** to proactively manage the interests of the supply chain

◆ **Applicable legal requirements and business ethics** including compliance with laws and regulations and to the Universal Code of Conduct

◆ **Pollution prevention** and environmental stewardship through the identification and monitoring of environmental impacts

◆ **Prevention of accidents and work-related illnesses** through the continuous monitoring of risk factors

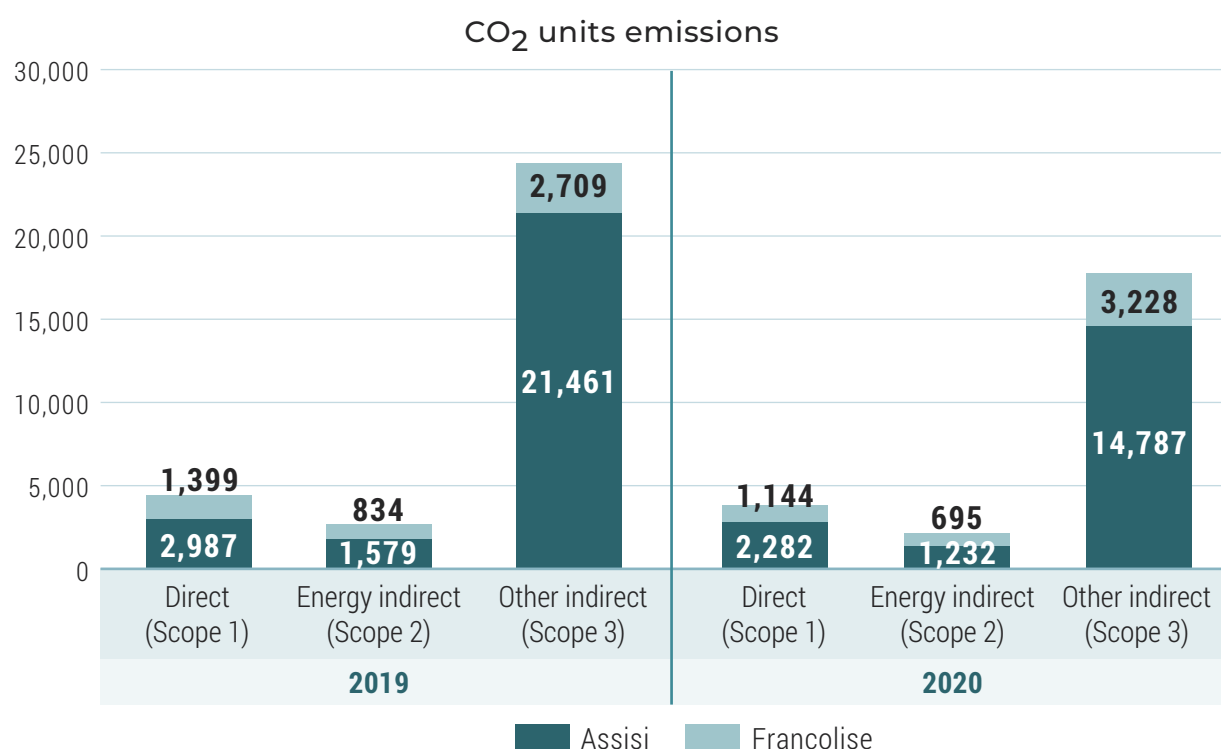
◆ **Employee personal and professional development** through training and knowledge transfer of roles

◆ **Supplier relationships** that contribute to mutual benefits and improvement

◆ **Social responsibility** in the communities where Deltafina operates

GHG emissions

Deltafina monitors greenhouse gas emissions associated with the activity of its factories according to ISO 14001. CO₂ – equivalent (CO₂e) emissions (direct and indirect) amounted to 23,368 tons in 2020, with a reduction of 32.5% from the prior year. This significant decrease is to a great extent related to the COVID-19 related shutdown of the factories at the end of the Fiscal Year.



The following table shows the list of emission sources considered by scope. All Scope 3 emissions are linked to the activities carried out by the farmers.

Scope 1	Scope 2	Scope 3
All Direct Emissions <ul style="list-style-type: none"> • Cars • Industrial/Commercial equipment • Natural gas 	Energy Indirect Emissions <ul style="list-style-type: none"> • Emissions created during the production of the energy used by the organization 	All Other Indirect Emissions (*) <ul style="list-style-type: none"> • Electricity • Natural gas • Other fuel(s) • Agricultural equipment • Fertilizer application • Road freight, whole vehicle (km factors)

* associated with farm activities/curing

Recyclable Waste Program

Deltafina developed a plan to control and manage waste resulting from production and support activities. The factory management teams are responsible for monitoring and limiting waste generation. Specific attention is given to waste disposal, trying to maximize the amount of waste sent to recovery and recycling, as well as reducing the production of hazardous waste.

The program's targets include:

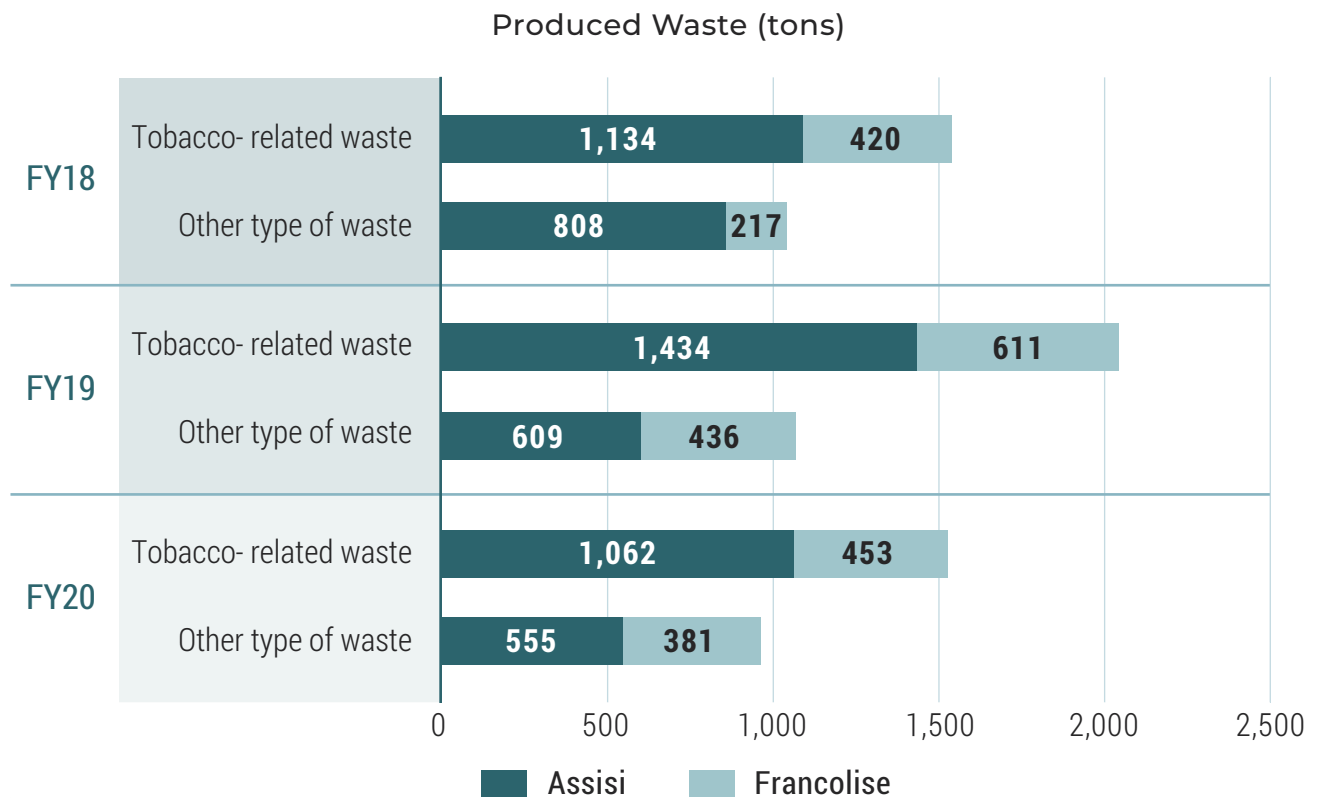
- ◆ ensuring legal compliance;
- ◆ controlling environmental impacts;
- ◆ verifying authorization of transport and waste disposal service providers; and
- ◆ governing the operational and administrative aspects of the environmental policy.

The waste is categorized according to the European Waste Catalogue (E.W.C.) and is stored in temporary deposit locations to await certified transporters. In 2020, 2,451 tons of waste were produced, 98% of which were recycled.

The majority of waste is recyclable because the largest categories are tobacco residues (which are natural materials that are easily recovered for composting) and paper (the recovery of which has saved the felling of 5,944 trees, contributing to the preservation of the environment).

Regarding the waste program, one of the Deltafina's main targets is to move to a circular economy in the whole production cycle.





In FY 2020 Deltafina joined, in the administrative office in Rome, the plastic free campaign promoted by the Ministry of the Environment, which operates under the following guidelines:

- ◆ Application of the 4 R: reduce, reuse, recycle, recover;
- ◆ Dismissal of plastic bottles and replacement with tap water dispensers connected to the water mains;
- ◆ Dismissal of single-use plastic items such as cups, spoons, straws and plastic stirrers;
- ◆ Restricted use of packed products (snacks, biscuits, packaged fruit juices), promoting freshly squeezed juices, centrifuges and smoothies;
- ◆ Provision of or encouragement for employees to bring their own cup or water bottle for hot and cold drinks;
- ◆ Removal of plastic products at corporate events and / or meetings.

Methodological note

The fourth edition of Deltafina's Sustainability Report, published annually by Deltafina, is intended to transparently communicate the company's performance from an economic, social and environmental point of view, as well as to disclose the main activities and annual results.

Data in this document refers to fiscal year 2020 (1 April 2019 - 31 March 2020) of Deltafina Srl, according to the financial cycle of the company.

The Sustainability Report has been prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI "Core" option). Published data from previous years has not been changed and data limitations are clearly indicated in the document where applicable.

The document has not been subjected to external review. The Sustainability Report was approved by the Deltafina Board of Directors before external publication.

Further information and questions about this document can be requested from:

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GRI Content Index

GRI 101: Foundation 2016					
General Disclosures					
Standard GRI	Disclosure GRI	References and notes	Page	Omissions	
GRI 102: General Disclosures 2016	Organizational profile				
	102-1	Name of the organization	• "Methodological Note"	47	–
	102-2	Activities, brands, products, and services	• The model of Deltafina in the italian tobacco sector	10	–
	102-3	Location of headquarters	• "Methodological Note"	47	–
	102-4	Location of operations	• Bastia Umbra and Francolise	39	–
	102-5	Ownership and legal form	• The model of Deltafina in the italian tobacco sector	10	–
	102-6	Markets served	• The model of Deltafina in the italian tobacco sector	10	–
	102-7	Scale of the organization	• The model of Deltafina in the italian tobacco sector	10	–
	102-8	Information on employees and other workers	• The model of Deltafina in the italian tobacco sector • Our people	10 25	– –
	102-9	Supply chain	• "The supply chain – a common goal"	16	–
	102-10	Significant changes to the organization and its supply chain	• "The supply chain – a common goal"	16	–
	102-11	Precautionary Principle or approach	• The precautionary principle is included in the Good Agricultural Practices that Deltafina shares with its tobacco suppliers	31	–
	102-12	External initiatives	• "Certifications" • "STP: Sustainable Tobacco Programme - Introduction to the programme"	43 27	– –
	102-13	Membership of associations	• "Governance"	20	–
	Strategy				
	102-14	Statement from senior decision-maker	• "Interview to Domenico Cardinali, President of Deltafina"	5	–
Ethics and integrity					
102-16	Values, principles, standards, and norms of behavior	• The model of Deltafina in the italian tobacco sector	10	–	
Governance					
102-18	Governance structure	• "Governance"	20	–	

Standard GRI	Disclosure GRI	References and notes	Page	Omissions
GRI 102: General Disclosures 2016	Stakeholder engagement			
	102-40 List of stakeholder groups	• "Stakeholders"	11	–
	102-41 Collective bargaining agreements	• Deltafina's personnel	25	–
	102-42 Identifying and selecting stakeholders	• "Stakeholders"	11	–
	102-43 Approach to stakeholder engagement	• "Stakeholders"	11	–
	102-44 Key topics and concerns raised	• "Stakeholders"	11	–
	Reporting practice			
	102-45 Entities included in the consolidated financial statements	• "Methodological Note"	47	–
	102-46 Defining report content and topic Boundaries	• "Stakeholders"	11	–
	102-47 List of material topics	• "Stakeholders"	11	–
	102-48 Restatements of information	• "Methodological Note"	47	–
	102-49 Changes in reporting	• "Methodological Note"	47	–
	102-50 Reporting period	• "Methodological Note"	47	–
	102-51 Date of most recent report	• "Methodological Note"	47	–
	102-52 Reporting cycle	• "Methodological Note"	47	–
	102-53 Contact point for questions regarding the report	• "Methodological Note"	47	–
	102-54 Claims of reporting in accordance with the GRI Standards	• "Methodological Note"	47	–
	102-55 GRI content index	• "GRI Content Index"	48	–
102-56 External assurance	• "Methodological Note"	47	–	

Economic value generated and distributed			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	• "Economic results" • "Stakeholder" (103-1 b)	24	–
103-2 The management approach and its components		11	–
103-3 Evaluation of the management approach			
201-1 Direct economic value generated and distributed	• "Economic results"	24	Direct economic value generated is omitted and direct economic value distributed is disclosed partially for confidentiality constraints set by the parent company

Business integrity			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • "Business integrity and Compliance Program" • "Stakeholder" (103-1 b) 	21	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach		11	–
206-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices	<ul style="list-style-type: none"> • "Business integrity and Compliance Program" 	21	–

Compliance with legal requirements			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • "Business integrity and Compliance Program" • "Stakeholder" (103-1 b) 	21	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach		11	–
307-1 Non-compliance with environmental laws and regulations	<ul style="list-style-type: none"> • During the reporting period no sanctions for non-compliance with laws or environmental regulations have been reported 	21	–

Crop health (air, water, soil)			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • "Soil fertility protection and management" • "Stakeholder" (103-1 b) 	32	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach		11	–
308-1 New suppliers that were screened using environmental criteria	<ul style="list-style-type: none"> • "Soil fertility protection and management" 	32	–

Employment			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • "Deltafina's personnel" • "Stakeholder" (103-1 b) 	25	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach		11	–
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	<ul style="list-style-type: none"> • "Employee training and benefits" 	26	–

Employees Health and Safety			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary			
103-2 The management approach and its components			
103-3 Evaluation of the management approach			
403-1 Occupational health and safety management system	• "Health and Safety"	41	–
403-2 Hazard identification, risk assessment, and incident investigation	• "Stakeholder" (103-1 b)	11	–
403-3 Occupational health services			
403-4 Worker participation, consultation, and communication on occupational health and safety			
403-5 Worker training on occupational health and safety			
403-6 Promotion of worker health			
403-8 Workers covered by an occupational health and safety management system	• "Health and Safety"	41	–
403-9 Work-related injuries			

Farm Health and Safety			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	• "ALP: Agricultural Labour Practices"	33	–
103-2 The management approach and its components	• "Stakeholder" (103-1 b)	11	–
103-3 Evaluation of the management approach			
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	• "ALP: Agricultural Labour Practices"	33	Disclosure partially reported

Voluntary Compliance			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	• "Certifications"	43	–
103-2 The management approach and its components	• "Stakeholder" (103-1 b)	11	–
103-3 Evaluation of the management approach			
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	• "Certifications"	43	–

Farm workers' rights			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • "ALP: Agricultural Labour Practices" • "Stakeholder" (103-1 b) 	33	–
103-2 The management approach and its components		11	–
103-3 Evaluation of the management approach			
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	• "ALP: Agricultural Labour Practices"	33	Disclosure partially reported
408-1 Operations and suppliers at significant risk for incidents of child labor	• "ALP: Agricultural Labour Practices"	33	Disclosure partially reported
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	• "ALP: Agricultural Labour Practices"	33	Disclosure partially reported
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	• "ALP: Agricultural Labour Practices"	33	Disclosure partially reported

Quality and Traceability of Tobacco Sold			
Disclosure GRI	References and notes	Page	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> • "The supply chain – quality control and traceability" • "Stakeholder" (103-1 b) 	16-18	–
103-2 The management approach and its components		11	–
103-3 Evaluation of the management approach			
(No GRI) Tobacco quality KPI; number of incidents related to quality and traceability of the tobacco sold	<ul style="list-style-type: none"> • "The supply chain – quality control and traceability" • Bastia Umbra and Francolise 	16-18	–
		39	–

The report has been prepared with Ernst & Young's professional assistance



DELTAFINA S.r.l.