

Universal Corporation

Sustainability Report

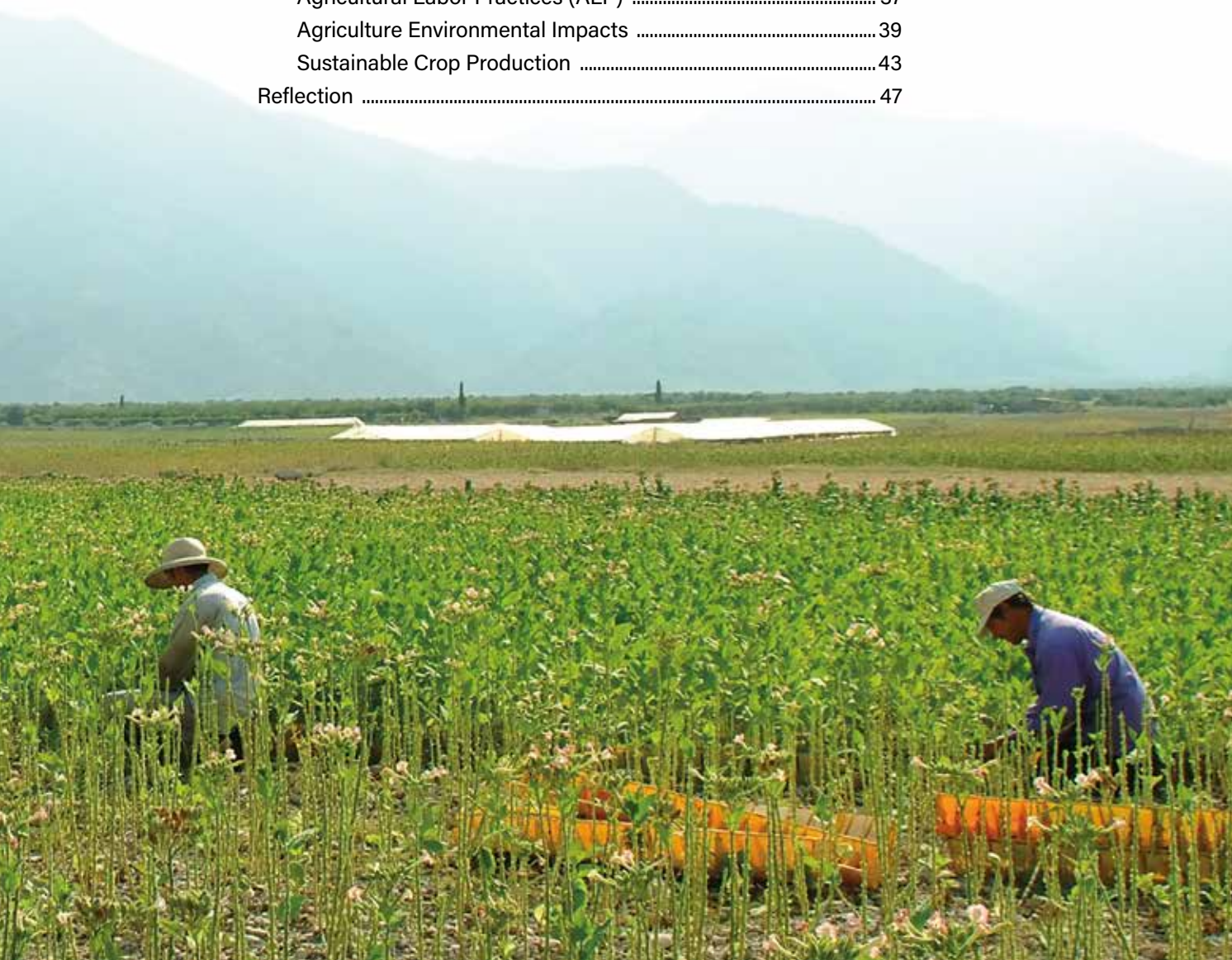
Fiscal Year 2019





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Forward

At Universal Corporation, our goal is to disclose our operational activities consistently in a transparent format. This Sustainability Report builds on our 2018 Sustainability Review with metrics, facts, and figures that represent our business throughout the world. Data disclosed in this report reflects activities from April 1, 2018, to March 31, 2019. All entities within the scope of this report are also included in Universal's Annual Report for the 2019 fiscal year. This report has been prepared in accordance with the GRI Standards: Core option.



Letter from the Chairman



For more than a hundred years, Universal has worked diligently to build a successful global business. Our current operations span five continents in over 30 countries. With such a large footprint, we have the opportunity to promote sustainability on a global level in our strategic decision-making. We work tirelessly to ensure that our operations benefit our stakeholders, particularly those who are in economically challenging settings who benefit from the stability our business provides. Our global sustainability programs address key sustainability concerns and strive to create positive impacts for our stakeholders. In this first annual Sustainability Report, we present information that reflects the impact of our programs and the economic, social and environmental aspects of our business.

We believe that our stakeholders should benefit from our operations and that those in our supply chain should remain safe. We consider all our stakeholders when we think about sustainability, whether they are small farmers who sell us their crop, employees in our processing factory, investors who hold our common stock, governments in the places we do business, or the customers who entrust their business to us. We believe our stakeholders benefit from their association with our business as we work to leverage the expertise we have incorporated in tobacco and agriculture.

The regions in which we operate vary across the social and economic development spectrum, which presents challenges and opportunities. Through our innovative support platforms, we seek to employ best practices and garner success in all our operating environments. Our policies and procedures apply globally, and we support them through extensive training and communication as well as technological support through platforms like MobiLeaf™. Our comprehensive approach to sustainability help us tailor and monitor our performance across the globe.

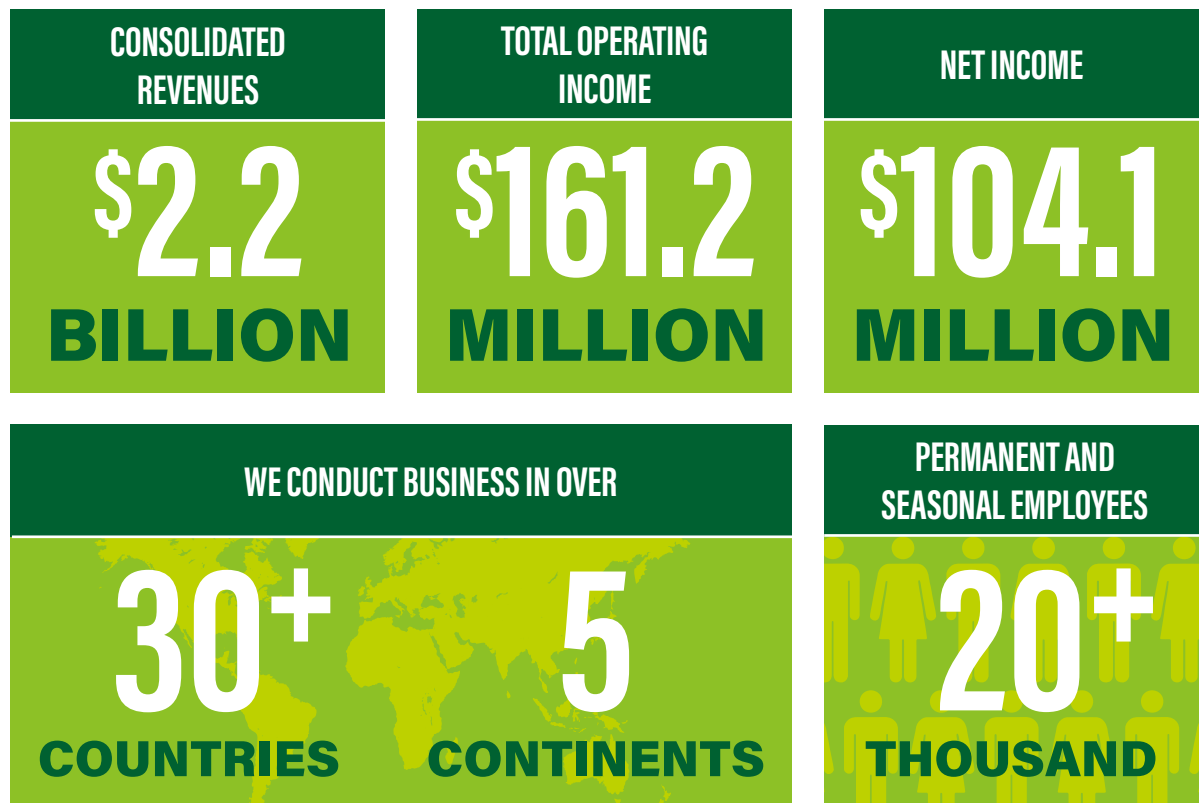
We believe that we are improving the lives of the people where we do business. We hope that after reviewing this Sustainability Report you will have a better understanding of how Universal promotes sustainability throughout the world. I am honored to be part of the Universal Corporation team, and our team is honored to share this Sustainability Report with you.



Company Activities & Profile

Universal Corporation, headquartered in Richmond, Virginia, is the leading global leaf tobacco supplier. We conduct business in more than 30 countries on five continents and procure, finance, process, pack, store and ship leaf tobacco and other agri-products. Universal ships from our operations to our customers around the world, as represented in the figure on page 2. This map is neither inclusive or exclusive of Universal's total shipping activities, but provides a visual for the scope of our operations and markets served. We are a publicly traded corporation, and our common stock is traded under "UVV" on the New York Stock Exchange. Tobacco has been our principal focus since our founding in 1918. The largest portion of our business involves procuring and processing flue-cured and burley leaf tobacco for manufacturers of consumer tobacco products. Universal does not manufacture consumer products. Rather, we support consumer product manufacturers by supplying processed raw products and performing related services for them.

FOR FISCAL YEAR 2019 UNIVERSAL GENERATED



Setting High Ethical Standards & Requirements for our Employees & Suppliers

The Universal Code of Conduct defines the high ethical standards of our organization, and our teams work to implement the code across our global operations. Our primary ethics and integrity goals are to conduct business and handle information and assets with integrity. All employees, officers, and directors must read and understand the Code; comply with its policies, rules and guidelines; and report violations and occurrences that are inconsistent with the Code. Universal is governed by a Board of Directors and a group of senior executives. The Board of Directors of Universal Corporation sets high standards and governance principles for the Company's employees, officers and directors. It is the duty of the Board of Directors to serve as a prudent fiduciary for shareholders and



Universal ships from more than 30 countries around the world.

oversee the management of Universal's business. To fulfill its responsibilities, the Board of Directors follows the policies and standards that are set forth in Universal's governing documents, including our [Corporate Governance Guidelines](#), which are available on our [public website](#). The Board of Directors is composed of five Committees that oversee important aspects of our business. The Nominating and Corporate Governance Committee, which was restructured this year, oversees and reviews Environmental, Social, and Governance issues associated with our supply chain. The Committee reviewed and approved this Sustainability Report for public disclosure.

Reducing our Environmental Footprint

Universal believes in careful evaluation and execution when implementing new practices throughout our operations and supply chain to minimize unintended consequences while pursuing new opportunities. We are working to reduce our environmental impact by maintaining environmental management systems at our local operations, reducing our footprint and impacts, and providing farmers with guidance on good agricultural practices.

Active Participant in Industry Sustainability Initiatives

Universal is a member of hundreds of organizations at local, national, and international levels. We are particularly proud to support a number of global industry organizations, including the Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA), the International Tobacco Growers' Association (ITGA), the Eliminating Child Labour in Tobacco Foundation (ECLT), and the Tobacco Manufacturers Association's Global Tobacco & Nicotine Forum (GTNF). Universal's participation expands beyond financial support to include organizational management, board membership, the sharing of best practices and the provision of industry expertise. Each of these organizations represents an opportunity for Universal to engage and implement four of our important commitments: (1) supporting our farmers and their communities, (2) supporting science and evidence-based regulation, (3) eliminating child labor in agriculture, and (4) engaging stakeholders in support of the nicotine and tobacco industry as a whole.

Committed to Preventing Child Labor

Universal's participation in the ECLT Foundation is not merely financial, but involves larger commitments. Universal was a founding member of the ECLT Foundation and has remained actively involved ever since. Since then, the ECLT Foundation has helped over 700,000 children, farmers, and citizens through projects in Guatemala, Indonesia, Kyrgyzstan, Malawi, Mozambique, Tanzania, and Uganda. These projects focus on (1) moving children into school, (2) raising awareness about the dangers of child labor, and (3) strengthening financial capacities within communities. As a result, ECLT estimates that it removed or kept over 182,100 children away from child labor; sent 27,100 children to school; and financially empowered 68,800 families in tobacco-growing communities. Universal takes the implementation of this pledge and the success of these projects very seriously, as exemplified by our Vice President of Corporate Affairs serving as the Foundation's President during the past year. In 2014, thirteen organizations, including Universal, adopted ECLT's "Pledge of Commitment and Minimum Requirements," a public agreement to uphold robust policies on child labor, conduct due diligence, and provide for remediation consistent with the UN Guiding Principles on Business and Human Rights.

INTERNATIONAL ORGANIZATIONS IN WHICH UNIVERSAL PARTICIPATES

NAME , DESCRIPTION & MISSION
Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA) <i>Founded in 1956, CORESTA's purpose is to promote international cooperation in scientific research related to tobacco and its derived products. The scientific work of CORESTA is carried out within four study groups: Agronomy & Leaf Integrity; Phytopathology & Genetics; Smoke Science; and Product Technology.</i>
International Tobacco Growers' Association (ITGA) <i>ITGA is a non-profit organization founded in 1984 with the objective of presenting the cause of millions of tobacco farmers to the world. ITGA strives to provide a strong collective voice on an international and national scale in order to ensure the long-term security of tobacco markets.</i>
Eliminating Child Labour in Tobacco Foundation (ECLT) <i>ECLT is committed to pursuing collaborative solutions for children and their families that combat the root causes of child labor in tobacco-growing communities. The Foundation brings together the stakeholders of the tobacco supply chain, including its largest group—the growers—along with leaf suppliers and manufacturers to leverage impact.</i>
TMA's Global Tobacco & Nicotine Forum (GTNF) <i>TMA's GTNF is a global exchange for views and ideas among public health experts, government representatives, investors, and members of the tobacco/nicotine industries. Behind the success of the GTNF is a strong belief that deepening the conversation about tobacco, nicotine, and public health can lead to more informed views and decisions by all stakeholders.</i>

Stakeholder Assessment

Universal also engages stakeholders on a regular basis. The six stakeholder groups in the following table are the primary focus of the materiality assessment we performed in connection with this Sustainability Report. These stakeholders are important to the successful operation of our business throughout the world. Their varied interests and perspectives assist us to identify and address issues that are important to our business. Based on a review of stakeholder documentation and professional judgment derived from industry involvement, the table below is a

TOPICS OF CONCERN TO EACH OF UNIVERSAL'S STAKEHOLDERS

STAKEHOLDER	ENVIRONMENTAL	SOCIAL	SUPPLY CHAIN INTEGRITY
Farmers and Suppliers	<i>Good Agricultural Practices training and application; Quality of inputs; Soil conservation; Water availability; Fuel sources</i>	<i>Stability of demand; Labor availability; Agricultural Labor Practices (ALP)</i>	<i>Fair treatment (through Code of Conduct compliance, etc.); Commercial governance through contracts and terms</i>
Employees	<i>Environmental stewardship</i>	<i>Health and safety; Fair Employment Practices; Workers' rights; Stable and fair pay and working hours; Freedom of association</i>	<i>Health and Safety; Human Resource management; Employee grievance mechanisms</i>
Customers	<i>Water; Fuel and GHG emissions; Waste; GAP training and monitoring</i>	<i>Child labor; Labor abuses; ALP training and monitoring</i>	<i>Conduct business with integrity; Product standards and requirements; GAP and ALP program management; Stable supply</i>
Investors	<i>Forests and biodiversity; Water stress; CDP participation</i>	<i>Child labor; Labor abuses; Freedom of association</i>	<i>Management and governance systems related to ESG programs; ESG reporting</i>
Regulatory Organizations	<i>Compliance with permits</i>	<i>Compliance with local labor laws</i>	<i>Conduct business without corruption; anti-corruption compliance program</i>
Local Communities	<i>Water; Emissions; Waste</i>	<i>Community engagement; Child labor</i>	<i>Business with integrity; Socioeconomic stability</i>

compilation of important topics and indicators categorized by the three pillars of this Sustainability Report: Environmental, Social, and Supply Chain Integrity.

All stakeholders have their own perspectives regarding the topics that they deem important within the tobacco supply chain and our operations. While there are many topics, there is a level of convergence related to our business activities which allows the list to be condensed into a few broad focus areas within each Environmental, Social, and Supply Chain Integrity pillar. The table below represents our current summary of material topics. These topics guided the content of this Sustainability Report, and each will be discussed in detail.

MATERIAL TOPICS FOR EACH PILLAR

SUPPLY CHAIN INTEGRITY	ENVIRONMENT	SOCIAL
<i>Compliance</i> <i>Economic Value</i> <i>Supply Chain Controls</i> <i>Crop</i>	<i>Water</i> <i>Fuel Efficiency</i> <i>Waste</i> <i>Agricultural Environment</i>	<i>Health and Safety</i> <i>Community Engagement</i> <i>Employment Practices</i> <i>Agricultural Labor Practices</i>

The topics presented in this Sustainability Report are the focus of our data collection, goal setting, and risk assessment, and will shape our efforts and reporting in the future. To properly set goals and assess risks, multiple years of data collection are needed to perform the analyses. After two-to-three years of formal data collection reporting, risks will be identified and related goals will be set and reported to our stakeholders.





Supply Chain Integrity

At Universal, we strive to create and protect two of our most important business assets — integrity and trust. Universal's Board has oversight of operational governance issues from anti-corruption measures to environmental and social issues that affect stakeholders in our supply chain. We recognize that good corporate governance is the key to our global supply chain integrity efforts. Universal's Board and strong corporate and local management teams work together to identify solutions to potential impacts within our supply chain.

Universal has several global policies that are followed by all of our operations. Some of these policies provide guidelines that allow our diverse local management teams to implement strategies that work best in their operating environments. Global policies include Agricultural Labor Practices; Code of Conduct; Environmental; Health and Safety; Good Agricultural Practices; and Supply Chain Integrity. These global policies are disclosed on our [website](#). Our local management teams determine the best practices for implementing these policies in their operations, which allows them to tailor implementation depending on the operating environments and constraints that each operation faces. Universal supports our local operations and subsidiaries by defining operating principles, establishing policies and guidelines, and funding initiatives identified at the local level.

Our business directly and indirectly supports the communities and regions in which we operate by providing farmers efficient access to the global tobacco market, offering our employees a fair and safe working environment, and promoting sustainability in our communities. We are firmly committed to supporting our customers, our farmers, our employees, our communities and our business partners through ethical business practices as well as targeted programs and investments aligned with our organizational objectives.





Creating Value

We are committed to the industry and our position as the leading global leaf tobacco supplier. We will continue to make disciplined investments within our leaf tobacco business as well as take advantage of growth opportunities in the tobacco sector. At the same time, we will look closely at adjacent industries and markets where we can leverage our assets and capabilities to ensure we are positioned for long-term success. In doing so, we believe that we will be able to deliver value for all shareholders.

Our confidence in our ability to execute on our strategy follows a solid fiscal year, during which we increased our tobacco volumes handled, earned additional business from our customers through the services we provide, and continued to improve our market share. Net income for the fiscal year ended March 31, 2019, was \$104.1 million, or \$4.11 per diluted share, compared with fiscal year 2018 net income of \$105.7 million, or \$4.14 per diluted share. Operating income of \$161.2 million for the year ended March 31, 2019, decreased by \$9.7 million compared with the year ended March 31, 2018. Revenues of \$2.2 billion for fiscal year 2019 were up 9.5% compared with fiscal year 2018, as higher sales volumes and increased processing revenues were partially offset by lower sales prices. As we look ahead, we will continue to evaluate opportunities to create shareholder value. At the same time, we remain committed to maintaining our investment grade credit rating, and we are proud that we extended our annual dividend increase for a 49th consecutive year.

We also invest in the communities where we operate. We create additional economic value by building schools and clinics, as well as providing our employees with additional resources to improve their quality of life. We support our communities so that we can continue a productive relationship. In fiscal year 2019, Universal donated more than \$1.9 million to the communities in which we operate. These contributions supported social responsibility projects ranging from school projects to funding local festivals and cultural events.

Universal believes that all stakeholders should benefit from a relationship with our company. Operating costs are primarily related to local tobacco sourcing efforts, which puts earnings into the hands of local farmers and service providers and supports local economies. Our sourcing efforts include smallholder farmers in many developing countries. In numerous countries, Universal supplies farmers with inputs and technology so that farmers can succeed.



Students learning Technology at Universal Leaf Tabacos Citizen Program.

DIRECT ECONOMIC VALUE DISTRIBUTED

<i>Operating Costs</i>	<i>\$1,744,027,000</i>
<i>Employee wages and benefits</i>	<i>283,313,000</i>
<i>Payments to providers of capital</i>	<i>94,137,000</i>
<i>Payments to Governments</i>	<i>47,250,000</i>
¹ <i>Community Investments</i>	<i>1,953,000</i>

¹ Community investments does not include contributions by Universal Leaf Foundation which total \$750,000.

Water Availability Improvements – Mozambique



In Mozambique, nearly half of the population does not have access to an improved water source, which negatively influences economic development, productivity and prevalence of illness. Our subsidiary, Mozambique Leaf Tobacco (MLT), has taken active steps in conjunction with the government and important tobacco industry stakeholders to address water availability in tobacco growing regions. The largest water availability improvements come through the establishment of community boreholes. Through this multi-stakeholder approach, boreholes are installed in communities sensitive to water availability. In the past 15 years, more than 90 boreholes were established. In the past year, 40 additional communities were identified to receive a borehole, and the multi-stakeholder group worked to procure project funding. MLT funded 10 boreholes for the project. The project will impact approximately 35,000 people in the rural communities where we contract tobacco.

Mindful Approach to Giving – Brazil



Our Brazilian affiliate Universal Leaf Tabacos Limitada (ULTL) employs a comprehensive method to manage donations and company support of community efforts. Its Universal Leaf Citizen Program encompasses three different types of giving with distinct characteristics.

1. **Corporate Projects:** in addition to sponsoring projects, ULTL participates in the administration, execution, and assessment of projects
2. **Partnership Programs:** ULTL sponsors part of the cost, participates in the planning, monitoring and evaluation, of projects executed by third parties.
3. **Sponsored Projects:** ULTL sponsors a portion of the projects developed and executed by others.

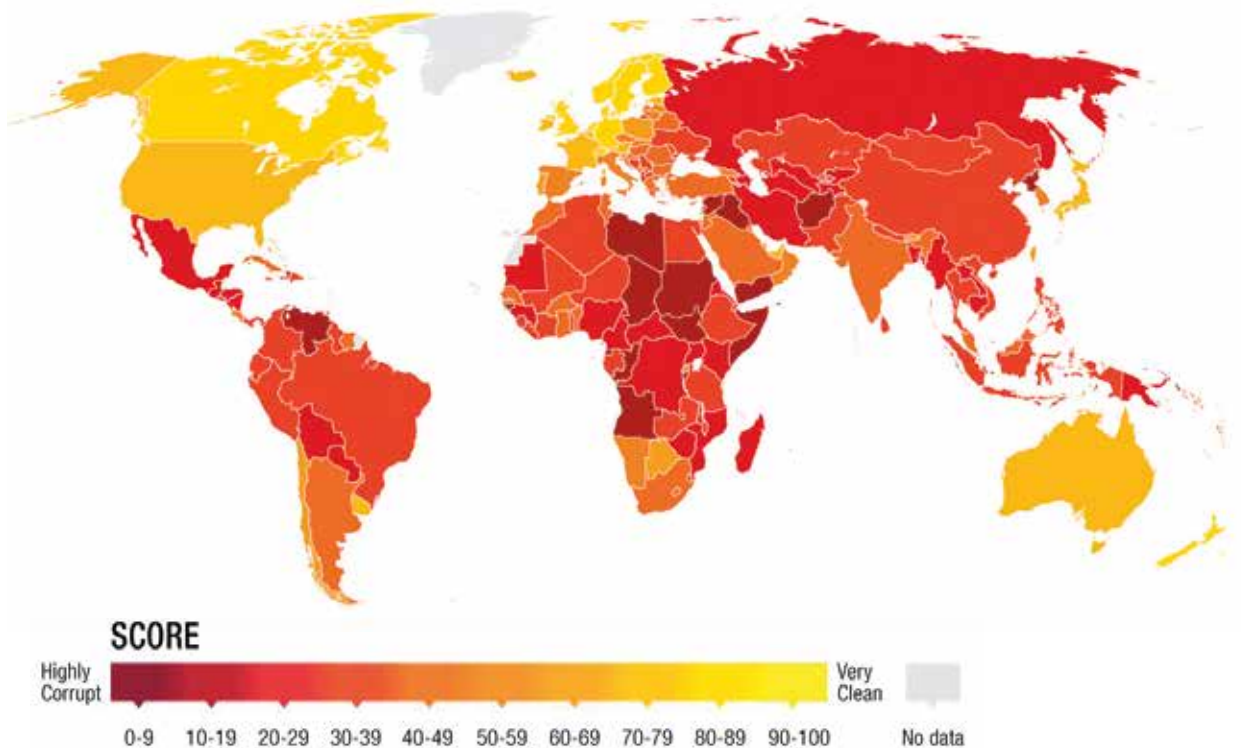
This provides ULTL several methods to fund to a wide range of community stakeholders in Southern Brazil and support a variety of programs and projects. The scope of their projects include hosting their own children's education programs to donating to local festivals and community events. ULTL is an important member of all the communities where it operates and aids the community in addressing mutual goals.

Compliance & Ethics

The Right Way Is the Only Way

Integrity, ethics, and transparency are really just words until a company commits to making them integral to its business conduct. At Universal, our commitment to these three standards permeates our operations at every level every day from the Board of Directors to our local staff. The Board of Directors of Universal Corporation adopted our Code of Conduct in order to promote ethical behavior; encourage compliance with ethical standards; facilitate the reporting of unethical and illegal behavior; and address violations of certain ethical standards, Universal policies, and applicable law. While it is true that everyone is required to comply with the law, the Code goes beyond the law to set a higher standard for us to follow. This Code applies directly to all employees, officers, and directors in the Universal family of companies. In addition, joint venture partners, sales agents and certain third parties who represent our companies are contractually bound to follow this Code. From risk mitigation to scrupulous attention to laws and regulations, integrity is embedded in our DNA and visible in our risk mitigation efforts, ethical decision-making processes, and corporate governance policies. Universal's management fervently believes that doing the right thing the right way is the only way to conduct business.

Transparency International's 2018 Corruption Perceptions Index



Corruption Perception Index, Transparency International, CC BY-ND 4.0 DE.

Our Global Anti-Corruption Compliance Program helps embed this in our culture. It is risk-based, has built-in preventive and detective controls, and provides transparency across our operations. Countries that have a higher perceived risk rating will have additional controls and scrutiny. For example, our Gifts, Travel and Hospitality Program has different thresholds and approval levels depending on location and entity. A tool like Transparency International's Annual Corruption Perceptions Index helps us to better understand country risk.

100%

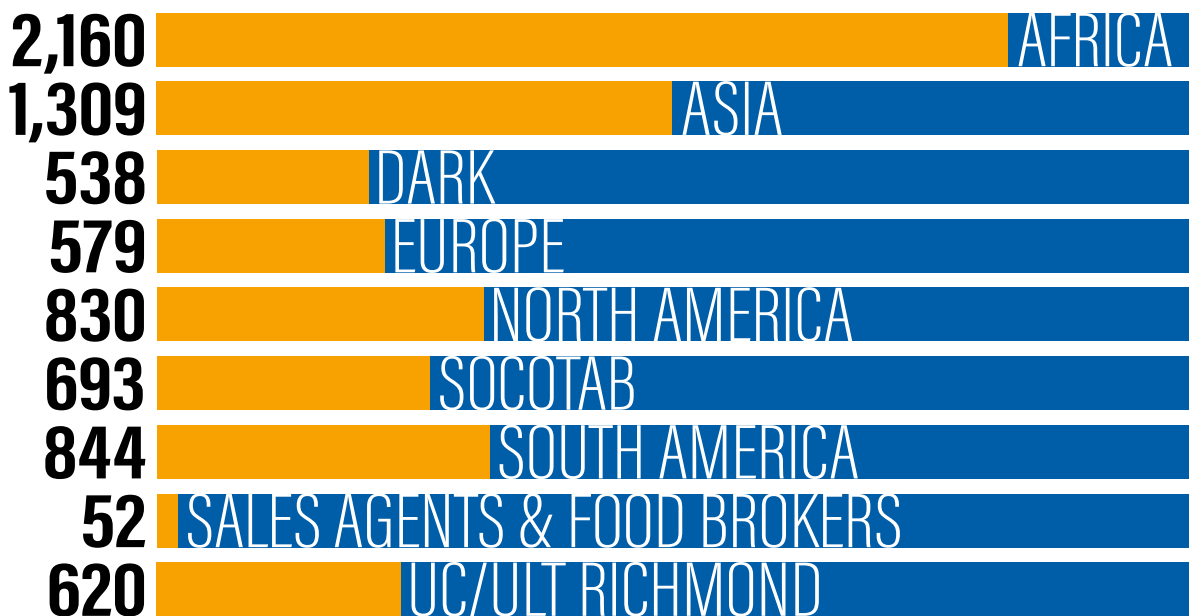
Operations Regularly Assessed

FOR RISK

TRAINING & COMMUNICATION are key elements of our Global Anti-Corruption Compliance Program as they help drive company culture. We want to ensure that our employees and third parties regularly hear, see and believe our message. We design and deliver tailored face-to-face training to all employees in compliance-sensitive roles. Our training is developed at our corporate headquarters for consistency, but is delivered by local trainers in local language to ensure comprehension and the inclusion of local law and examples.

Face-to-face training is bolstered by online learning. Topics and frequency are driven by role and risk, but all those in compliance-sensitive positions must complete at least one course annually.

In addition to training, we communicate frequently about our program through a variety of ways. For example, we use Town Hall meetings delivered by a local Managing Director, short reinforcement messages during a shift hand-over, or our quarterly newsletter articles. We believe that keeping our program top of mind will help us identify and manage risk.



Online compliance course completions for FY 2019.

In addition to regular compliance communications, we have communicated our Global Anti-Corruption Compliance Program to **100%** of our business partners. Of those business partners, we consider **27%** to represent higher corruption risk based on geography, nature of government interaction, and other compliance factors. **100%** of those high-risk business partners received face-to-face and online compliance training, and all our remaining business partners received online training or other forms of compliance communications that reinforce our program.

- **100%** of our employees receive compliance communications
- **4,258** employees received face-to-face training.
- **7,625** online courses have been taken.

100%

Governance Body Members
Receive Anti-Corruption
Training & Communication

100%

Employees In Compliance-
Sensitive Positions Trained

100%

Third Parties Have Had
Compliance Communications

The Universal Compliance Hot Line is available 24 hours a day, 7 days a week and in all our local languages. Phone and online reports can be made anonymously and are received by an independent organization. Our goal is to ensure employees and third parties, including suppliers, can communicate issues and concerns associated with unethical or illegal activities safely and honestly while maintaining their anonymity and confidentiality. Every single report is listened to, followed up on and reported to the Corporate Compliance Committee. We take our Hot Line very seriously and encourage people to use it.

“ *If you see something, please report it so that we can work together to stop it.*

Our Global Anti-Corruption Program complies with U.S. law as well as other international laws. In 2013, we were certified as having an effective program that complies with the Foreign Corrupt Practices Act (FCPA). In addition, we comply with international conventions and local laws including the UK Bribery Act and Brazil Clean Companies Act. While the FCPA allows companies to make facilitation or grease payments, our policies prohibit such payments. We go beyond the law to ensure our commitment to putting integrity, ethics, and transparency into practice throughout our global operations.



Universal Global Compliance Program

We all have an obligation to report possible violations so the conduct can be considered and Universal can address the situation and take appropriate action.

No one in the Universal family will take any adverse action against anyone for providing truthful information relating to a violation of law or Universal policy. Universal will not tolerate any retaliation against persons asking questions or making good faith reports of possible violations. Anyone who retaliates or attempts to retaliate will be disciplined.

[ANONYMOUS HOTLINE]

Report a Concern or Ask a Question

PHONE: 1.866.292.5224 (toll-free)

ONLINE: www.ethicspoint.com
www.universalcorp.com/compliance

E-MAIL: compliance@universalleaf.com

You can also Contact

Your supervisor or manager, a member of the Local, Regional, or Corporate Compliance Committee, the Legal Department, Human Resources, or the Internal Audit Department.

The Compliance Hot Line is available **24 hours a day 7 days a week** and in your **local language**. Phone calls and on-line **reports are received by an independent organization: EthicsPoint**. The goal is to ensure that you can communicate issues and concerns associated with unethical or illegal activities safely and honestly while maintaining your anonymity and confidentiality.

Every report is listened to, followed up on and reported to the Corporate Compliance Committee. We take our Hot Line very seriously and hope you do to. If you see something please report it so that we can work together to stop it.

Supply Chain Controls

Universal's position at the center of the tobacco supply chain provides an ideal platform to implement programs and strategies to protect and enhance the integrity of the tobacco that we supply. Our efforts are aimed at promoting quality while preserving product integrity and traceability throughout the supply chain. We provide a reliable, long-term supply of responsibly-sourced products from geographically diverse growing areas around the world.

Universal's Board oversees the funding of significant capital expenditure initiatives requested by our local operations that support product quality and integrity. Our Board, management and designated committees consider and address the issues that may occur in the supply chain. Universal works with our customers to ensure that the tobacco that we source meets or exceeds our customers' standards.

As the industry leader, Universal has implemented sound practices addressing supply chain integrity and traceability including protections against genetically modified organisms (GMOs), non-tobacco related materials, infestation, and spoilage. Our management systems include farm oversight, vendor approval, traceability, leaf assessment procedures, and supply chain sanitation and hygiene practices. We institute numerous safeguards at our processing facilities to assure quality and integrity including sanitation, moisture, non-tobacco related material, and infestation management. Our responsibly-sourced leaf is supervised, purchased, and processed under controlled conditions created by our quality management systems, and remains traceable to the farm-level through our extensive traceability systems. The result is that our customers know they can rely on Universal to consistently deliver a product that is responsibly-sourced and meets their exacting specifications.

Universal also supports agricultural and industry interests through participation and leadership in key cooperative groups including the Cooperation Centre for Scientific Research Relative to Tobacco (CORESTA), Eliminating Child Labour in Tobacco-Growing (ECLT), and a number of local and regional trade and manufacturing associations. Our work in these groups aims to stimulate the definition and adoption of sound practices and address key stakeholder concerns.

Universal dynamically manages supply chain concerns, and continually develops and refines the tools and practices used to address the quality and sustainability in the supply chain. Our most recent accomplishments include:

- Enhancement of our MobiLeaf™ grower management platform (**19 origins** where deployed) — MobiLeaf™ allows our field technicians to enter monitoring data on our suppliers. Metrics monitored include good agricultural practices, agricultural labor practices, and farm environmental conditions. Farmers found to be in breach of their contracts are subject to contract enforcement dependent on the contract violation. Disciplinary action ranges from extra training to contract cancellation.
- Expansion of TOIS (Tobacco Operations Information System) and Enhanced MobiLeaf™ Integration. TOIS is an internally developed "seed to sales" system with over 500 apps supporting factory processes from farmer financing to purchasing to processing to shipping. The system was developed to increase speed of analytics through real-time data capture.
- Investment in additional laboratory capacity and capability aimed at tobacco characterization and support of new generation products (**\$4.3 million** in Lab investment in the past **4 years**).
- Maintenance of ISO management systems in key supply origins (**14 processing operations** with ISO, NOSA or other professional designations).

- Security measures, including safeguards for exports and implementation of U.S. Customs Trade Partnership Against Terrorism (C-TPAT) program best practices in applicable supply origins. Universal Leaf Tobacco Co., Inc. (ULT), in partnership with U.S. Customs and Border Protection (CBP) and the U.S. Department of Homeland Security, participates in the C-TPAT Program to strengthen and improve our global tobacco supply chain. The C-TPAT Program is a voluntary program and ULT has achieved a validated partner status which provides us with reduced U.S. CBP cargo inspections at the port of entry and expedited entry paperwork clearance for our imports of tobacco into the United States of America. Our validation by U.S. CBP is based on adherence to the security principles of the program along with a commitment to continuous improvement.



Environmental Impacts

As stated in our global [Environmental Policy](#), we are committed to environmental laws and regulations, monitoring our industrial supply chain activities, and cooperating with supply chain partners to implement strategies that reduce the environmental impact of those activities. In our 2019 fiscal year, several environmental projects and programs were implemented with the goal of improving our environmental footprint.

Numerous laws and regulations have been enacted around the world regarding the protection of the environment by eliminating, reducing, or restricting the discharge or release of contaminants or pollutants into the air, water, and soil. Local environmental regulations provide Universal with best practices to adopt at each operation. Our operations must adapt to the unique environmental challenges that each faces. In addition, we continue to consider ways in which we can reduce the environmental impact of the tobacco supply chain, including through promoting energy efficiency, supporting biodiversity, and conserving forestry and other natural resources. Each employee, officer, and director is expected to ensure that his or her activities and those of their fellow workers are environmentally sound.

Our primary environmental impacts within our own operations include water use, greenhouse gas (GHG) emissions, and waste management. As governments and environmental conditions vary greatly among our areas of operation, we depend on our local management teams to ensure that environmental impacts are mitigated to the greatest extent possible while monitoring results on a global basis.

Within our factories, we monitor our environmental impact by focusing on fuel usage, water usage, and solid and liquid waste disposal. We monitor the efficiency of resource utilization along with factory emissions, and we continue to implement biomass usage where practical to reduce fossil fuel usage. Additionally, proper protections are in place to minimize emissions regardless of energy source.



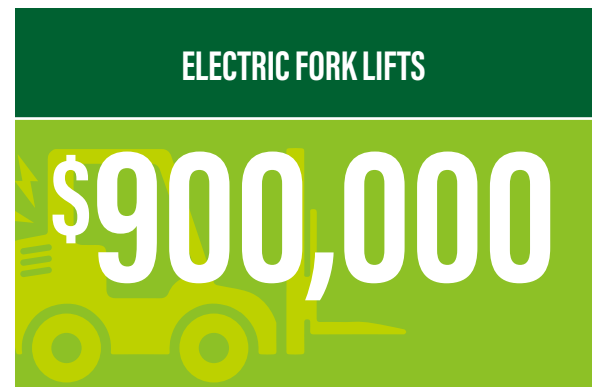
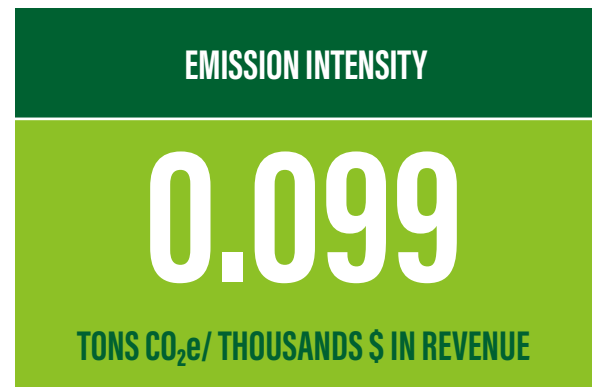
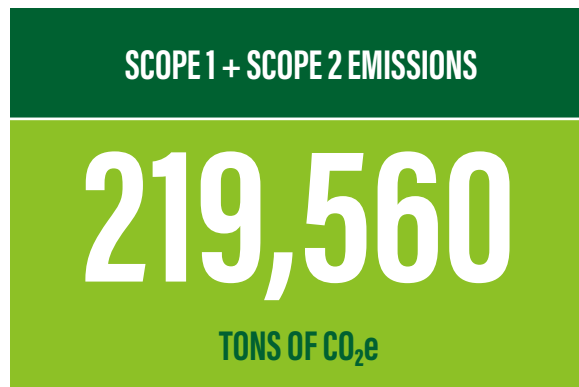


Emissions

Climate change issues are important considerations directly related to the sustainability of tobacco production and our ability to supply tobacco to our customers. As stated in our [Climate Change Policy](#):

- To mitigate potential climate change impacts by maintaining diversified sources of tobacco;
- To assess the risks and opportunities of climate change on a regular basis;
- To monitor our greenhouse gas emissions;
- To employ programs and strategies to improve energy efficiency in our industrial facilities; and
- To cooperate with supply chain stakeholders to improve the energy efficiency of tobacco production in pursuit of reductions in GHG emissions.

Policies and laws regarding emissions and climate change vary greatly around the world. Universal aids our local management teams in identifying and funding opportunities for reducing energy use and emissions so our operations can function efficiently to combat climate change. Each year, Universal collects data from our operating origins regarding fuel usage to evaluate how the company is performing in regard to emissions overall. Our focus is on Scope 1 and 2 emissions, but we also gather data on Scope 3 (as described in more detail in the Agriculture Environmental Impacts section on page 41). Universal has reported emissions through CDP to our supply chain partners since 2009. Data collected from fiscal year 2019 is included below.



*Funding approved for FY 2017 to FY 2019.

*Funding approved for FY 2017 to FY 2019.

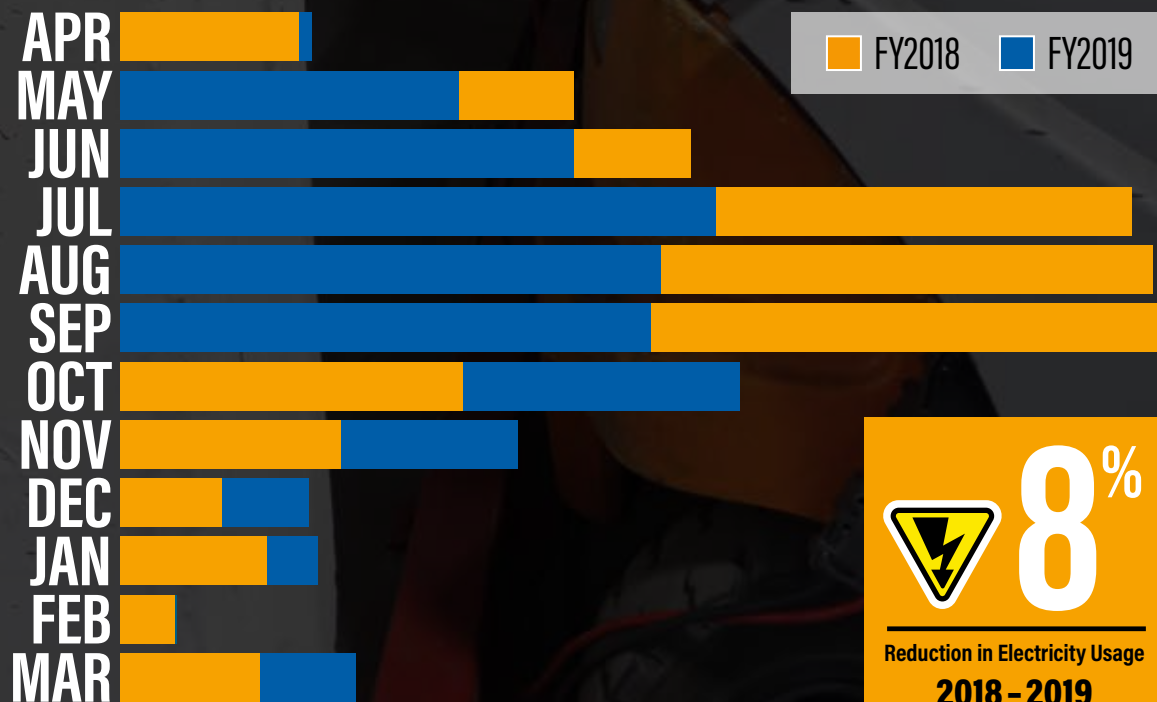
Electric Forklifts – Italy



Universal's Italian subsidiary, Deltafina, uses electric forklifts within its operations. Deltafina operates 58 electric forklifts at its two processing facilities in Italy. These forklifts reduce emissions associated with our operations. Each electric forklift creates 83% less emissions than a diesel forklift.

Energy Monitoring & Awareness Campaign – Philippines

Universal Leaf Philippines (ULPI) recently implemented an energy monitoring and awareness campaign to encourage energy conservation among employees. In the first year, ULPI installed electricity monitors in key areas of the compound, and the team received regular reports to determine baseline usage. Managers and employees received training materials on energy conservation, tying work behaviors to electricity usage. ULPI then encouraged managers to implement improved practices. In fiscal year 2019, the team achieved a reduction of nearly 8%, and plan to reach for additional electricity savings in the years to come.



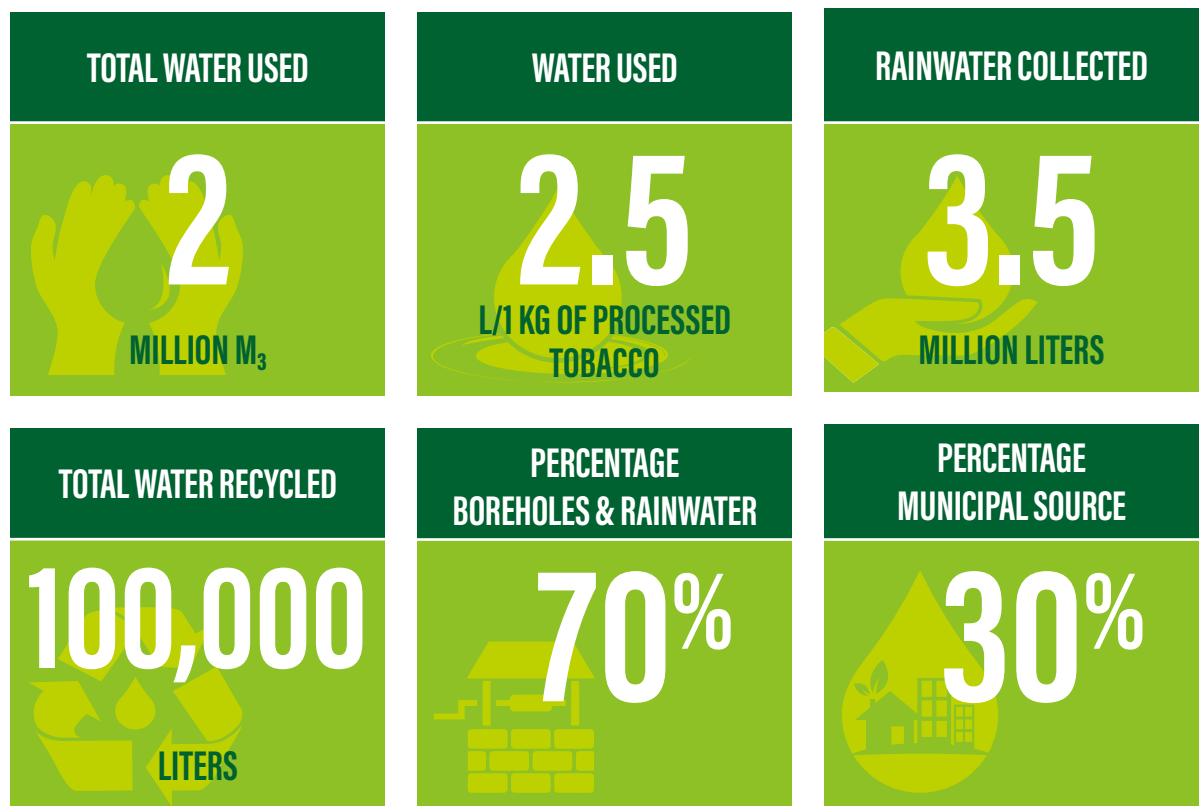
Philippines Monthly Total kw-hr (Areas with readings for FY2018 and FY2019).

Water

Processing tobacco uses relatively small amounts of water. Tobacco must be conditioned with steam and water in order to be effectively processed and packaged for sale. Universal believes that conserving water is important to our business from both a cost and sustainability perspective. We limit our use of public water sources to the greatest extent possible, while managing overall water usage and discharge.

Our processing operations primarily rely on boreholes, municipal sources, rainwater collection, and surface water withdrawals for water use. When necessary, water is filtered on-site for our own use. Around the world, we strive to increase our reuse of water, and we fund water projects to address regulatory requirements and long-term reductions in use.

On an annual basis, Universal collects water data from our sites to monitor water use within our processing operations. Flow meters and control systems provide the data that drives our understanding of water use and discharge. Each year, the water reuse and rainwater collection increases as our infrastructure becomes more sophisticated. Each of our locations continuously works on decreasing our water footprint.



Dzalanyama Watershed Reforestation – Malawi



Universal's Malawi subsidiary, Limbe Leaf Tobacco Company, launched the Dzalanyama tree-planting project in February 2019. The Malawi Parliamentary Caucus on Conservation (MPCC) engaged the Company to take part in the efforts of reforesting Dzalanyama Reserve, in order to mitigate the degradation of the Lilongwe water catchment. Dzalanyama Reserve is an important catchment area for Lilongwe City and in the past Lilongwe has experienced water quality issues, due to the deforestation and land degradation within and around the Dzalanyama Reserve. The Community has been driven to reforest the Reserve in recent years and Limbe Leaf is proud to play a part in this very important initiative. During the first year of the project, Limbe Leaf planted 18 hectares of trees and preserved 2 hectares intended for natural regeneration. For the second year of the project, Limbe Leaf is planning to

continue planting indigenous species but more importantly focusing on the management and preservation of biodiversity in the reserve. The managing director of Limbe Leaf stated "As a Company, we believe that planting trees is not enough, what is more critical is the management of the trees once planted. We will manage the trees and will continue to plant more trees in the next two years."

Water Treatment – Mozambique



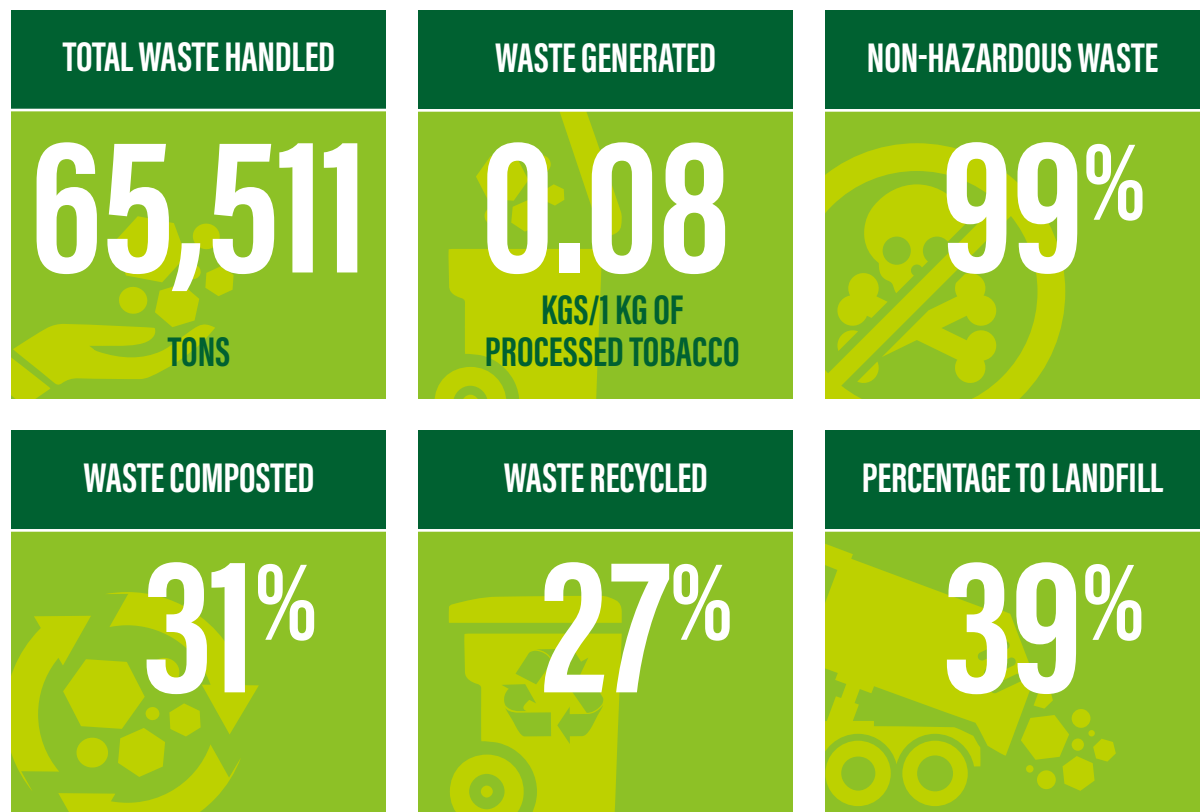
Our subsidiary, Mozambique Leaf Tobacco (MLT), operates in the city of Tete, where municipal water and waste water treatment are not widely available. As a result, MLT implemented a comprehensive water management program to address water supply, use and discharge. The site utilizes facility-specific boreholes and treats the water for water supply to the compound. All waste water that was used for personal sanitation is treated using an on-site waste water treatment system. The treated waste water is then used to irrigate the natural landscape of the compound, promoting the growth and health of native trees and wildlife. Waste water from the boiler is cooled in a holding tank then discharged to a lake on-site, allowing the water to settle before being released into a stream on-site. MLT minimizes the impact its water use has on the community by carefully treating water and discharging the water responsibly.

Waste

Universal tracks all waste associated with our processing operations, and we believe that lower waste generation is good for our business. Waste disposal is commonly dictated by local regulations, and we regularly monitor our compliance. Our sites are also encouraged to go above and beyond regulation to recycle and compost waste in order to reduce our impact on local disposal resources. Universal encourages new technologies for waste reduction and provides the resources needed to implement solutions.

Each year, composting and recycling is expanded within our operations. The less we send to landfills, the less strain we put on local resources. We review the waste data we collect to better understand the opportunities for recycling and reuse. We work with operations to understand their constraints, so that they have the resources they need to continue to reduce landfill disposal.

In regards to waste disposal, Universal focuses on continuous improvement. In some operations, recycling is not an option due to their country's infrastructure. When resources are constrained, sites will focus on reducing waste as well as finding recycling options.



Composting Cooperative – Brazil



Tobacco waste is the largest portion of Universal's waste and as such our operations around the world have found ways to utilize this organic material without resorting to landfill disposal. Some of our operations have found that composting tobacco stem and dust is the most economical and environmentally safe way of addressing tobacco waste disposal. Universal Leaf Tabacos in Santa Cruz, Brazil, where tobacco waste is heavily regulated, has taken the initiative to invest in biotechnology research, which has resulted in the use of microorganisms to speed up the composting process. The technology, tested and approved, is named BIOLEAF and was registered in the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA). At the end of the composting process, the resulting product is an organic fertilizer called Ferti-Leaf. This management process enables the return of

beneficial nutrients and organic matter to the agricultural production chain. The Company has opened access to the technology to the whole industry, so that the tobacco industry can effectively compost their tobacco waste in southern Brazil.

Coal Ash Brick Making – Malawi



Limbe Leaf Tobacco Company, our Malawi subsidiary, has worked with the Tobacco Processors Association (TPA), to find a suitable use for waste associated with coal ash. Coal ash is a byproduct from coal burning used to heat the operation's boilers. The TPA conducted a pilot project to build a wall with the coal ash blocks around an area used to store tobacco byproducts. This wall pilot project has proven the durability of the blocks. The TPA is working together to collectively dispose of coal ash waste by investing in a commercial block-making business expected to yield blocks at a lower cost compared to existing cement blocks on the market. The system reduces waste from the operations and creates economical building supplies.

Social Impacts

Universal operates throughout the world and impacts thousands of people every day. We are committed to helping the communities where we operate thrive and benefit from our presence. Our business directly and indirectly supports the communities and regions in which we operate by providing local tobacco farmers efficient access to the global tobacco market and offering our employees fair treatment and a safe work environment. Universal further supports its farmer and employee communities through specific financial investments, programs, projects, and volunteering opportunities aligned with local business activities and the overall needs of the community.

Universal reviews social issues in the regions where we operate, and we monitor and evaluate them to shape our actions. We operate in a fair and responsible manner, strive to be a beneficial and constructive supply chain partner to our stakeholders, and address key aspects and concerns of the tobacco industry as well as the farming and industrial communities in which we operate.





Health & Safety

Health and Safety is of critical importance to Universal, and the protection of our employees is a vital part of our business. We provide the resources and investments to support health and safety, and we work continually to improve our working environment and build upon our safety practices.

Many advances have occurred in our Health and Safety Management System within the past three years. We published new policies, and we implemented a global system to manage health and safety issues. We also created an Environmental Health and Safety (EHS) Regional Committee, and we expanded our global health and safety training to cover our internal and external operations.

In collaboration with local management and the Corporate EHS Committee, our corporate safety officer also conducts routine audits and risk-based assessments at our locations to identify risks through on-the-plant-floor evaluations and written policies. From 2017 to 2019, thirty-six corporate audits were performed in Africa, Asia, South America, Central America, Europe and North America. The corporate audits are a crucial step to help us ensure that our factories are implementing our EHS policies.

We strive for zero fatalities and serious injuries/illnesses.

During FY 2018, we adjusted data collection across our global operations, and implemented a global tool to improve data consolidation and identification of hazards to ensure root causes are identified, addressed and communicated.

Currently, we are managing safety performance based on two rates: medical treatment cases (injuries/illnesses) and lost workdays.

HEALTH & SAFETY NUMBERS

WORKED HOURS	LOST WORKDAYS	FATALITIES	NEAR MISSES	HAZARDS
67,084,095	1,513	01	30	207

Medical Treatment Cases (Injuries/Illnesses) – Cases involving the management and care of a patient to combat a disease or disorder (beyond first aid).

Lost Workday – Time that could not be worked (and thus lost) as a consequence of an employee being unable to perform their usual work because of an occupational injury or illness.

Near miss – An incident where no property was damaged and no personal injury was sustained, but where given a slight shift in time or location could result in damage and/or injury.

Hazard – Any source of potential damage, harm or adverse health effect.

TOTAL RECORDABLE INCIDENT RATE

INJURIES / ILLNESSES	TOTAL RECORDABLE INCIDENT RATE	INJURIES / ILLNESS LOST DAYS	LOST WORKDAY RATE
138	0.41	76	0.23

Total Recordable Incident Rate includes days away, restricted work and transfer cases plus cases that involve days of medical treatment or other recordable incidents per 100 full-time workers.

Lost Workday Rate represents the number of injuries and illnesses resulting in one or more days away from work per 100 full-time workers.

Our rates have remained significantly lower than those in the most recent Bureau of Labor Statistics U.S. (2017) study for our business type (tobacco industry). For example, our 2019 TRIR was 0.41, and the U.S. average was 2.7 for the latest available period (2017). We regret to report, however, that a fatality of a service contractor occurred at our Blantyre, Malawi, processing facility. We have fully investigated the circumstances, and have enacted an aggressive plan to address the situation and prevent future occurrence.



Health & Safety Strategy

Our health and safety strategy in Fiscal Year 2019 focused on being proactive in preventing and/or mitigating fatalities and injuries. Our strategy is to understand relevant health and safety risks, so that injuries can be avoided. Our initiatives include:

EHS COMMITTEES – Over a decade ago, we established a Corporate EHS Committee. To improve overall interaction, a Regional EHS Committee was established in mid-FY 2018 to provide support and guidance to our EHS Program. In addition, members of the EHS Regional Committee are responsible for improving the process of regional and local participation for the entire program.

DATA MANAGEMENT SYSTEM (VELOCITYEHS SYSTEM) – In the beginning of Fiscal Year 2018, we implemented a new Health and Safety Management System. Since the implementation, we have better uniformity across our business, and all incidents, inspections and audits are reported and managed in an efficient and transparent way.

HEALTH AND SAFETY – GLOBAL TRAINING – Looking to enhance our EHS Program, we provided Health and Safety training for approximately 1,600 management employees worldwide. The first training focused on our leaders and taught them how to promote a culture of workplace safety with zero tolerance for accidents and injuries.

CHEMICAL MANAGEMENT – Universal has improved the management of chemicals. Universal has developed a detailed set of procedures for storage of flammable materials, compressed gases, and other materials commonly used in our facilities. In addition, we have invested in a system to help improve our hazard communication program. Currently, we have over 1,300 chemicals cataloged and managed in this online platform.

It should be noted that the chemicals used by our factories come from the areas of maintenance (electrical and mechanical), boiler, fumigation, and cleaning in general, and not directly used in tobacco processing. This system is providing flexible access to chemical inventory information through any mobile device, in addition to improving chemical management, and associated risks.

In Fiscal Year 2020, our strategy will focus on two pillars — systems and culture. We will continue to provide and ensure our employees have the tools, procedures and infrastructure that allow them to perform their work safely every time and everywhere.

We also will strengthen our culture by continuing to demonstrate that safety comes first — before production, before cost, before everything. A culture is a way of doing things that is shared, taught, or copied.

Velocity System Administrator – Zimbabwe



"The adoption of technological systems such as VelocityEHS is a milestone in ensuring effective environment, health and safety systems in the organization. The drive towards sustainability is better managed when data is easily accessible and trends can be analyzed."

Pictured Left: Faith Nyengetera Muzamhindo, EHSQ Officer with over 5 years experience. She joined our Zimbabwe subsidiary, Zimbabwe Leaf Tobacco in May 2018 and now over a year in the organization; Faith now serves as the ZLT VelocityEHS System Administrator.

Employment Policies & Standards



Universal is committed to providing a safe and productive working environment for all employees. Furthermore, Universal does not employ child or forced labor in any of our operations. Universal recognizes that employees have the freedom of association and the ability to individually or collectively communicate grievances and negotiate compensation without the fear of retaliation within the confines of local, state, and national laws. We want our employees to feel that the company they are working for is reputable and has their best interests at heart.

Each region and origin deals with different laws and regulations regarding employees, and because of this our Human Resources operations are primarily decentralized. All origins and subsidiaries must comply with

our Code of Conduct and Labor Policies and have access to our 24-hour grievance hot line. Universal is an equal opportunity employer throughout the world and selects the best job candidates on the basis of merit regardless of race, color, gender, religion, national origin, age, disability, or veteran status.

We value our employees and understand that people are the backbone of our business. Without a reliable workforce, we cannot accomplish all that we do. Regionally, we employ various methods to improve employee satisfaction and decrease turnover. Globally, Universal has twelve collective bargaining agreements in place, and our data collection process has been refined to capture the number of employees covered in subsequent reports. We also support our employees outside of work by offering health and wellness services as well as implementing projects that benefit their and their families' welfare, such as building schools and making technology more accessible.

NUMBER OF EMPLOYEES

20,000+

GLOBALLY

PERCENTAGE OF FEMALE EMPLOYEES

47%

GLOBALLY

PERCENTAGE OF FEMALE MANAGERS

15%

GLOBALLY

School Support – Zimbabwe



Since 1964, Zimbabwe Leaf Tobacco provided schooling to children of employees on their premises in Harare. In the early eighties, the school began taking on students from the surrounding area and it was recognized shortly after that the school needed its own site independent of the factory premises. In 2000, a suitable site was found for the school and was gifted to the community. In 2001, the new school held its first classes. As a result of this historical relationship, ZLT continues to aid the school with supplies and other requests when needed. The school still hosts students that are employees of the company and the community and is sought after due to its high academic standards and graduation rate.

Employee Engagement – The Philippines

Universal Leaf Philippines has taken a comprehensive approach to human resource management throughout the operation. In 2018, they launched an employee engagement program focused on empowering and motivating their entire employee base. Their four step approach is cyclical each year. It begins with an annual employee engagement survey, where employee responses are evaluated to establish improvement plans. This year the ULPI teams expects to reach 4,000 survey participants. The improvement plans center on engagement and creative ways to address engagement gaps through employee reward programs and recreational activities that support team building. After the first year of the program, they have achieved improved attendance rates, increased collaboration between departments, high human resources satisfaction ratings, and improved human resource visibility. The expectation is that improved employee engagement will lead to better employee satisfaction, reduced employee turnover and higher productivity.



Community Engagement

Overview

At the heart of sustainability is the fundamental principle that Universal's success relies on the prosperity of the communities in which we operate. Universal funds various initiatives that support local economies and cultures as shown in Creating Value on page 9. In each of these communities, Universal is open to requests for needs, such as books for school children or funding for local cultural events. While many of our engagements aim to empower our employees, farmers, and their families directly, Universal is also committed to a number of projects intended to uplift communities as a whole. Across our global footprint, Universal supports countless festivals, local projects, government programs, and charitable events that, in turn, benefit many outside the tobacco supply chain.

It is a critical responsibility of any corporation, and particularly those ingrained as members of the local agricultural community, to support a vibrant and prosperous society as a whole. The stronger the community, the more efficient and effective it is in addressing the labor, environmental, and financial challenges found not only in tobacco, but in the entire agricultural sector.

Ultimately, our company does not simply operate in a community; we are part of it. Universal and our employees are proud to engage as both active corporate citizens and leaders in our neighborhoods, communities, and countries. One-hundred percent (100%) of our regional operations fund local initiatives at the request of the people within those communities.



A Universal employee volunteering at a local community food bank in the Richmond, Virginia area.

Universal Leaf Foundation

Universal Corporation (USA)

The Universal Leaf Foundation is a not-for-profit 501(c)(3) organization founded in 1975. The Foundation is the philanthropic arm of Universal Corporation dedicated to fulfilling its social responsibility to the communities in which Universal and its subsidiaries have a physical presence. Over the past four decades, the Foundation has fulfilled Universal's strong sense of responsibility to its communities by providing pragmatic support for a number of qualifying 501(c)(3) organization across four categories: higher education, civic/community/arts, environment, and the well-being of children, at-risk individuals, and families. The Foundation is committed to good corporate citizenship as is evidenced by its investments in a diverse array of community programs, its financial support for community events, and its promotion of employee volunteerism.

Community Engagement – Richmond, VA



Universal's corporate office in Richmond, Virginia, takes part in local events to support the community. In conjunction with Universal Leaf Foundation, Richmond employees are able to volunteer for events and participate in fundraising events. Since 2011, Universal has participated in the Virginia Special Olympics events held at University of Richmond. From 2011 to 2018, Universal volunteers ran the Shot Put event. This included everything from registering athletes, measuring Shot Put throws to awarding medals. During Special Olympics 2019, Universal volunteers participated in the tennis event by practicing with athletes and managing matches.

The Richmond office also participates in a corporate run to sponsor the local organization, Sportbackers, which aims to make a healthy and active lifestyle accessible to everyone in Richmond. Universal has participated for three years and in 2019, 47 employees and family members participated in the event. Event participation was funded by Universal Leaf Foundation.

Football & Netball Annual Sports Tournament – Malawi



Limbe Leaf Tobacco Company supports an annual football (soccer) and netball tournament for student athletes from primary schools located in rural and urban Lilongwe. Preparations for the tournament start early in the year and culminate in a finals match in Malawi's capitol. Beyond encouraging students to remain in the classroom, this tournament provides an opportunity for talented children to display their athletic skills. Many Malawian professional netball and football stars were discovered in this tournament and are a source of pride in the local communities.

Good Agricultural Practices

At the heart of Universal's business are tobacco farmers. Around the world, Universal directly contracts with over 200,000 farmers across 24 countries. Universal strives to produce quality, sustainable tobacco in all of these markets by employing over 1,500 trained agricultural professionals known as field technicians. Universal's field technicians work side by side with our contracted farmers to produce a tobacco crop that adheres to industry recognized Good Agricultural Practices (GAP).

Good Agricultural Practices are a set of best practices that ensure the farmers and workers produce their crops in a manner that is environmentally responsible, economically profitable, and assures a safe work environment and fair treatment. Good Agricultural Practices are designed to align with international agricultural and worker safety standards. Around the world Universal's agronomy teams conduct formal and informal training sessions throughout the tobacco production cycle, ensuring that our contracted farmers are properly trained in numerous disciplines that assure a safe, profitable, and responsible tobacco production system. Our field technicians regularly visit our contracted farmers throughout the growing season to monitor that Good Agricultural Practices are well understood and implemented on the farm.

In addition to our internal farm monitoring process, Universal participates in independent, third-party assessments of our tobacco-growing operations by international organizations. The results of these third party evaluations provide valuable and transparent feedback on all areas of GAP: Agricultural Labor Practices, Crop Production, and Environmental Stewardship. Annual Self-Assessments and on-site reviews by third parties better ensure that our operations identify and take corrective actions to address any risks in our supply chain.



Child Labor Prevention Practices & Policies



Universal believes that no child should be negatively impacted by our supply chain actions. We actively engage with farmers and communities to identify and address child labor. Our efforts begin with open communications regarding the dangers of child labor and the importance of child development and education. We distribute information to farmers and engage in dialogue and monitoring throughout the growing season. Additionally, we participate in programs that target root causes that contribute to child labor. Programs around the world differ based on the local cultural environment and the risks associated with child labor. Programs include school feeding programs, after school programs, and summer school programs. They converge in assisting to communicate the message against child labor, while providing attractive alternatives to farm work.

Universal companies administer and participate in child labor prevention programs in the following high risk countries:

- Brazil
- China
- Guatemala
- India
- Indonesia
- Malawi
- Mexico
- Mozambique
- Philippines
- Zimbabwe



Agricultural Labor Practices (ALP)

Universal believes that safe and fair working conditions on the farms where we contract tobacco are vital. The Universal [Agricultural Labor Practices \(ALP\) code](#) consists of seven principles that embody Universal's requirements for our contracted tobacco growers. The ALP code requires that workers are treated fairly, child labor is progressively eliminated, and workers have a safe work environment. In many cases the ALP code is part of the farmer contract. If a leaf technician finds a violation, the technician works with the farmer to correct the issue. Each issue warrants a different level of intervention, and depending on the findings, the solution ranges from simply more farmer training to possible contract termination or other ramifications.

Universal actively works in our agricultural communities to train workers on how to safely perform their job tasks. As part of the Universal ALP code, contracted farmers are trained and provided with personal protective equipment (PPE), which is used for handling of green tobacco and application of crop protection agents (CPAs). The ALP code is discussed each season with our contracted farmers. The methods of communication and training vary among regions, but the seven principles are the same throughout our global footprint.

The Seven ALP Principles



ALP-STP Mobile Communication Vans – Indonesia



In Indonesia, our subsidiary P. T. Pandu Sata Utama (PSU), with stakeholder support, has put together a way to reach and train farmers on ALP and GAP in remote locations. Customized mobile vans allow our training staff to take the message directly to the village farming areas and community centers. Farmers, farm families, and workers are taught about important issues such as ALP principles, PPE usage, safe working environment, and other seasonal topics. The presentations engage the viewers by showing fun and informative videos while allowing time for questions and clarification. Snacks and water are provided to attendees. A short test before and after the presentation is used to judge the level of understanding. The presentations can then be adapted based on farmer understanding and needs.

These presentations are open for anyone in the community to attend, including farm workers and their families. To date 100% of PSU farmers have been reached at the mid-point of the crop season, and the training will continue until at least each farmer is reached twice during the season. PSU and other stakeholders are continually working to bring awareness regarding sustainable farming and best labor practices to Indonesia.

Worker Interviews – USA



Universal Leaf North America U.S. (ULNA U.S.) continuously monitors the environment and working conditions for farmworkers within our supply chain. This is achieved through a multi-faceted approach, including, on-farm verification of safety training documentation and wage statements, as well as implementing our on-farm Worker Interview Program. This program, which utilizes bilingual ULNA U.S. staff, allows ULNA U.S. to directly communicate with workers in a one-on-one environment without the presence of their employer and allows the worker to express any possible concerns or issues they may be having with their employer, or to allow the worker a chance to express any positive feedback they may have regarding their employment.

This program has been widely welcomed by contracted growers and their workers. The implementation of the program has proven to be effective in further ensuring a safe and fair working environment. In 2018, worker interviews were conducted on over 150 contracted farms. Furthermore, approximately 550 workers were interviewed. In 2018, through this interaction, we were able to identify a wage rate issue which was quickly rectified in cooperation with the farmer and worker.

Agriculture Environmental Impacts

Universal is dedicated to managing our environmental impact in the areas where we produce and process tobacco. We routinely gather data and review the environmental implications of tobacco production and implement projects to reduce the impacts. Universal works with farmers and other local organizations to increase awareness of these environmental issues at the farm level. We train our farmers on practices that minimize impact and subsidize technologies for them to implement. We work with other organizations locally to standardize approaches within the industry on how different issues should be addressed and work to promote those practices with our farmers. A consistent industry approach to environmental issues is the key for continued success in implementing these initiatives. Through Good Agricultural Practices, responsible sourcing and recycling programs, and innovative technologies, Universal strives to reduce carbon emissions and protect the environment.

Reducing Waste

Universal is committed to reducing, and where possible recycling, the waste generated on the farms from which we contract tobacco. To assure the safety of our farmers and workers, we have implemented Crop Protection Agent (CPA) container recycling programs in numerous countries. These programs offer farmers collection sites or services to retrieve empty pesticide containers — assuring that these containers are disposed of in a responsible manner. In addition to the CPA container collection programs, Universal is also working to reduce its environmental footprint by offering recycling programs for other farm waste, such as used plastic seedling trays and empty fertilizer sacks.



CPA Container & Plastic Waste Collection – Indonesia & the Philippines



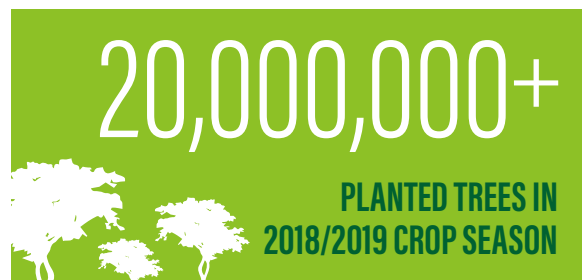
Our subsidiaries in Indonesia and the Philippines implemented programs to dispose of crop protection agent (CPA) containers and reduce plastic waste on the farms of our contracted farmers. In Indonesia, they have collected used plastic from contracted farmers since 2015. The program includes the collection of CPA containers, fertilizer bags, and seedling trays. In each successive year the program has been expanded to include more farmers and more plastic waste. The waste collected from each farmer goes towards each farmer's assessment. The cooperation between the farmers and our subsidiary to appropriately dispose of waste benefits the environment and the local communities.

In the Philippines, our subsidiary has been active in plastic collection since 2011. The current program includes the collection of CPA containers and fertilizer bags. They have engaged CPA manufacturers, who assist with the CPA container disposal. The fertilizer bags are transported to a third party plastic recycler. Each participating farmer receives award tickets that are used in prize drawings at an annual farmer event sponsored by our subsidiary and participating CPA manufacturers. The program has also been successful in collecting waste associated with other agricultural products. In 2018, an estimated 117% of the CPA containers and 111% of the fertilizer bags distributed were collected. The extra containers and bags collected were associated with the farmer's other crops, demonstrating that the Philippine farmer has committed to the success of this initiative through ongoing participation.



Reducing Carbon Footprint in Tobacco Curing

Certain types of tobacco require additional energy inputs in the curing process. Of the total emissions—Scope 1, 2, and 3—that Universal tracks on an annual basis, 35% are associated with curing tobacco. Through our review of our emissions in our supply chain, we have found that Scope 3 emissions associated with farmers curing tobacco are the largest source of emissions in the supply chain. We continue to look for and implement new curing technologies that increase efficiencies and burn cleaner renewable sources. Universal is working diligently to ensure that these energy inputs come from traceable and sustainable sources, including managed agroforestry projects and biomass operations. In addition to finding replacement fuels, Universal is working with our farmers to replace and/or upgrade their curing infrastructure to increase efficiency and reduce their total fuel consumption.



Live barns in Africa are one way that Universal promotes tree planting on farms where we contract tobacco.

Biodiversity

Maintenance of biodiversity in our growing regions is also an important issue to Universal. Different operating regions experience varying biodiversity risks, and our farmers are trained on how to mitigate these risks. Universal also supports biodiversity in our operating regions with forestation and protection projects that increase the success of biodiversity in various regions.



Socotab employees planting trees. Photo courtesy of Green Balkans Photo Archive.

Biodiversity – Oriental Tobacco Region



Photo courtesy of Green Balkans Photo Archive.

Universal's affiliate, Socotab, has implemented a multinational biodiversity project in Bulgaria, Greece, Macedonia, and Turkey that focuses on forestation and awareness in their growing regions. Socotab has identified specific biodiversity risks and root causes in their growing regions and actively works with their farmers and other third parties to prevent the loss of biodiversity. In these areas, species of plants and animals have been identified as being sensitive to ongoing agricultural operations. Projects include tree planting, farmer training, and awareness campaigns. Socotab's goals are to provide guidance, technical assistance and capacity building for the contracted farmers aiming to enhance their livelihoods, increase their resilience to the impacts of climate change, other economic and social challenges, as well as to increase their awareness and sustain achieved results.

Biomass Curing Barns – Spain



Our buying organization in Spain contracts with farmers that utilize sustainable biomass for tobacco curing. Starting in 2007, farmer cooperatives began investing in technologies that use biomass as an alternative to fossil fuels. The cooperatives maximize their efficiencies by curing in shared barns and reduce GHG emissions by using a sustainable source of fuel. The ability to use biomass in the curing barns introduces flexibility for the farmer cooperatives. While olive oil processing byproducts are the primary fuels, they are also able to utilize wood chips, almond shells, and pistachio shells, so 6.8 million kgs of biomass is used each year.

Sustainable Crop Production

In order to produce our products in a responsible way, Universal takes great care in selecting and training the farmers from whom we source our tobacco. The contracted farmers within the Universal supply chain adhere to a strict set of production practices to promote the sustainability of agricultural lands. For crop production to be sustainable the plants and fields must be properly managed. Part of this process is selecting crop varieties that are suitable for the various farm conditions and encouraging farmers to rotate crops each year to reduce soil stress and disease. We do not allow GMO tobacco in our supply chain. All of our tobacco varieties are produced with traditional reproduction methods. This assures that our products are of the highest quality and produced using agricultural techniques that place a high priority on sustainability and environmental preservation.

Universal also encourages practices that are reasonable for the farmers to implement. Practices that encourage farmer welfare have a better chance of success because the farmer is benefiting from the practices. For example, our training and practices optimize fertilizer and water inputs. Fewer applications and reduced management for tobacco allows farmers to focus on other crops.

Integrated Pest Management

Our field technicians and agronomy staff work closely with farmers to manage insect and plant disease infestations. Utilizing Integrated Pest Management (IPM) practices, our technicians advise farmers on proper utilization of Crop Protection Agents (CPAs), and other control strategies, to produce a tobacco crop that meets the quality demands of our customers. IPM principles are designed to assure that CPAs are only applied when necessary and at the correct amount for the right pest(s). Universal is also working with our tobacco operations to transition away from traditional pesticides, by utilizing numerous biological control methods and organic products. Our efforts include working with partners in the industry to identify, test, and embrace new pest control products and methods that offer farmers safer tools to produce their crops.



Biological Pest Control – Mexico

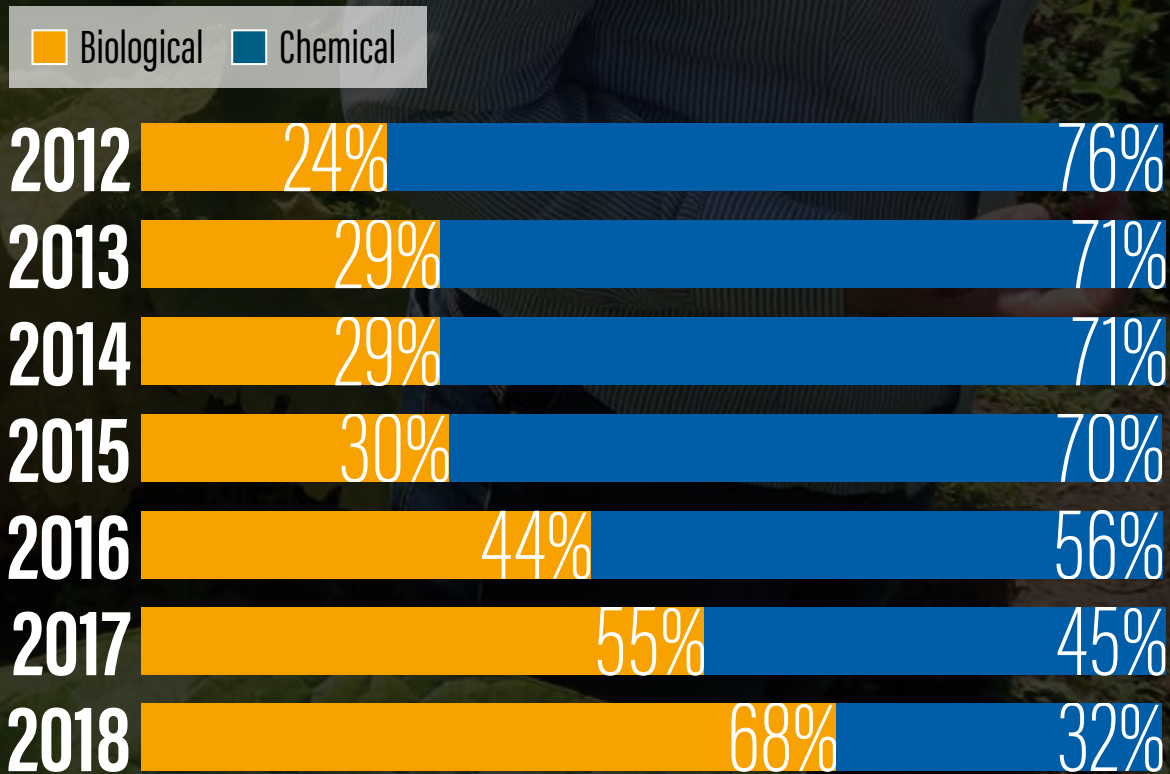


Chrysoperla eggs and sawdust. It is the mixture that is made for the release in field.

In Mexico, our subsidiary is incorporating strategies to assist their farmers to reduce the use of agrochemicals during the crop season. They began with the selection of tobacco varieties resistant to diseases present in the growing areas. This is an important step in reducing the need for agrochemicals, and maximizing crop yield. Additional research was conducted on beneficial insects that naturally feed on pests and antagonistic fungi that combat typical tobacco diseases. After the identification of the best beneficial controls from a cost effectiveness standpoint, recommendations were incorporated into the good agricultural practice guidance supplied to contracted farmers in this region. Our leaf technicians encourage

utilization of this important integrated pest management tool, and provide support to implement appropriate usage. After several years of action, the prevalence of biological controls has increased to a level greater than agrochemical controls. The result is less agrochemical usage, which benefits the environment, farm health and safety and the cost of production.

PERCENTAGE OF PEST MANAGEMENT APPLICATIONS FROM 2012 – 2018



Soil & Water Conservation

As part of Universal's Good Agricultural Practices, our agricultural technicians are constantly looking for ways to improve the sustainability of the farms from which we contract our products. In addition to ensuring the responsible use of CPAs, Universal also monitors to ensure that water is being responsibly used in our growing operations. Controlling the runoff from fields to reduce soil loss is essential for the sustainable production of all crops and the water quality of the communities where our tobacco is grown. To protect the water resources in the areas in which we operate, our operations frequently use and promote conservation techniques such as: cover crops, crop rotation, drip irrigation, and reduced tillage. All of these practices help to protect soil resources and minimize soil erosion.



Drip irrigation is a best practice that reduces the water needed for irrigating and reduces soil erosion.

Farmer Livelihood

Ultimately, for the crop to be sustainable, the farmer must generate a profit. Universal works in our growing regions to enhance farmer profitability. Universal finances crop inputs in several regions and provides technical support to farmers to promote improved yields. We also employ programs to help farmers understand money management, so that they are better able to pay workers on time and plan for future expenses. The crop cannot be grown without farmers, so we work with farmers to support their evolving needs.

Village Savings & Loan Associations (VSLAs) – Malawi



As part of our commitment to farmer livelihoods, Limbe Leaf and other stakeholders have worked in our growing regions to implement Village Savings and Loan Associations (VSLAs). The program staff works to train contracted farmer spouses and other village members on finances and accounting to better prepare them for managing the income they make with tobacco and sets up funding mechanisms for other business ventures. The program aims to help participants better understand how they can utilize income to engage in other profitable business ventures. The program has been especially effective in engaging the spouses of local farmers. This program promotes farmer livelihood and empowers women and other [VSLA] members to become more independent, more knowledgeable regarding finances, and better able to manage assets and expenses to improve farm performance.

“ I pay school fees for my children and even support one who is in college. This was not the case before I was introduced to the club. I really thank Limbe Leaf for giving us this opportunity, says Lilambwe.

Reflection

Universal presents this first annual Sustainability Report, as part of our commitment to the sustainability and transparency of our business practices.

We believe:

- in our responsibility to make a sustainable impact on our planet.
- in the value of cultivating communities through responsible partnerships.
- that focusing on the success of suppliers and customers is good business for us.
- in adopting sustainable agricultural practices responsive to the needs of farmers and the environment.
- in setting the standards for providing responsibly sourced products in a transparent manner.
- that our global workforce provides the energy that fuels our business.
- in maintaining the financial strength necessary to support our communities.
- in seeking and developing business opportunities that fit our core competencies.
- in learning from the past in order to avoid problems in the future.
- in doing what we say we will do.

This Sustainability Report reinforces our commitments to good business practices and the agricultural supply chain. We will continue to strive for better practices that improve our environmental and social impacts, while also maintaining our strong returns for all of our stakeholders. We will continue to engage our stakeholders and reflect the impacts of our business activities on mutual interests.





GRI REPORTING

GRI STANDARD	STANDARD TITLE	DISCLOSURE NUMBER	DISCLOSURE TITLE
102	General Disclosure	102-1	Name of Organization
102		102-2	Activities, brands, products, and services
102		102-3	Location of headquarters
102		102-4	Location of operations
102		102-5	Ownership and legal form
102		102-6	Markets served
102		102-7	Scale of the organization
102		102-8	Information on employees and other workers
102		102-9	Supply chain
102		102-10	Significant changes to the organization and its supply chain
102		102-11	Precautionary Principle or approach
102		102-12	External initiatives
102		102-13	Membership of associations
102		102-14	Statement from senior decision-maker
102		102-16	Values, principles, standards, and norms of behavior
102		102-18	Governance structure
102		102-40	List of stakeholder groups
102		102-41	Collective bargaining agreements
102		102-42	Identifying and selecting stakeholders
102		102-43	Approach to stakeholder engagement
102		102-44	Key topics and concerns raised
102		102-45	Entities included in the consolidated financial statements
102		102-46	Defining report content and topic Boundaries
102		102-47	List of material topics
102		102-48	Restatements of information
102		102-49	Changes in reporting
102	Economic Performance	102-50	Reporting period
102		102-51	Date of most recent report
102		102-52	Reporting cycle
102		102-53	Contact point for questions regarding the report
102		102-54	Claims of reporting in accordance with the GRI Standards
102	Anti-Corruption	102-55	GRI content index
103		103-1,2,3	Management Approach
201		201-1	Direct economic value generated and distributed
103	Water	103-1,2,3	Management Approach
205		205-1	Operations assessed for risks related to corruption
205	Emissions	205-2	Communication and training about anti-corruption policies and procedures
103		103-1,2,3	Management Approach
303		305-1	Water withdrawal by source
303		303-3	Water recycled and reused
103	Effluents and Waste	103-1,2,3	Management Approach
305		305-1	Direct (Scope 1) GHG emissions
305		305-2	Energy indirect (Scope 2) GHG emissions
305		305-4	GHG emissions intensity
103	Occupational Health and Safety	103-1,2,3	Management Approach
306		306-2	Waste by type and disposal method
103	Local Communities	103-1,2,3	Management Approach
403		403-1	Workers representation in formal joint management-worker health and safety committees
403		403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
103		103-1,2,3	Management Approach
413		413-1	Operations with local community engagement, impact assessments, and development programs

LOCATION OF DISCLOSURE	NOTE
1	
1	
1	
2	Available also in Universal's Annual Financial Report 2019 (pg. 5)
1	
2	
1	
31	
1	Available also in Universal's Annual Financial Report 2019 (Pg. 3-4)
N/A	
See note	Universal is conservative and cautious when implementing new practices throughout our supply chain.
2 to 3	
2 to 3	
ii	
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4	
31	
4 to 5	
2 to 5	
4 to 5	
See Note	See exhibit 21 "Subsidiaries of the Registrant" in Universal's Annual Financial Report 2019
i	
5	
N/A	First Year Reporting
N/A	First Year Reporting
i	
N/A	First Sustainability Report. Sustainability Review published in December 2018
ii	
See Note	sustainability@universalleaf.com
i	
49 to 50	
7,9	
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1,7,9	
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12 to 13	
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27 to 28	
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