



UNITAB

Krakow, 5.09.2022

Dear Mr.

We are writing you this letter to express our position after completing the negotiations with your Company.

EU green tobacco production is currently reduced to 125.000 Tons overall, a mere 2,5% of the entire world production but it is still grown in 11 EU Member States. In 2019, we asked your Leaf Purchasing department to start a dialogue aimed to discuss our expectations and perspectives for the future of tobacco growing, in the context of the declining demand for European tobacco.

We had a series of meetings with representatives of the Corporate Affairs and Leaf Purchasing of your Company in Brussels and Geneva, after the outbreak of the pandemic, also on-line. We asked to meet also your Leaf Purchasing representatives but it was not possible. Our last meeting took place in late 2021.

We had similar meetings with the other 3 major Companies with the aim to find a way to stop the downward trend in European tobacco purchases, by increasing the current orders by a total of around 20,000 Tons of green tobacco (Virginia and Burley varieties) which were facing problems in finding a stable commercial destination, to be allocated to the world largest manufacturers, based on their tobacco products market shares in the EU.

In the case of your Company we asked to increase your current purchase of around 3,400 Tons - leaving up to you any decision regarding the EU producing country. Such additional volume would help and partially solve the problems that EU tobacco growers are facing.

After a series of joint meetings, we perceived, with some optimism the approach of your Company to the future of tobacco growing in the EU. Unfortunately, we have not received an unequivocal declaration of increasing your purchases in the EU of the small quantity requested, but just a declaration of not abandoning and continue the purchase of EU tobacco, with potential little increases from some countries, while abandoning others.

We would like to emphasize that EU tobacco meets all the highest standards of sustainable production based on the GAP, ALP and STP programs; the entire EU green and raw tobacco supply chain is highly committed and respectful of all ESG criteria. The high quality and integrity of raw tobacco produced in the EU it is also associated with the highest and most stringent cultivation standards (GAP, ALP, STP, etc.) that we do not fear are exceeded by anyone in the world.

Nevertheless, we ask you to reconsider the position expressed by the JTI representatives in the context of possibly increasing purchases in the EU and resuming the dialogue, which we deem, after all, very important in the context of the continuous attacks to the entire tobacco industry.

We also draw your attention to the general political stability and reliability of the EU Member States, differently from other origins, and to the fact that sourcing from near the door of your European facilities could be a strategic choice in these hard times, while the supposed extra-costs (due to labor/welfare and energy) compared to other origins, where still existing, is abundantly re-paid by the product integrity, stability and environmental and social sustainability, and the incremental financial effort required is relatively irrelevant, on a global scale.

Tobacco growing provides jobs to nearly 250,000 EU farmers and seasonal workers, direct and operating up- and downstream along the supply chain. Knowing the responsible approach of JTI, we hope that with your minimal financial effort and commitment to your European footprint, would also include the purchase of EU tobacco and it would be possible to increase your demand for our product, thus saving tens of thousands of jobs.

As one of the largest manufacturers of tobacco products in the world, you are a socially and environmentally responsible Company, therefore we believe in the possibility of increasing the purchase of green tobacco grown in the EU, where you have your factories and headquarters.

On the other hand, other than being rapidly ready to adapt our production to your requirements, we continue to offer our full commitment in addressing the constant and recurring problems related to regulatory measures, faced by the entire tobacco industry at national, EU and world levels like we continuously did in the last decades. New regulations and restrictions are already on the tables like the EU Tobacco Product and Excise Directives, smokefree environments and single use plastics restrictions, the Framework Convention on Tobacco Control, just to cite some.

If the downward trends continues, then soon there will be no UNITAB, no ELTI and no tobacco growers and workers at all in Europe, currently considered respected and reliable partners for the EU institutions. We should not afford to miss many years of good cooperation and we are asking to revise your position in the context of purchasing EU tobacco and remain good partners for the future.

Finally we want to underline the fact that, apart the volumes needed to preserve the critical mass, in our view it is crucial to maintain green tobacco production in the highest number of EU Member States: this keeps our Organizations the highest political power towards the Institutions, not so paradoxically even the mere 40 Tons produced in Belgium allows our Belgian growers to be vocal and politically effective; reducing green tobacco sourcing from 11 to just 3-4 countries will simply destroy our political and lobby power.

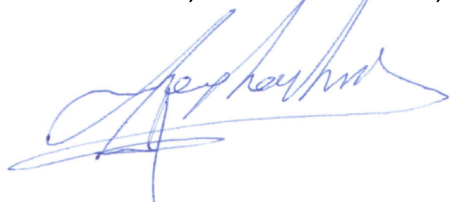
On top of that, our major problem at the moment is the **huge increase in the costs of tobacco production**, including the costs of energy, gas, fertilizers, labor, etc. Therefore, in order to maintain tobacco cultivation in the EU, further dialogue is necessary.

We look forward to re-establishing the dialogue with your Company in order to identify possible solutions to counteract the decline of tobacco growing in the EU. We trust on your understanding of our difficult situation and hope for a quick response.

Looking forward to receiving your considerations, we remain at your disposal for any further need of information and clarification,

Sincerely,

Theodoros Iordanidis, UNITAB President,



Tsvetan Filev, UNITAB EC Member, ELTI President

