

JTI UK Modern Slavery Statement

1 January 2016 – 31 December 2016

1. This statement is published by Gallaher Limited (“**JTI UK**”) in accordance with Section 54, Part 6 of the Modern Slavery Act 2015 and has been approved by our board of directors in the UK. It outlines the steps that JTI UK has taken to prevent, detect and respond to forced labour, slavery, servitude and human trafficking (referred to herein as “**modern slavery**”) in JTI UK’s business operations and supply chain.
2. JTI UK strongly opposes modern slavery and is committed to take a consistent, sustainable and continuous improvement approach to ensure that this unlawful practice does not occur in our operations and supply chain. In doing so, we aim to demonstrate our unreserved support for the elimination of modern slavery from 21st century commercial enterprise.

Organisational structure: business and supply chains

3. JTI is a leading international tobacco company and is a major player in the e-cigarette and heated tobacco categories, with offices and factories in more than 70 countries and products sold in more than 120 markets. JTI employs over 26,500 people globally and owns over 30 factories.
4. JTI UK is a member of the JTI group of companies and is an indirect subsidiary of Japan Tobacco Inc. (“**JT**”), which is listed on the Tokyo Stock Exchange (TSE: 2914). JTI UK has its head office in Weybridge, Surrey, and employs around 700 people.
5. JTI UK acts as the sole distributor of tobacco and e-cigarette products in the UK for JTI. The tobacco products which JTI UK distributes are manufactured in JTI owned factories including those in Romania and Poland, following the recent decision to close our factory in Northern Ireland where it is planned that the minor production which is currently ongoing will cease before the end of 2017. The e-cigarette devices and ancillary products which JTI UK distributes are manufactured in China, and the nicotine liquids to be used with the devices are made in Europe.
6. JTI UK’s supply chain forms part of and leverages the global JTI supply chain network. Further information about JTI’s tobacco leaf supply, processing and manufacturing, as well as our approach to human rights and labour practices in our business, can be found in the “[Our Products](#)” and “[Sustainability](#)” pages of jti.com.

Our policies and procedures

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

8. Our current policies and procedures, all of which are publically available on jti.com, include:
 - (a) the [JTI Code of Conduct](#), which not only provides guidance to employees to uphold a culture of integrity in all that we do, but also represents our public commitment to a shared and consistent ethical culture throughout our business as endorsed by the JTI group President and CEO, Eddy Pirard. This commitment is reinforced by the fact that all employees, regardless of their seniority, are required to complete a training programme on the Code of Conduct to ensure that they understand the standards of conduct required of them. It is also expected that all our business partners meet the same standards of ethical conduct as outlined in our Code;
 - (b) the [JTI Supplier Standards](#), which define the responsibilities of suppliers that provide services or goods to JTI. Suppliers are required to comply with these standards, as well as ensure that any of their own suppliers who are involved in providing goods and services to us comply with them too. We encourage all of our suppliers (and their suppliers) to have policies, employee communications, due diligence processes and control systems to implement these standards within their business operations and supply chains; and
 - (c) the [JTI Agricultural Labour Practices programme](#) (“ALP”), which is an improvement programme aimed at addressing labour-related matters with our contracted tobacco growers and their workers including, but not limited to, the elimination of forced and child labour.
9. We also have an established grievance procedure in the UK to reflect the ACAS Code of Practice, and an additional grievance mechanism called “Your Voice” which is available globally to all our employees and business partners in order that they can raise concerns directly with our HQ Compliance department. Your Voice encourages everyone to report alleged violations of law, the JTI Code of Conduct, company policies and procedures, and operating guidelines confidentially, without fear of retaliation. We launch annual global communication campaigns to encourage employees to speak up and to increase the awareness of the Your Voice reporting channel. Full details about both the grievance procedure and Your Voice are published on the JTI intranet for easy access by our employees and workers.

The JT Group Human Rights Policy

10. The [JT Group Human Rights Policy](#) was launched in September 2016. The policy follows the UN Guiding Principles on Business and Human Rights and was developed in consultation with internal and external stakeholders, including through experts’ roundtables in Tokyo (March 2016) and London (September 2015). This consultation exercise helped in broadening our understanding of where human rights risks might lie across our business and supply chain globally, and determine how they could be prevented and mitigated.
11. The policy strengthens and formalises JTI’s group-wide commitment to respect human rights across our global operations – including those of JTI UK – as expressed in the International Bill of Human Rights and the International Labour Organization’s (“ILO”) Declaration on Fundamental Principles and Rights at Work. It also complements our pre-established policies and procedures, setting the foundation for our due diligence efforts and identifying further steps in preventing and addressing human rights issues in our value chain.

12. The policy and latest JT Group Sustainability Report can be found [here](#).

Due diligence and managing risks

13. Identification and mitigation of sustainability risks is embedded in our operational risk management procedures. Specific policies and programmes focus on assessing and addressing impacts of human rights-related risks, both in our UK operations and supply chain.
14. JTI's ALP programme, as mentioned above, defines the standards expected of our farmers on issues such as the prevention of child labour, respecting workers' rights and maintaining adequate health and safety conditions. This is the main tool we use to assess and address human rights risks associated with tobacco farming, and the ALP standards are an integral part of our contracts with growers. For that reason, we conduct regular training with our farming experts on ALP so that they can adequately investigate labour practices and recognise any issues during farm visits. This information ensures that we invest in relevant and effective social programmes such as [ARISE](#) – a joint initiative of the ILO, JTI and Winrock International – which delivers regular training and awareness sessions to our tobacco growers to eliminate child labour, and these will continue on an ongoing basis.
15. Suppliers of non-tobacco materials and services are expected to comply with the JTI Supplier Standards. These standards address a broad spectrum of issues including working conditions, fair remuneration, working hours, child labour, non-discrimination and health and safety, as well as freedom from forced labour and human trafficking.
16. In addition to these activities, the JT Group Human Rights Policy, mentioned above, commits us to undertake a systematic due diligence process to identify and assess actual and potential human rights risks, including modern slavery, across our value chain. This process was initiated in Q4 of 2016.

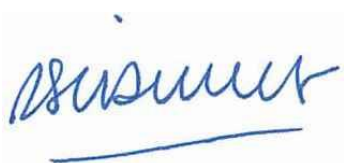
Looking ahead

17. Our programme to identify and eradicate modern slavery is a continuing, collaborative and evolving process, and one which we are committed to achieve.
18. Our current priorities include:
- (a) upscaling our focus on human rights in the UK and across the wider business with the launch of a compulsory online awareness programme to explain to our employees the JT Group Human Rights Policy and its application to our business;
 - (b) conducting further risk analysis and mapping in relation to the supply chain of our portfolio of e-cigarette and e-liquid products;
 - (c) continue with periodic reviews of our existing reporting mechanisms to ensure they remain effective in swiftly resolving employee and worker complaints; and

(d) reviewing and, where required, updating our existing control systems to ensure that they are effective in seeking to eradicate modern slavery from our business and supply chains.

19. As these programmes and initiatives advance, we will share our progress in future annual statements.

This statement has been approved by the board of directors of JTI UK.

A handwritten signature in blue ink, appearing to read 'Daniel Sciamma', is shown above a horizontal blue line.

Daniel Sciamma, Managing Director,
for and on behalf of JTI UK