



SCANDINAVIAN TOBACCO GROUP

SCANDINAVIAN TOBACCO GROUP A/S MODERN SLAVERY STATEMENT

This statement is made pursuant to section 54(1) of the UK Modern Slavery Act 2015 and sets out the steps Scandinavian Tobacco Group has taken and is continuing to take to ensure that modern slavery and human trafficking is not taking place within its business or supply chain. The statement covers the financial year 1 January to 31 December 2016.

INTRODUCTION

Modern Slavery in the UK Modern Slavery Act encompasses slavery, servitude, human trafficking and forced labour. In Scandinavian Tobacco Group, we respect internationally recognised human rights as expressed in the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights and the UN and ILO conventions on child labour and children's rights. Our aim is to avoid causing or contributing any adverse impacts on human rights, and to address and mitigate such impacts if they occur.

OUR POLICIES ON MODERN SLAVERY AND HUMAN TRAFFICKING

Our Code of Conduct reflects our commitment to acting ethically and with integrity in all our business relationships including our commitment to respect human rights and labour rights. We are proud that responsibility is one of our core values and has been embedded in our culture for many years. We aim to apply good labour practises in all our operations and strive to ensure that terms of employment and working conditions for all employees as a minimum comply with local labour laws.

We have in 2016 implemented a group-wide whistleblower scheme which enables all Group employees to report via a confidential channel wrongdoings or suspected wrongdoings and violations of law, including the violation of human rights. The principles and procedures of the scheme are laid down in a central whistleblower policy. Additional information like, for instance, a whistleblower FAQ has been made available to all employees to facilitate reporting through the whistleblower scheme. Employees who raise concerns under the scheme are protected against retaliation of any kind.

OUR SUPPLY CHAINS

Scandinavian Tobacco Group cooperates with business partners such as suppliers and distributors throughout the world. All our business partners are as a fundamental principle expected to comply with local laws and any other applicable rules and regulations. When selecting business partners, we aim at appointing partners who share our ethical standards as described in our Code of Conduct.

Tobacco growing, like other types of agriculture, can involve great risk of child labour and working conditions below standards and is vulnerable to forced labour. Scandinavian Tobacco Group has numerous third party suppliers who only in some cases are in direct contact with the farmers or are farmers themselves. Addressing this issue efficiently represents a challenge.



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DUE DILIGENCE PROCESSES

We currently conduct relatively simple and only irregular reviews in this field of some of our tobacco suppliers. We have recently merged and reorganised our supply chains for machine-made cigars, pipe tobacco and fine-cut tobacco and have amongst others established a global tobacco procurement function which will facilitate the implementation of a more uniform, systematic and risk based approach to the due diligence, enabling a more focused approach in particular with respect to child labour.

FURTHER STEPS

We will over time strengthen our capabilities in the assessment and influencing of the working and social conditions where we source tobacco applying a risk based approach focusing on where we are best able to make a real difference.

We will continue our long-term engagement with the ECLT (Eliminating Child Labour in Tobacco Growing) foundation in 2017. The foundation, which has the involvement of several other members of the tobacco industry and the ILO and works with national and local governments to influence public policy on child labour, also supports projects in tobacco-growing areas that help improve the livelihoods of farmers and, consequently, preclude the reliance on child labour.

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