



DELTAFINA S.r.l.



Sustainability Report 2022





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

Letter from the President

Dear Stakeholders,

This year has been characterized by new challenges and exceptional events that have affected companies around the world. Just as the worst effects of the pandemic seemed to fade, both the geopolitical tensions in Ukraine and the drought hit tobacco cultivation all over the Europe, which posed challenges. Specifically, Deltafina experienced energy and raw material price increases, supply chain discontinuity and a decrease in the production capacity of tobacco growers, which indirectly led to further impacts in terms of logistics and packaging costs.



Deltafina is working diligently to address these challenges and uncertainties, while focusing our attention both on our business operations and supply chain. Our priority is to enhance the resiliency of our farmers from the most severe impacts of this crisis. In response, we have strengthened the support of our farmers by improving their contractual conditions during the year and by providing economic subsidies. Farmers are the primary stakeholders in our supply chain, and our role is important for their stability. Ultimately, this year represented an opportunity to strengthen our relations with farmers and has enriched our sustainability commitments throughout the supply chain.

Despite challenges, some major accomplishments made fiscal year 2022 a remarkable year. The investment to install a photovoltaic system at the Bastia Umbra plant was approved and the installation will start in 2023. On the reporting side, the materiality analysis was updated in line with the requirements of the new GRI Standards, allowing us to better identify the impacts generated by the company along the value chain. Moreover, environmental reporting was supplemented with two crucial KPIs: waste generation and water consumption. All these elements demonstrate the Company's interest in environmental sustainability.

During this period, we remained focused on the highest quality and integrity of our agronomic practices, by our continued participation in the Sustainable Tobacco Program (STP), as well as our compliance with the principles of Good Agricultural Practices (GAP) and Agricultural Labor Practices (ALP), which are aimed at monitoring the implementation of good cultivation practices and ensuring fair working conditions for all stakeholders in the supply chain.

In conclusion, we finish this fiscal year increasingly motivated to bring sustainability to the very core of our operations and of our business. This sustainability report portrays past, current and future activities that provide insight into Deltafina's future, which makes our company increasingly inclusive, sustainable, and resilient.

Domenico Cardinali
President

Key figures



Over 350
Farmers



More than
45%
tobacco is of
Italian origin



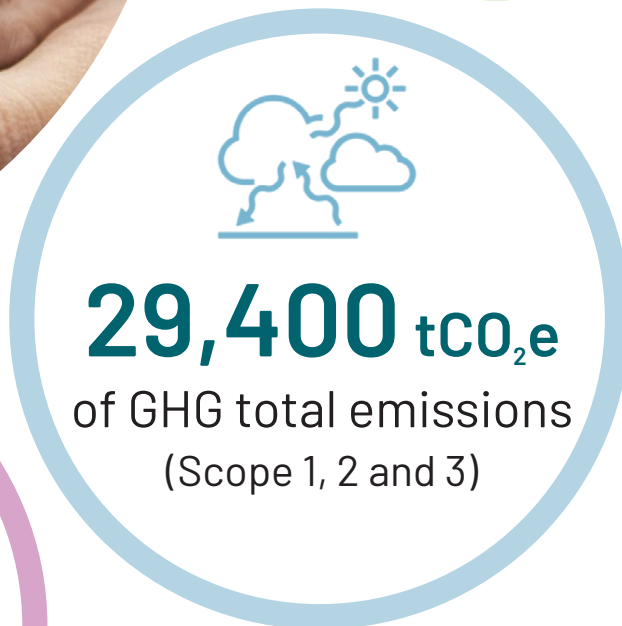
Over 435
Permanent
and seasonal
employees



106 €
million turnover



22,8 mill kg
of tobacco
purchased



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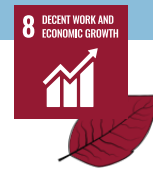
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1. Governance



Deltafina's business model and leadership

Deltafina is a company owned by the multinational Universal Corporation (Universal) the leading global tobacco supplier that sources, processes and supplies agri-products. Deltafina is located in Italy with a corporate office in Rome and two factories, one in Bastia Umbra (PG) and one in Francolise (CE).

Deltafina's primary business consists of purchasing high quality raw tobacco and processing it for sale to manufacturers of consumer tobacco products. The Bastia Umbra factory also houses the **Blended Strip Operation**, created to store and blend tobacco. In addition to processing tobacco purchased directly, Deltafina also processes tobacco for third parties.

Two main tobacco varieties are processed by the organization: the Flue-cured or Virginia Bright (FCV) and the Light air-cured or Burley (BLY). To a lesser extent, the Dark air-cured or Havana (DAC) and Dark fire-cured or Kentucky (DFC) varieties are also processed.

Deltafina exports tobacco to more than 30 countries, keeping a strategic position in the European tobacco market, to maintain both sales volumes and processing services despite challenges faced in the last few years.

Deltafina mainly buys raw product from farmers' associations in Italy, where it operates in Umbria, Toscana, Campania, and Veneto, where over 90% of the national production is grown.

The cultivation of tobacco in Italy, although not favored by climatic conditions, is made possible by the skills that Deltafina develops and shares with farmers who then put them into practice through hard and intense work.

Deltafina's operations are committed to two fundamental values: the support to farmers through the sharing of experience, skills and technologies, and the guarantee of sustainable working conditions for all.

On the one hand, the Agronomy Department works in close collaboration with the field technicians of the farmers' associations, to train and support farmers during all production phases.

On the other one, regarding the commitment to provide sustainable working conditions, Deltafina then goes beyond Italian legal requirements, applying even stricter conservative rules and standards to respect labor conditions and protect all workers in the tobacco chain, from field to factory. They consistently engage with farmers to maintain the most efficient labor practices, by offering training courses and applying the best practices to sustain good working conditions.

Deltafina's value chain consists of:

- 1. Tobacco farmers:** farmers are in charge of growing, harvesting, and curing tobacco.
- 2. Tobacco Producers Groups:** farmers are in associations that support their agribusiness activities by monitoring, through appointed technicians, that specific criteria and production standards are observed, while also acting as intermediaries between farmers and Deltafina during the selling phase.
- 3. Deltafina:** Deltafina purchases cured tobacco from farmers and takes care of the industrial processing phase, which includes threshing the dried leaves and converting them into strips and other tobacco products that will be sold to tobacco product manufacturers.
- 4. Tobacco product manufacturers:** Manufacturers purchase and use Deltafina's tobacco to manufacture consumer tobacco products.



DELTAFINA'S PROCESSES

In Deltafina's factories, the main activity is the threshing of tobacco leaves, an industrial process that mechanically separates the stems from the leaves by sorting, threshing and re-drying raw, cured tobacco. This is an essential process that occurs with the addition of only water and steam, thus preparing the product for further industrial processing by manufacturers of consumer tobacco products and long-term storage. Without these preliminary processes, the raw tobacco would quickly degrade due to the moisture content of the leaves and stems.

Every year, tobacco plants have different color, quality, moisture and dimensions depending on the weather conditions. Deltafina buys the tobacco leaves once cured by the farmers, and then combines and processes the tobacco to meet customer requirements. Deltafina has highly specialized expertise to fulfill its customers' needs and to guarantee the 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 30 countries.

Leadership

Leadership at Deltafina is held by the Board of Directors that is comprised of up to five members, entrusted with the management of the Company, according to the Ordinary Assembly. Directors can be elected among non-members as well, and remain in place until revocation or resignation, or according to the term established by the Assembly.

Directors represent the company, while the President of the Board of Directors has the power of attorney 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

	2020		2021		2022	
	Women	Men	Women	Men	Women	Men
Over 50 years	1	3	1	3	1	3
Under 50 years	0	0	0	0	0	0

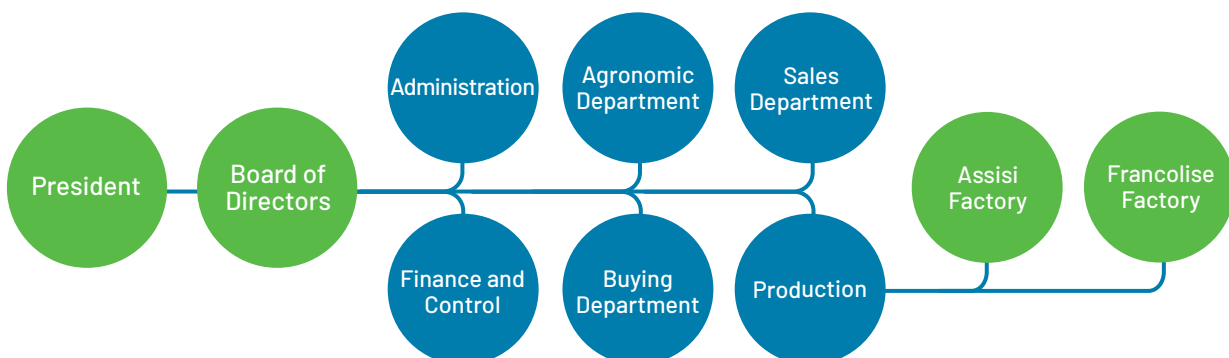
The Board of Directors has the responsibility of managing the identification, mitigation and assessment of the impacts that Deltafina has on the environment, people, human rights and society and has an in-depth knowledge of the organization and the environment in which Deltafina operates.

The Board of Directors of Deltafina is responsible for overseeing the drafting of the sustainability report, and its subsequent approval. In addition, the Board has oversight of ESG, sustainability strategies and their execution and is responsible for positive economic, environmental, and social outcomes.

The Ordinary Assembly has the power to determine the legal auditor as well as an independent Auditor that, according to law, oversees controlling activities and assistance to the Board of Directors in fulfilling its corporate governance and management role.

Following the Corporate Policy, the company has its own escalation protocol. Any problem must follow the escalation protocol allowing the Deltafina Board to receive information for any critical concerns, that, in turn, are escalated to the Universal Board.

Deltafina's organizational chart, as of March 31, 2022, 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 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.

Associations of which Deltafina is a member:

- **Italian Association of Tobacco Producers (APTI)**, the national association that represents the primary tobacco processing 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.



Compliance and Business Ethics

Within the Universal family, the commitment to integrity, ethics and transparency permeates all operations at every level, every day.

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's policies and practices. In fact, while it is true that everyone is required to comply with the law, the Board of Directors of Universal Corporation adopted a Code of Conduct and Anti-Corruption Compliance Manual, that go beyond the law, in order to:

- promote ethical behavior;
- encourage compliance with ethical standards;
- facilitate the reporting of unethical and illegal behavior; and
- address violations of ethical standards, Universal policies, and applicable laws.

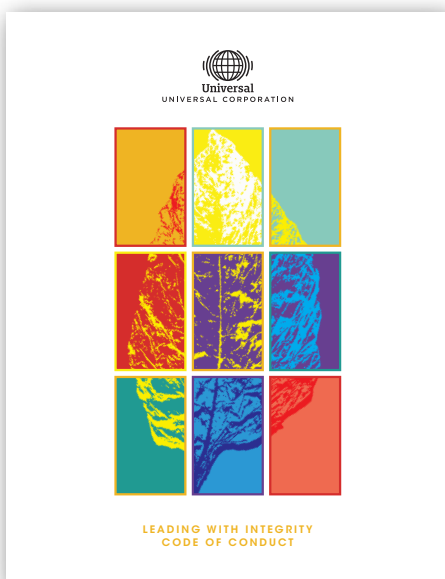
The Code and Manual apply directly to all employees, officers, and directors in the Universal family of companies, including Deltafina.






ETHICS AND INTEGRITY PRINCIPLES

Doing business with integrity, conducting business in an ethical way and in compliance with policies and laws, is a must for our company. We pursue this objective by following three main principles:

- 1. Working with integrity:** freedom from discrimination and harassment, following environmental, health and safety rules, social responsibility.
- 2. Conducting business with integrity:** competition and fair dealing, rejection of all forms of corruption, avoidance of bribes and improper payments, trade restrictions and boycotts.
- 3. Handling information and assets with integrity:** no insider trading, no conflicts of interest, protecting corporate information and assets.



Moreover, the Universal's Global Compliance Program has defined three organizational levels with specific functions and responsibilities:

-  the Corporate Compliance Committee (CCC), composed of Universal corporation executive management members;
-  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's management); and
-  the Local Compliance Team (LCT), composed of specialized local members at the company level.

The Universal Anti-Corruption Compliance Manual describes Universal's anticorruption compliance policies and practices and provides guidance on how to address corruption risks (Universal Corporation - Compliance). This document is distributed to all Universal employees along with guidelines on how to report illegal behavior.



Universal Global Compliance Program

We all have an obligation to report possible violations so the conduct can be considered and Universal can address the situation and take appropriate action.

No one in the Universal family will take any adverse action against anyone for providing truthful information relating to a violation of law or Universal policy. Universal will not tolerate any retaliation against persons asking questions or making good faith reports of possible violations. Anyone who retaliates or attempts to retaliate will be disciplined.

[ANONYMOUS HOTLINE]

Report a Concern or Ask a Question

PHONE: 1.866.292.5224 (toll-free)
ONLINE: www.ethicspoint.com
www.universalcorp.com/compliance
E-MAIL: compliance@universalleaf.com

You can also Contact

Your supervisor or manager, a member of the Local, Regional, or Corporate Compliance Committee, the Legal Department, Human Resources, or the Internal Audit Department.

The Compliance Hot Line is available 24 hours a day 7 days a week and in your local language. Phone calls and on-line reports are received by an independent organization: EthicsPoint. The goal is to ensure that you can communicate issues and concerns associated with unethical or illegal activities safely and honestly while maintaining your anonymity and confidentiality.

Every report is listened to, followed up on and reported to the Corporate Compliance Committee. We take our Hot Line very seriously and hope you do to. If you see something please report it so that we can work together to stop it.



FIGHTING CORRUPTION AND UNFAIR COMPETITION UNDER THE UNIVERSAL ANTI-CORRUPTION COMPLIANCE MANUAL

The Manual defines a "bribe" as anything that has a value and is offered, promised, or given to influence a business decision. This includes obtaining new business, retaining existing business, or gaining any other improper advantage. At Deltafina, 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. Moreover, 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.

All employees of Deltafina are encouraged to report any suspicion of a violation of the Manual or other activity that may be unlawful, lead to incorrect financial reporting, or raise questions about the integrity of management, without any fear of retaliation. Employees, officers, directors, and representatives are encouraged to report suspected or known violations by filing an anonymous report or requesting 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.

In order to prevent and mitigate conflicts of interest, there is a policy within all Universal's companies whose primary principle is that each employee conduct the Company's business with Integrity, professional skills and loyalty with all applicable laws in a manner that excludes considerations of personal advantage or gain and with the highest moral and ethical standards. The policy is applied to all directors, officers, and salaried employees of the Company and all its subsidiaries and affiliated companies. At the time of hire, and annually thereafter, all employees are required to complete the Conflict-of-Interest Questionnaire.

Training and communication are key elements of the global Anti-Corruption Compliance program as they help drive company culture. Deltafina delivers tailored training programs on corporate compliance and ethical behavior that 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. In FY 2022, Deltafina offered 254 courses on Business integrity and Compliance, summarized in the table below by type (online or face-to-face) and topics covered. The increase in courses provided in the compliance field, during the last fiscal year, is mainly due to an increased focus by the Parent Company Universal on anti-corruption and anti-bribery issues. For this reason, more courses were delivered than in previous years on even more specific topics.

Training on Business Integrity and Compliance topics			
Fiscal Year	FY20	FY21	FY22
Total courses	139	153	262
Online courses ¹	132	143	254
Face to face courses ¹	7	10	8
Increase/Decrease vs previous year	-5%	+10%	+71%
Topics	<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? 	<ul style="list-style-type: none"> • Anti-Bribery: Making the Right Decisions • Blindspot: Bribery and Corruption Trivia • Preventing bribery and corruption 	<ul style="list-style-type: none"> • Preventing bribery and corruption • Reporting Concerns • Righting the Ship • Everyday Bravery • Reporting Concerns: The Observer's Dilemma • Anti-Bribery: Making the Right Decisions • Conflicts of Interest: Know Where You Stand • The Crowd - Sexual Harassment

¹ The total refers to the total number of compliance course completions

In addition to traditional training, Deltafina also communicates about the program during “town hall” meetings: compliance training events held every two years that require the attendance of all employees.

Training programs do not only involve employees, in fact training is also an essential component of Deltafina’s procedures aimed at informing third parties. Besides due diligence and research on legal compliance of all our suppliers, 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 supplier be registered as a third party and authorized to conduct business with the company. Attendance in the training sessions is regularly checked and recorded in a system which is maintained throughout Universal’s operations, while effectiveness of training is verified through final tests for all employees and selected third parties.

The Compliance Program requires that all third parties who must interact with government or public officials for the services they offer (i.e., legal services, commercial agents who interface with governments, waste disposal suppliers, transporters who must cross borders, etc.) are subject to a careful risk assessment process focused on mitigating the risks of bribery, corruption, possible co-involvement in criminal trials, and the presence of codes of ethics and conduct in suppliers’ business models.

The entire assessment process is managed through a Universal online system, the TPRA (Third Party Risk Assessment), which tracks all third party information. Based on the required information, each third party is assigned a risk category, by the Parent company, on a 1 to 3 scale. After proper due diligence, third parties belonging to category 1 have to be assessed and approved by Universal, while the categories 2 and 3 must be approved through regional and local compliance processes.

Each third party undergoes annual assessments aimed at verifying that all the information in the system is correct and up to date. Moreover, the entire due diligence process has to be periodically repeated: every two years for category 1 third parties, every three years for category 2, and every four years for category 3.



Economic value generated and distributed

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

During FY 2022, company net sales were € 106 million with a total capitalization of € 112 million (€ 105 million of debt and € 7 million of equity).

Deltafina understands there is more to business than profit, and believes it has a fundamental responsibility to share generated value with all stakeholders. Therefore, through investments and employment creation, Deltafina adds value to the local communities where the factories are located. Moreover, the company regularly contributes with donations to charities and to communities and organizations that hold local events.

Value distributed to stakeholders			
Fiscal Year	FY20	FY21	FY22
Value distributed for salaries and benefits	12.3%	13.8%	11.7%
Value distributed for operational costs	83.6%	82.3%	85.6%
Value distributed for other payments (capital suppliers, PA, local communities...)	4.1%	3.9%	2.7%

During FY 2022, the value distributed for operational costs, increased by more than 3 percentage points mainly due to the increase in costs of almost all raw materials (costs of tobacco, transportation, energy, packaging, etc.).



DELTAFINA'S CHARITABLE CONTRIBUTIONS (FY 2022)

Deltafina contributed €500 to "Fondazione Bambino Gesù ONLUS" in memory of an ex-colleague who recently passed away. This entity is an ONLUS whose function is to find and manage funds for the "Ospedale Pediatrico Bambino Gesù" to be allocated to various projects.

Deltafina donated €5,000 to the ONLUS "Comitato per la vita Daniele Chianelli" to support their multiple activities in favor of cancer patients and their families during their treatments. The construction of new apartments for hosting those who need it during treatment is going ahead and the progress is available for review on their website.



People 2.

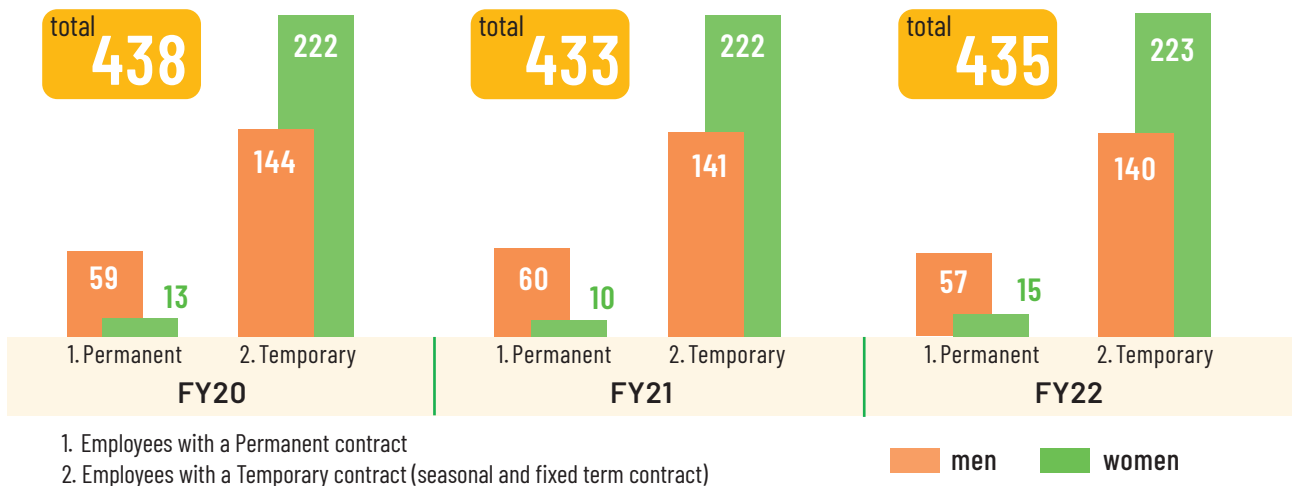
Deltafina's personnel

People represent the heart of the company's growth and are the driver for the evolution of business development processes. Deltafina places its employees at the center of its strategy and strives to provide an inclusive working environment, in which collaboration, dialogue and respect represent the main characteristics.

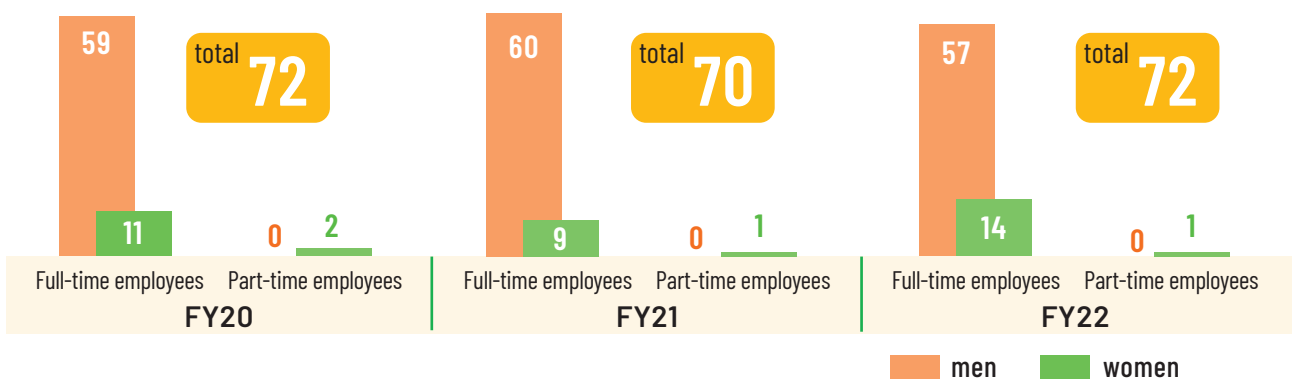
In addition to respecting the Universal Code of Conduct, that bans any form of discrimination and harassment, Deltafina has also adopted a specific Fair Labor Practices Policy that reaffirms its commitment to human rights, diversity and inclusion and equal opportunities, in order to ensure a fair and equitable working environment for all employees.

As of the end of fiscal year 2022, Deltafina has an efficient organizational structure composed of 435 directly employed people: 72 permanent and 363 temporary employees. Employees are distributed between the fields (leaf technicians and agronomists), the factories (permanent and seasonal employees) and the corporate offices (administration and general services).

Deltafina employees by gender and type of contract



Deltafina permanent employees by gender and type of employment



The company hires seasonal employees every year because the factories' activities are linked to the seasonality of the tobacco crop. The number of such employees depends on the volume of the tobacco to be processed, which in turn depends on the size of the harvest. The overall crop size is influenced by several factors including manufacturer's demand and climate conditions.

Deltafina plays a crucial role in providing employment for the communities where it operates and, through seasonal employment, it gives workers the opportunity to develop skills and build careers in the

tobacco industry. High employment standards are applied to both direct employees, farmers, and their employees.

Deltafina's workforce, both seasonal and permanent, is paid based on the national contractual wage. In particular, all employees (Permanent, Seasonal and Part-time) are contracted under the national collective bargaining agreement of dry tobacco leaf processing, discussed and signed with the Italian primary processor association (APTI) and three national labor unions. As for Deltafina's 13 managers, the national collective agreement of goods or services companies is applied.

	FY20				FY21				FY22			
	New Employee Hires		Employee Turnover		New Employee Hires		Employee Turnover		New Employee Hires		Employee Turnover	
	Number ²	Rate ¹ (%)	Number ²	Rate ¹ (%)	Number ²	Rate ¹ (%)	Number ²	Rate ¹ (%)	Number ²	Rate ¹ (%)	Number ²	Rate ¹ (%)
Male	300	1.48%	295	1.45%	283	1.42%	287	1.44%	289	1.47%	292	1.48%
Female	379	1.61%	378	1.61%	370	1.58%	370	1.58%	386	1.62%	380	1.60%
Total	679	1.55%	673	1.54%	653	1.51%	657	1.52%	675	1.56%	672	1.55%

	FY20				FY21				FY22			
	New Employee Hires		Employee Turnover		New Employee Hires		Employee Turnover		New Employee Hires		Employee Turnover	
	Number	Rate ¹ (%)	Number	Rate ¹ (%)	Number	Rate ¹ (%)	Number	Rate ¹ (%)	Number	Rate ¹ (%)	Number	Rate ¹ (%)
< 30	73	2.09%	70	2.00%	63	1.85%	57	1.68%	55	1.77%	55	1.77%
30-50	288	1.52%	286	1.51%	275	1.50%	276	1.51%	311	1.71%	282	1.55%
> 50	318	1.49%	317	1.49%	315	1.46%	324	1.50%	309	1.39%	335	1.51%
Total	679	1.55%	673	1.54%	653	1.51%	657	1.52%	675	1.56%	672	1.55%

¹ The denominator used to calculate the rates is the total number of employees in this category (women and men and up to 30, 30-50, over 50) at the end of each fiscal year.

² Some of seasonal employees who returned are considered as new hires.

The FAIR LABOR PRACTICES POLICY reaffirms the following principles:



Deltafina works to grant equal treatment and equal opportunities to all employees



Deltafina grants and respects the right to freedom of association for the formation of unions and bargaining collectively



Deltafina does not allow child labor or forced labor

These principles are followed by all Deltafina direct personnel, and the Company also encourages its tobacco suppliers and other collaborators to adopt the same principles in order to promote a safe and respectful working environment for all.

Health and Safety

Occupational Health and Safety is one of the top priorities in Deltafina's business activities, as well as the cultivation of a common culture that respects health and safety in all aspects of business. The company constantly strives toward realizing zero-accidents, zero-illnesses, and vigorous workplace safety by optimizing the working environment and business processes and promoting the responsibilities of each employee for complying with Environment, Health and Safety (EHS) policies, standards and guidelines.

Deltafina, in order to meet its responsibility towards all its employees, has adopted an integrated Quality, Environment and Safety Management System to manage the most significant areas of business effectively and efficiently. The system is certified according to the standards of UNI EN ISO 9001:2015

(Quality Management System), of UNI EN ISO 14001:2015 (Environmental Management System) and UNI EN ISO 45001:2018 (Occupational health and safety management systems).

Compliance with these certification requirements demonstrates the pursuit for continual improvement, which guarantees consistency with the commitments reported in the Universal Leaf Code of Ethics and in the corporate policies. The Integrated system covers 100% of Deltafina's activities, both in factories and offices.

Deltafina's factories and offices are certified under the UNI EN ISO 45001:2018 Health and Safety at Work Management System, covering all employees and third-party workers operating in factories and offices. This integrated management allows Deltafina to systematically support the relevant aspects concerning occupational Health and Safety.

To promote and encourage sustainability practices across the entire organization, Deltafina maintains organizational objectives based on the following values:



Focus on interested parties: Deltafina is committed to guiding farmers through the changing market context; promoting good agricultural practices, processing tobacco according to the highest industry standard; providing our customers with a sustainably sourced product respecting standards and requirements; ensuring all processes have a positive socio-economic impact and supporting the sustainable growth of the sector and of the supply chain.



Compliance to applicable laws and regulations and to the Universal Code of Conduct regarding business integrity, the environment, health and safety, and other related topics.



Pollution prevention and environmental stewardship through the identification and monitoring of environmental impacts, the control of pollution sources and resource consumption, and investments in the research and development of new methods and technologies.



Prevention of accidents and work-related illnesses through the optimization of the work environment and the continuous monitoring of risk factors that could influence health and safety.



Employee personal and professional growth through training and knowledge transfer of individual roles to coordinate personal targets and the Company's global objectives.



Cooperation with Tobacco Producer Groups for the responsible use of agrochemicals, control of nitrosamines, and establishment of Good Agricultural Practices, as well as to promote product traceability and mandatory use of non-genetically modified seeds.



Social responsibility in the communities where Deltafina operates: the company actively promotes a positive relationship between its business and its stakeholders by respecting environmental laws, safety, and human resource regulations.



Development of a culture of continuous improvement to satisfy customer requirements, reduce environmental impacts and ensure health and safety of workers using the best available technologies.

Universal 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 alignment with the parent company, Deltafina established its own Health and Safety Committee, composed of the Factory Manager, a Third-Party Health and Safety Officer (HSO), the occupational medical doctor and a worker representative. The committee meets at least once a month and ad hoc to discuss Deltafina's Health and Safety topics. Once a year the committee analyzes the health and safety performance of the factories.

Deltafina EHS (Environmental Health and Safety) reporting system includes standardized processes for recording and analyzing the key occupational safety indicators with a view to developing measures to improve performance. In order to maintain and further improve the high standard of EHS management at Universal, a dedicated cloud-based software application has been implemented worldwide by Universal to collect and report Health and Safety data, including accidents, near misses and corrective actions.

The HSO at Deltafina sites are tasked with coordinating all the occupational health and safety measures and assisting local management in implementing them. Key aspects of their work include assessing the risk of injury and accident for employees and contract workers posed by production equipment, workplaces and working process, promoting safety awareness among the workforce through training and analyzing accidents for the purpose of developing measures to avoid accidents in the future.

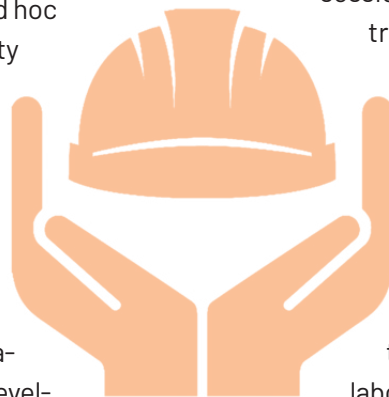
During training sessions, the HSO updates employees on the development of the most relevant concerns regarding health and safety at work.

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 these checks, the company can evaluate the workplace and 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's employees (both permanent and temporary) to access additional medical services through a health fund. As a further measure to effectively prevent accidents and health hazards at work, in-house campaigns raise awareness regarding occupational safety so that employees are better able to identify and avoid hazards. 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.

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







Work-related injuries (data referred to all employees)

	Unit of measurement	FY20	FY21	FY22
Fatalities as a result of work-related injury	n.	0	0	0
	%	0%	0%	0%
Recordable work-related injuries	n.	3	3	2
	%	1.3%	1.2%	0.9%
Of which high consequence work-related injuries	n.	0	0	0
	%	0%	0%	0%
The number of hours worked	n.	448,620	506,510	468,343

HEALTH AND SAFETY POLICY

The Health and Safety of every member of the Deltafina community is of utmost importance to the company. Therefore, Deltafina has developed a specific Health and Safety policy that states as follow:

-  All employees, officers and directors are responsible for creating a healthy and safe working environment.
-  All employees, officers and directors must comply with applicable government health and safety laws and regulations.
-  All members must report any condition that poses a risk to health or safety.
-  No form of violence or intimidation will be tolerated.

Moreover, Deltafina encourages farmers and other actors in the tobacco value chain to build healthy and safe working environments, in conformity with all laws and applicable health and safety norms.

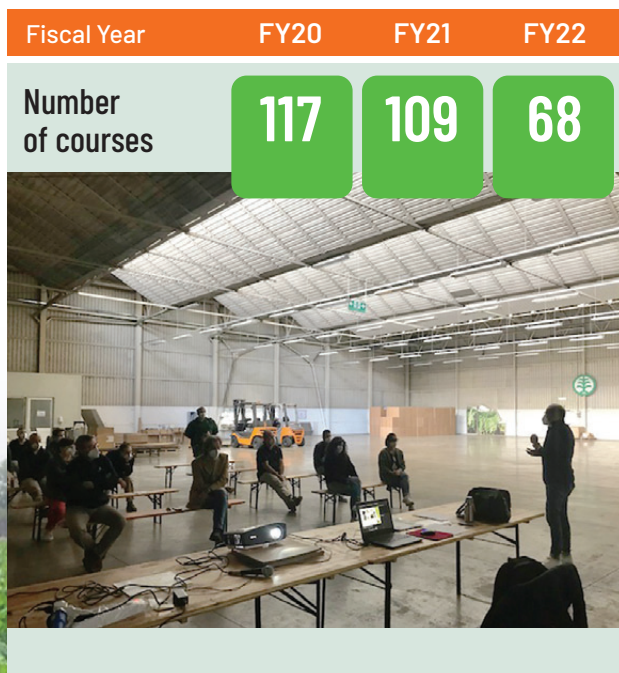


Deltafina strongly believes that investing in the growth of workforce capabilities is the best investment for the Company's growth, competitiveness, and innovation. In this context, training plays a fundamental role in supporting management and the whole corporate population towards the development of managerial and technical know-how. To this end, Deltafina provides staff with training programs aimed at the acquisition of workplace skills and knowledge. Furthermore, via our training activities, the organization spreads knowledge of behavioral and leadership models consistent with the Company's vision and mission.

Most of the training concerned Health and Safety, Privacy, and IT.

During 2022, Deltafina organized three training sessions, one at the Assisi plant, one at the Francolise plant and one in the Rome office, on the topic "Prevention and fight against bullying and sexual harassment in the workplace". The main topic treated was the zero-tolerance approach shared by Universal and Deltafina.

The participants were chosen from the positions of coordination and management of working groups at all levels, and during the Assisi and Francolise session also the Deltafina's president, Domenico Cardinali, attended, in order to reinforce the message of zero tolerance, underlining the importance of compliance with the rules of Universal, not only with regard to anti-corruption but also in relation to ethical behavior.



Human rights protection

Within Universal, the commitment to human rights protection does not only regard direct employees but is extended to the supply chain and its workers.

Specifically, Universal has a human rights policy that, in line with the UN Guiding Principles and the Core Principles of the International Labor Organization, regulates Deltafina's operations and human rights due diligence.

In accordance with this Policy, Universal is committed to identify, assess, prevent, and remedy any actual or potential human rights impact that occurs directly or indirectly through its operations and supply chain. In relation to this commitment, Universal prioritizes the following human rights issues:



1.

The fight against child and forced labor: Universal believes that everyone has the right to employment choice, decent working conditions, free movement, and the right to enjoy leisure days. Universal does not tolerate any form of forced or child labor in its organization and expects the same from suppliers and others in its supply chain.



2.

The implementation of a safe working environment: Health and Safety are of paramount importance to Universal, which continually works to improve the working environment and develop safety practices. The parent company also expects suppliers to provide a safe working environment for their workers.



3.

Fair and equal treatment of employees: Universal believes in attaining a diverse and inclusive workforce by promoting employment equality and hiring based on merit, regardless of, or without any discrimination based on race, sex, color, national or social origin, ethnicity, religion, age, disability, sexual orientation, gender identity or expression, political opinion, or any other status protected by applicable laws. Moreover, Universal hires locally within each region in which it operates.



4.

Freedom of association: Universal believes in the right of workers to organize and bargain collectively. Universal believes in constructive and transparent discussions between employers and workers and welcomes associations that promote fair working conditions and facilitate better communication without fear of retaliation.



5.

Compliance with applicable law: Universal believes in respecting and complying with all laws applicable in the areas where it operates. Universal also believes in complying with data privacy laws regarding employees and suppliers by diligently enforcing data transfer requirements and agreements. Universal also extends this policy to suppliers and monitors their treatment of employees to ensure that all local laws are followed in suppliers' business practices.

Benefits and Welfare

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

Deltafina guarantees to all its workers, permanent and seasonal, all the benefits provided by National Legislation and the National Collective Bargaining Agreement (CCNL). Among the most important benefits are:

- the membership in the Supplementary Health Fund for Employees of Agricultural Cooperatives and Consortia and Cooperative Farms for the Processing of Agricultural Products; the contribution to the Fund is paid in full by the company;
- the option for workers to become members of the National Fund Supplementary Pension for workers in the food and related industries, subject to voluntary membership;
- maternity protection as provided for in the law, with the additional possibility of contributing in the most effective way to the process of reconciling work and lifetime, through ad-hoc measures depending on the situation, in order to promote equal opportunities between women and men, to protect motherhood and to create the conditions for increasingly responsible fatherhood.

Furthermore, the *"DELTAFINA finanzia i tuoi progetti"* initiative was implemented during FY 2022.

zero%
interest rate

Deltafina has made it possible for its employees to apply for short or medium-term loans with favorable terms (zero interest rate). The main advantage of this initiative for its employees, besides the interest-free loan, is the possibility to repay the loan in up to a maximum of 36 pay periods, and the possibility to apply for and obtain a loan several times during the course of his or her working relationship.

The funds allocated for this initiative amount to **€ 300,000**.



Environment 3.

Bastia Umbra and Francolise Processing Plants

Deltafina’s history dates to the construction, between 1936 and 1939, of the Bastia Umbra plant, 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 first sold to the Dutch company Deli Maatschappij and then sold again, in 1964, to the American Universal Leaf Tobacco Company with the name of Deltafina.

In 1982, after years of investments in research and new tobacco-processing systems, the plant production was moved to the new factory in Ospedalichchio, which has since been one of the biggest and most innovative in Europe.

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



BASTIA UMBRA FACTORY

- Main tobacco type processed: Virginia.
- 32,000 square meters.
- About 11,000 kilograms of tobacco processed per hour.
- Technologically advanced NTRM removal devices on the processing line.

At the end of the 1960s, Deltafina opened a factory in Presenzano (Caserta). Following the increase of tobacco cultivation in the area and the consequent need to increase processing activities, Deltafina invested in a new plant in Francolise (Caserta) in 1971.

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.

FRANCOLISE FACTORY

- Main tobacco type processed: Burley.
- 24,000 square meters.
- About 8,500 kilograms of tobacco processed 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.



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

Once processed, tobacco blends are delivered to manufacturers, which produce cigars, cigarettes, and other similar consumer tobacco products.

Climate change: GHG emissions

Deltafina's production activities are constantly monitored to minimize risks and impacts on the environment. To facilitate the management of the most relevant environmental aspects – including GHG emissions, soil and subsoil safeguards and waste management and disposal – the Company implemented and validated an environmental management system at its two factories and at the Rome office, certified under the ISO 14001 international standard. Moreover, to ensure respect for the environment in all company operations, Deltafina has adopted two policies: an Environmental Policy and a Climate Change Policy.

Deltafina constantly monitors its environmental impacts through the collection of data regarding energy consumption, greenhouse gases (GHG) emissions and waste production and disposal. Starting this fiscal year, the Company also collects water consumption data. All data are collected, stored, and internally shared through the Ecometrica and Flowy global platforms.

CONTINUOUS MONITORING OF ENVIRONMENTAL DATA: ECOMETRICA

Deltafina uses the Ecometrica software to collect, store and internally share its global environmental data. Ecometrica's software is an end-to-end environmental accounting and sustainability management solution that is used by Universal and its subsidiaries to collect several data points related to energy consumption and GHG emissions.

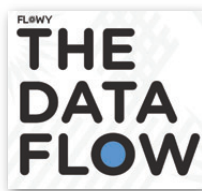


FLOWY: UNIVERSAL'S COMPLETE PATH TO SUSTAINABILITY IN ONE APP

The parent company Universal uses an application called FLOWY to record, monitor, and analyze figures in all those elements crucial to ensuring sustainable business within the entire group – including Deltafina's.

Within this application, data are collected as follows:

- 1 GHG emissions
- 2 Waste management
- 3 Water management
- 4 Health and Safety



Especially for H&S, all inspections and audits, incidents, and activities carried out to implement workplace safety management services are recorded.

The App is a key tool for data processing and analysis, this allows corrective actions to be implemented and awareness of what Deltafina's strengths and weaknesses are.

Translated with www.DeepL.com/Translator (free version)

Deltafina monitors greenhouse gas emissions associated with its activities according to ISO 14001. During FY2022, CO2 equivalent (CO2e) emissions (direct and indirect) amounted to 29,407 tons, reflecting an increase of 11% with respect to the previous year.

The increase in Scope 3 emission is due to a more accurate definition of the calculation methodology, that resulted in having a more precise reporting. As far as Scope 1 and Scope 2 emissions are concerned (see table below), the decrease of about 18% is mainly due to the lower processed volume compared to the FY2021.

CO ₂ e Equivalent Emissions (Tons)	FY20			FY21			FY22		
	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3	Scope 1	Scope 2	Scope 3
Assisi	2,282	1,232	14,787	2,438	1,411	16,671	2,018	1,237	20,123
Francolise	1,144	695	3,228	1,170	734	4,048	885	591	4,552
Total	3,426	1,927	18,015	3,608	2,145	20,719	2,903	1,828	24,675

The following table shows the list of emission sources considered by scope. Scope 3 emissions collected are predominantly related to the activities carried out by the farmers and supply chain transportation from farmers to Deltafina to tobacco product manufacturers.

Scope 1	Scope 2	Scope 3
<p>All Direct Emissions</p> <ul style="list-style-type: none"> • Diesel and gasoline for company cars. • Diesel for forklifts. • Natural gas and electricity for Industrial/Commercial equipment. 	<p>Energy Indirect Emissions</p> <ul style="list-style-type: none"> • Emissions created during the production of the energy used by the organization. • Electricity for electric forklifts. 	<p>Indirect Emissions related to the production of tobacco</p> <ul style="list-style-type: none"> • Electricity used by farmers to cure tobacco (*). • Fuels used by farmers to cure tobacco (Natural gas, diesel, biomasses and others)(*). • Diesel for irrigation (*). <p>Indirect Emissions related to Deltafina operations</p> <ul style="list-style-type: none"> • Diesel for road freight, whole vehicle (km factors)(**). • Fuels for ship transportation (**). • Travel flights. • Diesel and petrol for upstream transportation.

(*) data subject to source estimation: emissions related to electricity and fuels used for tobacco curing are and field production estimated based on consumption per dry tobacco.

(**) data subject to source estimation: the estimate of emissions from transport is based on liters of diesel per km and is outsourced because Deltafina relies on a transport company.

THE ENVIRONMENTAL & CLIMATE CHANGE POLICIES

Universal is committed to achieve high standards of environmental performance to support sustainable operations. Understanding global environmental risks and opportunities is critical to maintain commitments to the communities in which Deltafina operates.

Universal recognizes three main environmental risks throughout their global presence:

water consumption

waste generation

greenhouse gas emissions

Deltafina's local team has developed policies and programs suited to the local operating environment, committing resources, and instructing employees to adhere to applicable laws, Universal's Code of Ethics, and Universal's compliance policies and Environmental Policy. This policy is regularly reviewed by Universal Corporation's Corporate Governance and Nominating Committee.

Deltafina's Environmental Policy:

- states the commitment to adhere to environmental laws regulations;
- considers ways to reduce the environment impact of all its processes;
- promotes energy efficiency, protects biodiversity and preserves natural resources and forests;
- encourages all actors to reduce the environmental impact of all processes.

Deltafina's Climate Change Policy reaffirms the importance of climate change mitigation and recommends the following behaviors:

- complying with environmental laws;
- limiting the potential impact of climate change;
- developing and applying cultivation methods in favor of biodiversity and the conservation of resources;
- periodically assessing opportunities and risks related to climate change;
- monitoring greenhouse gas emissions; and
- improving the energy efficiency of plants and processes and collaborating.

Biomass curing facilities: the Spanish model

Deltafina has purchased tobacco from Spain for decades from the regions of Extremadura, situated between the Tietar River Valley and County of Vera.

Here, the farmers grow the tobacco for the cooperative "Ibertabaco", whose tobacco is renowned in Europe due to the innovative, modern, and sustainable cultivation techniques combined with experience and tradition.

Deltafina and Ibertabaco have created a management model that achieves an excellent, high-quality product and at the same time promotes responsible environmental management throughout the tobacco growing and production process. Only an integrated system that respects the environment can support well-being and a stable and sustainable life for farmers and their families.

The aim of the model is to increase the competitiveness and sustainability of tobacco production by teaching suitable practices to tobacco growers to improve the quality of the soil, air, water and biodiversity. The project reduces the environmental impact and improves the economy of the production of over 4,000,000 kg of tobacco, directly purchased by Deltafina and grown in an area of over 1,000 hectares.

Attention to the environment does not end in the fields. After the tobacco harvest, the growers bring the green leaf to the cooperative's curing centers, where the curing phase takes place. This step is fundamental to obtain a homogeneous product and is carried out under the supervision of the cooperative's technicians, obtaining high quality tobacco, a more competitive leaf and full guarantee of traceability.

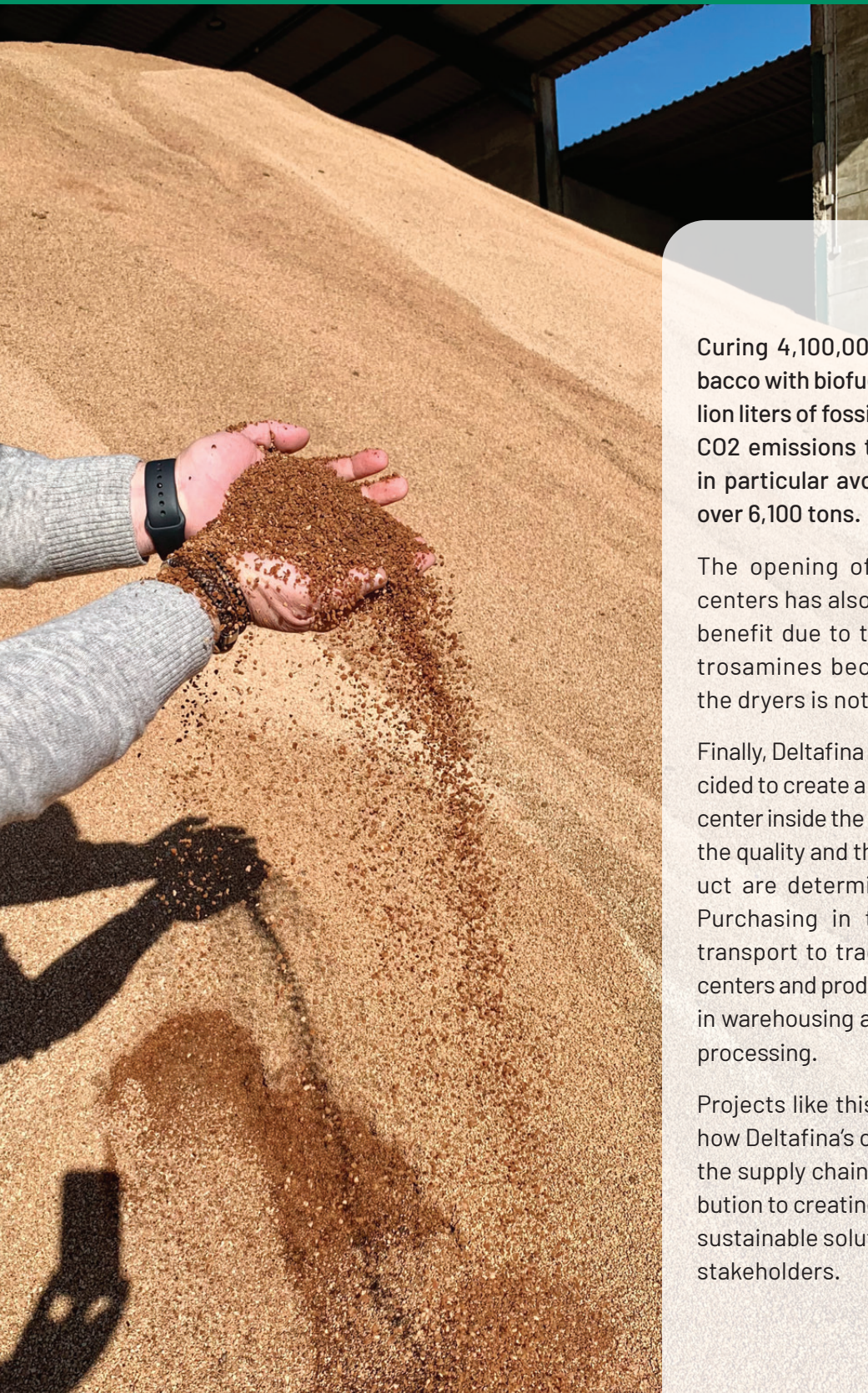
The concentration of the drying activity in collective curing facilities produces an important cost reduction, saving on labor, use of water and energy. A centralized curing center makes the process more efficient, serves to unify the criteria and technical parameters, and obtains a

tobacco with more uniform characteristics, and gives more free time to the growers, thus improving the quality of their life.

Unlike traditional curing barns, which use fossil fuel, the collective facilities used to cure the tobacco that Deltafina buys in Spain are powered exclusively by biomass. residues from the food industry are used exclusively to power the boilers, such as olive pits (90%) and dried fruit by-products (10%).



olive pits



Curing 4,100,000 kilograms of tobacco with biofuel saves over 3.1 million liters of fossil fuel and minimizes CO2 emissions to the atmosphere, in particular avoiding emissions of over 6,100 tons.

The opening of collective curing centers has also brought additional benefit due to the reduction of nitrosamines because direct fire in the dryers is not used.

Finally, Deltafina and Ibertabacco decided to create a tobacco purchasing center inside the cooperatives, where the quality and the price of the product are determined transparently. Purchasing in this center avoids transport to traditional purchasing centers and produces efficiency both in warehousing and logistics prior to processing.

Projects like this are an example of how Deltafina's collaborations along the supply chain make a real contribution to creating more efficient and sustainable solutions for all tobacco stakeholders.

Circular Waste Management

The commitment of Deltafina waste management is expressed through initiatives aimed to move to a circular economy throughout the whole production cycle. As a part of this effort, Deltafina strives to control and manage waste resulting from production and related activities. The program's targets include:

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

Deltafina produces a minimum amount of hazardous waste and does not use chemicals to process tobacco. Specific attention is paid to reduce the production of hazardous waste.

Deltafina collects and reviews the waste data to minimize its production and look for opportunities to maximize recycling and reuse.



Waste is categorized according to the European Waste Catalogue (E.W.C.) and is stored in temporary deposit locations to await certified transporters.

In 2022, 1,858 tons of waste were produced, 98.8% of which were destined for recycle or reuse. Most of the waste produced by Deltafina, is composed of recyclable materials like tobacco residues and paper. Moreover, only 7.5 tons of such waste constitute hazardous waste (0.4% of total waste).

	Unit	FY20			FY21			FY22		
		Destined for recovery, recycling, and reuse	Destined for landfill	Total	Destined for recovery, recycling, and reuse	Destined for landfill	Total	Destined for recovery, recycling, and reuse	Destined for landfill	Total
Hazardous waste	kg	1,167	4,057	5,224	1,291	3,006	4,297	1,534	5,983	7,517 ¹
Non-hazardous waste	kg	2,278,560	43,856	2,322,416	2,587,390	50,985	2,638,375	1,835,585	15,249	1,850,834
Total waste	kg	2,279,727	47,913	2,327,640	2,588,681	53,991	2,642,672	1,837,119	21,232	1,858,351

¹ The large increase in FY22 previous FY21 is mainly due to extra maintenance works in the Francolise factory in order to keep it more clean and clear.

The disposal of recyclable waste involves both composting and reuse of organic materials. Most of the tobacco dust is destined for reuse through the collaboration with a company that transforms agri-food industry waste into renewable energy through biodigesters, while paper boxes usually have a life cycle of two to three seasons and are then destined for recycling.

RESULTS OF DELTAFINA'S WASTE DISPOSAL PRACTICES

The portion of tobacco-related waste (928 tons) from the **Assisi** plant that was destined for reuse has been used to produce¹:

853 tons of the "ecopower" product sent to biodigesters plants

267,265 m³ of methane

1,069,060 kWh of electric power

Moreover, the **384** tons of paper and cardboard waste from Assisi that were recycled estimated

saved the felling of **5,760** trees and the usage of **12,203,520** liters of water².

Regarding **Francolise** factory waste, 656 tons of paper and tobacco-related waste were destined for recovery and reused or regenerated in paper mills, plastics industries, compost production and biogas production. In particular:

254 tons of paper are destined for recycling in paper factories

184 tons intended for composting

179 tons were reused for biogas production

¹ The estimate is made by the company that reuses Deltafina's tobacco-related waste.

² The estimate is made by the company that takes care of Deltafina's recovery of recyclable materials, according to which recycling 1,000 kg of paper saves 15 trees and 31,780 liters of water.

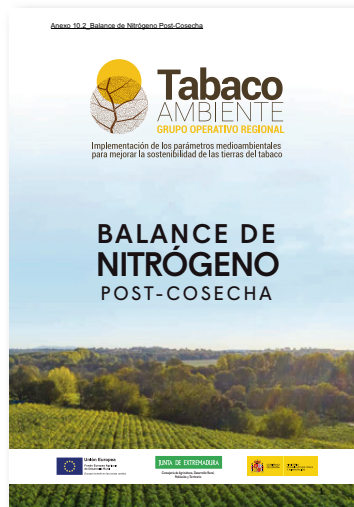
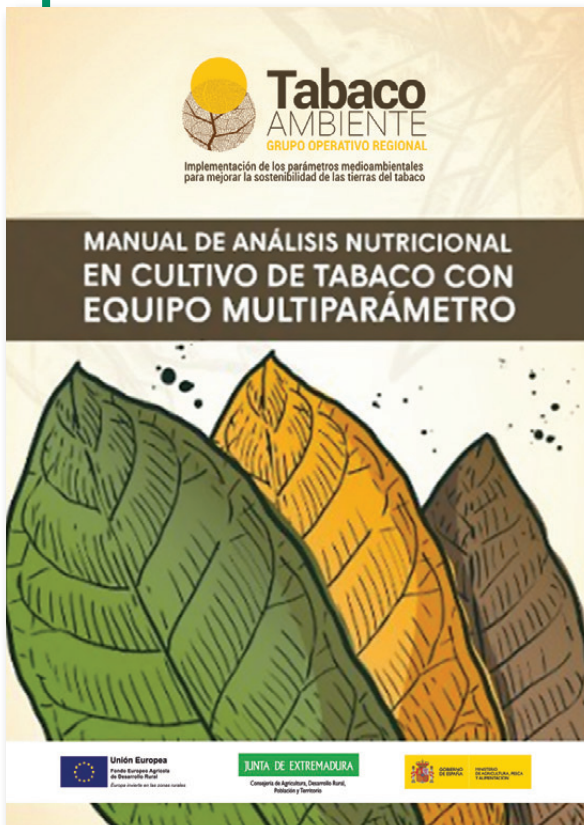
Deltafina's Rome office has been rewarded with the "Best Eco-partner AWARD 2021" by the AMA S.p.A. company (Azienda Municipale Ambiente, Rome). This recognition represents clear evidence of the high citizenship and environmental responsibility demonstrated by Deltafina during FY22, which, also through the regularity in payments, has contributed to the city's environmental cleanliness service.



Biodiversity

Deltafina strongly believes that agriculture relies on biodiversity and that the production of tobacco depends upon a variety of biodiverse genetic resources that are also essential for mitigating and adapting to climate change and environmental pressures.

Therefore, Deltafina strives to support its farmers in all countries in protecting biodiversity during their harvests. In Spain and Poland, for example, the Company pursued specific programs and initiatives aimed at equipping the farmers with the proper knowledge and means to protect biodiversity.



Bat Boxes for biodiversity conservation in Spain

In the Extremadura Region, the same area where Deltafina buys tobacco and collaborates with Ibertabacco for the biomass collective curing center, a new project has been developed with the contribution of farmers, Deltafina and Tobacco Ambiente: the use of the Bat Box, aimed to protect biodiversity, contribute to conservation and protect bats and mitigate the impact of the tobacco cultivation on the environment. Therefore, Bat Boxes have been installed to facilitate the population of bats in the tobacco growing area, according to the recommendations of the Spanish Association for the conservation and study of bats "SECEMU" (<https://secemu.org/en/>).

The presence of bats close to the farms is very important mainly because:

1. They are **bio-indicators of environmental quality**.
2. They keep the presence of insects/bugs under control, by eating harmful insect species, as in fact bats represent.
3. **Bats act as very efficient seed dispersers** and are responsible for much of the regeneration of forests following deforestation.
4. Many bat species **are specialized in eating pollen or sipping nectar from flowers**, acting as pollinators, improving plant reproduction. They are also involved in the pollination of much of the fruit that we eat.

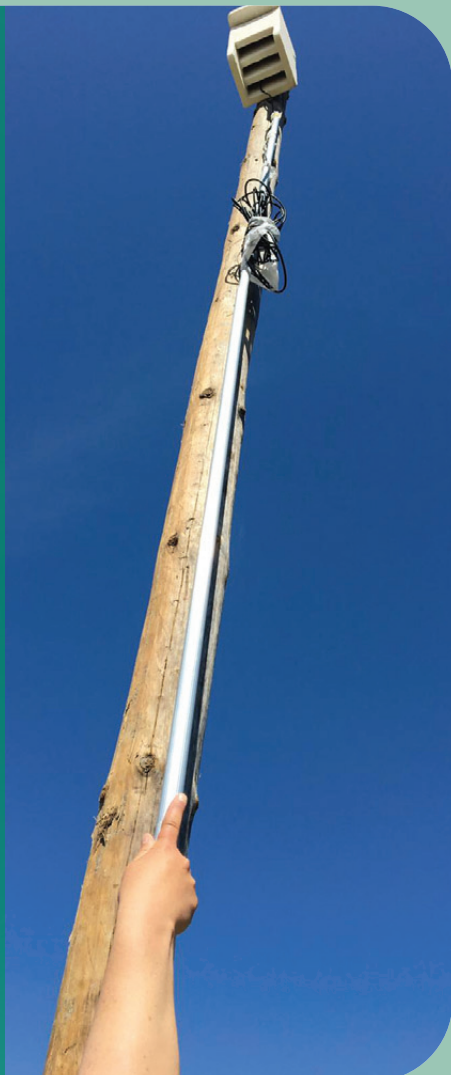
Some local species present in the Extremadura area, can consume a number of insects daily, up to 30% of their weight. That is the reason they are an excellent ally for the farmer who needs to counter the negative effects of some insects. Bats, in fact, mainly eat two species: Heliethids and *Myzus nicotianae*, which are important tobacco parasites.

The Bat Boxes have been placed on poles and are oriented towards open spaces at a height between 4 and 8 meters. The boxes are marked with an identification code and are geo-referenced. southern and western orientations were avoided because they are the warmest, giving priority to eastern orientations, more cooler.

The materials used to build the Bat Boxes are mainly two types, gypsum and wood. The wood allows better weather resistance and longevity. The Bat Boxes are placed on the top position on wooden poles and a micro camera is attached to an extendable arm of the wooden poles, and connected to a mobile app, that provides daily bat monitoring information.

This initiative, together with the planting of hedges allow farmers to reduce the consumption of plant protection products, thus, taking care of the environment and its ecosystems, generating a positive impact on local biodiversity. Further, the hedges help reduce erosion, act as wind breaks, and encourage biodiversity through benefit to local fauna.

This project contributed to a reduction in total agrochemical use of 31%.





SPAIN – COLLABORATION ACROSS THE VALUE CHAIN TO PRESERVE BIODIVERSITY

Deltafina, through its collaboration with Ibertabacco, Fundación Global Nature and as a member of C-Taex (Centro Tecnológico Nacional Agroalimentario "Extremadura" TAEX), contributes to the development of environmental projects and actively participates in a number of initiatives regarding the study of new environmental practices related to sustainability and biodiversity in tobacco cultivation.

Objectives:

- Implementation of Good Agri-environmental practices and biodiversity on tobacco farms.
- Monitoring and evaluation of environmental improvements in farm soil, air and water conservation.
- Monitoring and evaluation of environmental improvements in farm biodiversity.
- Diffusion and transference of Good Agri-environmental practices.

Expected results:

- High participation on farms that implement environmental practices.
- Better environmentally qualified farms.
- Recognition, by processing and manufacturing entities of tobacco, of the added value of this type of tobacco production, through quality standards.



The three main projects implemented through the result of this collaboration are the following:

1. Biodiversity:

- Establishment of bushes of different heights around crops for the development of populations of beneficial insects and the repulsion of harmful insects.
- "Scouting" activities, also named field exploration, to understand what types of insects there are, with the goal of determining whether or not to use CPAs (Crop Protection Agents) in crops.

2. Measuring instruments for excessive nitrogen use:

Nitrogen is a key element in agriculture, being essential for plant growth and competitive yields. However, excess nitrogen can easily cause negative effects, such as, increased vulnerability to pests and diseases, higher production costs, and environmental impacts. Nitrogen measurements represent an attempt to ensure the optimum amount of nitrogen is applied soils.

3. The measurement of micro and macro elements in soil:

The goal is to provide field measurements that are fast and reliable through the use of meters regarding nitrate, calcium, sodium, potassium, and salt. The purpose is to match fertilization and irrigation to agricultural needs, to assess the nutritional status of the soil, leaf sap, and water used for irrigation.



POLAND – FROM TRAINING TO PRACTICE: BIODIVERSITY PROTECTION AS A PRIORITY

Universal Leaf Tobacco Poland, a subsidiary of Universal from which Deltafina purchases tobacco, developed a range of brochures containing best agricultural practices that allow for competitive production while limiting environmental impacts and protecting natural resources and natural habitats. The brochures are an integral part of the contract with the farmers, in fact 100% of ULTP's contracted farmers are supplied with training materials and are trained in all aspects of sustainable tobacco farming:

- **Programs:** Training program materials for the contracted farmers and for Leaf Technicians (LT) have been updated based on collected data, Risk Assessment, Country Team discussion and ALP (Agricultural Labor Practices) issues.
- **Leaf Technicians:** All Universal Leaf Tobacco Poland's technicians have received STP (Sustainable Tobacco Programme)/ALP training before each new crop season.
- **Farmers:** All contracted farmers are provided with periodic training updates and new growers are fully trained through individual orientation sessions. The ALP training is distributed to 100% of growers on an annual basis.
- **Training materials:** 100% of contracted farmers are provided with written comprehensive training materials as an integral part of the contract.



The actions put in place through the collaboration between farmers and ULTP are the following:

- Most contacted farmers maintain mid-field trees and bushes and have them present in a distance no more than 300 meters from the field. Such mid-field bushes constitute a natural environment for predators and animals.
- Most farmers maintain field boundaries on at least two sides of each field. ULTP encourages farmers to keep field boundaries without any interference as they prevent wind and water erosion. Boundaries are often comprised of grasses, flowers and other native plants, which promote biodiversity and provide a perfect habitat for insects, birds, small mammals and predators.
- Most farmers use CPAs based on Integrated Pest Management (IPM). ULTP monitors all plantations and use IPM to recommend CPA treatments only when needed. Pheromone and sticky traps are used to monitor insect populations such as thrips, aphids and cutworms. Blue mold risk is monitored through the EU Blue Mold warning system. When the thresholds are exceeded, all ULTP growers receive a warning and CPA treatment recommendations via SMS/email to allow timely reaction. The treatment is performed only when the monitoring and scouting team confirms that the threshold level is exceeded and after consultation with a ULTP agronomy advisor.

Water management

Water is a limited renewable resource shared by all. Deltafina can help fight water scarcity and improve global health and tobacco security by responsibly managing its impact on water, especially in areas and periods of water stress.

For this reason, the company takes care that water is carefully managed at every stage of its cycle: from freshwater extraction, through use, post-treatment and to its final return to the environment.

Although direct operations are not particularly water intensive, Deltafina products do require water use. Specifically, water is used mainly dur-



ing the processing season, to ensure that tobacco leaves maintain the proper level of moisture during the entire processing phase. Smaller amounts of water are also used for irrigation of lawns next to the plants and for civilian uses in our offices. The company withdraws water directly from groundwater wells for production processes and sources drinking and sanitation water from municipal sources.

As far as water discharges are concerned, Deltafina conducts regular monitoring of wastewater in order to ensure that the levels, albeit minimal, of chemical constituents from agriculture are always well below what is required by environmental regulations.

000/lt	FY20		FY21		FY22	
	Assisi	Francolise	Assisi	Francolise	Assisi	Francolise
Water withdrawal by source¹						
Groundwater withdrawal	48,246	14,271	48,262	12,188	44,682	12,555
Withdrawal from municipal waterworks	1,844	991	2,007	1,257	1,712	1,671
Total withdrawal	50,090	15,262	50,269	13,445	46,394	14,226

¹ Both plants are located in water stress areas, therefore all water is withdrawn from water stress areas

000/lt	FY20		FY21		FY22	
	Discharge to surface ² water	Discharge to groundwater	Discharge to surface ² water	Discharge to groundwater	Discharge to surface ² water	Discharge to groundwater
Assisi	-	24,000	-	22,000	-	20,000
Francolise	7,361	-	5,548	-	5,562	-
Total discharge	7,361	24,000	5,548	22,000	5,562	20,000

² Water discharged from the Francolise plant goes to a surface canal which, in turn, leads to a purification plant owned by the local authority.



Value Chain 4.

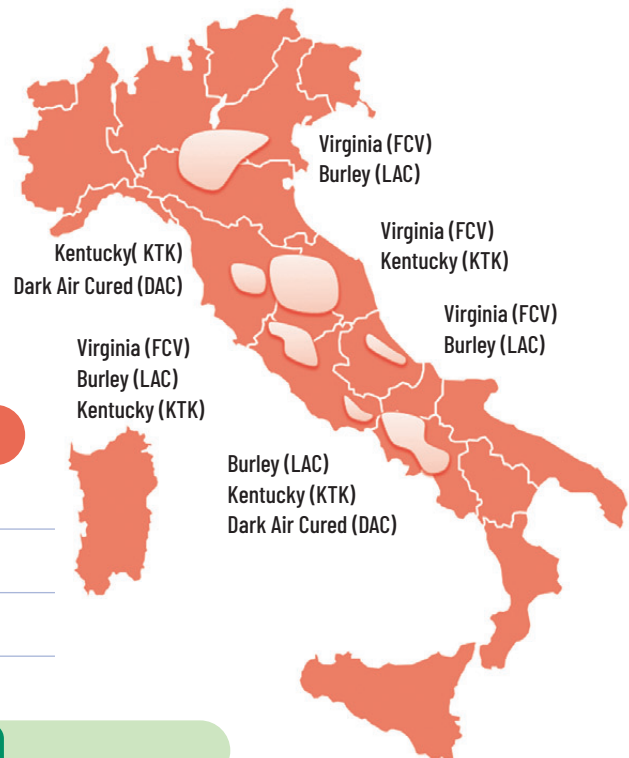
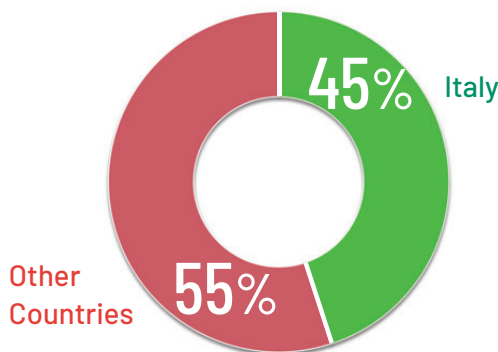
The origins and types of Deltafina's tobacco

Deltafina mainly buys tobacco from farmer associations, except for some varieties, such as Havana and Kentucky, which are bought from other tobacco companies.

While a large portion of the tobacco is purchased in Italy, Deltafina also buys tobacco from other European locations, primarily Hungary, France, Spain, Poland and Germany.

In Italy, France and Spain, tobacco is purchased directly from local farmer associations and then shipped to Italy for processing in Deltafina's factories. A portion of Spanish tobacco is processed in origin by a third party. In Poland and Hungary, Deltafina purchases tobacco (packed or green) from other subsidiaries of Universal, which in turn buy tobacco from the local producer associations. In Deltafina's factories, besides processing the volume bought from the market, Deltafina also provides processing services to third parties.

Origin of Tobacco purchased



Italy	Contracted Growers	Contracted Hectares	Delivered Tons
FCV	328	8,729	28,266
BLY	796	2,402	11,012
DAC	228	358	869
DFC	221	1,364	2,496
Total	1,573	12,853	42,643

In Italy, tobacco is mainly grown on small or medium-size farms, primarily in the Campania, Umbria, Veneto and Tuscany regions. Italy is the largest producer of tobacco in Europe: this year, the total harvest amounted to 42,6 tons, split by variety as indicated in the table above¹.

¹ Source: Associazione Produttori Tabacchi Italiani (APTI)

Deltafina processes four different varieties of tobacco leaves, which mainly differ by curing process and, consequently, by the aroma and organoleptic characteristics that define their best final use:



Flue-cured or Virginia Bright (FCV)

This type is dried in special bulk-curing barns, using controlled heat and regulated air flow that allow farmers to carefully control temperature and humidity.



Light air-cured or Burley (BLY)

This type is cured by a natural process, hanging the leaves inside green houses. The drying process is determined by the changing environmental conditions and the curing activities carried out by farmers.



Dark air-cured or Havana (DAC)

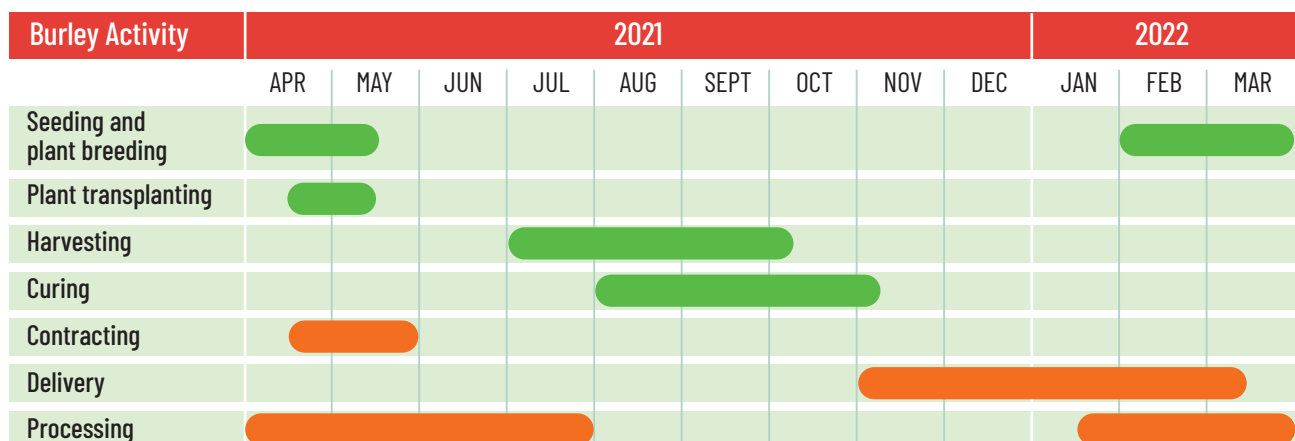
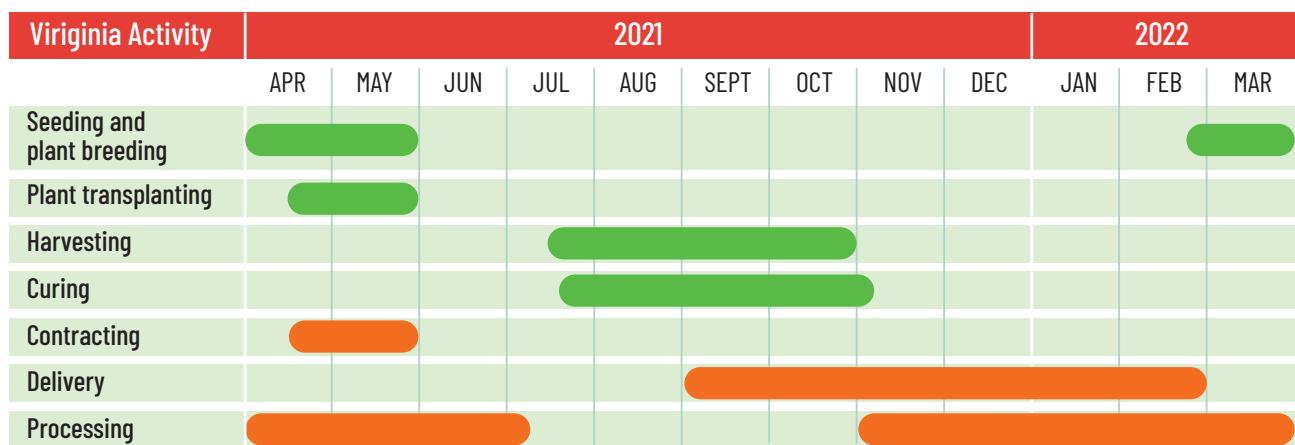
This type is cured similarly to light air cured. Due to variety differences and cultural practices, these leaves are darker and stronger than Burley ones. Usually, the dark air-cured also requires a fermentation process to obtain products for cigars or fine-cut tobacco for pipes.



Dark fire-cured or Kentucky (DFC)

This variety is cured in spaces with controlled fire. Tobacco is therefore dried by the fire heat and its leaves acquire a specific aroma through the action of smoke. The dark fire-cured is typically a cigar tobacco.

The Flu-Cured and Burley varieties constitute the majority of the processed tobacco. Besides the curing process, they also differ in terms of the duration and periods in which the cultivation and processing stages take place:



Engagement with our suppliers

Farmer livelihoods

The interaction between Deltafina and the farmers, and the continuous monitoring activities, are aimed at ensuring compliance with applicable laws and regulations and with GAP recommendations, thus playing an important role in environmental protection and on-farm health and safety.

The efficiency of Deltafina's supply chain is strongly based on the close relationship it has with its suppliers. Farmers, in fact, have a direct relationship with the tobacco associations with whom, in turn, Deltafina establishes commercial relations. Although the commercial relationships are formally established with the associations of tobacco growers, Deltafina has close contacts with each individual grower, as well.

Tobacco production is a strategic resource for many farmers and rural communities in the areas where Deltafina operates. Knowing that, as a part of its sustainability efforts, Deltafina provides support and stability to farmers in different ways:

- stabilizing the volumes bought year by year;
- supporting growers through prepayments, continuous assistance, and technical training; and
- offering contracts that define quantities, qualities, and prices at the beginning of every crop season.

Deltafina also works in collaboration with farmer associations and manufacturers in all countries to reach common long-term goals, and through the close cooperation with its suppliers, Deltafina constantly evaluates new business opportunities that may bring advantages and profits to all stakeholders in the value chain.

As part of this close collaboration with the growers, Deltafina ensures that the farmers are constantly supported during all stages of tobacco cultivation. In fact, both the Field Technicians of the Producer Groups and the Agronomic Department of Deltafina regularly visit the farms, according to different schedules and scope. Specifically, the visits of local association technicians are generally performed on a weekly basis. During each visit, the association technician, along with a Deltafina's agronomist, gathers specific information on the farm, the crop period and the observed agricultural and social practices and inputs it into the MobiLeaf™ platform. MobiLeaf™ is a Universal-developed mobile software application used to track farm data related to the life cycle of crops - from plant cultivation and curing to compliance with national and local laws, STP and customer requirements.



In FY2022, technicians performed 2,461 announced visits to the farmers. The increasing number of field visits observed in Fiscal Year 2022 (+61% with respect to the previous year) is due, on the one hand, to the end of the COVID-19 restrictions, which allowed Deltafina Agronomic Department and the Field

Technicians to perform their regular visits and activities; on the other hand, the visits made to growers have increased as a result of new contracts and a larger number of growers. In fact, Deltafina visits its new collaborators more often in order to build relationships and establish sound practices.

Visits to farmers	Crop Year	FY 2020	FY 2021	FY 2022
Number of visits FCV		730	416	887
Number of visits BLY		2,024	1,108	1,574
Total number of visits		2,754	1,524	2,461
Average number of visits per farmer		6.7	4.0	6.9

While farm visits are usually announced and planned with field technicians, the Deltafina Agronomic Department also carries out unannounced visits (e.g., audits) and worker interviews to determine the level of accuracy of the information collected as well as to accurately monitor compliance with GAP, ALP and STP principles, using an internal checklist. Each question of the interview checklist is part of one of the four macro areas: crop, environment, people, and training. All information gathered about farmer performance per macro area is tracked in the Mobileaf™ platform.

Any anomaly found during the audit process is communicated to the association and to the farmer for corrective action. If a Prompt Action Issue² (PAI) is detected, it must be immediately addressed, and an Action Plan developed with the farmer to allow him to resolve the non-conformity in a timely manner. By the end of the crop season, any detected anomaly must be resolved and communicated to the STP Committee.

In FY2022, Deltafina conducted 113 unannounced visits on the farms. Ten non-conformities were detected, which referred to Safe Working Environment. The main issues observed were related to the lack of PPE or incorrect PPE usage and to the presence of oil close to a machine for green tobacco loading. Concerning the lack of PPE use, the field technician stops the activity and provides the PPE needed, while for oil non-conformities, the field technician stops the activity and recommends cleaning actions to the farmer before resuming. Moreover, Deltafina conducted 74 interviews with farms workers, to ensure compliance with the principles of the ALP programme.

Any non-compliance was followed by an action plan aimed at achieving a timely resolution of the problem and communicated to the STP Committee.

² A PAI is a specific nonconformity related to the STP Programme and guidelines and which requires immediate action.

The Sustainable Tobacco Programme (STP)³

The Sustainable Tobacco Programme (STP) is an industry-wide initiative, jointly developed by tobacco product manufacturers and experts, which outlines global standards aimed at creating positive, sustainable development in the global tobacco supply chain. STP helps drive standards in agricultural practices, environmental management, and key social and human rights areas, and was developed to align with the relevant United Nations Sustainable Development Goals (SDGs). STP embodies the industry's vision of being leaders in driving sustainable agriculture and aims to apply a risk-based approach to the due diligence process, as well as incorporating global standards, guidelines and reporting frameworks. Through this approach, the STP Companies expect their suppliers to be aware of their sustainability related impacts and risks in the supply chain, and to demonstrate their actions to address identified risks and issues.

While participation in the STP Programme is voluntary, conscious leaf suppliers want to be a part of this initiative.

The main macro steps for the leaf supplier in STP include:

STP focuses on eight main sustainability themes, and each theme has specific aims and requires the completion of topic-specific questionnaires that investigate the company's commitments to these themes. The table below summarizes the aims and main topics monitored for each theme.

Deltafina, as part of the Universal, coordinates the collecting of the STP performance data of Italy, Spain, and Poland.



1. Self-assessment:

the leaf supplying company completes a self-assessment consisting of several questionnaires per multiple themes to gauge the supplier's commitment, procedures, reporting, measurements, and impact per theme. The self-assessment results are validated by the STP Secretariat, and the leaf supplier develops action plans to address risks and measure impacts. The self-assessment results are used, along with other considerations, to prioritize actions and focus by the leaf supplier, as well as the STP team for in-depth assessments.

2. In-depth assessment:

is performed by a third party with subject matter expertise. This assessment is guided by the self-assessment results and prioritization process, and goes deeper into the key identified risks and the supplier's procedures, reporting, and actions, to better identify possible improvements, positive impact, new action plans, and the overall risk across themes and the country.

3. Continuous improvement:

is achieved through dialogue among stakeholders, impactful action plan, effective measurement of outcomes and KPIs. The due diligence cycle is subsequently repeated, and action plans are reviewed throughout the process, in order to constantly improve and drive meaningful change.

³ Source: STP Workbooks

Theme	Aim	Topics monitored
 Climate Change	To encourage companies to address greenhouse gas emissions in the agricultural supply chain and to increase the adaptation and resilience of agricultural business practices to climate change impacts.	Commitment, Measures, Targets, Adaptation, Resilience
 Crop	To enhance the understanding of the possible negative impacts of Crop Protection Agents to farmers, farm workers, product users and the environment.	Commitment, Measures, IPM, CPA residues, HHPs, BaP levels, Heavy metals, GMO, NTRM, Seed certification, approval and registration, Taints and contaminants, TSNA and Traceability
 Governance	To encourage companies to create a management structure that supports new commitments to sustainability and govern sustainability challenges and efforts efficiently.	Commitment, Farm Monitoring, Training and Building awareness, Stakeholder Engagement and dialogue, Validation, Traceability
 Human and Labor rights	To encourage companies to strive to respect the human and labor rights of people involved in the production of tobacco, and to facilitate the industry's corporate responsibility to respect human rights by aligning supply chain due diligence with the United Nations Guiding Principles on Business and Human Rights (UNGPs).	Commitment, Measures, Extreme breaches, Prompt Action Issues, Child Labor, Fair treatment, Freedom of association, Income, working hours and benefits, Modern Slavery, Safe Working Environment, Other impacts
 Livelihoods	To encourage companies to support farmers in the tobacco supply chain to achieve, or improve, a decent standard of living.	Commitment, Living Income
 Natural Habitat	To encourage companies and their farmers to promote the sustainable use of ecosystems by protecting, conserving and/or restoring biodiversity related to tobacco production and minimizing the impacts on forests caused by unsustainable wood use.	Commitment, Biodiversity, Forestry
 Soil health	To encourage companies and their farmers to protect soils and to improve crop conditions to develop.	Commitment, Protection, Degradation
 Water	To encourage companies and their farmers to manage water as a shared resource in their communities by enhancing water-use efficiency and conservation, respect communities' rights to access safe drinking water, basic sanitation and hygiene and avoiding adverse impacts on water quality.	Commitment, Measures, Quantity, WASH, Quality, Other challenges, other measures



Deltafina created an internal STP Steering Committee in 2017, composed of Deltafina's Board of Directors, two STP Coordinators (Agronomy and Processing Coordinators) and an STP Country Team, to better define the roles and responsibilities for the effective implementation of the STP across our European tobacco supply chain.



THE RESPONSIBILITIES OF THE STP COMMITTEE

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.

ALP: Agricultural Labour Practices

Our commitment to workers goes beyond our direct employees. Since most workers in the tobacco supply chain are concentrated in the farms and fields, we use significant resources to ensure that safe, ethical, and sustainable labor practices are applied throughout the entire supply chain.

Hence, Deltafina has implemented the Agricultural Labor Practices Programme (ALP), which consists of seven principles and 32 measurable standards (illustrated in the next page) that must be observed and respected by all the members in the tobacco supply chain, including all farms where Deltafina buys tobacco.



All agreements established between Deltafina and the Producer Group or Third Parties include human rights clauses according to 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. Therefore, Deltafina has implemented a training program that includes meetings with technicians and growers, to explain rules and laws regarding labor practices according to the ALP standards. Field technicians, during their field visits, are responsible for monitoring, detecting and reporting any non-conformities with the ALP principles.

Universal's tobacco subsidiaries apply the ALP program, assuring purchased tobacco respects ALP principles.

Agricultural Labor Practices: 7 principles and 32 measurable standards



Child Labor:
there shall be no child labor

1. There is no employment or recruitment of child labor (under 16 years of age).
2. No person below 18 is involved in any type of **hazardous work**.
3. On family farms, minors between 14 and 16 years of age are only permitted to perform **light work**.



Income and Work Hours:
workers shall not work excessive or illegal work hours

1. **Wages of all workers meet minimum**, national legal standards or agricultural benchmark standards.
2. Wages of all workers are paid **regularly**, at a minimum, in accordance with the country's laws.
3. Work hours are in compliance with the country's laws.
4. **Overtime** work hours are voluntary.
5. Overtime wages are paid as required by the country's laws or by any applicable collective agreement.
6. Workers are provided with **benefits, holidays** and leave according to law.



Fair Treatment:
farmers shall ensure fair treatment of workers

1. No physical abuse or threat of **physical abuse**
2. **No sexual** abuse or harassment
3. **No verbal** abuse or harassment
4. **No discrimination**
5. Workers have **access to a fair**, transparent and anonymous grievance mechanism



Forced Labor:
there shall be no forced labor

1. Workers do not work under **bond, debt or threat** and must receive wages directly from the employer.
2. Workers are **free** to leave their employment at any time with reasonable notice.
3. Workers are not required to make **financial deposits** with employers.
4. Wages or income from crops and work done are **not withheld** beyond the legal and agreed payment conditions.
5. Farmers do not retain the original identity documents of any worker.
6. The farmer does not employ prison or compulsory labor.



Safe Environment:
farmers shall provide a safe work environment to prevent accidents and injury and to minimize health risks

1. The farmer **provides a safe** and sanitary working environment.
2. Worker are to be trained on **avoidance of green tobacco sickness**.
3. **No worker is permitted to use, handle or apply crop protection agents (CPA)** or other hazardous substances without adequate training and without required personal protection equipment.
4. Workers **do not enter** a field where CPA have been applied unless and until it is safe to do so.
5. Workers have access to **clean drinking and washing water** close to where they work and live.
6. Accommodation, where provided, is clean, safe, meets the basic needs of workers, and **conforms** to the country's laws.



Freedom of Association:
farmers shall recognize and respect workers' rights to freedom of association and to bargain collectively

1. The farmer **does not interfere** with the workers' right to freedom of association.
2. Workers **are free to join** or form organizations and unions of their own choosing and to bargain collectively.
3. Worker representatives are **not discriminated against and have access** to carry out their representative functions in the workplace.



Compliance with the law:
farmers shall comply with all laws of their country relating to employment

1. All workers are informed of **their legal rights and the conditions of their employment when they start to work**.
2. Farmers and workers enter into **written employment contracts** when required by a country's laws, and workers receive a copy of the contract.
3. Terms and conditions of employment contracts **do not contravene** the country's laws.

GAP: Good Agricultural Practices

Sustainable agriculture is based on best practices that allow for efficient and competitive production while limiting the impact on the environment, conserving soil and water, protecting natural resources, minimizing physical, chemical and microbiological risks and improving the well-being of those involved.

All these topics considered in the establishment and use of Good Agricultural Practices (GAP). At the beginning of each season, each territory or region publishes the Disciplinary di produzione of the Mipaaf, (specific guidelines and the relative methods of implementation). On the basis of these guidelines and, in particular, of the requirements of the STP programme, Deltafina has developed a list of GAP that were reviewed and discussed with field technicians, grower associations and farmers to ensure their feasibility and measurability.

These practices are set every crop year and their implementation is continuously monitored and evaluated by Deltafina through key indicators.

Good practices related to tobacco cultivation have been identified for all agronomic stages, from seed production to harvesting and curing.

Examples of Good Agricultural Practices per agronomic phase are reported below and marked with the GAP symbol.



Seed production and variety selection

Tobacco seed production is the initial phase of the tobacco leaf cultivation cycle.

The selection of a quality seed variety, our traceability and our cultivation practices are very important. The selection of seed varieties is made with the technician who recommends the most appropriate variety to the grower based on a careful analysis of agronomic and business factors.



In accordance with GAP, producer associations provide a list of seed varieties to farmers which must include, in addition to the agronomic information, the characteristics of resistance, tolerance and sensitivity to the plant's main diseases. The list is also shared with Deltafina before being sent to farmers.

Soil preparation and tobacco transplanting

Farmers prepare the soil and transplant tobacco plants for the growth and obtain a uniform crop.



According to GAP, Deltafina encourages tobacco farmers to complete this phase before the end of June for FCV and before the end of May for BLY and DAC.

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.
3. Use of rotation sequences: tobacco followed by two other non-solanaceous crops; tobacco followed by a 3-month no-till period plus one month of non-solanaceous crops (GAP).
4. Respect for current laws and regulations on soil and water management.



In accordance with GAP, Deltafina recommends periodic soil pH assessment to provide corrections in case of acidity. Moreover, Deltafina implements a soil and water preservation plan to minimize water pollution.

The correct usage of plant protection products

Deltafina's efforts to minimize the use of agrochemicals while maximizing plant protection are guided by continual research by the Agronomy Department and constant communication with growers to ensure alignment with national guidelines related to biodiversity and to operator health. Deltafina rules are more stringent than regulations regarding maximum residue limits (MRLs) of plant protection products and residue levels. All growers are required to use only agrochemical products registered in Italy for tobacco and must strictly follow the product labels. All operators handling agrochemical products must have a license and utilize the proper personal protection equipment (PPE) provided by Deltafina. The products must be stored in a suitable space with an appropriate container and 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.



When agrochemicals are necessary, growers are encouraged, in line with GAP, to adopt the use of those with the lowest toxicological class and declared not harmful for beneficial insects such as bees or ladybugs.



Traceability of tobacco

Deltafina has taken great effort to establish and maintain a traceability system for the tobacco, in order to provide customers with detailed information about the composition of each tobacco product. This rigorous tracking system traces purchased tobacco throughout the entire supply chain starting in the fields, where farmers are provided with unique labels to place on each lot of marketed tobacco. Using this system and related systems and operational controls, Deltafina can trace the product back to specific fields and farmers.

THE MOBILEAF™ PLATFORM



The MobiLeaf™ platform represents a fully integrated system that captures data related to agricultural and farmer activities and is therefore the foundation of Deltafina's traceability system. Within the Mobileaf™ platform, both association technicians and Deltafina agronomists register all tobacco related information gathered during regular visits and audits.

The platform combines GPS technology with an operating system compatible with mobile and computer technology, allowing real-time data tracking, increasing data accuracy and efficiency.

The platform allows the tracking of Cultivation & Harvesting Data and Compliance Data (including information on plot sizes and dimensions; plant spacing; crop, irrigation and rainfall; crop yields, ALP, etc).

In addition to tracking cases of non-compliance with anti-corruption laws such as the Foreign Corrupt Practices Act (FCPA), local government regulations, and other social responsibility programs, the MobiLeaf™ platform was also improved in 2020 to track social and labor issues data related to Agricultural Labor Practices (ALP) and Good Agricultural Practices (GAP).

All data is collected, stored and transferred in full compliance with GDPR.

Quality controls

Deltafina considers the quality of its products of the utmost importance and selects the best tobacco for its blends to meet the high expectations of its customers. Quality controls represents an important part of the company culture: for this reason, Deltafina has implemented a Quality Management System certified according to the UNI ISO 9001:2015 standard, which covers all activities.

Thanks to the close collaboration with farmers, the company collects detailed information from each farm, monitoring tobacco quality at all stages, from the farms to the customer. The company collects specific data and information in different stages:

On the farms: samples of dry tobacco are sent to an external laboratory to test CPA residues and Nitrosamines.

On the buying line: the level of moisture, the presence of non-tobacco related materials (NTRM), Crop Protection Agents (CPAs) and, according to the needs, Nitrosamines (TSNA) content, are tested.

During processing: tobacco blends are analyzed by testing for CPAs, Chemical Analysis, Heavy Metals and GMO.

Each stage of control is regulated by dedicated procedures which describe the processes in detail.

SHARING OUR BEST KNOW-HOW WITH THE FARMERS

In Italy, given the rising costs due to the current geo-political and economic situation, from an agronomic and environmental sustainability perspective, Deltafina is focusing on creating projects through its R&D (Research and Development) to help growers reduce the costs of all the operations it performs.

Specifically, the most suitable and correct active ingredients are recommended in order to achieve the best crop from both qualitative and quantitative points of view: nematicide; insecticide; fungicide; lamachicide; herbicide; and Phyto regulator.

If the tobacco contracted during monitoring, has residues above the limit, as established by the contract, it will be considered as a noncompliant product and consequently Deltafina will not proceed with the purchase.

Deltafina also prohibits the use of unregistered commercial tobacco products. The grower is therefore urged to have a correct and scrupulous use of the agrochemicals and to respect both the relative times of deficiency and the number of applications allowed, as expressly stated in the contract and the indications provided by the agronomists and technicians.



5. Appendix

Future Outlook

Deltafina's sustainability performance requires clear goals to be set in recognition of impacts and accountability, and in respond to the expectations of both internal and external stakeholders.

Sustainability challenges are often interrelated and must be considered with an integrated approach when defining appropriate strategies to address the company's impacts.

From FY22, Universal announced the formal establishment of important sustainability goals that the group is pursuing globally. The goals include significant social and environmental targets that will shape both the Deltafina future operational practices and its monitoring of the integrity of agricultural supply chains.

Specifically, Universal committed to the following goals, to which Deltafina will align its activities:

ENVIRONMENTAL GOALS

In support of limiting global warming to well-below 2°C above pre-industrial levels, Universal has committed to reduce absolute scope 1 and 2 GHG emissions 30% by 2030 from a 2020 base year, and to reduce absolute scope 3 GHG emissions from purchased goods and services 30% within the same timeframe. These targets were reviewed and approved by the Science Based Target initiative. (<https://sciencebasedtargets.org/>)

With respect to water consumption and waste generation, Universal committed to collect 5 million liters of rainwater globally by 2025 and to compost or recycle 75% of its total waste by 2025.

UNIVERSAL FURTHERS OUR COMMITMENT OF ENVIRONMENTAL STEWARDSHIP



SOCIAL GOALS

From the social and labor practices point of view, Universal also defined commitments in the value chain, including the following:

- No child labor on contracted farms by 2025.
- Provision of access to PPE for farmers and farm workers on contracted farms where Universal supplies crop inputs by 2022.
- Minimum wage paid to all farm workers on contracted farms by 2022.
- Appropriate farm worker accommodations on contracted farms by 2022.

In order to meet these goals, Deltafina is implementing two new projects for its operations: the installation of the photovoltaic system in the Assisi plant and the installation of an osmosis water treatment plant:

UNIVERSAL FURTHERS OUR COMMITMENT TO AGRICULTURAL LABOR PRACTICES

BY CALENDAR YEAR 2025

NO CHILD LABOR

ON CONTRACTED FARMS

BY CALENDAR YEAR 2022

ACCESS TO PPE FOR FARMERS & FARM WORKERS

ON CONTRACTED FARMS WHERE WE SUPPLY CROP INPUTS

BY CALENDAR YEAR 2022

MINIMUM WAGE PAID

TO FARM WORKERS ON CONTRACTED FARMS

BY CALENDAR YEAR 2022

APPROPRIATE ACCOMMODATIONS

FOR FARM WORKERS ON CONTRACTED FARMS

SOLAR PANELS AT THE ASSISI PLANT

Deltafina has already started the process of installing a 1MW solar installation at the Assisi plant. This installation will enable the generation of about 25% of the energy consumed by the production process. Aligned with Universal Sustainability Goals, the use of renewable, solar energy is expected to result in an emissions reduction of 8% during FY24.



OSMOSIS WATER TREATMENT PLANT RECYCLING PROJECT

Another project being implemented will save substantial amounts of water that are used mainly during the processing season. This water is specifically used in the form of steam to moisturize tobacco leaves in order to preserve their shape. To perform this procedure properly, it is necessary to purify the water before using it through an osmosis process. The tanks used to collect the waste residues are then washed to avoid clogging them. The water used to clean the tanks can be used through a recovery system to irrigate the gardens surrounding to the facilities.



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 stakeholders is at the foundation of its success. Only through close cooperation and collaboration with all stakeholders it is possible to achieve sustainable tobacco production.



Deltafina stakeholder concerns have been identified precisely by analyzing their role through the entire value chain. The table below specifically shows the categories of stakeholders that Deltafina engages with, along with the main expectations of each group.

Stakeholder	Involvement	Stakeholder expectations
Universal	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.	<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
Environment	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.	<ul style="list-style-type: none"> • Compliance with environmental laws and regulations • Attention to direct and indirect environmental impacts
Suppliers	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.	<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
Regulatory Organizations and Institutions	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.	<ul style="list-style-type: none"> • Compliance with applicable laws • Respect for agreements • Illicit behavior prevention • Support of local communities
Trade Unions	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.	<ul style="list-style-type: none"> • Cooperation regarding negotiations about «CCNL» (National contract) renewal • Respect for workers' rights
Local Communities	Deltafina respects regions and local communities where operates and maximizes the positive socio-economic and environmental impacts.	<ul style="list-style-type: none"> • Maximizing positive impacts • Minimizing negative impacts • Clear and transparent communication • Relationships based on trust
Tobacco Product Manufacturers	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.	<ul style="list-style-type: none"> • Compliance to standards and requirements • Production cost control • Supply chain monitoring and improvement • Clear and transparent communications
Employees	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 our mission to sell tobacco.	<ul style="list-style-type: none"> • Job protection • Respect for workers' rights • Health and safety protection • Ability to listen • Skills training and development

Methodological note

The sixth annual edition of Deltafina's Sustainability Report 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 refer to fiscal year 2022 (1 April 2021 - 31 March 2022), according to the financial cycle of the company.

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.

The Sustainability Report was drafted in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). Published data from previous years were not changed and data limitations are clearly indicated in the document where applicable. The document was not subject to external review. The Sustainability Report was approved by the Deltafina Board of Directors before external publication.

The 2022 Sustainability Report is structured according to material topics identified by Deltafina. For the 2022 Report, the materiality analysis was updated to reflect the new GRI Standard published in 2022. The identified topics reflect Deltafina's most substantial value chain topics.

In order to identify and assess the impacts Deltafina has on the economy, the environment, people, and human rights, the following steps were performed:

- The analysis of Deltafina's operations and value chain.
- The definition of its direct and indirect impacts.
- The assessment of the relevance of these impacts, based on their severity and probability.
- Definition of the material topics, based on the High and Medium relevance impacts and excluding the Low relevance ones.

All relevant impacts were aggregated within the Material topics, shown in the Table below.

When applicable, each material topic was associated to the GRI Topic Disclosures and to a specific United Nations' Sustainable Development Goal (SDG). The SDGs are 17 global goals adopted by 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. By acknowledging the SDGs, we want to communicate our commitment to conducting a sustainable business. The UN SDGs identified in this report may not be inclusive of every SDG we contribute to, but our goal is to assure our global stakeholders that we proactively operate in alignment with the UN SDGs and will continue to evaluate our supply chains for risks or impacts to which we may be contributing.



Material Topic	GRI Standard	SDGs
Business's integrity	GRI 205: Anti-corruption 2016 GRI 206: Anti-competitive behavior 2016	SDG 16
Employee health and safety	GRI 403: Occupational Health and Safety 2018	SDG 3
Tobacco quality and traceability	Non GRI	SDG 12
Local community development	GRI 201: Economic Performance 2016	SDG 8
Working conditions in tobacco crops	GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SDG 10 SDG 12
Employee development and well-being	GRI 401: Employment 2016 GRI 405: Diversity and Equal Opportunity 2016	SDG 5 SDG 10
Fight against climate change	GRI 305: Emissions 2016	SDG 13
Responsible management of water resources	GRI 303: Water and Effluents 2018	SDG 12 SDG 6
Responsible waste management	GRI 306: Waste 2020	SDG 12 SDG 13
Soil health	Non GRI	SDG 15
Protection of biodiversity	Non GRI	SDG 15

GRI Content Index

GRI Standard	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
General Disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	• Business model and value chain			
	2-2 Entities included in the organization's sustainability reporting	• Methodological Note			
	2-3 Reporting period, frequency and contact point	• Methodological Note			
	2-4 Restatements of information	• Methodological Note			
	2-5 External assurance	• Methodological Note			
	2-6 Activities, value chain and other business relationships	• Business model and value chain • The origins and types of Deltafina's tobacco	-	-	-
	2-7 Employees	• Deltafina's personnel	-	-	-
	2-8 Workers who are not employees	• Deltafina's personnel	-	-	-
	2-9 Governance structure and composition	• Leadership	-	-	-
	2-10 Nomination and selection of the highest governance body	• Leadership	-	-	-
	2-11 Chair of the highest governance body	• Leadership • Compliance and Business Ethics	-	-	-
	2-12 Role of the highest governance body in overseeing the management of impacts	• Leadership	-	-	-
	2-13 Delegation of responsibility for managing impacts		2-13 Delegation of responsibility for managing impacts	Not applicable	At the date of this report, the mitigation and management of impacts was not delegated to any senior executive or other employee. Deltafina aims to establish a body whose function will be to manage the impacts on the environment, people, human rights and society, vertically throughout the organization.
	2-14 Role of the highest governance body in sustainability reporting	• Leadership	-	-	-
	2-15 Conflicts of interest	• Compliance and Business Ethics	-	-	-

GRI Standard	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
GRI 2: General Disclosures 2021	2-16 Communication of critical concerns	• Methodological Note	-	-	-
	2-17 Collective knowledge of the highest governance body		2-17 Collective knowledge of the highest governance body	Not applicable	As of the date of the report, governance bodies have not conducted specific trainings on ESG topics.
	2-18 Evaluation of the performance of the highest governance body		2-18 Evaluation of the performance of the highest governance body	Confidentiality constraints	For reasons of confidentiality constraints, the performance policies of the governance bodies are not reported
	2-19 Remuneration policies		2-19 Remuneration policies	Confidentiality constraints	For reasons of confidentiality constraints, the remuneration policies of the governance bodies are not reported
	2-20 Process to determine remuneration		2-20 Process to determine remuneration	Confidentiality constraints	For reasons of confidentiality constraints, the remuneration policies of the governance bodies are not reported
	2-21 Annual total compensation ratio		2-21 Annual total compensation ratio	Confidentiality constraints	For reasons of confidentiality constraints, the remuneration policies of the governance bodies are not reported
	2-22 Statement on sustainable development strategy	• Letter of the President	-	-	-
	2-23 Policy commitments	• Letter of the President • Compliance and Business Ethics • Engagement with our suppliers • The precautionary principle is included in The Good Agricultural Practices that Deltafina shares with our tobacco suppliers	-	-	-
	2-24 Embedding policy commitments	• Letter of the President • Compliance and Business Ethics • Engagement with our suppliers • The precautionary principle is included in The Good Agricultural Practices that Deltafina shares with our tobacco suppliers	-	-	-
	2-25 Processes to remediate negative impacts		2-25 Processes to remediate negative impacts	Not applicable	At the date of this report, no grievance mechanisms for stakeholders are in place. However, the Board of Directors is responsible of managing the identification, management, mitigation, and assessment of the impacts that Deltafina has on the environment, people, human rights, and society. Universal has a grievance mechanism in place.

GRI Standard	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
GRI 2: General Disclosures 2021	2-26 Mechanisms for seeking advice and raising concerns	• Compliance and Business Ethics	-	-	-
	2-27 Compliance with laws and regulations	• "In the last three years no sanctions for non-compliance with laws or regulations have been reported"	-	-	-
	2-28 Membership associations	• Leadership	-	-	-
	2-29 Approach to stakeholder engagement	• Stakeholders	-	-	-
	2-30 Collective bargaining agreements	• Deltafina's personnel	-	-	-

GRI Standard	Disclosure	Location	Material Topic	Omission
Material topics				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	• Methodological Note	-	-
	3-2 List of material topics	• Methodological Note	-	-
Economic performance				
GRI 3: Material Topics 2021	3-3 Management of material topics	• Economic value generated and distributed	Local community development	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	• Economic value generated and distributed	Local community development	-
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	• Compliance and Business Ethics • Methodological Note	Business integrity	-
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	• In the last three years there have been no confirmed incidents of corruption	Business integrity	-
Anti-competitive behavior				
GRI 3: Material Topics 2021	3-3 Management of material topics	• Compliance and Business Ethics • Methodological Note	Business integrity	-
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	• In the last three year the Company has not been the subject of legal actions relating to unfair competition, anti-trust and monopolistic practices.	Business integrity	-
Water and effluents				
GRI 3: Material Topics 2021	3-3 Management of material topics	• Water management • Methodological Note	Responsible management of water resources	-
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	• Water management	Responsible management of water resources	-
	303-2 Management of water discharge-related impacts	• Water management	Responsible management of water resources	-
	303-3 Water withdrawal	• Water management	Responsible management of water resources	-
	303-4 Water discharge	• Water management	Responsible management of water resources	-
	303-5 Water consumption	• Water management	Responsible management of water resources	-

GRI Standard	Disclosure	Location	Material Topic	Omission
Emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	<ul style="list-style-type: none"> Climate change: GHG emissions Methodological Note 	Fight against climate change	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Climate change: GHG emissions	Fight against climate change	-
	305-2 Energy indirect (Scope 2) GHG emissions	Climate change: GHG emissions	Fight against climate change	-
	305-3 Other indirect (Scope 3) GHG emissions	Climate change: GHG emissions	Fight against climate change	-
Waste				
GRI 3: Material Topics 2021	3-3 Management of material topics	<ul style="list-style-type: none"> Circular Waste Management Methodological Note 	Responsible waste management	-
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Circular Waste Management	Responsible waste management	-
	306-2 Management of significant waste-related impacts	Circular Waste Management	Responsible waste management	-
	306-3 Waste generated	Circular Waste Management	Responsible waste management	-
	306-4 Waste diverted from disposal	Circular Waste Management	Responsible waste management	-
	306-5 Waste directed to disposal	Circular Waste Management	Responsible waste management	-
Employment				
GRI 3: Material Topics 2021	3-3 Management of material topics	<ul style="list-style-type: none"> Deltafina's personnel Methodological Note 	Employee development and well-being	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Deltafina's personnel	Employee development and well-being	-
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Deltafina's personnel	Employee development and well-being	-
Occupational health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	<ul style="list-style-type: none"> Health and Safety Engagement with our suppliers Methodological Note 	Employee health and safety	-
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health and Safety	Employee health and safety	-
	403-2 Hazard identification, risk assessment, and incident investigation	Health and Safety	Employee health and safety	-
	403-3 Occupational health services	Health and Safety	Employee health and safety	-
	403-4 Worker participation, consultation, and communication on occupational health and safety	Health and Safety	Employee health and safety	-
	403-5 Worker training on occupational health and safety	Health and Safety	Employee health and safety	-
	403-6 Promotion of worker health	Health and Safety	Employee health and safety	-
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	ALP: Agricultural Labour Practices	Working conditions in tobacco crops	-
	403-8 Workers covered by an occupational health and safety management system	Health and Safety	Employee health and safety	-
	403-9 Work-related injuries	Health and Safety	Employee health and safety	-
Diversity and equal opportunity				
GRI 3: Material Topics 2021	3-3 Management of material topics	<ul style="list-style-type: none"> Leadership Deltafina's personnel Methodological Note 	Employee development and well-being	-
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	<ul style="list-style-type: none"> Leadership Deltafina's personnel 	Employee development and well-being	-

Topic	Location
Material topics reported without a GRI topic standard	
Quality and traceability of tobacco sold	<ul style="list-style-type: none"> • Traceability of tobacco • Quality controls
Protection of biodiversity	<ul style="list-style-type: none"> • Biodiversity
Soil health	<ul style="list-style-type: none"> • Biodiversity



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