

SUPPLY CHAIN STANDARD



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1. Introduction

- 1.1. JT International Germany GmbH (hereinafter referred to as 'JTI') strives towards achieving the highest standards of integrity in all aspects of its business and supply chain. The cooperation of JTI suppliers is essential for achieving this objective.

For this reason, this standard is aimed at ensuring that all JTI suppliers in all phases of the supply chain respect and comply with the human rights and environmental due diligence obligations protected by the German Supply Chain Act and ethically align and conduct their business practices accordingly.

- 1.2. This standard obligates suppliers to comply with all national laws and provisions and to safeguard the legal positions protected by the law governing corporate due diligence aimed at preventing human rights violations in supply chains (German Supply Chain Act/Lieferkettensorgfaltspflichtengesetz [LkSG]). Also included here are international standards such as the United Nations Guiding Principles on Business and Human Rights and the Core ILO Labour Standards.

- 1.3. In addition, this Supply Chain Standard – supplementing the global JTI Supplier Standards – obligates all suppliers to conduct their business in compliance with the legal position outlined in this Supply Chain Standard. Concretely, JTI expects:

- Compliance with all applicable laws, legal provisions and standards in the countries in which the suppliers are active or domiciled;
- Compliance with the principles of the United Nations Global Compact, the United Nations International Charter of Human Rights, the International Pact on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the Core Labour Standards of the International Labour Organisation (ILO);
- As well as compliance with the conventions of the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD) on fighting corruption and with the relevant anti-corruption laws, including those that deal with non-domestic bribery.

- 1.4. Suppliers are obligated to release JTI from any third-party claims arising from violations of the provisions outlined here and the global JTI Supplier Standards unless suppliers are able to verify that they are not responsible for the violations.

2. Human rights and working conditions

JTI has committed to conducting its business in compliance with internationally-acknowledged human rights and to comply with all legal positions protected by the German Supply Chain Act. This Supply Chain Standard ensures that JTI only collaborates with suppliers who also conduct their business in a manner that complies with the legal positions protected by the German Supply Chain Act and the human and labour rights outlined in the following.

In particular, suppliers shall ensure that they comply with the following legal positions within their company and along their own supply and value-added chain:

2.1. Prohibition on child labour and the protection of young workers

Suppliers shall tolerate no child labour and shall ensure that child labour is not used in any phase of the supply chain.

This includes the prohibition on the employment of a child under the age at which compulsory schooling ends according to the law of the place of employment. Here, the age of employment shall not be less than 15 years.¹ Children under the age of 18 shall not be employed in a slavery-like manner, in conjunction with pornography or drugs or in a manner that is harmful to their health or that is immoral.²

2.2. Prohibition on forced labour and slavery

Suppliers shall tolerate no form of forced labour or slavery and ensure that forced labour slave labour or comparable work are not used in any phase of the supply chain. All work must be voluntary and carried out without any threat of punishment. All forms of exercising power or oppression, such as using psychical hardship, sexual and personal harassment and humiliation, are prohibited.³

2.3. Compliance with occupational safety provisions

Suppliers shall ensure a safe and healthy working environment, for example, by establishing and utilising an appropriate health and safety management system (i.e. in compliance with ISO 45001) to best prevent accidents and work-related illnesses. Ignoring the occupational safety provisions applicable to the place of employment, and hence creating the basis for occupational accidents or occupational health hazards, is prohibited. For this reason, suppliers shall ensure appropriate safety standards – within their company and along the supply chain – in the provision and maintenance of the work facility, the workplace and the work equipment, initiate appropriate protective measures for preventing exposure to

¹ This does not apply if the right of the place of employment deviates from this in line with Article 2 Paragraph 4 and Articles 4 through 8 of Convention No. 138 of the International Labour Organisation (ILO) dated June 26, 1973 on the minimum age of employment (Federal Law Gazette [BGBl] 1976 II Page 201, 202)

² In accordance with Article 3 of Convention No. 182 of the International Labour Organisation (ILO) dated June 17, 1999 on the prohibition and immediate measures for removing the worst forms of child labour (Federal Law Gazette [BGBl] 2001 II Page 1290, 1291)

³ Excluded from forced labour are work or services that can be reconciled with Article 2 Paragraph 2 of Convention No. 29 of the International Labour Organisation (ILO) dated June 28, 1930 on forced or compulsory labour (Federal Law Gazette [BGBl] 1956 II Page 640, 641) or that can be reconciled with Article 8 Letters b and c of the International Covenant dated December 19, 1966 on civil and political rights (Federal Law Gazette [BGBl] 1973 II Page 1533, 1534)

chemical, physical or biological substances and implement measures for preventing excessive physical and mental fatigue. Suppliers shall regularly inform and train employees on valid occupational health and safety standards. They shall enable access to drinking water in sufficient quantities and access to clean sanitary facilities.

2.4. Respecting the freedom of association

Suppliers shall respect the freedom of association and shall provide employees with the opportunity to freely organise or join trade unions without employees suffering unjustified discrimination or retaliation because of the association. Suppliers shall grant the trade unions freedom of action, including the right to strike and the right to collective bargaining in compliance with the law of the respective place of employment.

2.5. Principle of non-discrimination

Suppliers shall ensure that all employees are treated equally and that any unequal treatment, for example on the basis of nationality and ethnic origin, social background, health status, disability, sexual orientation, age, gender, political beliefs, faith or ideology is refrained from unless justified by the requirements of the employment. Unequal remuneration for work of equal value is also prohibited.

2.6. Fair remuneration

Suppliers shall ensure that all employees are appropriately remunerated for regular working hours and overtime. Here, the appropriate minimum wage is the minimum wage outlined in the applicable law and is also determined by the law of the respective place of employment.

Deductions as penalties are not permissible. Suppliers shall ensure that employees are provided with clear, detailed and regular written information on the composition of their remuneration.

2.7. Preservation of the natural basis of life

Suppliers shall ensure that the natural basis of life is not adversely altered or destroyed either by their activities or the activities along their supply chain.

To this end, suppliers shall abstain from soil changes, water contamination, air pollution, harmful noise emissions and excessive water consumption if these are harmful to the health of people, severely compromise the natural basis for cultivating food or prevent people from accessing clean drinking water or sanitary facilities.

Suppliers shall ensure that – neither their activities nor the activities along their supply chain – violate legitimate rights and result in the deprivation of land, forests or waters whose utilisation forms the basis of life for people.

4 In accordance with Article 4 Paragraph 1 and Attachment A Part I of the Minamata Convention dated October 10, 2013 on mercury (Federal Law Gazette [BGBl] 2017 II Page 610, 611) (Minamata Convention)

5 Article 5 Paragraph 2 and Attachment B Part I of the Minamata Convention from the phasing-out date for the respective products and processes outlined in the Convention

6 Article 11 Paragraph 3 of the Minamata Convention

3. Environment

Furthermore, JTI is committed to protecting the environment and is pursuing various programmes for reducing waste generation, lowering emissions and reducing the use of resources. JTI promotes the recycling and/or reutilisation of existing resources and does everything in its power to reduce the carbon footprint resulting from its business activities. For this reason, JTI also expects all suppliers to initiate appropriate measures within their company and along their supply chain to ensure that the environmental impact of their activities with regards to natural resources and the environment is kept to a minimum and they actively implement measures aimed at protecting the environment.

Here, suppliers shall comply with the valid laws and regulations and the valid environmental standards.

In particular, suppliers shall ensure that they comply with the following in legal positions within their company and along their own supply chain:

3.1. Prohibition on the utilisation of mercury and persistent organic pollutants (POPs)

The manufacture of products containing mercury is prohibited (Minamata Convention).⁴ Also prohibited is the utilisation of mercury and mercury compounds in manufacturing processes and the handling of mercury waste.^{5,6}

3.2. Prohibition and restrictions regarding persistent organic pollutants (POPs)

Suppliers shall also comply with the restrictions and prohibitions of the Stockholm Convention on persistent organic pollutants (POPs) and their handling and disposal.^{7,8}

3.3. Hazardous waste

In accordance with the Basel Convention, suppliers shall not engage in prohibited transboundary shipments; in other words, the import and/or export of hazardous waste.^{9,10}

Suppliers shall inform themselves of the origins of their raw materials.

7 Article 3 Paragraph 1 Letter a and Attachment A of the Stockholm Convention dated May 23, 2001 on persistent organic pollutants (Federal Law Gazette [BGBl] 2002 II Page 803, 804) [POPs Convention], most recently amended by the Resolution dated May 6, 2005 (Federal Law Gazette [BGBl] 2009 II Page 1060, 1061), in the version of Regulation (EU) 2019/1021 of the European Parliament and the European Council dated June 20, 2019 on persistent organic pollutants (Official Journal of the European Communities L 169 dated May 26, 2019, Page 45), most recently amended by the Delegated Regulation (EU) 2021/277 of the European Commission dated December 16, 2020 (Official Journal of the European Communities L 62 dated February 23, 2021, Page 1)

8 Article 6 Paragraph 1 Letter d Points i and ii of the POPs Convention

9 Article 1 Paragraph 2 of the Basel Convention on controlling transboundary shipments of hazardous waste and its disposal dated March 22, 1989 (Federal Law Gazette [BGBl] 1994 II Page 2703, 2704) (Basel Convention), most recently amended by the Third Regulation dated May 6, 2014 for amending attachments to the Basel Convention dated March 22, 1989 (Federal Law Gazette [BGBl] II Page 306, 307), and pursuant to Regulation (EG) No. 1013/2006 of the European Parliament and the European Council dated June 14, 2006 on shipments of waste (Official Journal of the European Communities L 190 dated July 12, 2006, Page 1) (Regulation (EG) No. 1013/2006), which was most recently amended by the Delegated Regulation (EU) 2020/2174 of the European Commission dated October 19, 2020 (Official Journal of the European Communities L 433 dated December 22, 2020, Page 11)

10 (Article 4 and Article 4A of the Basel Convention)

4. Compliance with the provisions and auditing compliance

- 4.1. Suppliers shall ensure that they inform their own suppliers of the stipulations pursuant to these provisions and the global JTI Supplier Standards and contractually obligate their own suppliers to comply with them. Suppliers are obligated to contractually forward the obligations pursuant to the aforementioned provisions to their own suppliers and to ensure that these obligations are addressed within the supply chain.
- 4.2. Suppliers are authorised to comply with the aforementioned obligations on the basis of their own code of conduct insofar as the relevant legal positions outlined therein correspond to the provisions pursuant to this Supply Chain Standard and the global JTI Supplier Standards.

Suppliers shall obligate their own suppliers to comply with their own code of conduct for suppliers and shall provide their own suppliers with a copy of their code of conduct for suppliers no later than upon contract conclusion.

- 4.3. Suppliers shall provide unhindered access for its employees to the JTI complaints process (accessible under Point Whistleblower System ['Hinweisgebersystem'] on the JTI Germany Website). In particular, they shall not initiate anything that prevents, blocks or complicates access to the complaints procedure. Furthermore, suppliers shall also provide their own employees and their own suppliers with the possibility of lodging complaints in the event of violations and potential violations of the legal positions protected by this Supply Chain Standard or the global JTI Supplier Standards.
- 4.4. Suppliers shall implement a control and assessment system in order to identify human rights and environmental risks within their business operations and within their supply chain and to initiate appropriate measures.
- 4.5. Suppliers agree to training sessions and further training for the purpose of implementing the obligations pursuant to this Supply Chain Standard or pursuant to the global JTI Supplier Standards.
- 4.6. Suppliers are obligated to procure all information and documents necessary for JTI to comply with all regulatory provisions pursuant to the contractual relationship and to provide these on request. Regulatory provisions within this context shall above all include laws, regulations and standards valid for JTI – in particular, but not exclusively, those pursuant to the German Supply Chain Act.

- 4.7. In justified cases, JTI reserves the right to verify compliance with this Supply Chain Standard and the global JTI Supplier Standards by means of a questionnaire and, if necessary, risk-based audits. In the event of actual cases that indicate a violation of human rights and/or environmental risks, suppliers agree that such audits may be carried out to a reasonable extent by JTI employees or by third-parties commissioned by JTI to verify compliance. Suppliers can object to individual auditing measures if these would violate essential data protection regulations.
- 4.8. If necessary, suppliers or third-parties commissioned by JTI shall provide access to their premises, employees and relevant materials following appropriate advance notice in order to enable effective auditing.
- 4.9. In the event that suppliers suspect a violation within their supply chain or a supply chain harbours an elevated risk, suppliers shall immediately inform JTI of this and regularly provide information on the identified violations and risks as well as on the measures initiated.
- 4.10. In the event that deficits are identified at a supplier or within a supplier's supply chain, the supplier shall collaborate with JTI with the aim of agreeing and implementing prompt and appropriate remedial measures.
- 4.11. In the event suppliers violate the provisions of this Supply Chain Standard or the global JTI Supplier Standards, and these violations are not fully and promptly remedied, JTI is entitled at its own discretion to review the contractual relationship with these suppliers. In the event of particularly serious violations, JTI is – whilst preserving all legal positions – entitled to suspend fulfilment of the contract or, if it chooses, to withdraw from the contract or to exercise extraordinary termination if the violation is not remedied following the setting of an appropriate deadline. This deadline can be dispensed with in the event of serious, persistent or recurring violations.



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- 5. Reporting violations of the Supply Chain Standard and the JTI Code of Conduct**
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- 5.1. In the event that suppliers suspect or actually determine violations of any of the legal positions outlined in Points 2 and 3 or of other protection obligations/legal positions listed, they must immediately inform the JTI Human Rights Director of these and provide the JTI Human Rights Director with the necessary information. JTI expects its suppliers to report to JTI in the event of any indications of deviations from this Supply Chain Standard and the global JTI Supplier Standards to ensure that potential problems are immediately identified, assessed and remedied.
- 5.2. Here, the known JTI contact partners shall provide support. In addition, concerns can be confidentially reported at any time using the Whistleblower System ('Hinweisgebersystem') accessible on the JTI Website or by writing to compliancegermany@jti.com.
- 5.3. In the event of violations of any of the human rights-related and environment-related expectations outlined in Points 2 and 3, JTI and the supplier shall agree to immediately remedy the violation. If immediate remedy of violations is not possible, JTI and the supplier shall initiate remedial measures without delay. Suppliers are obligated to collaborate with JTI on the development and implementation of concepts to remedy and minimise violations. The right to extraordinary termination of the business relationship pursuant to Point 4.11. remains unaffected.
- 5.4. In the event that JTI – on the basis of credible information – assumes that a supplier is not, or is insufficiently, complying with one or more human rights and environmental expectations pursuant to Points 2 and 3, JTI is entitled to inspect the supplier's business premises and production facilities and to examine the supplier's business records. The audit shall be limited to the supplier's compliance with expectations regarding human rights and environmental risks. If requested by the supplier, the audit shall be carried out by a neutral auditing body on behalf of JTI. Alternatively, JTI can demand mandatory certification in compliance with recognised standards if the certification covers human rights and environmental risks. Appropriate measures on the part of the supplier for protecting commercial and industrial secrets remain unaffected.





Thank you