SOCOTAB
Frana SA
Tabac en feuilles

Report on Child Labor Due Diligence

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This report has been slightly amended, principally to clarify wording. The amendment doesn't change the report's findings, risk assessment, or conclusions.

Foreword

At Socotab, we disclose our operational activities and sustainability performance consistently through the Universal Corporation Sustainability Report that was first issued in 2018. This keeps up with our commitment to disclose metrics, facts, and figures that represent our businesses across the world regarding environmental matters, social issues, employee-related issues, respect for human rights, and combatting corruption.

This report has been prepared in accordance with Art 964 j-l of the Swiss Code of Obligations and the Swiss Ordinance on due diligence and transparency in relation to minerals and metals from conflict-affected areas and child labor. It covers the period from 1 April 2025 to 31 March 2026.

Pursuing annual disclosure of our operational sustainability, we have become more aware of opportunities related to our business model and strategy through the enhanced engagement of stakeholders in our supply chain. We remain committed to continuously reviewing and improving our operations and programs in support of internationally recognized environmental, social, and human rights objectives.

Letter from the CEO

For obvious reasons, I hesitate to use the term, "maturing" in connection with our, now third, Report on Child Labor Due Diligence, but I believe that this is exactly what is happening to both our organization and report. Indeed, while the first report sought to establish a foothold for our efforts, and the second one brought more focus and clarity to our mission, this report reveals an organization that is increasingly confident in its ability to proactively identify root-causes, develop actions to counter them, while embedding this topic into the fabric of our company. Child Labor is no longer a taboo subject, but a risk that we recognize exists and that we fight against both openly and with conviction.

While reading through the following pages you will hopefully notice that the organization has engaged in the act of honest self-reflection concerning the efficacity of our various programs. This has led us to adapt when improvements were needed, but also to redirect our resources to existing, or new, undertakings when we felt that they could be put to better use. What this means in practice is that for us, the concept of "Identify, Respond, Track and Communicate" is no longer theory, but a business process.

At the same time, there remain many challenges, and we do not profess to be perfect. But one of the signs of growing up is the ability to accept obstacles in one's path as opportunities for learning, and it is my hope that while reading through the following pages you will recognize a maturing organization which is dedicated to improving itself, while protecting both our supply chain and all those involved in it.

Jonathan Wertheimer

Chairman of the Board of Directors and CEO of Socotab Frana SA

Company presentation

Socotab is a leading group in the purchasing, processing and sale of oriental tobacco. The company started operating in Antwerp, Belgium, in 1923 under the name Socotab (Société Commerciale de Tabac). Socotab traded tobacco in its early incorporation years and exported it to France and the United States of America. In the following years, it expanded its direct purchasing activities to Türkiye, Greece, Bulgaria and North Macedonia, and gradually established processing facilities in these countries.

In 1998, Universal Leaf Tobacco Inc. (the leading leaf tobacco company worldwide) and Socotab merged their oriental tobacco operations.

The Swiss entity (Socotab Frana SA) was established in Geneva, Switzerland, in 1975. It is the commercial, operational, and financial headquarters, responsible for setting up the strategies for the entire group and for providing guidance and support to the individual foreign subsidiaries. We strive to be the supplier of choice for our customers by leveraging our farmer base, our commitment to a sustainable supply chain, and our ability to provide high-quality, customized, traceable tobacco leaves Tobacco has been our principal focus since our founding in 1923. In 2018, we also launched a diversification project in North Macedonia for the cultivation of hazelnuts, including orchard management, post-harvest activities, agronomic support, and the implementation of good agricultural practices. During the reporting period, Socoterra managed three commercial hazelnut orchards, while post-harvest activities were conducted at Socotab's processing facility in Dragozhani. As Socoterra's hazelnut operations became operationally relevant during the reporting period, the related child labor due diligence activities and assessment results are included in this report.

Commitment

Our guiding principles

Socotab is committed to being a responsible corporate citizen, respecting human rights and social and environmental principles, and the "Socotab Guiding Principles" are available on our website (www.socotab.com).

Socotab expects the same engagement from its suppliers, business partners, and stakeholders, and we undertake to uphold and respect human rights as laid out in the:

- United Nations Universal Declaration of Human Rights (UN Covenants I and II),
- International Labor Organization (ILO) Conventions and Recommendations,
- ILO-IOE Child Labor Guidance Tool for Businesses,
- UN Guiding Principles on Business and Human Rights,
- OECD Guidelines for Multinational Enterprises,
- UN's Children's Rights and Business Principles, and
- Swiss Ordinance on Due Diligence and Transparency in relation to Child Labor.

By taking into consideration the interests of the communities and our stakeholders, and in accordance with the above, we are committed on an ongoing basis to identifying, assessing, preventing, remediating, and reporting any actual or potential human rights impacts occurring directly or indirectly through our operational footprint and supply chain.

We undertake to continuously improve the governance and management of ethical conduct and supporting processes. We also explore additional mechanisms to assess our impacts, risks, and opportunities in areas linked to human rights.

Socotab prioritizes seven key human rights in our Human Rights Policy: Child Labor, Forced Labor, Safe Work Environment, Fair and Equal Treatment, Freedom of Association, Quality of Life, and Compliance and Protection of the Law.

We work proactively to prevent human rights impacts in our operations and supply chain through internal and third-party due diligence. To the extent any such impacts are identified, we are committed to remediating them. Any human rights concerns or complaints in our operations or supply chain can be reported through a grievance mechanism. We are improving access to this system and are committed to raising awareness among our employees and parties in our supply chain to identify and report on human rights concerns. Socotab has a strict non-retaliation policy and will not tolerate retaliation against anyone who raises concerns in good faith.

Children are vulnerable to exploitation and frequently unable to defend themselves. Child labor may also interfere with school attendance, which infringes upon a child's right to education. Socotab prohibits the employment or use of child labor through our internal policies and includes this stipulation in farmer contracts. We monitor our farmers for compliance and work with multiple parties in our supply chain to address child labor and its root causes.

Socotab is consistently committed to eliminating child labor and forced labor in our supply chain and aims to minimize to the extent possible child labor and forced labor incidents.

Accountability & Governance

Socotab's Board of Directors and the Executive Team are responsible for overall sustainability oversight and for demonstrating corporate commitment to sustainability. They define global objectives and guidelines based on the work reported by the Group Sustainability Committee and review their related outcomes.

The Group Sustainability Committee, reporting directly to the Executive Team and engaging management across territories and business functions, is responsible for developing and maintaining the sustainability vision and mission, setting strategic sustainability priorities, and supporting and guiding Country–level Sustainability Committees in the delivery of the sustainability agenda.

Country Sustainability Committees are responsible for identifying country-level sustainability priorities, setting targets, assessing and addressing impacts and risks, monitoring progress, and maintaining and raising awareness of Supply Chain Due Diligence (SCDD) best practices.

During 2025, Socotab Greece participated in a comprehensive In-Depth Assessment (IDA) covering management systems, human and labor rights, climate change, and water management practices within the tobacco supply chain.

The assessment confirmed the strong performance of Socotab Greece across governance, sustainability management, and labor rights practices, highlighting structured monitoring systems, regular farm engagement, effective due diligence procedures, and alignment with applicable legal and international standards.

The assessment also recognized the positive culture within farming communities regarding education, responsible agricultural practices, and the prevention of child labor risks, as well as Socotab Greece's ongoing sustainability initiatives related to biodiversity, climate resilience, water stewardship, occupational safety, and farmer awareness. In-Depth Assessment confirmed that no child labor cases were identified within monitored operations. Farmers, workers, and community stakeholders emphasized the importance of school attendance and actively discouraged children's participation in agricultural work.

Our policies on child labor

Socotab is guided by the United Nations Guiding Principles on Business and Human Rights and supports the core conventions of the ILO. We are committed to keeping our operations free from child and forced labor and expect the same from our suppliers and partners, as outlined in our Supplier Code of Conduct and farmer contracts.

We have adopted the Universal Corporation's Code of Conduct, Anti-Corruption Compliance Manual, and the Universal Corporation's Agricultural Labor Practices (ALP) Code. Additional policies, such as the Socotab Group Human Rights Policy, ALP Due Diligence Procedure, Extreme Breaches and Prompt Action Procedures, and the Group Health and Safety Policy, guide our operations.

The Socotab Group Supplier Code of Conduct further defines the standards we expect from our suppliers, with particular emphasis on child labor, fair wages, and benefits. All these policies and procedures are published on Socotab's website in English and in the official languages of the countries in which we operate.

We do not employ child labor and seek to ensure that children's welfare, health, and safety are always paramount. No one under 18 will be directly employed by any company within our Group, in any work, when assessed as hazardous to their health, safety, and well-being. No one under 15 (or the age for finishing compulsory schooling in the country concerned, if higher) will be directly employed by any Socotab Group company. We apply the principle of continuous improvement in our operations, and we work with our farmers and suppliers to improve our practices in relation to these policies.

Socotab is strongly committed to preventing and eliminating child labor in tobacco agriculture and to supporting our farmers and their communities. We monitor farming practices to identify risks related to purchased tobacco and take prompt corrective actions when needed. All farmer contracts require compliance with agricultural labor practices and human rights protection.

Socotab companies regularly develop and implement specific training and capacity building pertaining to our policies for 100% of our leaf specialists and contracted farmers. This is done via training sessions and distributed educational brochures targeting applicable requirements.

Through the Group Supplier Code of Conduct, distributed to contracted farmers and third-party suppliers, we promote adherence to these policies and related procedures within the entire supply chain.

Socotab entities comply with all applicable laws, regulations and international standards – adopting whichever offers the highest level of protection for children in the countries of our operations. In cases of serious policy violations with no commitment to corrective action, Socotab reserves the right to terminate contracts immediately.

Supply Chain Mapping and Assessment of Child Labor Risks

Identification of child labor risks

Our supply chain includes the following stages: contracting, crop monitoring, buying (from farmers / farmers' cooperatives, and occasionally third-party companies), processing, storing, financing, and shipping to customers worldwide. We hire our own employees and procure goods and services from third parties.

Along this supply chain we have identified the following stakeholders:

- Farmers and Farmers' Cooperatives
- Farm Workers
- Suppliers of Goods and Services

- Employees
- Customers
- Shareholders
- Governments, Regulatory Authorities, and Local Communities.

Using a risk-based approach, we found that the highest risk of child labor lies at the beginning of our supply chain, involving Farmers, Farmers' Cooperatives, and Farm Workers. Our due diligence, however, also covers other areas of the supply chain that carry lower, but still relevant, levels of risk, such as our third-party suppliers of goods and services and direct employees.

Broader context

Child labor is a known and common risk in agriculture. According to the joint International Labor Organization (ILO) and UNICEF Global Estimates of Child Labor 2024 report,[1] published in June 2025, agriculture accounts for the largest share of child labor globally (60%), with most child labor occurring in family subsistence and smallholder farming systems. Services account for 27% and industry for 13% of global child labor.

In addition, we operate in countries with significant levels of child poverty, which is a key driver of child labor. Based on UNICEF Innocenti data from 2019-2021:[2]

- 33.8% in Türkiye
- 26.1% in Bulgaria
- 22.3% in Greece

While UNICEF Innocenti does not provide directly comparable data for North Macedonia within the same dataset, the State Statistical Office reported an at-risk-of-poverty rate of 29.5% among children aged 0–17 in 2024.[3]

Other contributing factors to child labor include limited access to quality education, inadequate agricultural technology, limited adult labor availability, traditional cultural norms towards children's participation in agricultural services, and the potential of hazards and risks inherent in agricultural work. Nonetheless it is important to recognize that in family farming contexts, some involvement of children in specific and non-hazardous light tasks can support inter-generational transfer of skills and knowledge, essential for livelihood in rural areas, as well as the growth, development, and future opportunities for the child.

Additional Supply Chain Risks

Regarding suppliers of goods and services, we identified third-party suppliers of services on our premises (e.g., cleaning, catering and security services) as potential risk carriers, due to the low entry barriers for employment in these sectors of economic activity.

[1] https://www.ilo.org/publications/child-labour-global-estimates-2024-trends-and-road-forward
[2] Child Poverty in the Midst of Wealth | Innocenti Global Office of Research and Foresight
[3] https://www.stat.mk/en/stat/population-and-living-conditions/standard-of-living/laeken-poverty-indicators/laeken-poverty-indicators-2024-preliminary-data/?utm_source=chatgpt.com

Prioritization of child labor risks

We assess and prioritize child labor risks based on how likely they are to occur (likelihood) and how severe their potential impact could be.

Children Working on Family Farms

- Likelihood: Low
- Severity: Varies depending on task

In tobacco-farming households, children may be involved in helping their families during the harvest season. This is driven by several factors: the need to reduce labor costs, meet the demands of intensive seasonal work, the tendency to underestimate or normalize the risks associated with children helping on family farms, and ultimately to transfer practical knowledge. Since oriental tobacco is typically harvested during the summer school vacation, the lack of childcare options during this period may also contribute to children being present in the fields. However, identified child labor cases remain limited to less than 1% of contracted farmers, despite all contracted farmers being visited at least three times during the crop season.

Hazardous Work Done by Children

- Likelihood: Low
- Severity: High

All work that requires physical contact with tobacco is considered hazardous work for children, based on a precautionary principle for Green Tobacco Sickness (GTS), a form of nicotine poisoning that affects people who come into contact with green, uncured, raw tobacco leaves.

In 2023, an industry-led project involving six companies – including Socotab – was launched to assess the risk of GTS in Oriental tobacco, which has a relatively low nicotine content of around 1%. During the harvest season, eight samples each were collected from 330 producers by the independent partner Euroline and analyzed at Ege University's ARGEFAR laboratory for cotinine and creatinine levels under controlled conditions.

The findings of the study were presented at the 2024 CORESTA Congress in Edinburgh, with a measured GTS risk level of 4.67% in Oriental tobacco. Physical contact with tobacco remains classified as hazardous work for children under the precautionary principle. Monitoring across our contracted farmer base indicates that identified child labor cases, including cases involving hazardous tasks, remain limited.

Children Hired as Paid Daily Workers

- Likelihood: Low
- Severity: High

Children working on farms may present an extra income source for families living in poverty, which can increase their vulnerability to child labor. Another category requiring particular attention in agricultural settings is migrant and refugee workers and their families. As of December 2025, Türkiye hosted 2,347,756 Syrian nationals under temporary protection. Many continue to rely on seasonal agricultural work as an important source of livelihood, particularly in labor-intensive agricultural regions.[4]

[4] Migrant Presence Monitoring TURKIYE Overview of Migrant Situation Annual Report 2025: https://dtm.iom.int/sites/g/files/tmzbdl1461/files/reports/T%C3%BCrkiye%20%E2%80%94%20Overview%20of%20Migrant%20Situation%20-%20Annual%20Report%20%28Jan-Dec%202025%29.pdf?iframe=true&utm_source=chatgpt.com

Within Socotab's contracted tobacco supply chain, paid child labor findings remain limited in relation to the overall monitored population. Five cases were identified in FY26. While this increase requires continued attention, the findings remain limited considering the scale of the monitored farmer population. This supports maintaining the Low likelihood assessment, while monitoring will continue to assess whether the increase represents a broader or recurring trend.

Children Working for Service Providers on Our Premises

- Likelihood: Very Low
- Severity: Medium to High

Service providers operating on our premises are subject to our internal access and control procedures. Given the controls in place for individuals working at and accessing Socotab premises, the likelihood of underage workers being employed on our premises is considered Very Low. Nevertheless, we recognize that the potential impact could be significant, as such a situation could interfere with a child's education while also exposing them to safety hazards and other forms of exploitation.

Children Working for Third-Party Suppliers

- Likelihood: Medium
- Severity: Varies depending on tasks

We contract with a variety of third parties, including those involved in transportation, spare parts, tools, repair and maintenance, IT solutions, industrial clothing, and freight forwarding. Given the complexity of this third-party network, assessing the risk of child labor in the short term is challenging. However, we anticipate gaining better insights into the practices of our partners over time.

Direct Employment of Children by Socotab

- Likelihood: Very low
- Severity: Low

We consider the risk of directly employing children to be mitigated, thanks to our thorough recruitment and admissions processes, which are designed to effectively prevent the hiring of underage workers. In addition to a contemporary company culture and tone at the top, our human resources teams and those involved in staff planning are specifically coached, aware, and committed to upholding our zero-tolerance for human rights violations.

Based on our risk prioritization and our ability to influence outcomes, our focus is on:

- Preventing child labor on family farms.
- Ending hazardous work and hired work by children.
- Working with suppliers of goods and services with the same level of due diligence regarding child labor, and sustainability in general.

Management of Supply Chain: Action and Progress Monitoring

Our approach is structured around four pillars, inspired by the ECLT (Eliminating Child Labor in Tobacco Growing) Foundation's work mainly in Africa, but relevant to our own tobacco origins:

- Raising awareness about child labor and its risks
- Engaging with supply chain actors to identify, remove, and support children in child labor
- Establishing a methodology for evaluating living income and improving family livelihoods
- Promoting childcare access during summer to keep children off the fields

Raising awareness of child labor and the dangers it poses to children

In 2021–2022, Socotab engaged with five other leaf tobacco companies in a shared Supply Chain Impact Assessment (SCIA) of social conditions in the Turkish tobacco leaf supply chain. This independent study, led by an experienced management consultancy specializing in human rights due diligence, aimed to better understand actual and potential human and labor rights risks, as well as environmental risks, in the smallholder communities from which we source tobacco. As a result of this study, collaborative working groups were established to address child labor prevention, occupational health and safety, and working conditions through coordinated initiatives and research.

During the 2025 crop season, these initiatives progressed from assessment and planning into more targeted awareness, prevention, and farmer support activities. In Türkiye, the industry-supported activities included four complementary areas of work: community awareness and fair and safe work training, preventive behavior research focused on personal protective equipment (PPE) adoption, Green Tobacco Sickness (GTS) risk research, and financial literacy training for farming households.

The first initiative, implemented under the Working Conditions Working Group in collaboration with EYKA, focused on community awareness and fair and safe work in agriculture. A pilot training program was delivered in Denizli/Kale and Denizli/Tavas in October 2025, reaching 178 participants across six training groups. The training covered human rights, safe working conditions, occupational health and safety, child labor risks, children's right to education, minimum working age requirements, GTS risks, safe pesticide handling, and the importance of PPE. Follow-up assessments showed strong awareness retention, including 98% correct recognition that children under 18 should not be involved in hazardous work.

The second initiative continued the preventive behavior work originally launched to improve awareness and safety practices among tobacco growers. The first phase, completed in March 2025 with Izmir University of Economics, confirmed that while growers are generally aware of occupational risks, regular PPE use remains limited due to discomfort, practical barriers, economic concerns, and long-established working habits. Based on these findings, planning for a second phase was completed during 2025, with implementation scheduled for 2026. This next phase will use data- and software-supported communication management, stakeholder mapping, sentiment analysis, and behavioral communication frameworks to strengthen PPE adoption and preventive behaviors.

The third initiative addressed Green Tobacco Sickness risks in Oriental tobacco. The first phase identified a low GTS risk rate of 4.67% among monitored workers and provided one of the first longitudinal datasets on cotinine exposure under real field conditions. During 2025, the design and planning of a second phase were completed for implementation in 2026. The planned field study will assess the effectiveness, usability, and suitability of different gloves and protective options, including nitrile gloves, fully enclosed cotton gloves, commonly used field practices, and barrier creams, in reducing nicotine exposure during harvesting.

In parallel, the Financial Literacy Training program in Türkiye entered its second year in 2025. Implemented with FODER across six provinces and 22 districts and villages, the program reached 1,188 farmers and demonstrated measurable improvements in financial knowledge, attitudes, and behaviors. Female participation increased to 27%, and the results showed that practical financial education can strengthen household resilience and support more informed financial decision-making in farming communities.

Beyond Türkiye, similar awareness and prevention initiatives were implemented across other Socotab origins. In North Macedonia, summer school activities continued to provide children with safe and structured alternatives during the peak agricultural season, while also supporting farming families and raising community awareness on child labor prevention. In Bulgaria, summer school and nature classroom activities offered educational, recreational, and environmental learning opportunities for children in tobacco-growing communities. In Greece, human and labor rights training for women farmers, safe working environment initiatives, PPE support, and community-focused sustainability activities contributed to broader awareness on child protection, occupational safety, education, and household resilience.

Together, these coordinated initiatives strengthen Socotab's evidence-based approach to child labor prevention by combining awareness raising, behavior change, occupational health research, childcare support, financial resilience, and community engagement. The findings and lessons learned are being used to improve training materials, communication tools, and field-level guidance for different stakeholder groups, including farmers, workers, families, children, women, community leaders, and local authorities.

These activities complement our supply chain controls, farmer training, monitoring, and remediation procedures described below. Details and follow-up of these projects can be found in the annex to this report.

Engaging with actors in the supply chain to identify children in child labor, withdraw and support them

Our supply chain controls enable us to have full farm-level traceability on 92% of our sourcing volume, representing 94% of our total sales. As compared to the previous year's report, this year showed an increase of 3% in terms of volume and sales represented.

This tobacco is purchased directly from locally contracted farmers and processed in our own factories located in Türkiye, Bulgaria, and North Macedonia. Another 3% of sales volume, accounting for 2% of revenue, is considered to have high relational traceability as the purchase or processing is done by Socotab, and the third party responsible for other parts of the supply chain is locally established, known to us, and subjected to similar legal requirements and controls. Where full farm-level traceability is not available, this primarily reflects the fact that Socotab is not directly involved in the production or contracting of the tobacco concerned. As a result, we do not have direct access to individual farmers or ability to monitor their practices, in the same way as in our own operations or markets. Our commitment to addressing child labour risks remains the same across our entire supply chain, regardless of tobacco origin, price, or traceability level. We continue to work on improving traceability, including through cooperation with our suppliers where possible, particularly in countries where we do not have direct operations.

During this period, we directly contracted and purchased from 21'795 farmers located in Türkiye, Greece, Bulgaria, and North Macedonia (This figure excludes the 26 hazelnut farmers assessed separately under the Socoterra hazelnut supply chain). Of the tobacco farmers, 3,001 employed labor for the contracted crop, 206 farms provided accommodation for workers, and 7,002 farmers had children under the age of 18 living on the farm.

All contracted farmers received training on the ALP Due Diligence Procedure, which included child labor training in addition to other aspects of ALP.

During the agricultural season, further to farm monitoring, the following findings were registered:

	FY 24	FY 25	FY 26
Total number of findings	767	239	274
Child labor-related findings[5]	64	42	50
Incidences resolved following our procedure by the end of season	All incidences resolved	All incidences resolved	All incidences resolved

During this reporting year, 50 child labor-related findings were recorded in the contracted tobacco supply chain. Five hired child laborers, while the remaining 45 concerned children helping on family farms.

To support continuous improvement, we continue to update and improve our training materials to ensure they remain relevant, up to date, and appropriate for the knowledge level and needs of the farmers we know well through our ongoing engagement. The Know-Your-Tobacco-Supplier approach, introduced in August 2024, has been implemented to strengthen traceability for tobacco purchased outside our contracted farmer base. Relevant supplier and ALP-related information is collected and documented as part of the purchasing process.

Regarding third-party tobacco vendors in the regions where Socotab is not present, we aim to familiarize these vendors with our supply-chain standards, including ALP.

To extend our due diligence to the entire supply chain, we have communicated and organized trainings on our Suppliers Code of Conduct to all high-risk non-tobacco vendors.

Socoterra Hazelnut Supply Chain

During FY2026, child labor due diligence activities were extended to Socoterra's hazelnut operations and supply chain in North Macedonia. The assessment covered three commercial orchards, activities performed by a third-party contractor, and 26 hazelnut farmers.

The contractor engaged for vegetation-cleaning activities formally confirmed that all assigned workers would be over 18 years of age. Compliance was monitored through regular on-site inspections, and no underage workers were identified.

One child labor-related finding was identified among the 26 assessed farmers. The case involved a 17-year-old family member occasionally operating agricultural machinery and assisting with irrigation and harvesting. The farmer was informed that operating tractors and other machinery constitute hazardous work and is prohibited for minors. A follow-up visit confirmed that the child was no longer involved in machinery-related activities, and the case was closed in accordance with the remediation procedure.

No evidence of widespread or systematic child labor was identified within the assessed hazelnut supply chain. Monitoring, training and farm-level risk assessments will continue during the upcoming season.

[5] In FY24 these child labor incidences were recorded in Bulgaria, North Macedonia, and Türkiye, with none recorded in Greece. In FY25 these child labor incidences were recorded in North Macedonia and Türkiye, with none recorded in Bulgaria nor Greece. In FY26, these child labor incidences were recorded in Greece, North Macedonia and Türkiye, with none recorded in Bulgaria.

Establishing a methodology for evaluating living income and acting to improve family livelihoods further

Evaluating the living income of farmers is a complex subject largely due to the specificities of the different regions where we source tobacco, the lack of uniform industry methodology, and an increased need for farm information beyond our core tobacco crop.

Over the past year, we have continued to strengthen our understanding of the factors influencing farmers' living income by identifying and incorporating additional relevant components into our assessment. In 2025, we agreed on a systematic data collection approach by integrating these information needs into our existing data collection system. This represents an important step towards establishing a more consistent methodology for evaluating farmer income and defining a living income benchmark.

As we continue to collect data across our sourcing regions, we will work within our organization and the Sustainable Tobacco Program (STP) to further align our methodology and understanding. We expect the enhanced data collection model to provide more robust insights from the next reporting cycle onwards, supporting evidence-based actions to improve farmers' livelihoods. Measures to align farmer income with living income remain a second step and will be tailored to the specific circumstances of each region.

In the meantime, ad-hoc projects to help farmers improve their livelihoods continue to be developed based on local opportunities. In Türkiye, 2025 marked the second year of our Financial Literacy Training program. Building on the experience and feedback gathered directly from participating farmers, the program content continues to evolve and strengthen to better address their needs and support informed financial decision-making. The program has now expanded across all tobacco-producing regions in the Aegean, with women's participation steadily increasing year by year. Further details and follow-up on this project can be found in the annex to this report.

Raising awareness on the importance of access to appropriate childcare during summer vacations to prevent the presence of children in the fields

As described earlier in this report, farmers and farm workers often have no other choice during summer vacation than to bring their underaged children with them to the fields. We have been engaged for several years now in the organization of summer schools to address this situation. We are working with local actors (local authorities, schoolteachers and directors, mayors) to familiarize them with the issues and support the parents. Details and follow-up to this project can be found in the attachment to this report.

Supply Chain Controls

All contracted farmers must take reasonable steps to ensure children are not engaged in hazardous work, and that child and young workers' rights are respected in tobacco production. Whilst children are often present on the farms often with the aim of gaining practical training for potential future occupation as farmers, we continuously promote awareness and training to help farmers understand and prevent hazardous child labor.

Our approach

We aim to reach zero child labor by focusing our approach on awareness, prevention and remediation. This includes:

- Monitoring and prioritizing high-risk areas within our supply chain
- Investigating root causes of child labor at local level
- Implementing controls and local procedures
- Providing regular training across our tobacco supply chain

Industry-wide Standards

Socotab Group companies participate in the Sustainable Tobacco Program (STP), an industry-wide initiative jointly developed by tobacco manufacturers and experts to assure high standards in agricultural practices, as well as environmental management and key social and human rights areas. Through industry leverage, the program delivers impact and continuous improvement in the tobacco supply chain. Within the STP self-assessment requirements under people pillar, we report on:

- specific human rights criteria covering prevention of child and forced labor;
- safe working environment;
- fair treatment;
- freedom of association;
- community and traditional rights;
- income;
- working hours & benefits for farm workers.

Monitoring and Compliance

We monitor child labor risks throughout the crop cycle by:

- Mapping high-risk phases of crop cycle
- Establishing farm visit plans
- Providing regular training and communication to farmers

During scheduled farm visits, our field technicians perform checks to establish if any children are working on the farm and, if so, what tasks are being carried out by those under the ages of 15 and 18. All technical and sustainability issues discussed with farmers during each visit are duly recorded, and unannounced / monitoring farm visits are organized and conducted by internal staff or external parties to verify compliance with requirements, and we undertake to guide remedial action whenever necessary.

In addition, we organize collaborative actions with industry associations, local stakeholders, government authorities, and other parties to ensure awareness of child labor and general labor regulations within the tobacco sector.

Traceability

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 system. We can trace issues such as child labor incidences, unfair or unsafe labor conditions for farm workers and farmers, non-tobacco related materials, and agrochemical use, back to the farm. We utilize the findings in our supply chain due diligence not only for identifying risk, but also for tracing and tracking corrective actions and results.

T2 is an internally developed "seed to sale software system" supporting processes from primary data capture on the farm level, through farmer financing, purchasing, processing, and shipping. The system is deployed via IT devices for our field technicians and allows for direct data input during visits to farmers and for management to directly access the situation on the farm. T2 is deployed in all our growing origins.

All Socotab operations maintain certified integrated management systems in accordance with:

- ISO 14001 (Environmental Management System)
- ISO 45001 (Occupational Health and Safety)
- ISO 9001 (Quality Management System)

These certifications require constant efforts and attention and underpin our commitment to providing a work environment that is methodical, safe, clean, and welcoming, while operating in an environmentally friendly manner.

We regularly audit our performance both internally via management reviews and internal audits, and externally by independent third parties.

Broader Sustainability Focus

Our commitment to sustainability encompasses a wide array of programs and initiatives. As a multi-country agricultural products supplier, we prioritize sustainability in our operations and with farmers from whom we directly purchase leaf tobacco.

These efforts include environmental impacts policies and procedures, workforce protections and programs, and other critical areas. As part of the workforce protections and programs efforts, we have conducted a Behavior-based safety (BBS) study, to enhance workplace safety by focusing on workers' actions and behaviors. Essentially, the BBS program is a behavioral intervention aiming to provide employees with effective feedback, reinforcement, and recognition. The aim of the program is therefore to help improve safety conditions in the workplace and increase situational awareness of the employees based on behavioral observations.

Furthermore, Socotab has implemented sound practices addressing supply chain integrity. Our management systems include farm oversight, vendor approval, traceability, leaf assessment procedures, and supply chain sanitation and hygiene practices. Our field technicians train and provide agricultural extension services to our contracted tobacco farmers and conduct supplier audits on the respective farms. All contracted farmers are monitored and audited against our Good Agricultural Practices and Agricultural Labor Practices programs.

Grievance Mechanism

Socotab has established both local and global grievance mechanisms to ensure that all stakeholders can easily raise concerns, ask questions, or report potential issues. These include a global corporate hotline available to employees, contractors, vendors, and other third parties, as well as local grievance mechanisms operating throughout the critical agricultural season to provide accessible reporting channels for farmers, farm workers, and farming communities.

To further strengthen accessibility and effectiveness, we continue to improve our local grievance mechanisms by updating guidance materials, enhancing awareness, and ensuring that information is communicated in a clear and practical manner for all users.

The company takes every concern seriously and follows clearly defined, confidential procedures for assessment, investigation, and resolution. Any form of retaliation against employees or third parties who report concerns in good faith is strictly prohibited.

Communication

This report will be updated on an annual basis to reflect on our progress. It will be publicly available on our website within six months after our annual fiscal year closing, meaning by September 30th of each year.

Annex to Child Labor Due Diligence Report FY 2026

Projects and Initiatives as at 31 March 2026

I. Child Labor Initiatives Türkiye

These initiatives support our broader objective of preventing hazardous child labor risks in tobacco-growing communities and strengthening awareness regarding safe and fair working conditions in family farming systems. The initiatives focus on improving occupational health and safety awareness, strengthening preventive behavior approaches, supporting child protection awareness, promoting children's right to education and enhancing the resilience and well-being of farming households through community-based and evidence-based interventions.

The projects implemented and planned in Türkiye combine awareness raising, behavioral research, occupational health studies and farmer support activities. In addition to direct community engagement activities, the initiatives also aim to strengthen long-term preventive approaches through stakeholder collaboration, communication-based behavioral studies and practical risk reduction strategies adapted to local agricultural conditions.

Initiative 1: Community Awareness and Fair & Safe Work Training Program

Following findings identified during the IDA assessment process in Türkiye, including cases involving children assisting in hazardous work on family farms, school dropout risks in Eastern regions and one identified case involving hired child labor, additional awareness and prevention activities were initiated under the Working Conditions Working Group in collaboration with EYKA.

Within this scope, a pilot training program titled "Fair and Safe Work in Agriculture" was developed and implemented in Denizli/Kale and Denizli/Tavas in October 2025. The program targeted farmers, agricultural workers and related stakeholders with the objective of increasing awareness regarding human rights, safe working conditions, occupational health and safety, child labor risks and workers' rights. Six separate training groups were organized, reaching a total of 178 participants.

The training content particularly emphasized hazardous work for children, children's right to education, minimum working age requirements, occupational safety, safe pesticide handling, Green Tobacco Sickness risks and the importance of personal protective equipment (PPE). Interactive methods including card games, group discussions and follow-up interviews were used to improve engagement and knowledge retention.

Post-training evaluation and follow-up assessments demonstrated high levels of participant awareness and retention. In follow-up assessments conducted 15 days after the training, 98% of participants correctly identified that children under 18 should not be involved in hazardous work, while awareness regarding Green Tobacco Sickness and occupational safety practices also remained high. The results showed measurable improvements in attitudes toward occupational safety, child labor prevention and fair working conditions.

In addition, the Working Conditions Working Group developed and distributed awareness posters emphasizing children's right to education and the prevention of child labor. These materials were displayed in field and district offices to support continuous awareness raising among farming communities and local stakeholders.

Initiative 2: Research and Development Project for the Development and Dissemination of Preventive Behavior Approaches in Tobacco Growers

The first phase of the R&D project titled "Developing and Promoting a Protective Behavior Approach Among Tobacco Growers" was conducted in 2024 and completed in March 2025 in collaboration with the Faculty of Communication at Izmir University of Economics. The study included field interviews, focus group discussions and behavioral assessments carried out with tobacco growers in different production regions to better understand perceptions related to occupational health and safety practices. The findings revealed that although growers were generally aware of occupational risks associated with tobacco farming, the regular use of personal protective equipment (PPE) remained limited due to factors such as discomfort during hot weather conditions, lack of practical knowledge regarding correct PPE use, economic concerns and the influence of long-established traditional working habits. In addition, the project identified significant communication gaps between stakeholders and highlighted the importance of locally adapted communication strategies, peer influence and trust-based awareness activities in improving preventive behavior adoption among tobacco growers.

Following the evaluation of the first-phase findings and consultations with project partners and relevant stakeholders during 2025, it was decided to initiate a second phase of the project in 2026. During 2025, the planning, methodology development and partnership discussions for the continuation phase were completed, and the project agreement for the second phase was finalized in 2026. The new phase focuses on developing data and software-supported communication management and monitoring models using computational social science methods, stakeholder mapping, sentiment analysis and behavioral communication frameworks in order to strengthen PPE adoption and preventive behaviors among tobacco growers.

Initiative 3: Green Tobacco Sickness Risk Research in Oriental Tobacco

The first phase of the Green Tobacco Sickness (GTS) study, conducted among Oriental tobacco workers in the Aegean region of Türkiye, identified that 4.67% of monitored workers showed symptoms consistent with GTS during the harvest season. The study provided one of the first longitudinal datasets globally monitoring cotinine exposure levels among tobacco harvest workers under real field conditions.

Based on the findings and identified occupational health risks, the design and planning activities for a second phase of the project were carried out during 2025, with implementation scheduled for 2026. The planned new phase aims to identify protective options that appear most effective in reducing nicotine exposure, while recognising that no protective measure can completely eliminate risk. The study has been designed as a multi-center randomized controlled field trial evaluating different glove types and barrier protection approaches using salivary cotinine analyses and field surveys. The project is planned to compare several intervention groups, including nitrile gloves, fully enclosed cotton gloves, commonly used field practices and specially formulated barrier creams, in order to evaluate their effectiveness, usability and suitability for real agricultural conditions. The objective is to identify practical and evidence-based protective solutions that can help reduce occupational nicotine exposure among tobacco workers.

Initiative 4: Financial Literacy Training

The project was implemented in collaboration with the Financial Literacy and Inclusion Association (FODER) by Socotab Yaprak Tütün A.Ş. to strengthen the financial literacy, budgeting capacity and long-term financial resilience of farming households.

The 2025 implementation phase was conducted during March–April 2025 across six provinces in Türkiye (İzmir, Balıkesir, Manisa, Uşak, Denizli and Aydın), covering 22 districts and villages. A total of 1,188 farmers participated in the training, while 483 participants were included in the pre-test and post-test impact assessment process.

The training program focused on practical financial topics including budgeting, savings, inflation, debt management, credit evaluation, financial products, business-household budget separation, long-term financial planning and investment awareness. Farmers also received budget tracking notebooks to support the practical application of the training content in daily life.

The 2025 impact assessment demonstrated measurable improvements in financial knowledge, attitudes and behaviors among participants. The project reported an average 9% increase in financial competency levels following the training. The strongest improvements were observed in business-household budget separation (+18%), inflation protection awareness (+15%) and investment product knowledge (+13%). Additional progress was identified in budgeting discipline, confidence in money management and financial decision-making capacity.

The project also demonstrated important gender-related outcomes. Female participation increased from 16% in the previous year to 27% in 2025. Women participants showed particularly strong improvements in investment research behavior and inflation awareness compared to male participants, indicating that targeted financial literacy activities can contribute positively to women's financial inclusion and decision-making capacity in rural communities.

Overall participant satisfaction reached 95%, and the findings demonstrated that structured financial literacy programs can contribute to improved financial resilience, more informed financial planning and better household-level financial management among smallholder farming communities. Based on these outcomes, the continuation and expansion of the project to additional farming communities have been encouraged.

II. Child labor initiatives N. Macedonia

Initiative 1: Organizing Summer School Activities

Following a comprehensive analysis, Socotab has identified that children are often present in agricultural fields during peak harvesting periods. This is primarily due to the lack of accessible childcare options during the summer holidays, combined by longstanding community traditions that view children's participation in family farming as a formative learning experience.

In alignment with our commitment to raising awareness about child labor and supporting farming families, Socotab has launched initiatives aimed at addressing the gap in structured summer activities in rural areas—where opportunities such as sports clubs, educational courses, and recreational facilities are significantly limited compared to urban centers. The Summer School Project was established in 2022. Since then, the project has been implemented each year during the school summer vacation, spanning the period from June to the end of August.

During the summer period, children attend the activities four times per week. This consistent schedule provides a structured and engaging environment that supports their development while keeping them safely occupied during the peak agricultural season.

This year has been the fourth year in running the project, which offers children, aged 5 to 15, a secure and enriching space. Participation is open to all children in the regions where the camp is organized, regardless of whether their families are involved in tobacco production or not. Activities include sports, language classes, and workshops for nutrition and health, alongside sessions for personal safety and traffic awareness. The overarching goal is to nurture informed, responsible, and socially conscious youth who can serve as drivers of positive change within their communities.

The initiative was implemented in the municipalities of Dolneni, Prilep and Mogila, specifically in the villages of Debreshte, Crnilishte, Kanatlarci, Mogila, and Dobrushevo — areas with the highest concentration of children in the region.

In the years when camp was organized, our impact data showed a consistent decline in the involvement of children in hazardous farming activities. Between 2021 and 2025, the percentage of children engaged in such activities decreased annually by 20–30% on country level. Notably, in villages where our summer camps were held, the reduction was even more significant ranging from 80% to 100% in 2025 compared to the same villages in the previous year.

Beyond providing educational and recreational opportunities, the program also fosters greater community awareness and sensitivity around the issue of child labor in agriculture. Through our actions, we aim to inspire and motivate other stakeholders, particularly municipalities, to initiate and implement their own projects. The municipalities' initial involvement in our project came through granting access to their existing sports fields. We see this as a valuable first step and hope to see a more substantial and independent engagement from them in the future.

Initiative 2: Financial Literacy Training

The Financial Literacy for Farmers Project was established to strengthen the financial competencies of small-scale farmers, equipping them with the knowledge and skills necessary to make informed and sustainable economic decisions.

The project set an initial target of 300 participants across all tobacco-producing regions and ultimately engaged 351 farmers through 16 in-person training sessions. Of the total participants, approximately 22% were women, reflecting meaningful progress toward greater gender inclusion within the sector. The project activities included research through focus groups, development of a practical handbook with a Financial Book, interactive training sessions, testing of knowledge and skills, surveys on attitudes and behavior, as well as an analysis of living standards, economic stability, and resilience. The training was implemented in collaboration with agricultural stakeholders and followed by structured assessments to evaluate its impact on knowledge and behavior.

The modules focused on practical topics such as budgeting, income and expense management, borrowing and credit use, financial planning, and financial resilience in conditions of risk and instability. The analysis results showed a significant improvement in participants' financial knowledge and skills following the training sessions. The average improvement in the financial literacy test reached +45.75 percentage points — from 28.96% correct answers before the training to 74.7% after the training. Particularly significant progress (+55.5 percentage points) was observed among women participants, who demonstrated greater openness toward new practices and financial planning.

In addition, some participants began using the Financial Book to plan their budgets and monitor expenses, while many participants reported making more concrete and better-informed financial decisions after the training. The Financial Book, as a practical tool for financial planning and monitoring, also began to be used in practice: 29% of participants started using it, while 40% reported making a specific informed financial decision after the training.

The impact assessment results demonstrated that the project was not only an educational activity, but also a practical instrument that strengthened financial knowledge and skills, influenced attitudes, and encouraged more concrete and responsible financial behavior among farmers, confirming the real-life benefits of tailored financial education in rural communities. Based on these positive results, a decision was made to continue expanding the Financial Literacy Project by including new participants, with a particular focus on increasing the participation of women farmers

III. Child Labor Initiatives Bulgaria

Initiative 1: Summer School "Combining the pleasant with the useful"

Similarly to the summer school project in North Macedonia, this initiative supports Socotab Bulgaria's objective of raising awareness about child labor, supporting farming families, and drawing local authorities' attention to the importance of quality childcare during the summer period. The project was originally launched during the most intensive tobacco harvesting period, from July to August, to provide children with a safe, structured, and educational environment while their parents were engaged in field work. Its main purpose is to help prevent children from being brought to the fields due to the lack of childcare options during summer vacation. Through the program, children are offered recreational and educational activities, including IT skills, English language classes, and other learning exercises.

In 2025, the initiative continued for another year and was expanded to include children from new villages in the Gotse Delchev tobacco-growing area. The program aimed to engage children in educational and recreational activities rather than participation in any tobacco-growing activities in the fields during the summer period. By extending the initiative to additional communities, the project further supported farming families during the peak harvest season and reinforced awareness of child protection and the importance of access to appropriate childcare.

Initiative 2: Nature Classroom Project

The Nature Classroom Project was developed as a summer training initiative for farmers' children, with the objective of encouraging children's interest in environmental protection, biodiversity, and nature conservation activities as positive alternatives to participation in tobacco-growing work. In its previous implementation, the project was held at the Center for Nature Conservation Activities in the village of Lefka, Svilengrad Municipality. The program introduced children to the Sakar Protected Area, Lesser Kestrels, and other protected species from the region, including their nesting habitats. Children were also trained to use bird observation tools such as spotting scopes, binoculars, field markers, and other specialized equipment. The training also addressed the risks of Prompt Action Issues during tobacco growth, helping to prevent children's involvement in inappropriate activities.

In 2025, Socotab Bulgaria continued the initiative in partnership with the local NGO Green Balkans. A biodiversity training was delivered at the Wildlife Rehabilitation Center in Stara Zagora to 65 children aged 7–14 from contracted tobacco-growing areas. The training focused on biodiversity, ecosystem services, environmental protection, and nature-positive behavior. Through practical and interactive learning, the project aimed to increase children's future engagement in nature conservation activities while providing a meaningful and safe alternative to participation in tobacco-growing activities.

Together, these two initiatives strengthened Socotab Bulgaria's efforts to provide children in tobacco-growing communities with safe, educational, and engaging alternatives during the summer period, when the risk of children accompanying their families to the fields is higher. While the Summer School initiative focused on structured childcare and learning opportunities during the peak harvest season, the Nature Classroom Project broadened this approach by linking child protection with environmental education and biodiversity awareness. Both projects supported farming families, promoted children's access to meaningful learning opportunities, and helped reinforce community awareness on child protection, education, and responsible environmental behavior. The positive response from farmers and local communities, together with local media coverage, demonstrated strong interest in expanding similar activities to other tobacco-growing areas where primary school children are most present.

IV. Child Labor Initiatives in Greece

These initiatives support Socotab Greece's broader objective of strengthening safe, fair and socially responsible working conditions within tobacco-growing communities. The projects contribute to child protection and child labor prevention by improving household awareness, supporting safer agricultural environments, strengthening women's participation and resilience within farming households, and promoting healthier and more stable rural communities.

The initiatives also support broader awareness regarding education, occupational health and safety, family well-being and community resilience, which are recognized as important underlying factors in reducing hazardous child labor risks within family farming systems.

Initiative 1: Women Farmers' Human and Labor Rights Training

During the 2025 crop season, Socotab Greece launched Human and Labor Rights training sessions specifically targeting women farmers, with the objective of supporting women's empowerment and increasing awareness regarding labor rights, health and safety, and sustainable agricultural practices.

The trainings initially focused on women from the Muslim community in Rhodope, who also shared challenges faced within tobacco farming communities.

While these initiatives primarily focused on women farmers, they also contribute indirectly to child protection and child labor prevention by:

- strengthening awareness within farming households,
- supporting informed household decision-making,
- promoting safer working environments,
- supporting children's access to education and overall child well-being,
- and improving family resilience during intensive agricultural periods.

Socotab recognizes that empowering women within rural communities can positively influence broader family and community outcomes, including awareness regarding child protection and their well-being.

Initiative 2: Safe Working Environment and Community Support

Implementing initiatives aimed at improving occupational health and safety conditions within farming communities.

Farmers and farm workers have received personal protective equipment (PPE), including protective gloves, masks, coveralls, eye protection, and hats to reduce occupational health risks, including Green Tobacco Sickness (GTS) and heat-related exposure.

Additional support included:

- agrochemical storage lockers,
- first aid kits,
- awareness campaigns on proper chemical use and waste management,
- and stakeholder training initiatives conducted in collaboration with external agricultural associations.

Supporting local communities through donations to kindergartens, primary schools, cultural associations, athletic organizations, and farming communities affected by extreme weather events.

These initiatives contribute to improving living conditions within rural communities and indirectly support child welfare and access to education.

V. Additional Environmental and Community Sustainability Initiatives

Across its operations, Socotab implements a range of environmental and community-focused sustainability initiatives, depending on local needs, priorities and conditions. These include initiatives in selected areas such as biodiversity conservation, afforestation, soil and water management, climate resilience, and the promotion of safe and sustainable agricultural practices. Where applicable, these initiatives are developed in collaboration with academic institutions and external stakeholders, contributing to ecosystem protection, environmental awareness and more resilient agricultural production systems.

The relevance of such initiatives is also reflected in the broader relationship between climate-related risks and the well-being of children and rural communities. In Greece, for example, the Climate Landscape Analysis for Children in Greece, published by ELIAMEP in collaboration with UNICEF, highlights how climate-related risks can affect children through impacts on health, safety, education and household economic stability.

By supporting improved environmental conditions, more effective soil and water management, and greater resilience of agricultural production systems, these initiatives may contribute to reducing some of the underlying vulnerabilities faced by farming households. In this broader context, they may also indirectly support the well-being and resilience of rural households and communities.