

THE SUSTAINABLE TOBACCO PROGRAMME

The Sustainable Tobacco Programme (STP) defines our standards for our leaf tobacco purchases. It facilitates continuous improvement through a measurement framework involving a combination of self-assessment, third party review and our own engagement with suppliers. This single supplier programme is enabled and administrated by 3rd party service providers AB Sustain.

Through cross-industry dialogue and best practices the programme has been designed to help the supply of tobacco leaf meet future environmental sustainability challenges, raise labour standards and to provide greater levels of detail on which to focus improvement, through the creation of action plans.

STP applies to the suppliers' farming operations referred to as 'Agronomy' and to the initial leaf processing referred to as 'Processing'. STP is structured as per the four pillars in the two tables below and includes the key focus areas identified.



AGRONOMY

Governance	Crop	Environment	People
<ul style="list-style-type: none"> - Policy - Procedures and records - Business integrity - Implementation of STP - Stakeholder Engagement - Training - Traceability - Economic Viability of Farmers 	<ul style="list-style-type: none"> - Risk assessment, training and monitoring - Seed selection and performance - Crop Husbandry - Integrated Pest Management - On-Farm Contaminants - Farmer Profitability 	<ul style="list-style-type: none"> - Risk assessment, training and monitoring - Water Management - Soli Management - Pollution Control - Waste Management - Fuel efficiency and Greenhouse Gas Reduction - Biodiversity - Wood Usage 	<ul style="list-style-type: none"> - Risk assessment, training and monitoring - Child Labour on farms - Forced Labour - Safe Working Environment - Fair Treatment - Freedom of association - Income, working hours and benefits - Legal Compliance



PROCESSING

Governance	Facilities	Environment	People
<ul style="list-style-type: none"> - Policy - Procedures and records - Business integrity - Implementation of STP - Stakeholder Engagement - Training - Monitoring complaints and procedures - Regulations - Traceability 	<ul style="list-style-type: none"> - Risk assessment - Emissions - Waste disposal - Fuel and chemical storage - Workplace hygiene - Hazardous materials and biohazards - New processes and equipment - Facility Safety - Guards and protection - Personal Protective equipment - Prevention of Accidents - Fire and Emergency Response - Evacuation - First Aid and Medical Facilities - Facility Security - Vehicles and drivers - Contaminant control 	<ul style="list-style-type: none"> - Risk assessment - Emissions - Disposal of waste - Fuel and chemical storage - Permits and operating licences - Resource consumption and Greenhouse gases 	<ul style="list-style-type: none"> - Risk assessment - Terms of employment - Training - Appraisal - Labour Codes and conventions - Wellbeing and community programmes

Supply of Tobacco

We source tobacco from all around the world including Brazil, India, China and Sub-saharan Africa. Some 95% of our supply is through third party tobacco merchants. The tobacco supply chain varies from country to county. For example in Sub-Saharan Africa there are tens of thousands of smallholder farmers, which is different when compared to the USA where there are large commercial tobacco farms. Despite these difference we apply the STP programme globally and expect standards to be implemented and aspired to throughout the various geographies and situational contexts.

How is STP implemented and operated?

STP was introduced in 2016 following greater cross-industry collaboration to bring variations in supplier programmes closer together and to better align good practices. Under the programme we require our suppliers to conduct self-assessments of their STP implementation on an annual basis. The self-assessment is based on a set of indicators relating to the implementation and management of STP as well as farm level performance.

Suppliers are required to complete a submission by tobacco type at the following time except where these overlap:

- at the end of a crop season,
- by 30th November annually,
- and before a review.

Suppliers are subject to a formal third party review conducted by AB Sustain at least once every 3-years. This provides an understanding of the reliability of their self-assessment and is complementary to the more frequent supplier reviews and visits undertaken by our own leaf personnel.

AB Sustain conduct a 4-day review which has the following schedule:

Day 1 – Introduction, Governance Pillar, Factory Visit and Facilities Pillar

Day 2 – Finalise Facilities Pillar, Crop Pillar, Environment Pillar and Farmer selection for field visits

Day 3 – Full day of Field visits

Day 4 – People pillar, finalise overall review, Findings presentation and summary

We are provided with STP data sets relating to our supplier base. This includes the individual supplier’s self-assessments, AB Sustain supplier review reports and an Imperial Brands Annual STP Report.

The annual report compiled by AB Sustain provides insight into supplier performance in terms of accuracy, performance by pillar and the key focus areas. It consolidates information by supplier groups, regions, countries and tobacco type. It benchmarks our suppliers’ performance against the total global supplier base and highlights any potential inconsistencies or abnormalities.

We use information provided through the STP to inform our supplier ratings, focus interventions, enrich supplier dialogue and the work of our Leaf Sustainability team.

Continuous improvement is driven by: the STP framework which helps suppliers generate their own action plans; the capabilities that our suppliers build particularly with their leaf technicians who support the farmers directly; knowledge share, facilitated by AB Sustain; leaf partnership investments; and, the work of our own leaf sustainability team.

“We want all our suppliers to operate to the highest standards they can practically achieve and strive for continuous improvement.”

Applying our standards

We have determined a baseline performance which is the minimum we can accept. This baseline is defined in our minimal acceptable standards which have been set for select criteria within Agronomy and Processing. We have also defined overall performance percentage expectations for each pillar in both Agronomy and Processing. These requirements are periodically reviewed and reset to drive continuous improvement.

If a supplier fails to meet the minimum performance requirements as defined in the self-assessment return or an AB Sustain Review we require an action plan to be provided detailing when and how the supplier will reach the standards. When receiving this action plan, we consider whether it is realistic or not. We also often plan an in-country visit to undertake further investigation, such as asking for documentation and evidence.

The STP performance score is part of our formal supplier relationship management and it forms part of the suppliers’ ratings that we determine along with quality, cost and value. The better a supplier’s score the more likely they are to receive repeat business.

When we meet with suppliers and discuss STP we consider 3 different elements including: Accuracy Index; Total of Non-Conformances (Minimum Standard); and Reviewer scores (Overall and Per Pillar).

We take pride in driving supply chain standards and we are committed to purchasing tobacco from socially and environmentally responsible suppliers.

As a result of our commitment, we will cease to purchase from any suppliers who persistently fail to achieve operating our required performance standards, however our preference is to partner and enable improvement.

