



Oettinger Davidoff

Human Rights Report 2023

Approved by the Board of Directors of
Oettinger Davidoff Holding AG

on June 14, 2024

1 INTRODUCTION

Oettinger Davidoff AG and its group affiliates (hereinafter, "Oettinger Davidoff") values honesty, integrity, accountability, and diversity and believes in ethical behavior and in acting responsibly towards the community and the environment while respecting and promoting human rights.

Currently employing more than 4'000 employees worldwide, out of which 2'000 work in our manufacturing sites in the Dominican Republic and Honduras, we are committed to respect and promote human rights across all our value chain and to promote the well-being and safety of the people working for or with us or who source raw material, products, or services.

Our *Human Rights Policy (hereinafter 'Policy')* reflects the company's longstanding responsibility for human rights and defines its strategy to take reasonable steps to respect internationally recognized human rights principles as defined in our Policy, which has been approved by the Board of Directors. The company also implements its Human Rights Due Diligence Management System according to the UN Guiding Principles on Business and Human Rights (UNGP's).

To comply with international legal frameworks and regulations, we are closely monitoring upcoming regulations and strive to adjust to the requirements in this area. In addition, to respect children's rights and to be free from child labour, Oettinger Davidoff implements the ILO-IOE Child Labour Guidance Tool for Business of December 15th, 2015.

2 EMBEDDING OF DUE DILIGENCE

Oettinger Davidoff aspires to embed the respect for human rights across its own operations and along its entire value chain by implementing and continuously enhancing its management system and processes for human rights due diligence. Our Human Rights Management System is based on three main areas defined by the UNGPs: declaration of human rights commitment, due diligence processes and grievance mechanisms.

It is our aim to collaborate with our employees, business partners, suppliers and relevant stakeholders on this journey in order to continuously increase the awareness of and respect human rights.

Therefore, it is important for us to embed our Due Diligence efforts and respective policies in our company:



Policies:

- All our employees must adhere to the Company's [Code of Conduct](#) which is made available to all employees globally and which outlines our responsible business behaviour.
- With regards to the collaboration with our suppliers/business partners and to ensure responsible sourcing, we rolled-out our [Supplier Code of Conduct \(SCoC\)](#) in early 2023 and sent it to all our direct suppliers for approval and signing. The SCoC highlights our requirements and expectations towards our suppliers and covers business ethics, labour and human rights as well as environment protection.
- A Human Rights Policy has been developed considering the criteria outlined in the UNGP (including a commitment to remedy) which is published on our corporate website. Both, our Code of Conduct and our Supplier Code of Conduct form an integral part of the Human Rights Policy.

3 OUR DUE DILIGENCE EFFORTS

In 2023, the focus of our due diligence efforts clearly focused on child rights & education as well as evaluating the risk of child labour in our supply chain. Our most important efforts included:

Enhance child rights and education at our manufacturing site in the Dominican Republic

- To respect and honor the right of child education, our group affiliate Tabadom Holding Inc., opened a "**Learning Center**" in the Dominican Republic for the children of their employees. In a first step, the school will focus on offering complimentary English classes by a renowned local language school. In February 2023, 42 pupils (aged between 6 and 9 years) started the English classes, while in August 2023, 64 more students between the ages of 9 and 14 joined. By the end of 2023, the Learning Center counted over 100 children who have been taking advantage of this unique extracurricular education. An initiative which is greatly appreciated by the employees in the Dominican Republic as well as by all employees around the globe.

Introduction and Launch of Suppliers Code of Conduct (SCoC)

- To rule out the risk of child labour in our supply chain, the company has introduced and rolled-out its first **Suppliers Code of Conduct (SCoC)** which was sent to all direct suppliers for approval and signature.

Self-assessment for Suppliers in countries with enhanced risk of child labour

- In addition, a **self-assessment questionnaire for suppliers** aiming at evaluating possible child labour risks in our value chain was set-up in collaboration with an external expert company and sent to all our direct suppliers located in 'countries with enhanced risk of child labour' (according to UNICEF list). This self-assessment questionnaire aimed at increasing the awareness on child labour topics and to find out about the status and efforts of our suppliers in this respect.

Caring for our employees in production by offering fringe benefits

- We are fortunate that the manufacturing of our own branded products is done by our group affiliates in the Dominican Republic and Honduras which employ over half of our 4'000 employees worldwide. This unique set-up allows us to fully control and steer every single step and process from 'crop to shop' thus guaranteeing quality, consistency but also the respect and promotion of human rights issues, health and safety and other workplace related topics. The management team at our production sites takes best care of their employees, **offering many fringe benefits**, including but



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not limited to complimentary onsite health care for employees and their families, assessments by specialists, transport to and from the factory, company uniforms, complimentary English classes for the children of the employees, soccer and softball fields.

Farmer Audits to address child labour as well as child rights & education

- As the majority of our tobacco that we use for our cigar production in the Dominican Republic is grown by local tobacco farmers with whom we have been working over decades, the management team of our production site in the Dominican Republic have been **conducting regular farmer audits** to increase the awareness on child rights and child labour to address possible related risks. These audits are coupled to a proper process with strict criteria related to child labour and are documented while at the same time, trainings are held at the farms. In case of a non-negligible risk, the local management will define, together with the tobacco farmers, possible measures and actions to eliminate such risks and they will also inform Oettinger Davidoff's ESG Committee.

Other initiatives aiming to respect the environment

- In 2023, at our production site in Dominican Republic, the company introduced **drip irrigation** on all its own fields which helped to reduce the company's water consumption by over 80%.
- The company continued to enhance its efforts to **minimize the use of Crop Protection Agents** in tobacco farming and to testing natural alternatives to grow and protect the crop.

4 OUR HUMAN RIGHTS APPROACH: ANALYSIS, RISK ASSESSMENT, MAPPING OF FOCUS AREAS

Oettinger Davidoff has opted for a risk based approach by focusing its human rights due diligence along its entire value chain "from crop to shop" with a specific focus on its own operations in the Dominican Republic and Honduras where it has the biggest leverage.

To sharpen the company's understanding and to expand the scope from ruling out child labour in our supply chain to ensuring that human rights are respected across our value chain, the company launched its first Human Rights Due Diligence Management processes in 2023. Together with the support of an external partner we conducted a Human Rights Gap Analysis against international standards (UNGPs and OECD guidelines) and Human Rights Risk Assessment according to the UNGPs to better understand the salient human rights issues along our entire value chain. The results showed that within our value chain, the highest human rights risks could occur in following areas:

- Raw material sourcing and Tobacco Farming
- Supply of non-tobacco materials (such as accessories, POS/marketing material)
- Production
- Wholesale & Retail
- Transport & Logistics
- Support Functions
- Use

This risk assessment has been made considering the severity and likelihood of adverse impacts along our value chain and we have defined risk-based measures to address these salient human rights issues.

Based on this Risk Assessment, we then identified **seven focus areas** to prioritize our actions and measures (in alphabetical order):

- Child Protection and No Child Labour
- Environmental Issues impacting human rights
- Freedom of Association and Collective Bargaining
- Modern Slavery and Forced Labour
- Occupational Health & Safety (OHS)
- Responsibility towards the Consumers
- Working Conditions & Overtime

5 OUR ASPIRATIONS FOR 2024/2025 – NEXT STEPS

To further drive our Human Rights Due Diligence in 2024 and 2025, we will concentrate, among others, on the Focus Areas that have been defined in the human rights gap analysis:

Responsible Procurement

- Establish a **responsible procurement process** that is taking into consideration human rights evaluations during each phase, e.g.:
 - **Conduct a supplier risk assessment,**
 - further establish a **monitoring system** to ensure compliance with the Suppliers Code of Conduct (SCoC)
 - **capacity building and dialogue**
 - further increase supply chain **transparency**

Overall Human Rights

- **Embed human rights** in the company's processes to guarantee coherency to the Human Rights Policy commitment and define and implement human rights related requirements in our contracts with our suppliers/partners/logistic providers, also for non-tobacco materials.
- **Enhance and expand our supplier risk assessment with regards to human rights by engaging meaningfully with potentially affected partners.** In a first step, we will assess our raw tobacco suppliers, our main suppliers and select sole agency partners with regards to human rights in line with our salient risk analysis. We will also establish a checklist for the responsible teams in procurement on how to conduct such audits.
- Build awareness on Human Right topics by developing a **Human Rights training concept for employees on relevant Human Rights topics respective to their role.**
- Continuously monitor and review our activities to **assess the effectiveness** of our approach and efforts and decide on our future aspirations.

With regards to the identified salient human rights issues based on our risk assessment we have prioritised the following measures to address the identified issues:



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Child Protection and No Child Labour

- **Build on existing measures and conduct in-depth risk assessment with regards to child labour beyond tier 1 suppliers. At the same time, evaluate results of first self-assessment of tier 1 suppliers and seek dialogue with suppliers should a non-negligible risk be identified.**
- Further enhance our **farmer audit program** in the Dominican Republic (DR) with regards to child labour, child rights and human rights topics.

Compliance with regulatory topics concerning our products / Responsibility towards Consumers

- Continue existing efforts to **meet regulatory requirements**.

Environmental issues impacting human rights:

- Evaluate and if feasible replicate the introduction of **drip irrigation** at the company's tobacco fields in Honduras, and in a second step, for our farmers.
- Installation of **solar panels** at the production site in Honduras in 2024.
- Continue to **reduce** the use of **Crop Protection Agents** and the **testing of natural alternatives** and continue **supplier assessment** regarding the use of Crop Protection Agents
- Continue training initiatives for workers on **waste and recycling** and possibly expand to farmers.
- Evaluate alternatives to replace existing raw materials for more sustainable materials

Freedom of association and collective Bargaining

- Continue to ensure ongoing **support of 'cooperativa'** (workers council)
- Assess level of **freedom of association and collective bargaining** at key suppliers/sole agencies.

Modern Slavery and Forced Labour

- Integrate aspects of **modern slavery & forced labour into regular visits** of tobacco farms (Tier 1).
- Enforce SCoC for direct and indirect suppliers as well as suppliers of non-tobacco materials and logistics service.

Occupational Health and Safety (OHS)

- Continue and further leverage the existing **OHS trainings** for our employees at our production sites as well as with our farmers, including use of CPAs.
- Continue to grant **access to complimentary medical services** in the Dominican Republic and Honduras for all workers and their families;
- Address **OHS topics** in supplier meetings.



Working Conditions / Overtime

- Continue offering **fair working conditions** to our employees all over the world and in particular at our own production sites in Dominican Republic and Honduras
- Include the risk assessment with regards to working conditions, wages and overtime in high-risk context for our direct suppliers and tobacco farmers in the Dominican Republic), including meaningful consultations to assess access to water, medicine, sanitation for workers on farms.

6 REMEDIATION AND GRIEVANCE

Oettinger Davidoff has launched a [Whistleblowing System](#) for its employees in 2021 which is also available for all external stakeholders (on [Oettingerdavidoff.com](#)) since the end of 2022. All stakeholders can report concerns on any activity which is not in line with this *Report*, our [Code of Conduct](#) or our [Supplier Code of Conduct](#) or does not comply with the law. Oettinger Davidoff is pleased to report that in 2023, no complaint nor concern has been filed or raised. Finally, Oettinger Davidoff also refers to the commitment to remedy mentioned in our Human Rights Policy.

7 GOVERNANCE

Oettinger Davidoff's Board of Directors is responsible for defining Oettinger Davidoff's human rights strategy.

Oettinger Davidoff's ESG Steering Committee is chaired by the management team of Oettinger Davidoff and is composed of senior representatives of Global Operations, Commercial, Marketing, Corporate Communications and Group Legal Affairs.

The Committee meets regularly and within the ESG Framework is responsible for guiding the company's human rights due diligence, driving its implementation and making sure that it is embedded throughout the organization and the entire value chain. The ultimate oversight on the company's human rights resides with our Board of Directors which is at least briefed once annually. The next Human Rights report will be published in June 2025.