



## **Modern Slavery Act Transparency Statement 2015 / 2016**

Slavery and human trafficking are abuses of a person's freedoms and rights. We are totally opposed to such abuses and take steps to prevent this issue occurring in our operations and supply chains.

### **Purpose of this Statement**

This statement is prepared and published on behalf of Imperial Brands PLC and its subsidiaries, pursuant to the obligation under section 54(1) of the Modern Slavery Act 2015 (the **Act**). References in this statement to 'us', 'our' or 'we' are to Imperial Brands PLC and its subsidiaries.

This statement identifies the various risk management and mitigation measures, which we have undertaken in our business and supply chains, in relation to slavery and human trafficking during the year ending 30 Sept 2016. This Statement was approved by the Board of Imperial Brands PLC on 1 February 2017.

### **Meaning of Slavery and Human Trafficking**

We understand slavery and human trafficking as defined in the Act, the UN Universal Declaration of Human Rights and the conventions of the International Labour Organisation (ILO), particularly relating to forced or compulsory labour.

We recognise that forced labour is a form of slavery and includes debt bondage and the restriction of a person's freedom of movement whether that be physical or non-physical.

### **Our Business**

Imperial Brands PLC is the parent company of an international business specialising in tobacco and non-tobacco brands. Its name reflects the breadth of brand focus across five distinct corporate entities: Imperial Tobacco, Tabacalera, ITG Brands, Fontem Ventures and Logista.

Imperial Brands is headquartered in Bristol, United Kingdom and our brands and products are available in over 160 countries worldwide. Our operations are predominately factories along with sales and support offices. We employ over 30,000 people in more than 60 countries globally. We have over 40 factories.

Our Imperial Tobacco subsidiaries manufacture and market a range of cigarettes, fine cut and smokeless tobacco products, mass market cigars and papers and tubes. Imperial Tobacco brands are available in markets worldwide and include Davidoff, West, JPS, Gauloises Blondes and Golden Virginia. Key Imperial Tobacco subsidiaries include Reemtsma in Germany, Altadis in Spain and Seita in France as well as our Imperial Tobacco businesses in the UK, Poland, Russia and Ukraine.



Tabacalera, our international premium cigar business, is headquartered in Madrid, Spain. The international marketing of Cuban hand-made cigars is carried out through Habanos S.A., in which we have a 50 per cent stake. Tabacalera USA oversees our leading premium cigar businesses in the US, the world's largest premium cigar market.

ITG Brands is the third largest tobacco company in the USA. The business is headquartered in Greensboro, North Carolina and offers a broad portfolio of well-known cigarette and mass market cigar brands.

Fontem Ventures is an innovative consumer goods company with a portfolio that includes the leading e-cigarette brand blu. Headquartered in Amsterdam, the company's 200-plus employees are active in the USA, UK, France and Italy and in research laboratories in Hamburg, Beijing and Silicon Valley. Sales of Fontem products are focused on the USA, UK, Italy and France, four markets that between them account for more than 70 per cent of the global e-vapour market.

Logista is one of the largest distribution businesses in Europe, serving 300,000 outlets across Spain, France, Italy, Portugal and Poland. The business services tobacco and non-tobacco customers and has established a long track record of delivering sustainable value. Logista is listed on the Spanish Stock Exchange. Imperial Brands PLC holds a 70 per cent share of the business through its subsidiary Altadis S.A.U. For the purpose of this statement Logista is considered as part of our supply chain.

Our core business is built around our tobacco portfolio. We manage our tobacco markets on the strategic roles they play, not by geographic location. In Growth Markets we prioritise long-term share and profit growth and in Returns Markets the focus is on sustainable profit delivery and effective management of our strong share positions.

Our Growth Markets include selected markets in the EU, Eastern Europe, Asia, the Middle East and the USA. Our Returns Markets are split into North and South and include Australia and markets in the EU, Eastern Europe and Africa.

### **Our Supply Chains**

We purchase the majority of our tobacco leaf from third party suppliers, mainly through leading international leaf supplying companies. Our tobacco is sourced from various origins including Brazil, China, India, EU member states and Africa. A small amount of our tobacco is purchased through direct involvement in the cultivation of tobacco leaf, principally in Madagascar, Morocco and Laos.

For the purposes of this statement, we report on steps taken within our supply chain, by which we mean those suppliers with whom we deal directly. We also report on those steps taken within our business or supply chains which have indirect effects on the wider supply chain.

### **Our Policies Relevant to Slavery and Human Trafficking**

In keeping with our commitment to act with integrity in all our business dealings, many of our policies are relevant to mitigating the risk of slavery or human trafficking occurring in any part of our business or our supply chains.

Our relevant policies applicable to all Imperial Brands entities include:

- Code of Conduct
- Anti-Bribery and Corruption Policy
- Corporate Development Policy
- Employment Policy
- Fairness at Work Policy
- Global Procurement Policy
- Health Protection and Wellbeing Policy
- Occupational Health, Safety and the Environment Policy
- Product Supply Compliance
- Sanctions Policy
- Speaking Up (Whistleblowing) Policy
- Supply Chain and Premises Security Policy.

Our Governance Team based in our Bristol headquarters provides guidance, training and tools to enable all employees to operate within the law and within the framework of the Code of Conduct and Group Policies and Standards.

In our refreshed Code of Conduct (2016), which is available in over 30 different languages and published in full on our corporate website, relevant sections cover ‘Discrimination and Harassment’, ‘Human Rights’, ‘Responsible Procurement and Supplier Partnerships’ and ‘Anti-Illicit Trade’.

Our Code of Conduct sets out the behaviours we expect from employees in their dealings with colleagues, customers, consumers, suppliers, agents, intermediaries, advisers, governments and competitors. The Code also applies to our business partners. All employees and business partners are expected to act with integrity in accordance with the standards of behaviour set out in the Code of Conduct.

We provide guidance and training to support employee understanding of expected behaviour, particularly in respect of their business decisions and the Code of Conduct. We encourage employees to raise concerns and have an independently operated Speaking Up (Whistleblowing) process, which is promoted in multiple languages to our employees, suppliers and customers.

We value business benefits brought about by diversity and equal opportunity. We promote collective bargaining for our own employees and through our supplier standards. We enable employee engagement, representation, dialogue and the ability of an employee to raise potential concerns or grievances. We apply our employment practices in line with, and in certain aspects exceeding the requirements of, local legislation.

We recognise that we operate in a number of countries where the respect of human rights is of concern. Following periods of new acquisition and before our employment practices and monitoring are embedded, we deploy a specialist internal team to make an assessment. This assessment addresses a variety of potential issues including child labour, forced labour, health and safety, freedom of association, the right to collective bargaining, discrimination, disciplinary practices, working hours and remuneration.

### **Risk Assessment and Due Diligence**

We mitigate the risk of slavery and human trafficking by adhering to strict policies and procedures, defining managerial responsibilities and applying our governance framework. We assess risk based on a number of factors including geographical risk indices pertaining to human rights, the level of supply chain control, external governance factors and levels of political stability. This informs our focus for raising awareness and assessment.

During 2016 we undertook a Human Rights Impact Assessment (HRIA) across our global operations and our supply chains. The HRIA was guided by the United Nations Guiding Principles on Business and Human Rights and helped us systematically assess, evaluate and prioritise areas in our global operations and in our leaf and non-tobacco material (tier one suppliers) supply chains. The HRIA identified eight priority risk issues for the four stakeholder groups of Consumers, Workers, Suppliers and Communities. The right not to be subjected to slavery, forced labour or servitude was identified as a priority in relation to suppliers.

As highlighted by the HRIA we understand that the greatest risk of slavery and human trafficking is in our supply chain where we undertake procurement activities and where operations and managerial oversight are out of our direct control. For the manufacture and sale of our products we procure leaf tobacco, manufacturing materials and promotional items. In addition to the training and awareness provided under our Code of Conduct, we also have supplier standards and specific supplier programmes. This is in line with our Global Procurement Policy.

Our supplier standards address a broad spectrum of potential issues including working conditions, fair remuneration, working hours, child labour, respect, non-discrimination and health and safety, as well as freedom from forced labour.

Our responsible leaf sourcing programme, known as the Sustainable Tobacco Production programme (STP), enables the required social, environmental and economic standards in our tobacco supply, from farms through to the leaf-processing facilities that produce the finished agricultural products ready for shipping.

We demand that all our leaf suppliers participate in STP. They are subject to a phased cycle of onsite audits to check against the supplier's self-assessment and independent review by our appointed external service providers. This is to ensure that our requirements are clearly understood and action plans implemented.



The main non-tobacco materials (NTM) we use include paper and board, filters and filter tow, foils and films, printed materials and glues. Our NTM Supplier Qualification Programme includes social and environmental aspects. Suppliers must complete a supplier compliance check. This incorporates business conduct, environmental management, and issues relating to labour practices including discrimination, child and forced labour, freedom of association, remuneration, working hours and health and safety.

We also review whether our suppliers evaluate their suppliers and sub-contractors against our requirements. In this way we seek to extend influence within our supply chains. Suppliers that do not meet the required performance scores are required to develop and action an improvement plan, which is subject to a new auditor they are delisted as an approved supplier.

Our Global Procurement Strategy is helping to enhance supplier standards. The strategy has reduced local sourcing and rationalised our supplier base. Having fewer and stronger supplier partnerships has enabled us to better understand our business partners and provides leverage to demand higher standards.

We incorporate our Code of Conduct in supplier contracts and stipulate that they must adhere to the Code at all times.

We recognise that there could be a risk of human trafficking in the distribution and logistics activities that are connected with our business. It is also feasible that criminals involved in the illicit trade of our products may also be involved with slavery and human trafficking. We seek to mitigate such risks by the controls we have in place in our supply chain that are driven primarily in relation to the threat of illicit trade.

As part of our anti-illicit trade (AIT) work, we have strict controls in place, including a 'Know Your Customer' (KYC) process that requires formal due diligence and on-going reviews. The KYC process is in line with our Product Supply Compliance Policy and is governed by our EU AIT Cooperation Agreement, which was enacted in 2010. This Agreement is specifically with the 28 EU Member States but also applies to our operations globally. It specifies requirements for the tracking and tracing of our products, the vetting of customers and contractors, restricting supply to be commensurate with demand and for financial arrangements and liabilities. In addition we have a Supply Chain and Premises Security Policy to help direct activities that will better protect our business and mitigate risk.

### **Training and Awareness**

We have employees specifically trained in relation to Human Rights and the International Standard for Social Accountability SA8000. The training includes some of the specific nuances relating to the circumstances that would raise concerns relating to potential slavery and human trafficking. We have SA8000 qualified employees who work within our Corporate Responsibility department at Imperial Brands headquarters.

Human Rights awareness training has also been given to employees who work in Human Resources and Corporate Affairs. Specific supplier standards training has been given to

employees in Procurement, Leaf Purchasing and Business Quality so that they can assess suppliers and provide guidance.

Our Code of Conduct provides additional training and guidance to the wider organisation on the standards of behaviour we expect, particularly in relation to business decisions and the reporting of concerns

### **Effectiveness and Performance Review**

Any instance of slavery or human trafficking is a non-compliance as it is a breach in relation to employment laws, our employment practices, our Code of Conduct, our Group policies and/or our supplier standards.

In the mitigation of slavery or human trafficking risk we have a number of internal performance measures.

In relation to our own employment practices we monitor and review:

- Numbers of employees who have completed Code of Conduct compliance training
- Engagement scores from the Group-wide employee survey
- Issues raised through Speaking Up (Whistleblowing)
- Grievances

In relation to supplier standards we monitor and review:

- Supplier audit results
- NTM Supplier Qualification Programme results
- Supplier rating scores
- Scores from the STP Leaf Supplier Programme

In relation to our AIT work we monitor and review:

- Compliance with Product Supply Chain Compliance Policy standards
- Number of seizures and associated fines notified to us by authorities
- Number of security incidents and the root causes

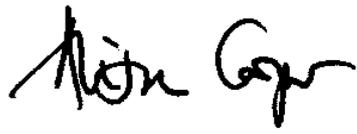
In addition, our Internal Audit Function reviews the risks and controls relating to slavery and human trafficking, in relevant audits, performed across the Imperial Brands Group.

### **Further Steps**

Following the launch of our updated Code of Conduct in 2016, we are currently in the process of rolling-out our revised Code of Conduct e-learning course. We have also finalised 'face to face' training material, which will be delivered by cascade to our employees who work offline for example in factories. During 2016, we refreshed our Speaking Up (Whistleblowing) process and communicated this to employees, reminding them of the service that is provided.

In 2017 we will be further developing our Human Rights training for employees, with a specific focus on Slavery and Human Trafficking.

Following on from our Human Rights Impact Assessment undertaken in 2016, we have identified a number of improvement actions to strengthen our respect of Human Rights that we will progress in 2017. This includes enhancing the understanding of Slavery and Human Trafficking issues within our Internal Audit Team. A more detailed report on the approach, findings and improvement actions is available on our corporate website.

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**Alison Cooper, CEO**  
**Imperial Brands PLC**  
**1 February 2017**