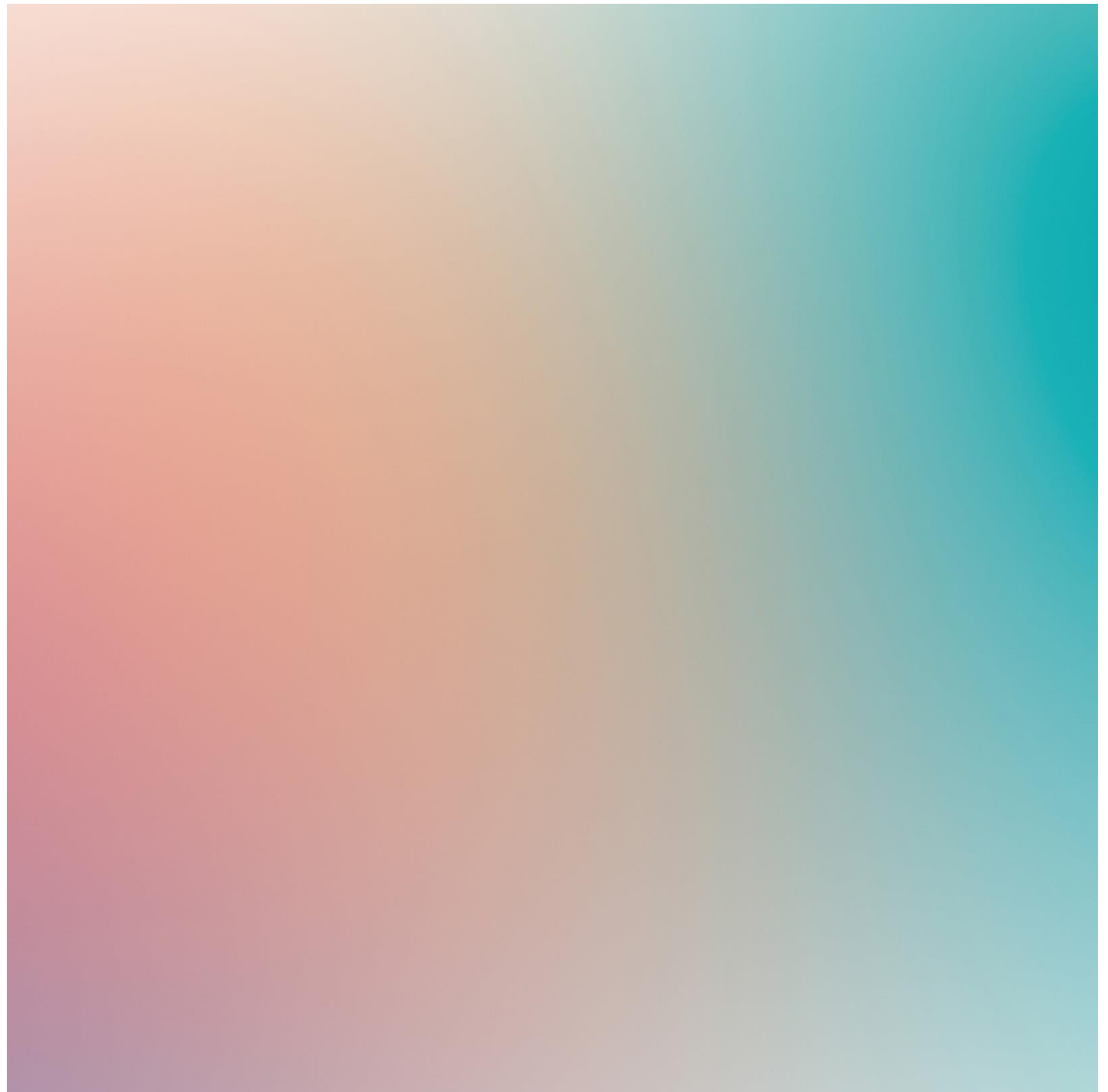


# Modern Slavery Act Statement

JTI UK

1 January 2018 – 31 December 2018



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## A. INTRODUCTION

Respect for human rights is an absolute requirement integrated into our company's approach to sustainability. We are committed to respecting human rights across our global operations and supply chain. Valuing the rights of every individual is central to the way we do business.

We acknowledge that we operate in parts of the world where human rights are at risk, including our supply chain being exposed to modern slavery risks. JTI UK strongly opposes modern slavery in all its forms – such as forced labour, slavery, servitude and human trafficking – and is committed to tackling it through our global human rights programme.

We have published a Modern Slavery Act Statement every year since 2016, reporting on our progress. This statement is published by Gallaher Limited (“**JTI UK**”) in accordance with Section 54, Part 6 of the Modern Slavery Act 2015 and has been approved by our board of directors in the UK.

## B. OUR BUSINESS AND SUPPLY CHAIN

JTI is a leading international tobacco company and is a major player in the e-cigarette and heated tobacco categories, with offices and factories in more than 70 countries and products sold in more than 130 countries. JTI employs over 40,000 people globally and owns over 30 factories.

JTI UK is a member of the JT Group and is an indirect subsidiary of Japan Tobacco Inc. (“**JT**”), which is listed on the Tokyo Stock Exchange (TSE: 2914). JTI UK has its head office in Weybridge, Surrey, and employs around 600 people.

JTI UK acts as the sole distributor of tobacco and e-cigarette products in the UK for JTI. The tobacco products which JTI UK distributes are manufactured in JTI owned factories including those in Romania and Poland. The e-cigarette devices and ancillary products which JTI UK distributes are manufactured in China; the liquids to be used with the devices are manufactured in Europe (nicotine containing) and in Japan (containing zero nicotine).

JTI UK's supply chain forms part of and leverages the global JTI supply chain network. Further information about JTI's tobacco leaf supply, processing and manufacturing, as well as our approach to human rights and labour practices in our business, can be found on the “[Our Tobacco Products](#)”, “[Our Reduced-Risk Products](#)” and “[Sustainability](#)” pages of [jti.com](http://jti.com) and our [JT Group Sustainability Report 2017](#).

## C. OUR POLICIES AND PROCEDURES

JTI UK is committed to maintaining consistently high business and ethical standards, and respecting all human rights. As such, freedom from modern slavery is an integral part of the way in which we conduct our business. These standards, and our commitment to human rights are laid out in our policies. They apply to every individual working for or on behalf of JTI UK, including all the companies within the JTI Group. Our policies are regularly reviewed and updated to ensure they continue to meet the high expectations we have for our business.

In order to ensure the highest levels of sustainability and integrity across the supply chain, all our suppliers are required to comply with our [JT Group Supplier Standards](#) at Group level and with the [JTI Supplier Standards](#) in the international tobacco business. We select suppliers based on quality, service, and cost. This is reflected in our [JT Group Responsible Procurement Policy](#).

Our contracted leaf growers and merchants are also subject to the [JT Group Principles in Leaf Tobacco Production](#) and our [Agricultural Labor Practices \(ALP\) programme](#). In addition, we continue to conduct ongoing risk analysis and mapping in relation to the supply chain of our portfolio of e-cigarette and e-liquid products.

Our commitment to human rights is also reflected in our [JT Group Human Rights Policy](#), and reinforced in both the [JTI Code of Conduct](#) and our Reporting Concerns Mechanism.

### C.1 JT Group Human Rights Policy

Our JT Group Human Rights Policy follows the framework provided by the UN Guiding Principles on Business and Human Rights (UNGPs) to monitor, influence, and improve business practices within our own operations and those of our suppliers and partners. This means acting with due diligence to avoid infringing on the rights of others and addressing the adverse impacts of our global operations. We not only have a responsibility to respect human rights – we also have the ability to advance and promote these rights in all the areas we operate.

## C.2 JTI Code of Conduct

Our JTI Code of Conduct ensures that we conduct business ethically and are a responsible corporate citizen. The Code provides guidance to employees to uphold a culture of integrity in all that we do.

*“Whilst we work for a truly diverse company, we must all embrace the same ethical standards and uphold our Company values. The Code supports this expectation by guiding us in how we operate and confirming what it is that makes us different. We will only be successful by operating within the framework of our Code of Conduct and by always doing the right thing.”* – Eddy Pirard, JTI’s President and CEO

In 2018, we digitalised the Code into an accessible, easy-to-read document, including a decision-making guide to assist employees in making the right choices. It is now available in 37 languages, and we provided printed booklets for those with limited internet access. We also continued to provide training on the Codes of Conduct to our employees face-to-face and online.

## C.3 Reporting Concerns Mechanism

We have an established grievance procedure in the UK to reflect the ACAS Code of Practice. In addition, we have a global grievance mechanism called Your Voice, established in 2008, through which all our employees can raise concerns directly with our HQ Compliance department. This ensures that we listen to and act on the grievances of those whose human rights are impacted by our activities or those of our business partners. We encourage employees and suppliers to speak up on human rights, without fear of retaliation, about any concerns they may have. We continue to undertake periodic reviews of our existing reporting mechanisms to ensure they remain effective in swiftly resolving employee and worker concerns.

Each year, we launch annual global communication campaigns to maintain and increase awareness of the Your Voice reporting channel. Full details about both the grievance procedure and Your Voice are published on the employee intranet for easy access by our employees. Business Partners have other available channels where they can raise concerns with JTI such as via [jti.com](http://jti.com) or a dedicated email account of JTI’s Compliance department.

## C.4 JTI Supplier Standards

JTI aims to achieve high standards of integrity across its business operations and its supply chain. Our supplier standards (“**JTI Supplier Standards**”) define the requirements for suppliers providing goods and services to JTI. We require suppliers to comply with the JTI Supplier Standards and to also ensure that their suppliers involved in providing goods and services to JTI comply with the JTI Supplier Standards. We expect suppliers (and their suppliers) to have policies, employee communications, due diligence processes and control systems to implement these standards within their business operations and supply chains.

Human rights and labour standards are integrated into the JTI Supplier Standards . Our suppliers shall respect human rights by adopting and maintaining standards of labour practices and working conditions that comply with all applicable local legislation and international conventions. Modern slavery in all its forms such as servitude, using forced or compulsory labour in all its forms, human trafficking, exploitation, and child labour are prohibited.

## C.5 MySupplier

We can only achieve high standards of integrity across our business operations and supply chain through close cooperation with our suppliers. In our international tobacco business, prior to entering into a commercial relationship, our key suppliers have to go through an onboarding and qualification process known as MySupplier\*. This process allows us to understand our suppliers’ risks related to compliance, human rights, environment, and health and safety. If there are any concerns about supplier integrity, we offer support and collaboration on how to make necessary improvements.

\*We referred to MySupplier as Supplier Life Cycle (SLC) in previous years.

## C.6 Agricultural Labor Practices

The ALP programme is based on the International Labour Organization’s conventions and recommendations. This programme consists of three pillars: tackling child labour, respect for the rights of workers, and ensuring workplace health and safety. ALP drives a continual cycle of improvement and dialogue, a concept deeply rooted in our business. By speaking to growers about their experiences and the issues they face, we can constantly make improvements on the ground and anticipate future challenges.

The programme sets farm labour standards and enables us to identify labour challenges on tobacco farms, so that we can develop targeted improvement measures. Whether we source tobacco directly or through leaf merchants, all of our suppliers have a contractual obligation to implement ALP.

#### D. DUE DILIGENCE

In line with the UN Guiding Principles (UNGPs) on Business and Human Rights, we have made human rights due diligence an integral part of our business. This enables us to identify actual and potential human rights risks within our own operations and those of our suppliers and partners.

Conducting human rights due diligence, with a focus on Human Rights Impact Assessments, is part of our responsibility to prevent and address harm to people and ensure the highest standards of behaviour are upheld within our business and supply chain. This approach provides a consistent, efficient and systematic approach to respecting human rights allows JTI to proactively shape the strategy and enables us to embed responsible business practices and human rights protections into the business.

Human Rights Impact Assessments enable us to detect the impacts and incorporate improvements into management systems and processes, as well as engrain human rights thinking into the culture of the company. In line with the UN Guiding Principles framework, these Impact Assessments focused on the greatest risk to people, both within our own operations and through business relationships with our suppliers.

During 2018, we completed our pilot year of Human Rights Impact Assessments in our high-risk markets. We strategically identified five markets that covered a mix of geographical regions and all aspects of our supply chain operations, from farm to store. The five Impact Assessments took place in Tanzania, Dominican Republic, Mexico, Malaysia, and Myanmar, and it is our view that this demonstrates our willingness to go into markets where serious human rights violations have been reported and assess the on-the-ground reality.

The overall findings from our Human Rights Impact Assessments were very positive; nevertheless, many improvement areas were identified for each market. These are placed in Action Plans with the ultimate goal of driving improvements and integrating respect for human rights into our existing management processes. We will be sharing findings from the Impact Assessments in our reporting and communication this coming year.

The Action Plans have defined responsibilities, clear timelines for implementation, and key performance indicators to monitor progress. Human Rights Champions are appointed to ensure ownership and accountability at a local level, helping to drive progress over time. A total of 12 Human Rights Champions were appointed in 2018 in these five markets.

The establishment of the Human Rights Champions Network in 2018 was central to an effective governance structure around respecting human rights. This Network comprises employees from the markets in which we have conducted Human Rights Impact Assessments and who report to our Human Rights team. The Network allows for local viewpoints to be continually represented and offers a specific forum where human rights issues can be raised and addressed as they arise over time. Through the Network, we can also expand guidance and tools to implement and share best practice on human rights.

To advance the rights of our stakeholders, it is important that we listen to the advice, concerns, and criticisms of people outside of our company. During 2018, we continued to work collaboratively with our Human Rights External Advisory Board, which was introduced by JTI in 2017 and is made up of international experts on business and human rights. The Board members provide a broad external perspective and help us to refine our approach. To further strengthen our external engagement, we have partnered with Business for Social Responsibility (“BSR”) who provides us with expert advice on the implementation of our human rights programme and validation of our ongoing Human Rights Impact Assessments.

During 2018, we implemented a more robust process of leaf supply chain due diligence, based on the UN Guiding Principles on Business and Human Rights as well as the OECD and FAO Guidance on Responsible Agricultural Supply Chains. Our approach follows a five-step process: Identify-Prioritize-Respond-Measure-Report. Our existing programmes - ALP, ARISE (Achieving Reduction of Child Labor in Support of Education), and Grower Support Programmes) - fit perfectly within this five-step process. ALP supports the identification part of the cycle and ARISE and Grower Support Programmes support our response. In 2018, we initiated a pilot impact assessment process, as part of supply chain due diligence in Malawi, and will begin the process in more countries during 2019.

## E. TRAINING AND EMPLOYEE AWARENESS RAISING

Providing human rights information to employees is crucial to build awareness and help them understand the human rights implications of business decisions. Human rights is a complex and broad subject, yet with the correct training and communication, we are able to raise the profile of human rights across the business. As such, we developed an e-learning training module for our employees, available in 25 languages, which by June 2018 had achieved an 75% completion rate. We also began training employees without computer access which will be expanded in 2019.

In November 2018, 81 employees attended an awareness raising session on human rights in Geneva. The objective was to engage and educate staff and raise awareness of the JT Group Human Rights Policy and its importance to our business. In line with our aim to harness external expertise as part of our strategy, we invited BSR's Human Rights Managing Director, Margaret Jungk, to give a speech at the session. Margaret previously directed the business and human rights department at the Danish Institute for Human Rights and was a member of the UN Working Group on Business and Human Rights. Her speech was recorded and shared with the rest of the company via our employee intranet.

## F. MEASURING EFFECTIVENESS

As we are in early stages of our due diligence work with the pilot year of Human Rights Impact Assessments taking place in 2018, we have not yet measured the effectiveness of our recently developed Action Plans. This monitoring and measurement will take place in 2019 as the Action Plans resulting from our Human Rights Impact Assessment are addressed. Each Action Plan we develop includes an individual set of key performance indicators to measure the effectiveness of our improvements over time. More broadly, as we expand our Human Rights Impact Assessments globally, we will measure the overall effectiveness of our Human Rights Impact Assessment responses collectively. Going forward, we plan to report on the number of Human Rights Impact Assessments, the number of reported instances of concerns about human rights including modern slavery/trafficking issues, and the number of improvement actions completed, amongst other Key Performance Indicators.

There are various ways to measure the effectiveness of our responses in our leaf supply. One of them is the number of ALP issues we observe during subsequent crop cycles. In the case of modern slavery, we track what we call Extreme Breaches, which include forced or bonded labour, human trafficking, and severe abuses. During our annual supplier visits in India for instance, where JTI has no operations on the ground yet purchases leaf from third-party suppliers, we identified the need to conduct a refresher training on these Extreme Breaches. Therefore, we organised a workshop in 2018, in conjunction with the International Justice Mission – an NGO specialised in fighting modern slavery – with all our third-party leaf suppliers. The aim was to create a non-competitive environment where different leaf suppliers could learn from modern slavery experts while sharing their views on risks and remedies. As a result, we can better rely on the ALP findings, including Extreme Breaches observations, as we receive them from our leaf suppliers.

## G. LOOKING AHEAD

Our work to identify and eradicate modern slavery is a continuing, collaborative and evolving process, and one which we are committed to achieve. Our work to respect human rights will evolve and adapt to the changing economic and political context of the countries where we operate. We will continue to act where actions are necessary and focus on our human rights priority areas.

Going forward, we are committed to carrying out Human Rights Impact Assessments in our high-risk markets and will continue to embed respect for human rights within the business. In 2019, we will review the list of high-risk markets in which we have committed to conducting Human Rights Impact Assessments. We will prioritize countries based on a set of risk-based criteria to assess our most high-risk markets first.

As our programmes and initiatives progress, we look forward to sharing our achievements and challenges in future annual statements.

This statement has been approved by the board of directors of JTI UK on 11 March 2019.



**Daniel Sciamma**  
Managing Director  
For and on behalf of JTI UK