







DELTAFINA

## SUSTAINABILITY REPORT 2018

## Highlights



**> 95**

Million Euros turnover



**70**

years of history



**59.9%**

of tobacco purchased is of Italian origin



**2 Factories**

Assisi and Francolise



**4**

Agronomy Department research projects



**590**

Producers in 2017 crop



**100%**

Direct contracted farmers monitored



Constant farmer training courses on Good Agricultural Practices





**435**  
Employees



**354**  
Seasonal employees



**55.4%**  
Employment Rate of Women



**4,466**  
Hours of employee technical training



**>20**  
Years average employee experience



**3** Certifications  
ISO 9001 - ISO 14001  
OHSAS 18001



**35,075**  
CO2e emissions  
(+5.3% compared to 2017)



**96.4%**  
Recycled waste  
(+0.6% compared to 2017)





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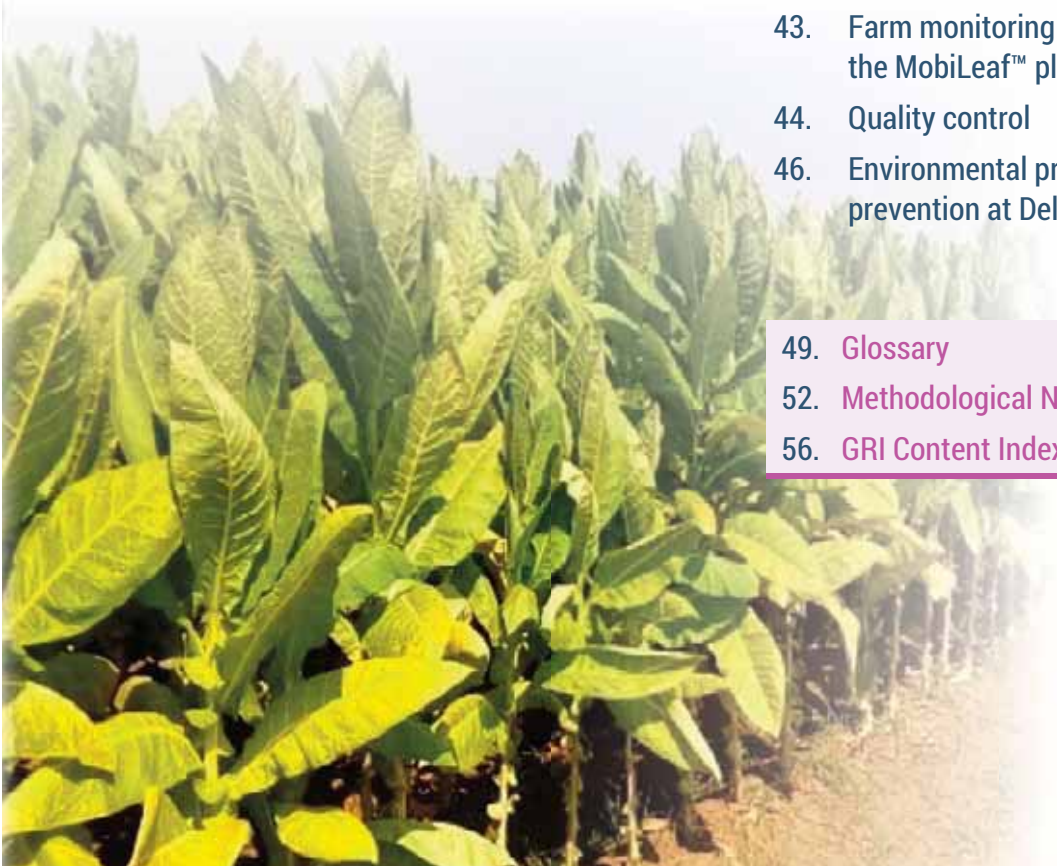
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## Letter to stakeholders

Dear Stakeholders,

I am pleased to present to you **Deltafina's second Sustainability Report**, in which we share our corporate values and mission, along with our annual performance and the projects we have carried out over the last year.

**Product quality, respect for the environment, and cooperation with all members along the supply chain are the hallmarks of our business. Since 1948, these characteristics have guided us along the pathway of sustainable development with a long-term perspective.**

**As we move forward along this pathway, we continually strive to provide an atmosphere of mutual support and respect.** In the regions where we operate, we invest in projects that promote the environment, diversity, sustainability and local development.

We could not navigate this pathway without the contribution of our employees—the real engine of our company—and the support of **Universal Corporation**, with whom Deltafina shares a common vision and commitment to sustainability. Although our company remains independent for most of the management aspects, is proudly to be part of the solid Universal Leaf Tobacco Group, a world leader in the tobacco market that determines a series of positive impacts on our operating activities.

Scrolling through the following pages, you will discover our approach to environmental protection and our respect for human resources. Environmental protection is a core part of our business strategy, as witnessed by the **Environmental Management System** implemented in our two factories. It serves as a fundamental tool for pollution prevention and continuous improvement of our performance in terms of energy, emissions, waste and water management. Our **respect for people** represents the other fundamental pillar on which our company is built. It is carried out through the implementation of specific policies, the optimization of the work environment and the continuous monitoring of Health and Safety risk factors, as confirmed by the **achievement of OHSAS 18001 certification**.

**I would like to thank all the people** who contributed to the production of this document through their commitment and their collaboration.

**Our dedication to maintaining the highest quality standards in all our production processes will continue to help us achieve our mission of producing and providing the best tobacco blends for our clients.**

**Happy reading!**

Domenico Cardinali  
*President*



## Identity and Governance

### Who we are

**Deltafina** is an Italian Company, owned by the multinational **Universal Leaf Tobacco Company**. Deltafina is located in Italy with two factories in Bastia Umbra (PG) and Francolise (CE). The Company specializes in buying raw, quality tobacco and processes it to sell to customers. The Bastia Umbra factory is also the location of our “Blended Strip Operation” (BSO), a plant created to store and blend different varieties of tobacco.

The Company has the authorization of the **Agenzia per le Erogazioni in Agricoltura** (AGEA), where the producer group contracts are registered, and is associated with the **Associazione Professionale Trasformatori Tabacchi Italiani** (APTI), which promotes associated interests in technical, economic and union aspects; with **Tabacco Italia**, an interprofessional organization which acts to guarantee the sustainability of Italian raw tobacco; and with the **European Federation of Tobacco Processors** (FETRATAB), which defends the interests of European companies and workers operating in the processing of raw tobacco.

On October 4, 2016, the **European Leaf Tobacco Interbranch Organization** (ELTI) was established in Rome, as a transnational, interbranch organization in the sector of raw tobacco produced in the European Union. The **founding members** of ELTI are: FETRATAB and UNITAB (the European association of tobacco growers). On August 3, 2018, ELTI has been officially recognized by the EU as being the first and only transnational, interbranch organization in Europe.

Since its establishment in 1948, Deltafina’s mission is to perform raw material processing in order to produce the best tobacco blends.



## Mission and quality policy

Deltafina buys selected raw, green leaf and cured tobacco from farmers in order to create the best processed tobacco blends. These blends are sold to manufacturers to be used in consumer product manufacturing. Business in Deltafina is conducted according to key objectives and corporate values including:

**maintaining integrity in business conduct**

**granting constant support to the tobacco supply chain and to its affiliates, promoting sustainability in social, environmental and economic aspects**

**safeguarding the tobacco sector by being an active participant and member of industry associations**

**achieving the requirements and expectations of Stakeholders**

In order to market processed tobacco to a high standard that satisfies the customer, Deltafina is engaged in the entire tobacco supply chain to promote the principles of **sustainable tobacco** production with farmers and stakeholders. To achieve this commitment, Deltafina directly involves farmers in order to accomplish profitable and successful production through monitoring and promoting social and environmental protections.

“Deltafina promotes the principles of **sustainable tobacco** production throughout the entire tobacco supply chain”





## INTEGRATED MANAGEMENT POLICY - QUALITY, ENVIRONMENTAL AND SAFETY

Deltafina is firmly committed to measuring, monitoring and continuously improving its management systems with respect to quality, environmental, and health and safety aspects. The Board of Directors respects the international standards ISO 9001:2015, ISO 14001:2015, and NS OHSAS 18001:2007. To promote and encourage this vision across the entire organization and with its stakeholders, Deltafina maintains organizational objectives following its vision, based on:

- 
**Focus on the interested parties** to proactively manage the interests of the tobacco industry and supply chain. Deltafina is committed to guiding farmers through the changing market context; to promote good agricultural practices; to process tobacco according to the highest industry standards; to provide its customers with a compliant product respecting standards and requirements; to ensure all processes have a positive socio-economic impact; and to support the sustainable growth of the sector and of the supply chain.
- 
**Applicable legal requirements and business ethics** concerns including 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 related to business activities; by actively controlling pollution sources and resource consumption; and by investing 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 conditions.
- 
**Employee personal and professional development** through training and knowledge transfer of individual roles to integrate personal targets in the Company's global objectives.
- 
**Supplier relationships** aimed at collaboration and information sharing that contribute to mutual benefit and product improvement. In particular, Deltafina cooperates with Tobacco Producer Groups to develop and transfer skills 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. In addition, with the aim of respecting environmental laws, safety and human resources regulations, Deltafina actively promotes a positive relationship between its business and its stakeholders;
- 
**Development of a culture of continuous improvement** to satisfy customer requirements; to reduce environmental impacts; and to support health and safety using the best available technologies.

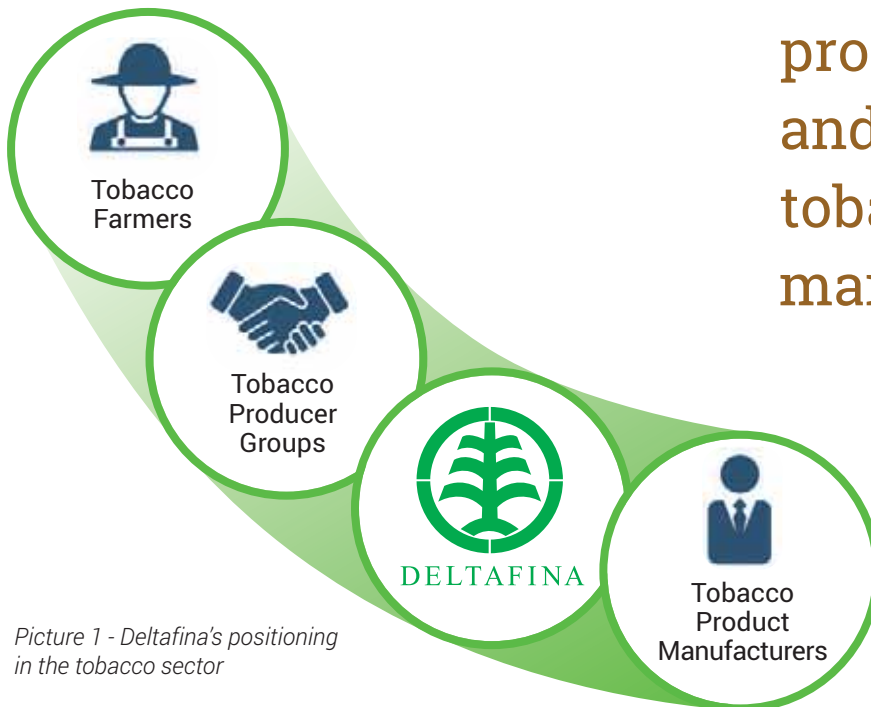
## Business model and Deltafina's positioning in the tobacco sector

The Company mainly processes flue-cured and light air-cured (burley) varieties, as well as some dark air-cured and dark fire-cured varieties. The tobacco supply chain begins with the direct relationship between farmers and tobacco producer groups. Deltafina works with both to establish economic relations, provide technical training and assistance, as well as finance growers during field production.

Deltafina also performs processing for third parties, as part of its pluri-annual agreements signed with tobacco product manufacturers.

Deltafina's activities mainly follow the crop cycle and are therefore seasonal. The processing of tobacco starts in October and peaks in March, ceasing in the summer months when the new tobacco crop is being grown.

**“Deltafina is active in the purchasing, processing, storage and shipping of tobacco to product manufacturers”**



Picture 1 - Deltafina's positioning in the tobacco sector

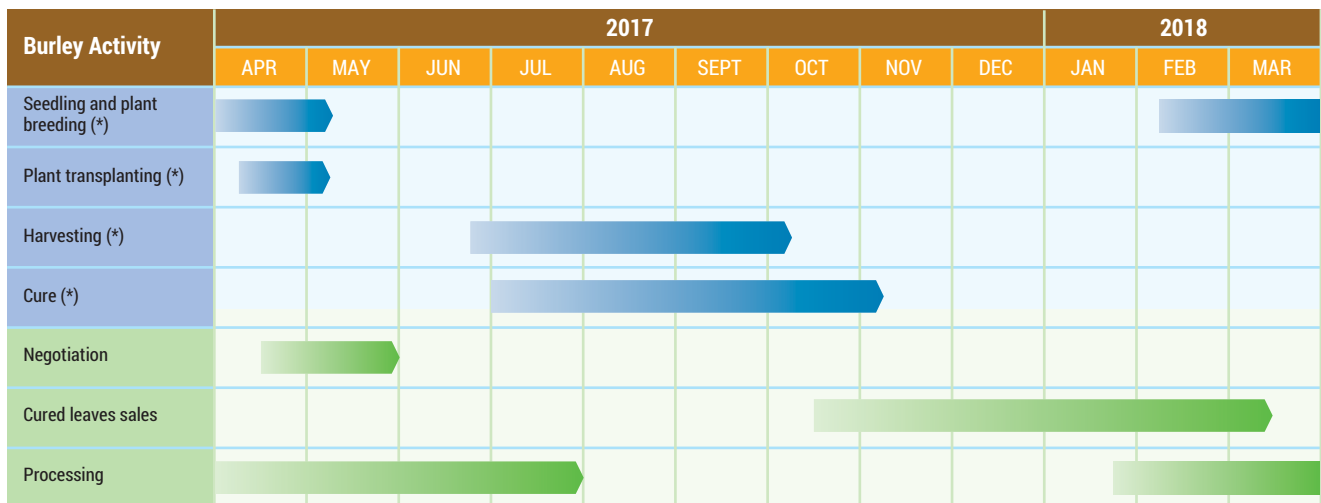


Picture 2 – Flue-cured Virginia Activity Calendar



\* These activities are reviewed and evaluated by Deltafina leaf technicians


Picture 3 – Burley Activity Calendar




\* These activities are reviewed and evaluated by Deltafina leaf technicians

## Tobacco varieties purchased and processed

Deltafina buys different varieties of cured tobacco leaf:

 **Flue-cured** or Virginia Bright, dried in special bulk-curing barns using controlled heat and regulated air flows that allow farmers to carefully control temperature and humidity, resulting in a suitable environment to cure the leaves.

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



**Dark air-cured** or Havana, is cured in a manner similar to light air-cured tobacco. Due to varietal differences and cultural practices, the cured leaves are darker and stronger than Burley. Usually the dark air-cured also needs a fermentation process to obtain products used for production of cigars or fine-cut tobacco for pipes.



**Dark Fire-cured** or Kentucky, is cured on spaces with controlled fires. The fires heat the spaces and dry the tobacco, with the smoke giving the leaves a specific aroma. Dark fire-cured is typically a cigar tobacco.

**Tobacco grade is determined by leaf characteristics including: stalk position, dimension, color, ripeness, consistency and elasticity.**

Deltafina processes the tobacco in its factories to obtain different blends with physical and flavor characteristics in accordance with customer specifications and needs.

Each tobacco variety is classified into different quality grades when the tobacco is purchased. The process starts upon arrival of the product at the factories and is carried out by a specialist who, through a visual evaluation of the product, assigns each lot a specific functional grade to be used in the blend. At the same time, samples are also used for laboratory analyses to determine the moisture level, the content of leaf constituents such as nicotine and sugars, and to verify the absence of any unwanted chemical residue.

Usually a sampling of the different grades is made available to the customers to determine the composition of their blends.

“The leaf is the part of the plant sold by growers after curing on the farm”



The industrial process can be summarized by the following phases:

**Feeding** - input into the production line of the different tobacco grades required in the blend;

**Picking** - manually selecting the product according to the morphological peculiarities, by removing the non-compliant leaves and all non-tobacco related materials (NTRM);

**Threshing** - a mechanical operation in which the tobacco leaves are de-stemmed, to allow the separation of the lamina—the main part of the product—from the stems, which are marketed as by-products;

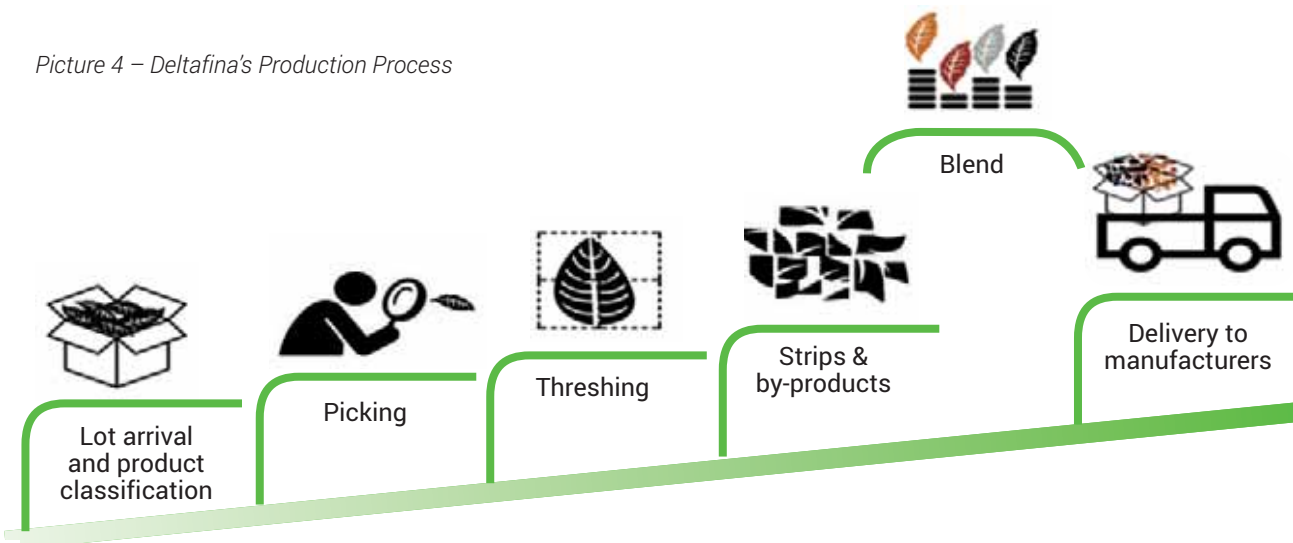
**Drying and Packing** - final phase of the process in which tobacco is dried to a specific moisture level using heated air and packed in cardboard cases. The drying process ensures the preservation of the product until use in manufacturing.

Processing produces a main product constituted of lamina fragments called strips, of different dimensions defined by the customers' standards and two by-product groups constituted of stems and small lamina, or scrap, too small to be classified as strips.

These products are sold to the tobacco product manufacturers according to contracted terms agreed during routine negotiations.

The tobacco strips produced by this first industrial process are sometimes utilized in a second production process in the BSO ("Blending Services Operation") plant, depending on customer needs and specifications. Usually, strips are used as components of the BSO blends.

Picture 4 – Deltafina's Production Process



Picture 5 –Images from Deltafina's factories





## Our Stakeholders

Deltafina's stakeholders include all people, organizations, cooperatives and institutions that are influenced or may influence the company's business activities. Deltafina firmly believes that the development of long-term









**positive relationships with its stakeholders  
is the basis of corporate success**

Only with close cooperation and collaboration of all stakeholders is it possible to achieve sustainable tobacco production.

Picture 6 – Deltafina's Stakeholders



Table 1- Stakeholder expectations

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

## Our factories: Assisi and Francolise

Deltafina has two tobacco processing factories: one in **Assisi**/Ospedalichchio di Bastia Umbra (Perugia), which primarily buys and processes flue-cured tobacco, and one in **Francolise** (Caserta), which primarily buys and processes burley tobacco.

The Blending Services Operation (BSO) is located near the Assisi factory. Established in 1995, the BSO is used to blend various tobaccos and other components according to customer needs.

Deltafina' Headquarters is located in Rome and administrative offices are in Assisi.



## Assisi Factory



History

Deltafina's history dates back to the Bastia Umbra plant construction between 1936 and 1939 by Sir Francesco Giontella where a cigar tobacco variety (Kentucky) was produced. The factory was rebuilt and enlarged in 1946-1947, after suffering considerable damages during the World War II. In 1961, the plant was sold to the Dutch company "Deli Maatschappij". Afterwards sold again, in 1964, to the American "Universal Leaf Tobacco Company" with the name of Deltafina. In the following years, investments were made in research and new tobacco-processing systems. In 1982, the plant production was moved to the new factory in Ospedalicchio, and it is considered since then one of the biggest and most innovative in Europe.



General  
Information

- Factory of 32,000 square meters
- Processing about 11,000 kilograms of tobacco per hour
- Technologically advanced
- NTRM removal devices in the processing line



Main tobacco  
type processed

- Virginia



Certifications

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



## Francelise Factory



### History

At the end of the 1960s, Deltafina invested in the Campania region, opening a factory in Presenzano (CE). Following the increase of tobacco cultivation in the area an increase in the production was consequently needed. For this reason, in 1971, Deltafina invested in a new production plant in Francelise, Caserta. Until 1974, the factory 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.



### General Information

- Factory of 24,000 square meters
- Processing about 8,500 kilograms of tobacco per hour
- First 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 them



### Main tobacco type processed

- Burley



### Certifications

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



## Market presence and national agriculture production support

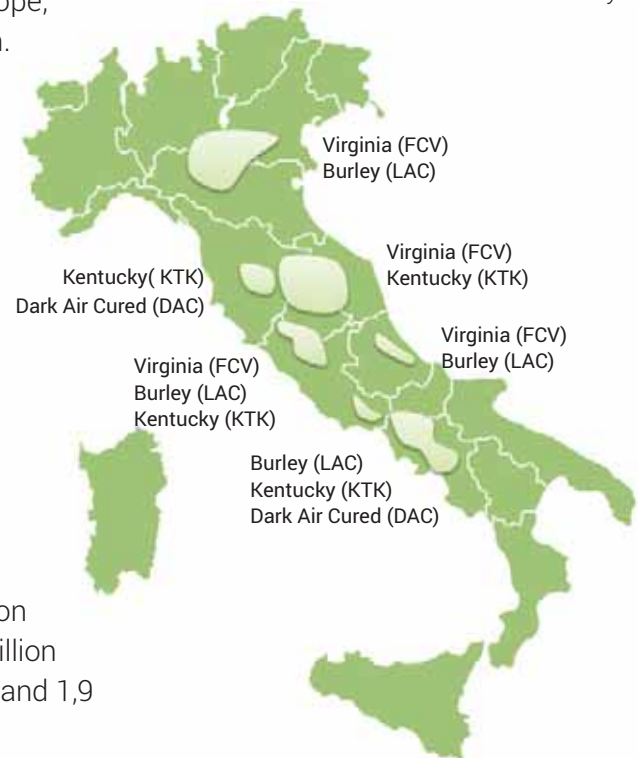
In recent years, the tobacco sector has been affected by the reduction of agricultural subsidies throughout Europe, which consequently led to a sectorial reorganization. Nevertheless, tobacco farmers maintained their activity thanks to complementary actions implemented by local institutions and agreements signed between tobacco producer groups and processing and manufacturing companies, to provide farmers an average return by volume aligned with previous years.

Despite tobacco production decreases in the last decade in all the major tobacco-producing regions

### Italy remains the largest European raw tobacco producer.

volume produced in Italy in crop 2017 was 56,4 million kgs<sup>1</sup> divided into: 36,4 million kgs of flue-cured; 15,7 million kgs of light air-cured; 2,4 million kgs of dark fire-cured; and 1,9 million kgs of dark air-cured.

Picture 7 – Cultivation areas in Italy



“97% of the tobacco produced in Italy is grown in just 4 regions: Campania, Umbria, Veneto and Toscana”

Italy produces several varieties of tobacco, except for oriental tobaccos, which are produced mainly in Bulgaria, Greece, Macedonia and Turkey.

Deltafina maintains a strategic position in the tobacco processing market, and plans to sustain tobacco sales volumes by improving penetration into new tobacco markets such as shisha and narghilè; continuing sustainability programs; and preserving processing volumes for third parties through renewing processing agreements.

Despite the reduction of tobacco purchases in the sector, **the positive trend is the result of commitment towards efficiency and sustainability as well as concrete partnerships with stakeholders and with tobacco product manufacturers.** Deltafina has confirmed its role as the leading tobacco processor in Europe, with moderate to good results both for third-party processing and for direct tobacco sales.

<sup>1</sup> Source: AGEA (whit reference to crop 2017).

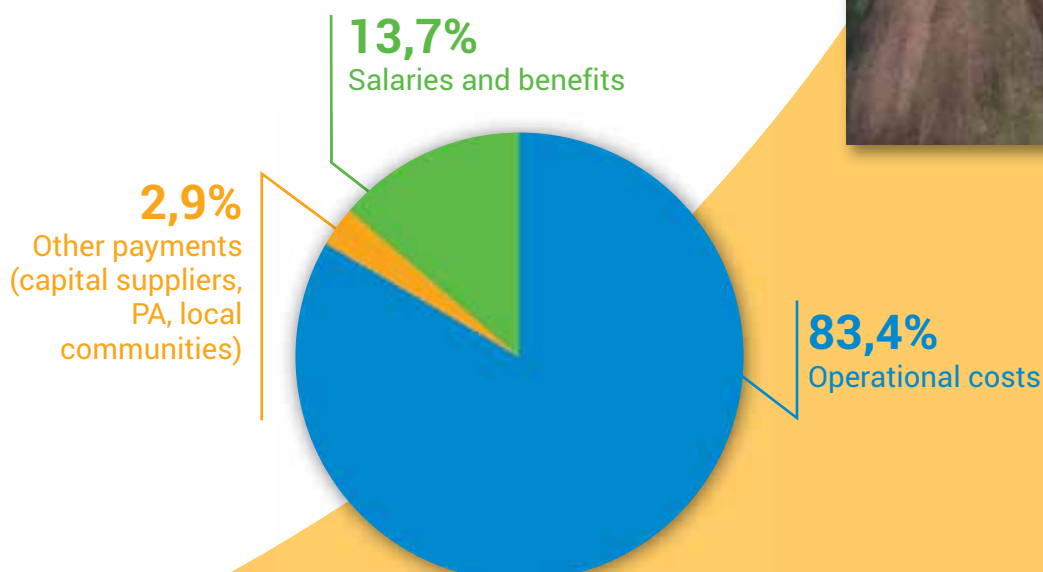
## Economic Sustainability

# “Economic sustainability remains a primary goal to ensure long-term stability”

The value generated by Deltafina is shared with the local communities in the Perugia and Caserta districts, through the creation of local employment, use of local suppliers and generation of local investment.

A sustainable company generates economic value for all its stakeholders, including employees, unions, suppliers, governments and local communities.

The graph below shows the economic value generated as of March 31, 2018. The higher percentage reflects operational costs (payments for goods and services suppliers). Most operational costs relate to tobacco purchases in the regions where Deltafina operates. This aspect is an important element for Deltafina, which remains committed to preserving value and creating jobs in Italy. The other amounts are mainly related to salaries and benefits (payments to employees), and payments to capital suppliers, to governments (e.g., taxes), and to local associations (other payments).



## Governance and Universal Corporation Group

Deltafina’s governance structure is based on the Board of Directors (BoD), comprised of two to five members according to the Ordinary Assembly who are entrusted with all the powers to ensure the ordinary and extraordinary management of the Company. The directors are elected among non-members as well<sup>2</sup>, and remain in place until revocation or resignation, or for another term established by the Assembly. Directors also constitute the legal representation of Deltafina, while the powers of attorney belong to the BoD President. The current BoD includes:

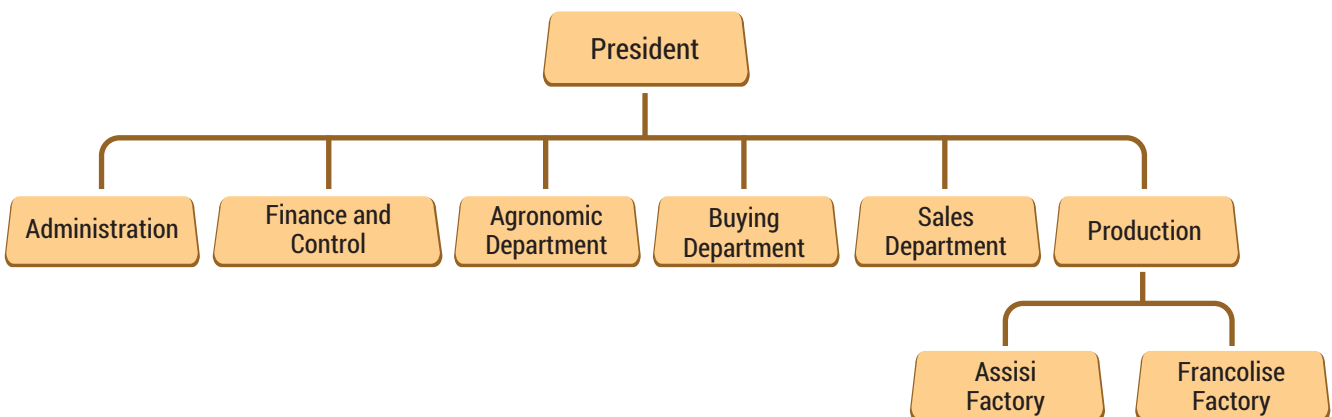
President	Domenico Cardinali
Vice President	Enrique del Campo Ros
Member	Giorgio Marchetti
Member	Donatella Pontarollo

The Board of Auditors, named by the Assembly and comprised of five members, conducts the controlling activity and assists the BoD in fulfilling its corporate governance and management role. One of the legal audit positions is committed to the auditing Company EY S.p.A., as determined by the Ordinary Assembly. Deltafina srl is owned by the multinational Universal Leaf Tobacco Company, which is owned by Universal Corporation, a worldwide leader in tobacco processing and commercialization founded in 1918 and located in Richmond, Virginia, USA.

Deltafina’s organizational chart, shown below, indicates the structure as of March 31, 2018, with the departments directly reporting to the Company President:



The Universal Corporation management structure maintains strong regional and local management; Deltafina is therefore responsible for the definition of its commercial policies (both buying and selling) and for the majority of management decisions. Universal Corporation periodically updates its financial and operational targets and regularly discusses the main objectives, plans and investments with Deltafina management.



<sup>2</sup> According to art. 19 of the statute, Deltafina can be managed alternatively by a unique administrator, by a number of variable administrators from two to five with joint or disjoined signature, or by a Board of Directors composed of two to five members. This last modality is the one adopted by Deltafina, as established by the Assembly.



## Business compliance and integrity

“Deltafina works according to a governance system based on the values of responsibility, integrity, organizational efficiency and transparency.”

These values guide the behavior of Deltafina employees in all business activities at every level, promoting strong relationships with all stakeholders inside and outside the organization. Deltafina purchases and processes in compliance with applicable local, national and EU regulations, as well as in compliance with the stringent company and Group policies and practices. Deltafina monitors product quality and sustainability objectives, adopts specific procedures, and promotes ethical and respectful behaviors in order to meet the strict socio-economic, environmental and safety criteria in tobacco production. The Company operates according to compelling behavioral standards, abiding by responsibility principles towards its stakeholders and the **Universal Global Compliance Program** requirements, which provide a framework to keep the business moving forward with **integrity, honesty and impartiality**.

“All employees are obligated to report possible violations of the Code of Conduct so that the conduct can be reviewed, and the Universal Group can address the situation to take appropriate action.”

The **Universal Code of Conduct** and the **Anti-Corruption Compliance Manual** are the main documents on ethics and compliance,

and many of the compliance policies are established according to the general principle **Maintaining leadership with integrity**.

The **Code of Conduct** includes the commitments and ethical responsibilities that Universal Group employees must comply with while carrying out their activities:

- 1) **working with integrity**: freedom from discrimination and harassment, following environmental, safety and health rules, social responsibility;
- 2) **conducting business with integrity**: competition and fair dealing, rejection of all forms of corruption, gifts and entertainment expenses, trade restrictions and boycotts;



- 3) **handling information and assets with integrity**: no insider trading, no conflicts of interest, protecting corporate information and assets, reporting, books and records, accounting controls.

Universal Corporation and all Group companies, including Deltafina, comply with the U.S. **Foreign Corrupt Practices Act (FCPA)**, and the same behavior is expected from all business partners with whom a relationship is maintained, regardless of where they are located or the type of service provided. The FCPA states that it is illegal to pay, or promise to pay, money or anything of value to a government official with the aim to start or maintain business or to gain an unlawful advantage. This applies to payments and gifts paid by companies and their employees, as well as by third parties representing the companies. In order to provide guidance, Universal Corporation has prepared the **Anti-Corruption Compliance Manual** outlining policies and a reference on how to address corruption risks.





This document, published on the Universal Corporation Compliance web page ([www.universalcop.com/compliance](http://www.universalcop.com/compliance)) and made available in 17 languages, is distributed to all Group employees along with useful references to re-

port illegal behavior. Anyone can file an anonymous report or request information from the Universal Compliance Committee through the Compliance Hot Line, available 24 hours a day, 7 days a week; through the web platform [www.ethicspoint.com](http://www.ethicspoint.com); or by sending an e-mail to the Chief Compliance Officer at [compliance@universalleaf.com](mailto:compliance@universalleaf.com).



#### UNIVERSAL CORPORATE COMPLIANCE

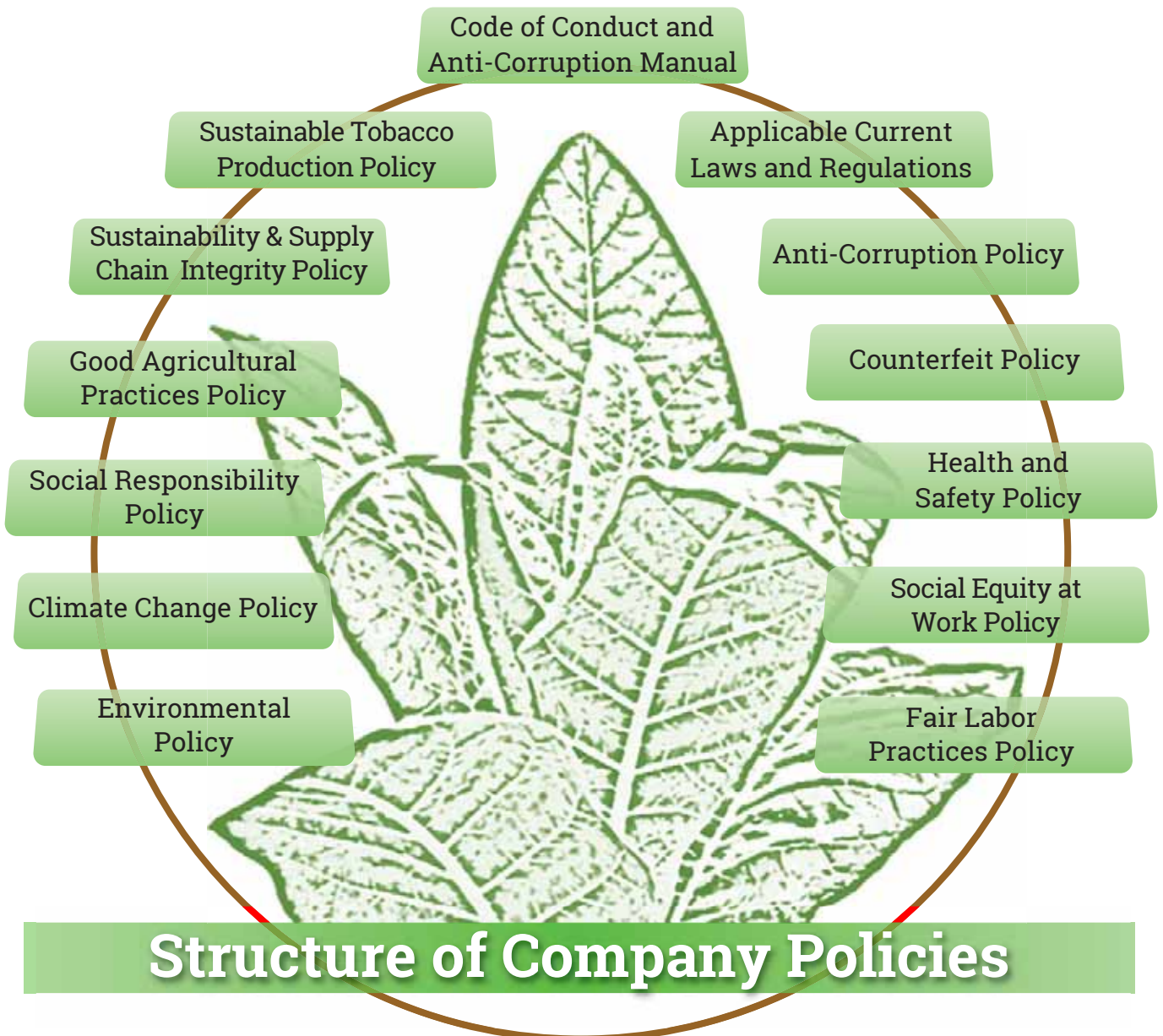
The Universal Global Compliance Program requires active participation of employees, Board members, third parties and management of the Company. Appropriate bodies oversee the implementation of the program according to the rules and responsibilities contained in the Universal anti-corruption compliance policies and procedures. Such bodies include:

-  the **Corporate Compliance Committee (CCC)**, composed of Universal management members, with the task of reviewing and evaluating the effectiveness of the company's programs and policies, aimed at ensuring compliance with the Universal Code of Conduct, internal controls and all applicable laws;
-  the **Chief Compliance Officer (CCO)** and the **Compliance function**, for the creation and implementation of the company's programs and policies designed to ensure compliance with the Code of Conduct, internal controls and all applicable laws, and for the development and review of the compliance program and the management of training activities;
-  the **Regional Compliance Team (RCT)**, in the form of seven regional teams, which supports the **Compliance Function** by carrying out the activities assigned (the European regional compliance team is composed of four people from Deltafina management);

and the **Local Compliance Team (LCT)**, through specialized local resources at the individual company level, aimed at ensuring operational support of the program and adequate supervision of local business operations, taking into account the risk factors related to the internal management and compliance in order to support the RCTs and the reporting function.

Specific control procedures are put in place for each level. Training and support programs on corporate compliance and ethical behaviors are designed to

help employees and suppliers abide by the rules, helping to protect Deltafina's legal compliance and corporate reputation. For example, between April 1, 2017 and March 31, 2018, the Local Compliance Team held specific classroom training sessions involving all employees in the Rome office, more than 50 employees at the Francolise site in Campania and 175 employees at the Assisi site in Umbria. In addition, 205 employees were involved in e-learning training sessions offering individual courses on integrity, safety leadership and ethics.



Because of Deltafina's strong commitment to business conformity, integrity and sustainability, the Company has implemented additional company policies, including: **Social Equity at Work, Environment, Climate Change, Health and Safety, and Social Responsibility**. Deltafina is committed to complying with current legislation, applicable international agreements and business rules at different levels, and works to ensure that suppliers and collaborators are mutually committed.

In the last two fiscal years (2016 and 2017), there have been no employee reports in conflict with Deltafina's declarations concerning compliance and Company rules.



#### Anti-Corruption Policy

Deltafina behaves in accordance with all laws and Universal policies concerning corruption; the Company also trains its personnel regarding the importance of behaving with integrity.



#### Counterfeit Policy

Anyone who collaborates with Deltafina is not to provide tobacco to companies or to persons participating in the manufacture, distribution or sale of counterfeit tobacco products; this is extremely important to Deltafina, even though the Company does not sell its goods directly to final consumers. Deltafina has

“Deltafina is firmly committed to sustainability and integrity in all aspects of the tobacco supply chain.”

implemented the Universal program called “**Know your customer**”, to obtain information on potential customers before cooperating and selling tobacco.



#### Environmental Policy

Compliance with environmental laws is of utmost importance to Deltafina. The Company is constantly monitoring and assessing its direct and indirect environmental impacts, including greenhouse gas emissions.



#### Fair Labor Practices Policy

In accordance with current legislation and the agreements of the International Labor Organization, Deltafina does

“Environmental compliance is a cornerstone to being and remaining a responsible corporate citizen. Universal's policy is to adhere to all applicable environmental laws and regulations. In addition, we continue to consider ways in which we can reduce the environment impact of the tobacco supply chain, promote energy efficiency, support biodiversity, and conserve forestry and other natural resources”.

Universal Corporation Environmental Policy

not allow child labor or forced labor. In addition, the Company constantly works to grant equal treatment and equal opportunities to women and men, as well as to respect freedom of association. These principles are followed by all Deltafina personnel. Deltafina also encourages its tobacco suppliers and other collaborators to adopt the same principles in order to have a safe and respectful working environment for all.



### Agricultural Labor Practice Policy

Under the fair labor practices and health and safety codes, tobacco growers are to respect seven principles:

1) child labor prevention; 2) fair wages and working time; 3) fair treatment; 4) no forced labor; 5) work environment safety; 6) freedom of association; and 7) legal compliance.



### Health and Safety Policy

The health and safety of Deltafina's employees is of paramount importance. For this reason, the Company works to ensure that all employees observe the rules. The Company is also working to raise awareness and train employees regarding incidents, corrective practices and precautionary actions. Deltafina also encourages employees to report any intimidation or threats of violence, as these are not tolerated.



### Good Agricultural Practices Policy

Deltafina strives to have effective environmental protection programs, workers' health and safety programs, and regional and local community support programs. The Company also recommends that tobacco farmers follow good agricultural practices in order to contribute to the conservation of natural resources and to the production of sustainable, high-quality tobacco. Such training includes advising on tobacco soil maintenance, on tobacco selection varieties and on fertilizer and pesticides usage.



### Sustainability and Supply Chain Integrity Policy

The Company is strongly engaged in sustainability and respects applicable laws throughout the supply chain from suppliers to tobacco farmers to customers. In particular, Deltafina is engaged in the seven areas of best practices of the Universal group: good agricultural practices; good manufacturing practices; environmental protection; health and safety; tobacco integrity and traceability; fair labor and social responsibility.

## Sustainability Engagement

### The supplier relationship and regional development support

#### Deltafina's suppliers

To achieve the objective of commercializing sustainable and quality tobacco, Deltafina places the utmost attention on its relationships with its stakeholders. For this reason, the Company shares with its growers

**Good Agricultural Practices** and guidance related to sustainability, supply chain integrity, labor practices, health and safety, and environmental protection.

In order to work with Deltafina, growers must agree to fulfill the corporate values of business integrity, fair trading and transparency.

An analysis of Deltafina's spending on tobacco, goods and services to its suppliers indicates solid support of local communities. Additionally, Deltafina maintains continuous involvement with growers through its technical support of tobacco production.




Table 2 – Expenditure percentage on suppliers

	Suppliers	2018	2017	2016
% of tobacco supplying cost	Italy	59.9%	51.4%	73%
	Foreign Countries	40.1%	48.6%	27%
% services supplying costs (maintenance, logistics, etc.)	Locals (Regions of Campania, Lazio and Umbria)	53.7%	58.8%	51.4%
	Non locals	46.3%	41.2%	48.6%

Tobacco supplier relationships are positive and trust-based and go beyond a simple business contract. Deltafina serves as a significant link between the global tobacco market, individual farmers, and tobacco producer groups, and therefore works to improve the stability of the sector along the supply chain. Deltafina also provides technical support focused on environmental and social issues such as water resource optimization and farm workers' rights.

This approach allowed Deltafina to maintain a long-lasting relationship with 590 producers in crop 2017.

The qualifying points of this partnership include:

-  Constant quality-quantity data **feedback** and performance evaluation;
-  **Constant analysis** and **technical support** among parties, with the goals of process improvement and the pursuit of agreed standards;
-  Program implementation of Good Agricultural Practices **to improve tobacco quality, sustainability and working conditions.**

## The socio-economic regional development

Social aspects are crucial when evaluating Deltafina's impact on regional development. In addition to the revenues generated by suppliers, social and occupational implications provided in the local communities play a key role. The tobacco sector is still characterized by limited automation that, consequently, guarantees stable employment opportunities throughout the supply chain. Depending on the tobacco type, field labor hours range from 200 to 1,200 working hours per hectare.

For this reason, tobacco production represents a strategic resource for many farmers and for rural communities. The absence of tobacco would have a severe negative impact and likely result in further acceleration of rural exodus. Furthermore, tobacco production provides stability to farmers who are able to maintain volumes year after year. Deltafina's direct contact with farmers, providing technical support during the various crop production stages, has improved tobacco yield and quality over time.

The preservation of tobacco farming is an essential objective for Deltafina. The Company is strongly dedicated to continue contributing support to employment and to allow the distribution of economic value to local communities, maintaining and improving socio-economic living conditions where it operates.

The Company is committed to achieving the following goals:

- to maintain the stability of tobacco processing and sales by securing long-term agreements with manufacturers;
- to establish and sustain a solid relationship with customers by conveying the Company commitment to inclusion, quality, sustainability and innovation;
- and to boost research in the tobacco market in order to achieve new market shares and promote stability.

“Deltafina supports growers through advance payments”



## Respect for People

“The success of Deltafina is achieved thanks to the engagement and devotion of our employees”

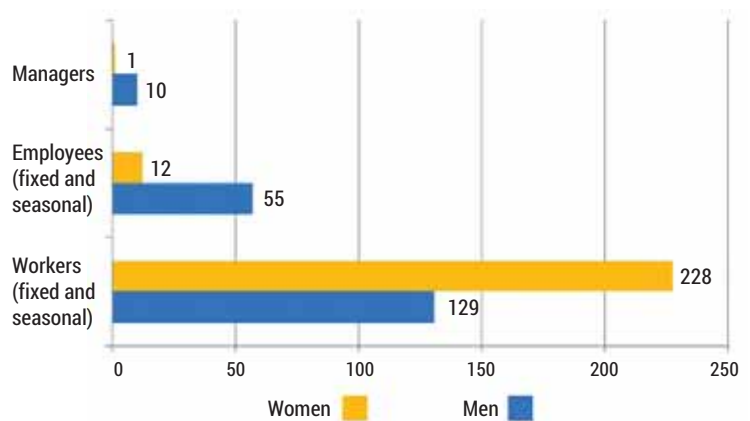
### Deltafina’s personnel

As in prior years, Deltafina maintained an efficient organizational structure composed of permanent personnel (16.1%) and fixed-term contract/seasonal personnel (83.9%), related to processing necessities and the seasonal nature of the business. Seasonal employment starts in September and reaches a maximum in March. Because buying and processing activities decline after March, the employment level also decreases.

On March 31, 2018, permanent personnel consisted of 70 employees, while the total personnel including the fixed-term contract/seasonal personnel equaled 435. As far as average employment during the year, there was an increase of 3.6% compared with Fiscal Year 2017 and 8.8% with respect to Fiscal Year 2016.

With reference to seasonal personnel, the greater percentage of the workforce is characterized by women (63.8%), contributing to employment in localities where the female labor index is lower than average.

Picture 8 – Employment breakdown as of March 2018



### Seniority in Deltafina

In FY 2018, data shows that permanent employees have more than 24 years of service on average (25 years for men and 21 years for women) and seasonal personnel have more than 13 years of service (10 years for men and more than 14 years for women).

Deltafina Personnel as of March 31	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent contract	56	14	70	59	14	73	58	14	72
Fixed-term contract	10	1	11	9	2	11	9	2	11
Seasonal personnel	128	226	354	111	246	357	120	249	369
Total employees	194	241	435	179	262	441	187	265	452
<i>Employee average during the year</i>	<i>151</i>	<i>196</i>	<i>347</i>	<i>155</i>	<i>180</i>	<i>335</i>	<i>126</i>	<i>193</i>	<i>319</i>

Deltafina promotes a work-life balance policy and access to flexible working systems, supporting the employees, in constant communication with workers' representatives.



## Employee training and development

Deltafina is strongly committed to offering employees a stimulating work environment by investing in training and development programs. The Company offers the same opportunities for growth and development to all its employees.

On March 31, 2018, Deltafina provided 4,466 hours of training to its staff with an average of 15.2 hours of training for managers, 15 hours of training for employees and 9.2 hours of training for fixed and seasonal workers.



With particular attention to training on health and safety at work, Deltafina remains compliant with legal requirements and routinely engages employees with general and specific training. Deltafina also promotes a continuous dialogue with its employees to understand their needs and priorities.

An integral part of this process is the mentoring activity carried out on a regular basis by senior managers with young employees to ensure that the company's deep knowledge in tobacco agronomy, purchasing and processing is passed on to the new generation of employees.



## Engagement to respect workers' rights and well-being

Deltafina works steadily to respect the highest ethical standards of all its employees regarding all Company activities. The main targets of this commitment include employee well-being, the fight against child and forced labor, equitable treatment and health and safety risk minimization. To help achieve this, Deltafina has implemented an **Agricultural Labor Practices (ALP) program**. Deltafina actively works with farmers and tobacco producer groups to understand potential labor issues, monitor labor practices and support improvement. The most important goals of the ALP program are the respect for labor laws and the improvement of working conditions in the fields. Periodically, Deltafina organizes and provides meeting and training sessions with farmers and tobacco producer groups.

The ALP program represents best practice at a national and international level for both the agricultural sector and the tobacco industry. Deltafina leaf technicians are responsible for ensuring compliance and the application of ALP principles during farm visits. The information gathered by leaf technicians, through reports and the MobiLeaf<sup>TM3</sup> program, allows timely reporting to Deltafina management and customers.



<sup>3</sup> For further information about MobiLeaf<sup>TM</sup>, please see the section Farm monitoring and traceability: the MobiLeaf<sup>TM</sup> project on page 43.

## 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.

## Health and safety at work

Tobacco production remains mainly a manual process, in the harvesting, curing and processing phases, although some automation technologies are used for farming. For this reason, Deltafina pays the utmost attention to the health and safety of employees and workers in our facilities and in the supply chain. As part of good agricultural practices, Deltafina also works to promote a safety culture through the training of farmers, tobacco producer groups and employees towards a safer workplace. The Company also seeks to reduce risks and provides personal protection equipment (PPE) where needed. The Company's factories are equipped with first aid supplies and automated external defibrillators (AEDs), for which personnel have been trained to use.

Deltafina names an employee as Responsible for Protection and Prevention (RSPP). This person is responsible for environmental working conditions in the facility and for the implementation of worker safety measures including: risk assessments, prevention and realization of sound safety performance, employee training regarding risks and risk mitigation, maintenance, and verification of safe working conditions.







Training is crucial for reducing risks and increasing awareness of health and safety topics. Therefore, Deltafina provides employees with general and specific training.

In 2018, six health and safety incidents were reported at Deltafina's facilities during approximately 528,000 working hours. None of the incidents resulted in severe injuries. This number was down from the previous year, when seven non-severe incidents were recorded.

### PREVENTION DURING TOBACCO HANDLING

Deltafina shares with farmers and tobacco producer groups information about green, wet and fresh tobacco handling, including the risk of nicotine absorption and the development of Green Tobacco Sickness. This condition can include symptoms such as: nausea, vomiting, malaise, vertigo, stomach cramps, breathing difficulties, pallor, excessive transpiration, headaches and high blood pressure.

In order to minimize the risk, Deltafina suggests using the following precautions:

-  use personal protective clothing and equipment to reduce direct contact with tobacco leaves;
-  wash hands with soap and water after tobacco handling;
-  change clothes if they are wet or collect tobacco residues;
-  take regular work breaks and limit harvesting activities to 7 hours;
-  and avoid working when it is extremely hot, and go to shelter in case of illness.
-  Call the doctor in case of illness.



Deltafina is committed to improving employee safety, by reducing workplace risks and creating better, safer working conditions.

## The social dialogue and Union relations

Deltafina uses a participatory model of industrial relations aimed at sharing information and a management approach with respect to workers' rights and employee needs. In order to carry out this model, a commission called the Rappresentanza Sindacale Unitaria (RSU) was created, which is composed of elected worker representatives. The Company grants the representatives authorization by respecting the law and operational and organizational requirements of the Company.





The relationship with the Union is also characterized by mutual trust, active collaboration and a proactive approach in identifying the best solutions to emerging problems and opportunities. Routine meetings are organized between Deltafina, RSU and the primary industry Unions (Fai Cisl, Flai Cgil e Uila Uil) on all important subjects regarding the Company and the workers, including equal opportunities for women and men, medical funds, salary negotiations, rights and duties of workers, health and safety at work, and collective agreements. In 2017, these meetings resulted in an **agreement on the work organization**<sup>4</sup> and contributed to the signing of a new contract for the tobacco processing sector on May 8, 2017, with the introduction of significant changes for employees including **pay increases**, workers' inclusion **to a medical fund**, important services to support income, collective contract **bargaining, better parental protection** (providing parental leave for children up to 14 years old versus the previous 10-year-old age in cases of child illness), the possibility for **migrant workers** to accumulate matured holidays and remunerated permits to allow family gathering, and **occupational support** measures, including generational turnover.


<sup>4</sup> The agreement names some organizational aspects linked to re-engagement, to equal distribution of working days among all workers according to their qualification and to work uniforms and personal protective equipment.

## The program for sustainable tobacco production and product quality

Deltafina regularly carries out assessments aimed at guaranteeing the respect for local and international regulations and for tobacco product manufacturers' quality needs throughout the tobacco supply chain. During harvest crop, compliance is verified by field technicians, and during factory processing, it is verified by supervisors, employees and quality control laboratories. Farmers and tobacco producer groups are trained by Deltafina field technicians on good agricultural practices for all phases of crop production, with special attention given to topping, harvesting, curing, packaging and storage<sup>5</sup>, which have critical roles in tobacco quality and sustainability. In Deltafina factories, supervisors and employees have implemented a quality management system accredited to the ISO 9001 standard with linked processes and procedures that target processing quality. The outcome is verified by sample analysis in quality control laboratories through the check of physical and chemical characteristics of lots to ensure customer requirements are met.

 **Topping:** this operation is essential, as it influences the tobacco quality by directing essential energy and nutrients to the leaves, thus improving farmer yields of saleable tobacco.

 **Harvesting:** this is a crucial operation to gather uniformly ripe leaves and subdivide them by stalk position in order to produce high-quality tobacco.

 **Curing:** this is a crucial operation to gather uniformly ripe leaves and subdivide them by stalk position in order to produce high-quality tobacco.



<sup>5</sup> Before being transported to Deltafina, the cured tobacco must be stored properly, so that the humidity rate is maintained, and the risk of deterioration is avoided. From the first harvest, the tobacco has to be packed according to producer group instructions, utilizing only material provided by the Company (for example, cartons and straps/vegetable threads).

## Sustainable Tobacco Program

Deltafina's STP Management Committee, sets procedures, goals and management practices related to the Agronomy Department, the Purchasing Office, and the processing factories (Assisi and Francolise), in order to fulfill the STP Program and the industry program maintained by participating tobacco product manufacturers. Deltafina also provides internal guidelines related to three Pillars—Crop, Environment and People. In addition, **Agronomy Department** activities are planned every year in the following areas:



**Contract drafting**, in line with the Purchasing Office, in partnership with qualified tobacco suppliers and including information about: tobacco

variety and quality to be shared with the Manufacturers Organization and with every single manufacturer; farmed hectares; grid reference with various tobacco qualities for each level and their price; various terms of reference concerning Product integrity (ALP, STP, NTRM, etc.); terms of good delivery and payment.



**Training and monitoring programs for field specialists and manufacturers**, thanks to a detailed program aimed at efficiency and

efficacy. The training and monitoring program for field specialists includes organization of recurring technical meetings, introduction of new topics and/or updating topics, delivery of informational materials (e.g. brochures, presentations, kits), completion of learning check tests (e.g. STP test), potential updating of input system MobiLeaf™ (following emailed requests from developers) periodic visits to manufacturers, and completion of specific check lists. The training and monitoring program for manufacturers includes information and training meetings about important topics related to tobacco production (e.g. STP, CPAs, negotiation, NTRM, ALP, etc.), distribution of informational materials (e.g. posters, brochu-

res, kits, etc.), invitations to workshops in order to develop new items, periodic visits to companies and organization of the visits together with field specialists planning of screening tests and monitoring of produced tobacco, and technical support by field specialists.

The farmers monitored in crop **2017** totaled 476 (100 % of all farmers), of which 116 produced flue-cured Virginia and 360 produced Burley. For crop **2018**, it is anticipated that 477 farmers will be monitored, of which 103 will produce flue-cured Virginia and 374 will produce Burley.



**Verifying technical support to manufacturers and monitoring activities.** Technical support can be

assessed through analysis of the STP Program offering test results, analysis of periodic reports from the MobiLeaf™ platform, completion of checklists following unannounced visits to farms during the season, and unmet needs reported in recurring technical meetings. As far as verifying and monitoring the activities of each farmer, the Agronomy Department evaluates the results of the analyses on crop protection products (CPAs) and nitrosamines (TSNA), the results



from announced and unannounced visits to the farmer, check list results, and recurring reports from the MobiLeaf™ platform.



**Prompt corrective actions (Prompt Action Issue)** that may be advised by field specialists following field production monitoring activities, as well as labor rights issues that should be addressed according to Agricultural Labor Practice (ALP) assessments.



**Verifying product integrity**, monitoring humidity, crop protection products (CPAs), nitrosamines (TSNAs) and constituent analyses of tobacco before collection and delivery to manufacturers. Monitoring crop protection products and residual nitrosamines, as well as tobacco constituent results, are some of Deltafina's criteria to verify the quality of the purchased product and compliance to customer requirements in a timely manner.

All of the above-mentioned activities follow specific procedures. Furthermore, every three years, Deltafina is subject to an external audit to assess effectiveness and level of maturity of its own Sustainable Tobacco Program, receiving an overall assessment by the independent organization ABSustain.



## Training and technical assistance to farmers promoting sustainable cultivation

To promote the vision of sustainable cultivation, Deltafina actively shares information and experiences with farmers with respect to agricultural practices and tobacco quality. Every year, training sessions are organized between farmers and technicians to share **Good Agricultural Practices (GAP)**.

GAP key topics include the use of certified seed, protection of soil fertility, responsible water consumption, use of plant protection products and avoidance of non-tobacco related materials.

### FOCUS ON TRAINING

Training activities for farmers and technicians include material from the STP manual and its three Pillars as follows:



#### Crop Pillar:

- variety selection and performance for achieving the desired tobacco leaf quality and subjective characteristics, as well as for optimizing farmer yield
- good agricultural practices
- integrated pest management principles
- identification and prevention of on-farm non-tobacco related materials
- production costs



#### Environment Pillar:

- water and soil management on farms
- pollution control and waste management on farms
- fuel efficiency and greenhouse gas reduction
- biodiversity



#### People Pillar (Agricultural Labor Practices program):





- child labor on farms
- forced labor
- safe working environment
- fair treatment
- income, work hours and benefits for farm workers
- freedom of association
- compliance with the law



## The choice of quality seed




The Deltafina Agronomy Department, in collaboration with the tobacco producer groups, is in charge of selecting tobacco varieties to ensure the best quality. Certified seeds are provided to farmers to guarantee high levels of agronomic and phytosanitary performance. In particular, acceptable seeds need to have specific characteristics, including:

-  Inclusion on the National Variety Register and certified according to applicable laws;
-  free of genetic modification;
-  low alkaloid conversion (in order to prevent nitrosamine formation);
-  proper technical form including accurate labelling with the following information: variety, lot identification, germination rate, producing farm, quantity and pureness.



## Soil fertility protection and management



All the soil cultivation should promote high performance in order to reduce environmental impacts, to ensure an adequate use of natural resources, and to 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 on the farm, including:

-  Soil analysis every three years at minimum, conducted according to official soil chemistry

analysis methods published by the Italian Society of Soil Science (S.I.S.S.);

-  Soil nutrient management using appropriate types and amounts of manure and fertilizers, applied according to soil analysis results with attention to water pollution risk;
-  Respect for the current laws and the use of a soil and water preservation plan, implemented by Deltafina to give farmers another tool for success in tobacco growing.

## Soil preparation and tobacco transplanting







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

## Responsible water usage in tobacco growing



Deltafina actively promotes the efficient use of water resources in order to avoid incorrect water usage in the irrigation phase and to reduce soil damage. Good agricultural practices include important guidance for crop irrigation control and soil management in order to maximize plant growth, while reducing excessive water use and potential waste. As often as possible, Deltafina requests that the farmer use "drip" systems, while aware that the choice of the irrigation method has to take into account important evaluations regarding soil moisture activity and precipitation trends. This balances water resource availability with plant needs

and improves plant yields and quality. Drip irrigation systems are preferred when cultivating Virginia flue-cured because they:

-  reduce water usage solely according to needs;
-  reduce water pollution risk;
-  target the distribution of nutritional elements reducing overall fertilizer use;
-  and reduce environmental impacts.

## The correct usage of plant protection products



Cultivation practices are selected with continuous collaboration between Deltafina, tobacco producer groups and farmers. This process is crucial to minimizing the use of agrochemicals and maximizing plant protection. Deltafina's efforts are guided by continual research within the Agronomy Department and with constant communication with growers to ensure alignment with national guidelines related to biodiversity<sup>6</sup> and to operator health<sup>7</sup>. All growers are required to use only agrochemical products registered in Italy for tobacco and must strictly follow the product labels. When agrochemicals are necessary, growers are encouraged to adopt the use of those with the lowest toxicological class and declared not harmful for beneficial insects such as bees or ladybugs. All operators handling agrochemical products must have a license issued

by relevant regional authorities and utilize the proper personal protection equipment (PPE)<sup>8</sup> provided by Deltafina as needed and available on the farm. The products must then be stored in a specific and suitable space, with exclusive access to authorized personnel. Products must be kept in their containers with intact product labels. Waste products from usage are designated as special waste and must be disposed according to regulation.

This interaction and continuous monitoring ensures compliance with all the applicable laws and reduces the use of agrochemicals, thus playing an important role in environmental protection and on workers' health and safety.

Deltafina is in compliance with the law regarding maximum residue limits (MRLs) of plant protection products and test residue levels.

<sup>6</sup> The "Guide Lines for conservation and the characterization of the vegetable, animal and microbial bio-diversity of interest for agriculture" (2014), a tool to preserve and characterize local species and varieties recommending operational guidelines for animal and vegetable biodiversity protection, as well as microbial protection for food and soil.

<sup>7</sup> The "Guide Lines for a sustainable use of plant protection products" (2011), a tool to train and inform professionals who use plant protection products.

<sup>8</sup> Examples of necessary PPE depending on the product include full masks, partial masks with filters, overalls, rubber boots, eye protection and waterproof, chemical resistant gloves.




## Farm monitoring and traceability: the MobiLeaf™ platform

Deltafina began using the **MobiLeaf™ Platform** (developed by Universal Leaf Tobacco Company) in 2015. This system is designed to collect, analyze, and report relevant tobacco production data in real time and to monitor and assist farmers during crop year activities. By using MobiLeaf™, farmers can trace their production with technology, recording all the useful information and solving problems through corrective actions.



**MobiLeaf™ is a farmer management system designed to collect, analyze and report tobacco production data in real time.**

MobiLeaf™ consists of:

-  **general farmer information**, production area, tobacco quantities and yields;
-  **agronomy information**, seedling, production, curing and conditioning and workforce;
-  **company, customer and industry agronomy program information** related to the Sustainable Tobacco Production (STP) program, Good Agricultural Practices (GAP) program and Agricultural Labor Practices (ALP)


With the help of the MobiLeaf™ platform, field technicians are able to monitor, record and analyze key information related to field production activities. Primary monitoring and recording activities occur during regular visits to the grower. The system provides a comparison between the result of the analysis and the best practices at each stage of production, providing leaf technicians with tools to better advise the grower. The system can also generate action plans for issues requiring more attention and feedback. Field technicians are also able to produce grower-specific, traceable labels for farmer bales offered for sale. These labels include information such as: name of the association, farmer code (assigned by Deltafina), crop year, allotment name, variety, and grade. This data is fundamental to allow full traceability of the bale through factory production.





## Quality control

In order to verify the quality of the product, **Deltafina constantly monitors tobacco inside its factories**

according to its own Quality Management System, accredited to the ISO 9001 standard. Quality control is performed during the harvesting season by field technicians using MobiLeaf™ and during processing by the quality control laboratory to verify the physical and chemical characteristics of the lots received and to ensure that customer requirements are met. The Company's main quality control goals include:

 **verification of the absence of foreign matter** (NTRM) to ensure that manufacturers receive a clean product. Deltafina developed a program in collaboration with farmers and producers in order to identify all the contamination risks that may occur on the farm; moreover, this program aims to disclose good agricultural practices, such as machine maintenance and utilization, separation of the tobacco handling areas, and the control of foreign matter. The program also includes also a third-party verification to check the compliance of the tobacco with the program, so that each farmer bale that meets the requirements can be certified with a "passport on foreign matter."

 **use of integrated pest management principles and the use of proper crop protection agents** (CPAs) in the phase of tobacco growth and **CPAs analysis** for cured leaves. In order to prevent excessive use of CPAs, Deltafina launched a training plan dedicated to the farmers, so that they can share and learn innovative techniques in tobacco growing. Deltafina is taking part in several projects in collaboration with the industry sector; for example, by providing support for Peronospora monitoring (*Blue Mold Info Service*) and by collaborating to update the CPA database (CPA Working Group of AERET Association).

 **nitrosamine content verification;** Deltafina is committed to nitrosamine reduction in tobacco, and promotes information sharing among various stakeholders. To better define the problem, Deltafina continues its research throughout the entire production chain, considering all the factors that influence nitrosamine content—the variety used, the types and dosage of fertilizers, and tobacco moisture levels before and after packaging.



## In 2018, the Deltafina Agronomy Department engaged in four primary research projects:



### Variety Tests

Some varieties have been tested for agronomic behaviors in quality and yield terms in both the harvesting and curing phases.



### Tobacco for seed oil production

This experimental project started 3 years ago and is active on two farms. From the cultivation of specialized varieties, the project aims to obtain oil derived from extracting oil contained in tobacco flower seeds.



### Chemistry Tests

Some agrochemicals have been tested, in both greenhouses and fields, in order to find plant protection products with low environmental impact (for example, in consideration of the waiting timing for fields and for tobacco). Tests have been conducted under the strict observation and collaboration of the chemical product manufacturers and technicians, as well as the researchers who develop new products. Within this research area, Deltafina is implementing a project called "Purity Residual Clean" (PRC) to obtain tobacco with zero residues; in particular, this activity is articulated into the studies for the use of chemical products considering product characteristics, modes of active ingredient action, and possible interactions and efficacies in applying multiple products simultaneously.



### New Machinery Planning and Implementation

Testing is being conducted in order to improve the agronomy phases; for example, testing harvesting machine usage in burley tobacco production.



## Environmental protection and pollution prevention at Deltafina facilities

Deltafina's production activities are routinely monitored to minimize risks and adverse impacts on the environment. The main relevant environmental aspects are emissions, soil and subsoil safeguards, waste management and disposal, and the use of natural resources. To facilitate management of all these aspects, the Company implemented and validated an

**environmental management system according to the ISO 14001 standard at its two factories.**

This management system is a voluntary tool for continuous improvement of environmental services and is a core part of the company's engagement on environmental protection and pollution prevention.

### Engagement to address climate change and reduce atmospheric emissions

**Deltafina constantly monitors its environmental performance with regard to greenhouse gas emissions**

with the aim of continuously improving performance.

CO<sub>2</sub> – equivalent (CO<sub>2</sub>e) emissions (direct and indirect ) per metric tons amounted to approximately 35 thousand tons in 2018. This was an increase of 5.3% from the prior year due to a higher processing volume of tobacco in fiscal year 2018. However, this indicated a reduction in CO<sub>2</sub>e emissions per processed ton.

CO <sub>2</sub> units Emissions per Metric tons	2018			2017		
	Assisi	Fracolise	TOTAL	Assisi	Fracolise	TOTAL
Direct (Scope 1) GHG emissions	2,501	1,215	3,716	2,274	1,260	3,534
Energy indirect (Scope 2) GHG emissions	2,398	1,381	3,779	2,251	1,339	3,590
Other indirect (Scope 3) GHG emissions	24,897	2,683	27,580	23,835	2,355	26,190
<b>Total</b>	<b>29,796</b>	<b>5,279</b>	<b>35,075</b>	<b>28,360</b>	<b>4,954</b>	<b>33,314</b>

### Waste management in the factories

The Assisi and Francolise factory management teams are responsible for monitoring and limiting waste generation. Specific attention is given to waste disposal, trying to maximize the amount of waste sent to recovering and recycling, as well as reduce the production of hazardous waste.

**Company developed a plan to control and manage waste**

resulting from all production and support activities.





<sup>9</sup> In the last two years there have been no biogenic CO<sub>2</sub> emissions.

<sup>10</sup> Direct emissions result from activities directly undertaken and controlled by Deltafina (Scope 1) including emissions from stationary and mobile sources.

<sup>11</sup> Indirect emissions result from emissions sources controlled by third parties, but benefit Deltafina's business activities (Scope 2; emissions that result from the generation of acquired electricity) or that occur outside Deltafina (Scope 3; emissions resulting from farm activities such as fertilization, fuel usage and tobacco transport).



The plan's targets include:

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

The waste is categorized according to the European Waste Catalogue (E.W.C.) and is stored in temporary deposit locations to await transport. Before releasing waste to the transporter, Deltafina verifies that the transporter and destination have valid licenses to handle the waste. In 2018, 2,579.83 tons of waste were produced, 96,4% of which were recycled, which is in-line with the prior year.

The majority of waste is recyclable because the largest categories are tobacco residues (which are natural materials that are easily recovered for composting) and paper.

Produced Waste (tons)	2018			2017		
	Assisi	Fracolise	TOTAL	Assisi	Fracolise	TOTAL
Tobacco residues and dust	1,134.14	420.01	<b>1,554.15</b>	1,084.12	408.30	<b>1,492.42</b>
Paper	746.81	142.68	<b>889.49</b>	543.03	389.49	<b>932.52</b>
Other materials	61.73	74.46	<b>136.19</b>	43.31	56.79	<b>100.10</b>
<b>Total</b>	<b>1,942.68</b>	<b>637.15</b>	<b>2,579.83</b>	<b>1,670.46</b>	<b>854.58</b>	<b>2,525.04</b>
<i>Quantity of waste sent to recycling</i>	<i>1,910.34</i>	<i>576.36</i>	<i>2,486.70</i>	<i>1,630.00</i>	<i>790.00</i>	<i>2,420.00</i>

Figure - Separate waste collection:  
"Pay attention to the color of your waste"



## Responsible water usage in the factories

Environmental impacts include water withdrawals, which are constantly monitored by Deltafina to identify potential consumption reduction. In 2018, water consumption totaled about 55 million liters. This was an increase from the prior year due to the higher volume of tobacco processed and the higher proportion of tobacco treated at the BSO. BSO water consumption per kilo is higher than the water usage in the usual threshing process. The Company has already initiated a new plan to monitor, control and measure water consumption in all industrial processes with the goal of efficient water usage

**Water is withdrawn completely from wells (ground water source) and is extracted by industrial pumps and then is mainly transformed to steam and water vapor in order to re-moisturize the tobacco leaves during processing activities.**

Water management (liters)	2018			2017		
	Assisi	Fracolise	TOTAL	Assisi	Fracolise	TOTAL
Water used	41,334,000	13,812,000	<b>55,146,000</b>	25,326,000	11,850,000	<b>37,176,000</b>
Water discharged	33,827,000	4,751,000	<b>38,578,000</b>	19,173,000	5,177,000	<b>24,350,000</b>



## Glossary

**Aging:** a moderate level of fermentation.

**Agronomy:** the science of agriculture, particularly related to crop production and soil management.

**Air-curing:** one of the main methods of curing that involves the removal of the natural sap and moisture from tobacco leaves. Leaves are dried naturally through a process during which harvested tobacco is sheltered from sunlight in a large wooden barn, either completely closed or ventilated, depending on weather conditions. In dry weather conditions, the barn is closed to preserve moisture while in wet conditions, excess moisture is removed by opening vents in the roof or side walls. Air-cured tobacco is mainly dried with natural heat and presents a brown color.

**Bale:** an organized package of tobacco used to improve transport, marketing and storage.

**Blend:** The term refers to a specific mixture of tobacco varieties and grades. This mixture is made to meet customers' needs with specific levels of quality, flavor and aroma of tobacco.

**Blending:** different varieties and grades of tobacco are mixed to produce a specific blend that meet customers' needs in terms of quality, flavor and aroma. They are blended according to particular recipes indicating the percentage of needed type and grade.

**Body:** one of the features that determines the quality of tobacco and refers to the thickness, density, or weight of a tobacco leaf.

**Bright leaf:** also known as Virginia tobacco, this type of leaf is mainly used in cigarettes and refers to flue-cured or fire-cured tobacco varieties. After curing, the leaves are characterized by a color that can vary from yellow to dark orange.

**Burley tobacco:** a type of tobacco usually air-cured with a color range from light brown to deep reddish brown. Burley tobacco is distinguished by filler type and flavor type depending on the tobacco features.

**Clean product:** tobacco that is free of sand, soil, and non-tobacco related material (NTRM).

**Color:** the overall quality can be identified through the color of tobacco. Monitoring color during ripening, curing and fermentation is essential to obtain a high-quality product.

**Conditioning:** adding moisture in the form of steam or mist to tobacco to make the product more flexible during handling, processing and manufacturing to avoid breaking into smaller pieces.

**Curing:** the process carried out after harvesting to completely remove the natural moisture of the leaves. There are four methods of curing: air-curing, flue-curing, fire-curing and sun-curing.

**Dark air-cured tobacco:** a type of tobacco that can be identified from its fermentation process that gives it a medium- to dark brown color and a distinctive aroma. This tobacco is used in cigars, dark cigarettes, pipe mixtures and chewing tobaccos.

**Fermentation:** this process can be distinguished in two types: natural fermentation (or aging) and forced fermentation. Natural fermentation is a chemical reaction caused by moisture and warm temperatures. Forced fermentation is a process that involves placing tobacco in large stacks so that the chemical reaction caused by the moisture and warm temperatures is intensified by the density of the tobacco. Natural fermentation results in the tobacco having a milder taste while forced fermentation typically results in a smoother aroma and taste. The process ranges from two days to two months or more.

**Fire-curing:** one of the main methods of curing that involves the removal of all natural moisture from tobacco leaves. This method includes exposing tobacco to the heat and smoke of open fires in order for the leaves to absorb the aromatic substances in the smoke, giving a particular taste to the tobacco.

**First processing:** a series of physical transformations during which no additives other than water are used. The processors sort and grade the tobacco leaves, then separate the lamina from the stems (“threshing”), and reduce the lamina into small strips.

**Flue-cured tobacco:** this kind of tobacco is cured through artificial heat. It ranges from light yellow to dark orange in color and has a sweet aroma. It is also known as bright leaf or Virginia tobacco.

**Flue-curing:** one of main methods of curing that involves the removal of all natural moisture from tobacco leaves. This method uses artificial heat and ventilation. The tobacco barns are outfitted with pipes that supply the heat and fans that circulate the heat to reduce moisture levels.

**Grade:** an indicator of quality of tobacco according to stalk position, color, texture, elasticity and leaf size.

**Harvesting:** The process of collecting tobacco leaves from the plant once they have reached the desired stage of maturity. This activity can be performed either manually or by mechanical means. Flue-cured and oriental tobacco are harvested in stages, with the leaves removed as soon as they have matured individually. Burley tobacco is collected in several stages or by cutting the entire stalk close to the ground and removing all of the leaves at the same time; the choice of the process typically depends on local climatic conditions.

**Kentucky tobacco:** a variety of fire-cured tobacco initially typical of the U.S. states of Kentucky and Tennessee. Now it grows in many other regions and countries worldwide. This kind of tobacco is mainly used in chewing tobacco and pipe blends.

**Lamina:** the extended part of a leaf divided from the base to the tip by the stem. Its framework is provided by the veins that start from the stem.

**Leaf:** the primary product of the tobacco plant. The size, shape, and position on the stalk determine its quality.

**Light air-cured tobacco:** also known as air-cured tobacco. This variety of tobacco is cured with natural heat and is distinguishable by its color—typically brown or light brown. This kind of tobacco is not fermented.

**Manufacturer:** a company that purchases raw material and transforms it into tobacco products, such as cigarettes and chewing tobacco, which are then sold to consumers.

**Maturity:** this term describes tobacco’s state of ripeness in the field.

**Non-Tobacco Related Material (NTRM):** any material other than tobacco that is inadvertently mixed in with tobacco leaves. It can include stones, glass, strings, pieces of metal, etc.

**Packaging:** this activity is the final stage in tobacco processing. Tobacco can be packaged in barrels, bales or cardboard boxes; it is then stored or delivered to a tobacco product manufacturer.

**Picking:** removing non-tobacco related material and undesired leaves from tobacco during processing. This activity can be carried out pneumatically or manually.

**Processing:** this term refers to the physical processes applied to tobacco after its curing and before its use in the manufacture of consumer tobacco products. These processes include many stages such as blending, threshing, re-drying and packaging.

**Raw tobacco:** This term refers to tobacco recently harvested, but not yet cured.

**Re-dried tobacco:** tobacco with a specific amount of moisture content in the leaves that has been achieved through a re-drying process.

**Sample:** a small quantity of tobacco separated from processing used to test product quality or to represent the final product.

**Scrap:** tobacco that has been reduced into very small pieces. Scrap is a by-product of tobacco processing.

**Stalk:** primary stem of a whole tobacco plant emerging from the ground. The position of a tobacco leaf on the stalk is an indicator of the product quality.

**Stem:** this term refers to a lateral shoot extending from the stalk of the tobacco plant that divides the leaf from its base to the tip. Large stems are removed before consumer product manufacturing.

**Strips:** large pieces of tobacco lamina that have been threshed or cut away from the stem. The strips are blended, compressed and cut to produce consumer products.

**Threshing:** one of the stages in tobacco processing, aimed at mechanically cutting the lamina from the stem. The resulting lamina is called strips, which can be used for consumer product manufacturing. This process is fundamental in achieving a specific size distribution of re-dried tobacco.

**Topping:** the process of removing the flowering blooms that grow at the top of a tobacco stalk to re-direct plant energy to leaf growth. It can take

place at various stages in the plant's development and influences the quality of the leaves offered for sale by the farmer.

**Virginia tobacco:** this type of tobacco is the most popular tobacco type used in pipe tobacco today, and it is also known as bright leaf. It was originally typical of the U.S. state of Virginia, but its cultivation now takes place globally. Virginia tobacco can be air-, fire- or flue-cured and, depending on how it is cured, it can be used in cigarettes, pipe mixtures and chewing tobacco.

**Integrated pest management principles:** represents the first starting point for who wants to grow tobacco in order to reduce the use of chemical products with the consequent lower impact on the ecosystem.

**Wrapper:** a tobacco leaf used as the external covering of a cigar that has to meet certain quality requirements. For example, its appearance must be flawless and uniform in color.

## Methodological Note

The **Sustainability Report**, currently in its second edition, is the instrument adopted by Deltafina S.r.l. to transparently communicate its performance regarding social and environmental aspects as well as to disclose the main activities and results achieved annually. The reference period of this Sustainability Report is fiscal year 2018 (1 April 2017 - 31 March 2018). The period is related to 2018 financial statements and includes economic, social and environmental information. Data limitations are clearly indicated in the document where applicable. The Sustainability Report was approved by the Deltafina Board of Directors before external publication.

The Sustainability Report has been prepared in compliance with the Sustainability Reporting Standards of the Global Reporting Initiative "*in accordance with GRI Standards: Core option*" and with the supplement dedicated to the Food Processing sector (that includes the tobacco sector) issued in 2013 by the GRI ("Food Processing Sector Disclosures").

The process of establishing the report contents is based on the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. The principles of balance, comparability, accuracy, timeliness, clarity and reliability have been followed in order to assure the quality of the contents. The content index is presented on page 56.

Further information and questions about the subjects of this document can be requested by e-mail: [deltafina@deltafina.com](mailto:deltafina@deltafina.com)

Using the GRI materiality identification process, Deltafina identified its **material topics** that are listed in the linkage table with the GRI Standards. The contents of this Sustainability Report have been gathered with the collaboration of all Deltafina personnel, who provided information and necessary data.

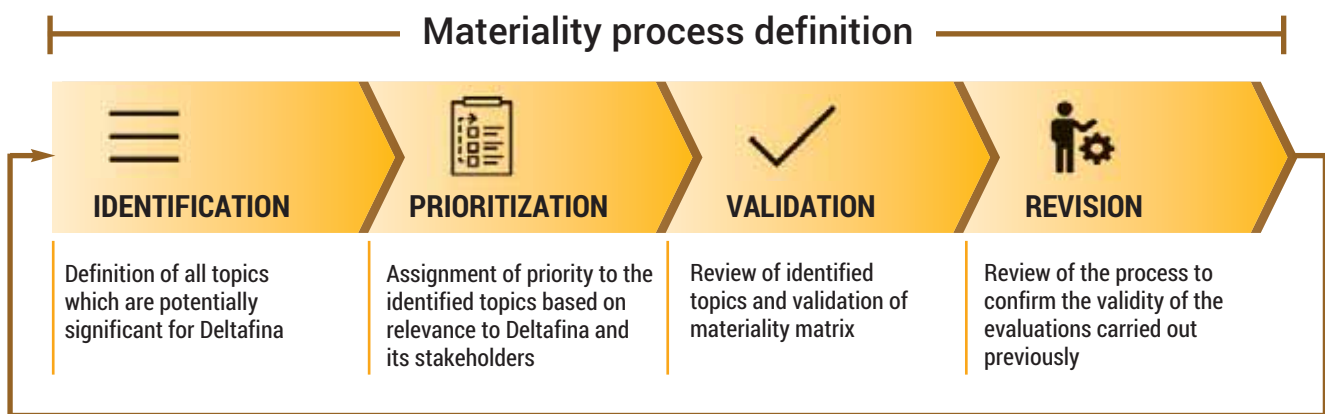
The 2018 Sustainability Report is composed of a first section related to the Deltafina S.r.l. profile in which the Company's identity and governance are described. This section also includes a description of the Company strategies and policies, followed by a second section dedicated to a description of the Company's sustainability engagements, which promote a constant dialogue with stakeholders for the commercialization of sustainable and quality tobacco. Lastly, the **Sustainability Report** includes a glossary with all of the acronyms and specific terms related to the tobacco sector used in this document.







## Materiality analysis

The **2018 Sustainability Report** has been structured according to material topics identified by Deltafina. Such topics represent the most significant aspects for the Company with regards to the economics, governance, environmental, and social subjects and how they substantially influence the evaluations and decisions of Deltafina and its Stakeholders.


This report was drafted after updating the materiality analysis of the 2017 Sustainability Report. The process used to determine the material topics for Deltafina, is structured in four interconnected phases: 1) identification; 2) prioritization; 3) validation; 4) revision.



### IDENTIFICATION

-  Relevant topics have been identified through the analysis of industry trends and of the relevant social and environmental aspects for the tobacco industry, with preference given to:
  -  The national and international news media over the past two years;
  -  Relevant aspects of the GRI documents, included the G4 "Sector Disclosure – Food processing" that also includes the tobacco sector;
  -  Information from a benchmark analysis on the sustainability communications of national and international industry members.

### PRIORITIZATION

 At the end of the materiality identification process, **six macro-topics** were identified and presented as priorities for the attribution phase. This activity is based on stakeholder materiality and is inclusive of the principles application. It has been divided in two parts: one finalized to evaluate the aspects according to Deltafina's influence on stakeholder evaluations and decisions (evaluating relevant aspects with impact according to their diversity, perceptions and expectations), and the other aimed at evaluating the significance of these aligned with the economic/governance, environmental



and social performance of the Company (evaluating: probability and severity of the impact; risks or opportunities linked probabilities; impact criticalities for long-term performance; growth opportunity; actual and future financial and non-financial implications; impacts on strategies; policies and processes; and Company engagements and the advantages competition impacts).

The results of the previous assessments have identified the following relevant topics:

Governance and sustainability management	Support to regional socio-economic development	Tobacco growing sustainability	Workers' rights respect	Environmental reduction impact	Product quality and innovation
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Table 3 – Material topics in order of priority for Deltafina

Tobacco growing sustainability
Workers' rights respect
Governance and sustainability management
Support to regional socio-economic development
Product quality and innovation
Environmental reduction impact

Table 4 – Material topics in order of priority attributed by stakeholders

Workers' rights respect
Product quality and innovation
Tobacco growing sustainability
Support to regional socio-economic development
Environmental reduction impact
Governance and sustainability management

After identifying and prioritizing the relevant topics, Deltafina considered the impacts that may occur related to each material issue identified, inside and outside the organization.

In the prudential principle respect, it has been decided to treat all topics as material - even those with low scoring in the priority attribution phase.

### APPROVAL OF RESULTS



The results of the materiality analysis and the assessments carried out have been validated by Deltafina's President and Vice President.



Table 5 – Material topics and perimeter of impacts

Material topics	Perimeter	
	Inside Deltafina	Outside Deltafina
Governance and sustainability management	✓	
Support to regional socio-economic development	✓	
Workers' rights respect	✓	Suppliers (raw material)
Tobacco growing sustainability	✓	Suppliers (raw material)
Environmental reduction impact	✓	Suppliers (raw material and logistics)
Product quality and innovation	✓	

Table 6 - Material topics and Standard GRI linked

Material Topics	Standard GRI linked
Governance and sustainability management	GRI 205: Anti-corruption 2016 GRI 419: Socioeconomic Compliance 2016
Support to regional socio-economic development	GRI 204: Procurement practices 2016
Workers' rights respect	GRI 404: Training and Education 2016
Tobacco growing sustainability	–
Environmental reduction impact	GRI 303: Water 2016 GRI 305: Emissions 2016 GRI 307: Environmental Compliance 2016
Product quality and innovation	–

## GRI Content Index

GRI 101: Foundation 2016				
General Disclosures				
Standard GRI	Disclosure GRI	References and notes	Page	Omissions
<b>GRI 102: General Disclosures 2016</b>	<b>Organizational profile</b>			
	102-1 Name of the organization	• "Who we are"	8	
	102-2 Activities, brands, products, and services	• "Who we are"	8	
		• "Mission and quality policy"	9	–
		• "Business model and Deltafina positioning in tobacco sector"	11	
	102-3 Location of headquarters	• "Tobacco varieties purchased and processed"	12	
		• "Our factories: Assisi and Francolise"	17	–
	102-4 Location of operations	• "Our factories: Assisi and Francolise"	17	–
	102-5 Ownership and legal form	• "Who we are"	8	–
		• "Governance and Universal Corporation Group"	22	
	102-6 Markets served	• "Market presence and national agriculture production support"	20	–
	102-7 Scale of the organization	• "Highlights"	2	–
		• "Our factories: Assisi and Francolise"	17	–
		• "Economic Sustainability"	21	
• "Deltafina's personnel"		30		
102-8 Information on employees and other workers	• "Highlights"	2	–	
	• "Deltafina's personnel"	30	–	
102-9 Supply chain	• "Deltafina's suppliers"	28	–	
102-10 Significant changes to the organization and its supply chain	In FY 2018, there were no significant changes regarding size, structure and / or ownership of the company or of its supply chain.	–	–	
102-11 Precautionary Principle or approach	• "Methodological Note"	52	–	
102-12 External initiatives	• "The program for sustainable tobacco production and product quality"	37	–	
	Deltafina has joined the AB.Sustain campaign to report its sustainability with its supply chain, with reference to the practices adopted and the results achieved. The topics reported, and on which Deltafina has been evaluated, concern: environment, people and infrastructures.	–	–	
102-13 Membership of associations	• "Who we are"	8	–	

<b>GRI 102: General Disclosures 2016</b>	<b>Strategy</b>			
	102-14 Statement from senior decision-maker	• "Letter to Stakeholders"	7	–
	<b>Ethics and integrity</b>			
	102-16 Values, principles, standards, and norms of behavior	• "Business compliance and integrity"	23	–
	<b>Governance</b>			
	102-18 Governance structure	• "Governance and Universal Corporation Group"	22	–
	<b>Stakeholder engagement</b>			
	102-40 List of stakeholder groups	• "Our Stakeholders"	15	–
	102-41 Collective bargaining agreements	• "The social dialogue and union relations"	36	–
		All Deltafina employees have been hired within the relevant collective agreement	–	–
	102-42 Identifying and selecting stakeholders	• "Our Stakeholders"	15	–
	102-43 Approach to stakeholder engagement	• "Our Stakeholders"	15	–
	102-44 Key topics and concerns raised	• "Our Stakeholders"	15	–
	<b>Reporting practice</b>			
	102-45 Entities included in the consolidated financial statements	• "Methodological Note"	52	–
	102-46 Defining report content and topic Boundaries	• "Materiality analysis"	53	–
	102-47 List of material topics	• "Materiality analysis"	53	–
	102-48 Restatements of information	• "Methodological Note"	52	–
	102-49 Changes in reporting	• "Methodological Note"	52	–
	102-50 Reporting period	• "Methodological Note"	52	–
	102-51 Date of most recent report	!The most recent sustainability report was published in May 2018	–	–
	102-52 Reporting cycle	• "Methodological Note"	52	–
	102-53 Contact point for questions regarding the report	• "Methodological Note"	52	–
	102-54 Claims of reporting in accordance with the GRI Standards	• "Methodological Note"	52	–
102-55 GRI content index	• "GRI Content Index"	56	–	
102-56 External assurance	This Sustainability Report has not been subjected to external assurance	–	–	

Procurement Practices			
Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "The supplier relationship and regional development support"</li> </ul>	28	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			
204-1 Proportion of spending on local suppliers	<ul style="list-style-type: none"> <li>• "Deltafina's suppliers"</li> </ul>	28	–

Anti-corruption			
Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "Business compliance and integrity"</li> </ul>	23	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			
205-3 Confirmed incidents of corruption and actions taken	<ul style="list-style-type: none"> <li>• "Business compliance and integrity"</li> </ul>	23	–

Water			
Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "Environmental protection and pollution prevention at Deltafina facilities"</li> </ul>	46	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			
303-1 Water withdrawal by source	<ul style="list-style-type: none"> <li>• "Responsible water usage in the factories"</li> </ul>	46	–

Emissions			
Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "Environmental protection and pollution prevention at Deltafina facilities"</li> </ul>	46	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			
305-1 Direct (Scope 1) GHG emissions	<ul style="list-style-type: none"> <li>• "The engagement to address climate change and reduce atmospheric emissions"</li> </ul>	46	–
305-2 Energy indirect (Scope 2) GHG emissions			
305-3 Other indirect (Scope 3) GHG emissions			

**Environmental Compliance**

Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "Business compliance and integrity"</li> <li>• "Environmental protection and pollution prevention at Deltafina facilities"</li> </ul>	23	–
103-2 The management approach and its components		46	–
103-3 Evaluation of the management approach			
307-1 Non-compliance with environmental laws and regulations	In the last two fiscal years (2016 and 2017), there were no cases of non-compliance with environmental laws and regulations.	–	–

**Training and Education**

Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "The respect for people"</li> </ul>	30	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			
404-1 Average hours of training per year per employee	<ul style="list-style-type: none"> <li>• "Employee training and development"</li> </ul>	31	–

**Socioeconomic Compliance**

Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "Business compliance and integrity"</li> </ul>	23	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			
419-1 Non-compliance with laws and regulations in the social and economic area	In the last two fiscal years (2016 and 2017), there were no cases of non-compliance with laws and regulations in the social and economic area.	–	–

**Tobacco growing sustainability**

Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "The program for sustainable tobacco production and product quality"</li> </ul>	37	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			

**Product quality and innovation**

Disclosure GRI	References and notes	Page number	Omissions
103-1 Explanation of the material topic and its Boundary	<ul style="list-style-type: none"> <li>• "The program for sustainable tobacco production and product quality"</li> </ul>	37	–
103-2 The management approach and its components			
103-3 Evaluation of the management approach			

