



MODERN SLAVERY

STATEMENT 2020

MODERN SLAVERY STATEMENT 2020

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For more information on our sustainability strategy and detailed approach to human rights please visit:
www.imperialbrandsplc.com/sustainability

This statement sets out the steps taken by Imperial Brands PLC and its subsidiaries during the financial year ending 30 September 2020, to understand potential modern slavery risks related to our business and supply chains and describes measures taken to address this risk.

This is the fifth statement we have produced, previous statements can be accessed on our corporate [website](#).

> OUR COMMITMENT

As an international business we recognise the importance, influence and duty we have in promoting respect for human rights. Our policy is to respect and support the dignity, wellbeing and human rights of our employees, the workers in our supply chain and the communities in which we operate. We are committed to conducting our business in a responsible and sustainable way, seeking to mitigate potential risk of human rights abuses both within our direct operations and supply chain.

As defined by the UK Government guidance¹, modern slavery encompasses slavery, servitude and forced or compulsory labour; and human trafficking.

Like all businesses, we run the risk of being exposed to modern slavery either within our direct operations or indirectly through our supply chain. We recognise that managing this risk is a multi-stakeholder issue, one which requires engagement with our suppliers and other key stakeholders associated with our business, including customers, employees and NGOs.

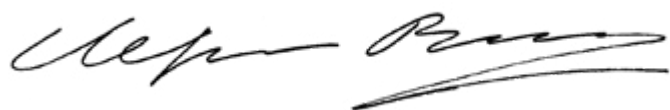
Our commitment to human rights, including modern slavery and forced labour, extends through several Group

policies, including our [Code of Conduct](#), [Supplier Code](#) and Human Rights Policy. These documents set out the foundations to our approach to human rights, which all our employees, suppliers and business partners are required to adhere to. The Board has oversight of our ESG (environmental, social and governance) issues, supported by a cross-functional ESG Steering Committee, chaired by the Chair of Imperial Brands.

Modern slavery and human rights has been identified as one of our top five priority ESG issues along with: consumer health, climate and energy, farmer livelihoods and welfare, and waste. Our sustainability strategy frames the way we manage these issues and is aligned with the UN Sustainable Development Goals, which aim to have a transformational impact on the world by 2030. Our performance is detailed within the [Annual Report and Accounts](#), our corporate website and within our [Performance Summary](#).

Since we published our last statement we have been strengthening our approach to gain greater insight into risk relating to modern slavery and developing a robust human rights governance due diligence framework. We are committed to raising awareness and improving processes in our business and supply chains and our progress against this commitment is detailed throughout this statement.

This statement has been published in accordance with the UK Modern Slavery Act 2015 and covers the full financial year October 1st 2019 – September 30th 2020. The statement was approved by the Board of Directors on 02/02/2021 and is signed on its behalf by:



Stefan Bomhard
Chief Executive Officer
Imperial Brands PLC



For more information on our sustainability strategy and detailed approach to human rights please visit:
www.imperialbrandsplc.com/sustainability

¹<https://www.gov.uk/government/publications/transparency-in-supply-chains-a-practical-guide/transparency-in-supply-chains-a-practical-guide#the-modern-slavery-act-2015>



➤ OUR BUSINESS AND SUPPLY CHAINS

OUR BUSINESS

We are a global business that is evolving following the appointment of a new Chief Executive, Stefan Bomhard. Stefan has been leading a strategic review of the business designed to strengthen performance in both tobacco and potentially less harmful next generation products (NGP), with the aim of creating long-term value for our stakeholders. Our sustainability strategy and ESG priorities have been actively considered as part of this review and will continue to underpin our commercial strategy.

We take pride in behaving responsibly and running our business the right way. It's not just the right thing to do – it underpins the ongoing growth and development of our business.

This statement includes policies and processes conducted by the following subsidiaries of Imperial Brands.



Our Imperial Tobacco subsidiaries manufacture and market a range of cigarettes, fine cut and smokeless tobacco products, mass market cigars, and tobacco accessories such as papers and tubes. Subsidiaries include Reemtsma in Germany, Altadis in Spain and Seita in France as well as our Imperial Tobacco businesses in the UK, Australia, Poland, Russia and Ukraine.



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

See www.itgbrands.com



Fontem Ventures is our vaping subsidiary, headquartered in Amsterdam and supported by the Nerudia research and development centre in Liverpool. Fontem Ventures and Nerudia are focused on driving vaping technology forward to deliver potentially less harmful alternatives to combustible cigarettes.

See www.fontemventures.com



Logista is one of the largest distribution businesses in Europe, serving 300,000 outlets across Spain, France, Italy, Portugal and Poland. Logista is listed on the Spanish Stock Exchanges. Imperial Brands holds a majority share of the business through its subsidiary Altadis S.A.U.

See www.grupologista.com

LOGISTA

Logista's respect of Human Rights is explicitly set out in Logista's Code of Conduct, General Principles of Conduct for suppliers and the employee Ethics Code. These Policies uphold the provisions of the International Labour Organisation (ILO)'s fundamental conventions on freedom of association and the right to collective bargaining, in addition to the OECD's Guidelines for multinational companies and the United Nations Global Compact.

In compliance with the fundamental ILO conventions on freedom of association and the right to collective bargaining, all Logista employees have signed updated contracts and are represented by works councils and union officials, whom they may freely approach at any time.

Dedicated reporting mechanisms, such as confidential Whistleblowing Channels, are made available and accessible to employees and third parties who can report suspected human rights issues.

All reports received are investigated by the Control Unit, which reports three times a year on its inquiries and their outcomes, the current status of the situations investigated and the measures taken to resolve them. This channel complements the Company's due diligence processes by supporting the identification and resolution of adverse impacts on human rights.

Logista has implemented various due diligence measures in this area. During the 2020 financial year (as was the case in 2019), Logista did not receive any reports of incidents relating to respect for freedom of association and the right to collective bargaining, discrimination in recruitment or employment, forced or coerced labour or any other human rights violation or concern in any country in which it operated in this period.

Further information on Logista's approach to Human Rights and Corporate Social Responsibility can be found on the [Logista website](#).

OUR BUSINESS AND WORKFORCE IN 2020



32,500

employed worldwide



Over 100

markets worldwide selling our products



£8 billion

generated in net revenue



38

manufacturing sites

> OUR BUSINESS AND SUPPLY CHAINS (CONTINUED)

RESPONDING TO THE COVID-19 PANDEMIC

COVID-19 had a significant impact on all of our lives during 2020. As a global employer we have continued working with a relentless focus on health, safety and wellbeing. The welfare of our people is of paramount importance to us and this was a year when we truly put these words into action as we faced into the coronavirus crisis.

SUPPORTING EMPLOYEES

We have implemented a range of measures to support the health safety and wellbeing of our people around the world and our people are doing a tremendous job in dealing with the ongoing challenges posed by COVID-19. We have strengthened our IT infrastructure and accelerated the roll-out of software to facilitate team-working to support employees working from home. Our sales teams have done an outstanding job in maintaining relationships with retailers and have safely returned to the field where local restrictions allow. For field and manufacturing employees we have strict protocols in place and all relevant personal protective equipment is provided.

We advocate flexible working and have encouraged our people to find a routine that works best for them and their families. We communicate regularly with employees and have initiated a number of surveys to check-in on their well-being. Feedback tells us that

overall, employees continue to feel positive despite the challenging circumstances.

Each market globally has local guidance on their leave of absence policy relating to COVID-19. Guidance is given on how to self-isolate if an employee develops symptoms of the coronavirus and what they can do about approaching their work and managing their home responsibilities. We also provide guidance on managing personal hygiene, the cessation of visitors at Imperial Brands sites and travel. We have continued to pay all employees in the normal way during the pandemic.

We have supplied employees with the tools to work from home where possible, safely and sustainably. For example we have global guidance on safe working, staying well and useful tips and online resources to help cope with a new way of working. Currently, many offices across the Globe remain shut or are running at reduced capacity to ensure the welfare of all employees is upheld.

SUPPORTING SUPPLIERS AND COMMUNITIES

Our operations benefit from a diversified supply chain and factory footprint, which has had to respond to rapid changes in demand and operating conditions. We have 38 factories and it is a credit to our manufacturing teams they have kept the vast majority operating throughout the crisis. This has been achieved with reconfigured factory layouts and changing shift patterns to ensure infection controls and social distancing measures are in place to protect the safety of our people. We have prioritised the manufacture of major product lines to build contingency stocks with our finished goods inventories averaging around 8-10 weeks.

We also recognise the impact COVID-19 is having on the wider communities in which we operate and we have stepped up our support to the farming communities through a number of local initiatives.

According to the World Bank around 83% of the population in Malawi live in rural areas². Food security remains a concern in Malawi following the COVID-19 pandemic and may impact the income of rural families. During the year we provided funds to suppliers from our Leaf Partnerships budget to support farmers and communities. Our suppliers distributed food packs to up to 600 families in Malawi. These food packs included maize and legume (bean) seeds for crop production as well as storage bags which will allow the families to store their produce. Part of the programme in Malawi also included contributions to health facilities, specifically 14 clinics located in rural communities. Contributions to these clinics included personal protective equipment in the form of face masks and thermometers.

In Mozambique, soya bean seed packs were distributed to 80,000 farming families. This will allow families to either consume or produce crops for additional income.

For further information see Annual Report and Accounts 2020 and for the latest information on our response to COVID-19, visit our website: www.imperialbrandspc.com/about-us/covid-19

²<https://data.worldbank.org/indicator/SPRUR.TOTL.ZS?locations=MW>

> OUR BUSINESS AND SUPPLY CHAINS (CONTINUED)

OUR SUPPLY CHAINS

We establish a relationship of trust and integrity with our suppliers. We expect our suppliers to conduct their business in an ethical and responsible manner and comply with all applicable laws and regulations. The respect for human rights is predominately enabled through our requirements for supplier standards, business conduct and employment practices. Our Supplier Code, based on our Code of Conduct, sets out the behaviours we expect our suppliers to demonstrate.

We have two distinct supply chains consisting of tobacco leaf supply and non-tobacco materials supply which includes NGP and general goods and services supply.

TOBACCO LEAF SUPPLY

We take a responsible approach to sourcing tobacco. We work with suppliers and their farmers to address our ESG responsibilities.

All our tobacco suppliers are required to participate in the Sustainable Tobacco Programme (STP). The STP has been designed to enable our suppliers to report on the steps they are taking to produce a sustainable quality supply of tobacco leaf. As well as providing the opportunity for farmers to improve labour standards, raise standards of living and addressing environmental challenges, by sharing knowledge on good agricultural practices.

We source tobacco globally primarily through large international tobacco merchants. We have a global sourcing footprint, which covers Africa, Americas, Asia and Europe. Of these, our major tobacco sourcing countries include Brazil, India, China and others in Asia and Sub-Saharan Africa.

The vast majority of our tobacco, 97%, is sourced from third party suppliers, with the remaining balance coming from our own small vertical operations in Madagascar and Laos.

In 2020, we purchased more than 150,000 tonnes of tobacco leaf from 34 countries around the world. In the last five years or so we have rationalised our supplier base and consider it to be very stable.

IN 2020 WE PURCHASED MORE THAN

> **150,000**

TONNES OF TOBACCO LEAF FROM 34 COUNTRIES AROUND THE WORLD

NON-TOBACCO MATERIALS SUPPLY

The non-tobacco materials (NTM) we directly buy include paper, filters, glue and ingredients for cigarette products and the components that go into making NGP; these are sourced from our direct suppliers.

We also have indirect suppliers who provide services and goods such as IT hardware and software, professional and corporate services and provision of utilities. This includes procurement for facilities management.

All our key strategic direct and indirect suppliers are managed by our global procurement central category teams and smaller suppliers are managed by our local procurement teams.

In 2020, we had some 325 direct material suppliers, 70 of which are managed centrally by our global procurement team and 255 managed by our local procurement teams. Of our direct material supplier base, approximately 85% of our main spend is with 21 suppliers.

> **19,000**

SUPPLIERS ON OUR APPROVED DIRECT AND INDIRECT SUPPLIER LIST

> GOVERNANCE AND POLICIES

Our governance structures around our environmental, social and governance (ESG) responsibilities includes our ESG Steering Committee, chaired by the Chair of the Board, Thérèse Esperdy. This is a cross-functional committee and includes representatives from Human Resources, Corporate Affairs, Procurement, Investor Relations, Leaf Sustainability, Science, Research and Development, Health and Safety, Governance, Manufacturing, Sales, Group Communications and Group Sustainability.

The ESG committee met twice during the year and among other ESG topics, discussed the ongoing work to strengthen human rights governance. This included updates from the Manufacturing Operations Director on progress being made on the manufacturing modern slavery self-assessments as well as progress updates on the Sustainable Tobacco Programme developments from the Head of Leaf Purchasing and Agronomy.

The committee also discussed the ongoing developments of KPIs and in particular the need for KPIs to demonstrate the effectiveness of our human rights due diligence. This is something we anticipate reporting further on in 2021.

POLICIES

Our **Code of Conduct** is embedded throughout Imperial Brands and drives our responsible approach. The Code is aligned with policies, internal controls and risk management processes that underpin our strategy.

Our commitment to human rights is a fundamental part of our Code of Conduct and **Supplier Code**. These documents set out the foundations to our approach to human rights, which all our employees, suppliers and business partners are required to adhere to. We comply with applicable human rights laws and where local law is less stringent, our Human Rights Policy takes precedent.

Our Policy and approach are guided by the international human rights principles in line with the International Bill of Human Rights, the International Labour Organization's (ILO) core conventions and the principles and guidance contained within the **United Nation Guiding Principles on Business (UNGP) and Human Rights**.

We recognise that, along with our direct operations, our supply chain has the potential for human rights abuses, and we are committed to working with our suppliers and business partners to improve supply chain standards.

The respect for human rights is predominately enabled through our requirements for supplier standards, business conduct and employment practices. Our Supplier Code, based on our Code of Conduct, sets out the behaviours we expect our suppliers to demonstrate.

Our Human Rights policy applies to all Imperial Brands companies and to any joint venture where Imperial Brands has management control. It applies to all

RELATED POLICIES

Code of Conduct

Supplier Code

Human Rights Policy

Speaking Up (whistleblowing)

Anti-Bribery and Corruption Policy

Employment Policy

Fairness at Work Policy

Global Procurement Policy

Health Protection and Wellbeing Policy

Occupational Health and Safety Policy

Environment Policy



WE RECOGNISE THAT, ALONG WITH OUR DIRECT OPERATIONS, OUR SUPPLY CHAIN HAS THE POTENTIAL FOR HUMAN RIGHTS ABUSES, AND WE ARE COMMITTED TO WORKING WITH OUR SUPPLIERS AND BUSINESS PARTNERS TO IMPROVE SUPPLY CHAIN STANDARDS

> GOVERNANCE AND POLICIES (CONTINUED)

employees, directors and officers of Imperial Brands companies, including temporary and contract staff.

Through our procurement processes, suppliers are required to comply with our Supplier Code. We only select and do business with suppliers who can demonstrate that they operate in a manner consistent with our standards and Code. We also expect our suppliers to ensure that their own business partners meet similar standards.

Compliance against our Code and Supplier Code is monitored through the due diligence processes outlined on [page 12](#).

We have commissioned an independent, expert led review for 2021 of our Codes and policies. The recommendations will be designed to ensure that we are addressing human rights and modern slavery in line with legislation and best practice.

SPEAKING-UP

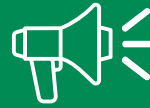
We expect all our employees and business partners to act with integrity in accordance with the standards of behaviour described in our Code of Conduct. If there are ever any concerns, including those related to human rights and labour issues, they can be raised independently via our Speaking Up service, which is available in 78 countries.

This year we appointed a new partner to manage this service, Got Ethics. Concerns can be quickly and easily reported online and by telephone. The reporting system guarantees security and anonymity for the complainant.

Issues raised during the year included allegations of unprofessional behaviour, pay concerns, breach of company credit policy, inappropriate use of company funds and unauthorised payment of consultants.

Our HR teams were involved in dealing with a number of these issues, whilst others were managed by the Company Secretary, with investigation support and advice provided by members of Finance, Group Security, Group Legal, HR and Internal Audit. At all times, the anonymity of the individual making the complaint was a key consideration.

During the year, no incidents of modern slavery or forced labour were identified through our whistleblowing procedures or grievance mechanisms. We recognise that whilst no incidents were identified this does not mean issues do not potentially exist, especially further away from our direct sphere of influence. We therefore remain committed to further enhancing our approach and understanding, recognising that this is a continuous, collaborative and evolving process.



Speaking Up – There are several ways for our employees to raise concerns, including via their people manager and local human resources team.

Employees and third parties can also raise a concern anonymously or independently through the automated Confidential Reporting System which can be accessed via the QR code. There is also a local toll free line and the a list of numbers can be accessed [here](#).

Further information can be found in our [Speaking Up Policy](#).



For further information on how we are addressing the issue of child labour and modern slavery in the supply chain please visit our website:

[Addressing Child Labour](#)

[Collaborating for Positive Societal Impact](#)



DURING THE YEAR, NO INCIDENTS OF MODERN SLAVERY OR FORCED LABOUR WERE IDENTIFIED THROUGH OUR WHISTLEBLOWING PROCEDURES OR GRIEVANCE MECHANISMS. WE RECOGNISE THAT WHILST NO INCIDENTS WERE IDENTIFIED THIS DOES NOT MEAN ISSUES DO NOT POTENTIALLY EXIST, ESPECIALLY FURTHER AWAY FROM OUR DIRECT SPHERE OF INFLUENCE

> ASSESSMENT OF MODERN SLAVERY RISK WITHIN OUR OPERATIONS AND SUPPLY CHAIN

Over the last ten years, our on-going commitment to human rights has included: undertaking Human Rights Impact Assessment to better understand the salient human rights in relation to our business and global supply chains; strengthening policy commitments and standards; monitoring and due diligence; and more recently reviewing how robust these policies are.



Through recent **stakeholder engagement**, modern slavery and the broader management of human rights risk were identified as one of Imperial's priority sustainability issues. Building on the work done to date, we are committed to implementing a robust human rights framework for the Group, which will support in strengthening our processes for identifying, managing and mitigating human rights risk.

We're proud to be a founding member of the Slave Free Alliance (SFA) and continue to support the international charity Hope for Justice, in their pursuit of a slave free world.

In July 2019, we commissioned SFA subject matter experts to conduct a policy gap analysis and review of the policies and processes we have in place to mitigate against the risk of modern slavery. The review included stress testing processes, interviews with subject matter experts and testing the application of global policies on the ground including those detailed within our previous modern slavery statements. We have subsequently developed a Human Rights governance framework working with an external expert to strengthen our due diligence procedures.

Whilst a number of good practices were identified, including due diligence within the supply chain, several recommendations were also made by SFA which we have begun implementing and are detailed throughout this Statement.

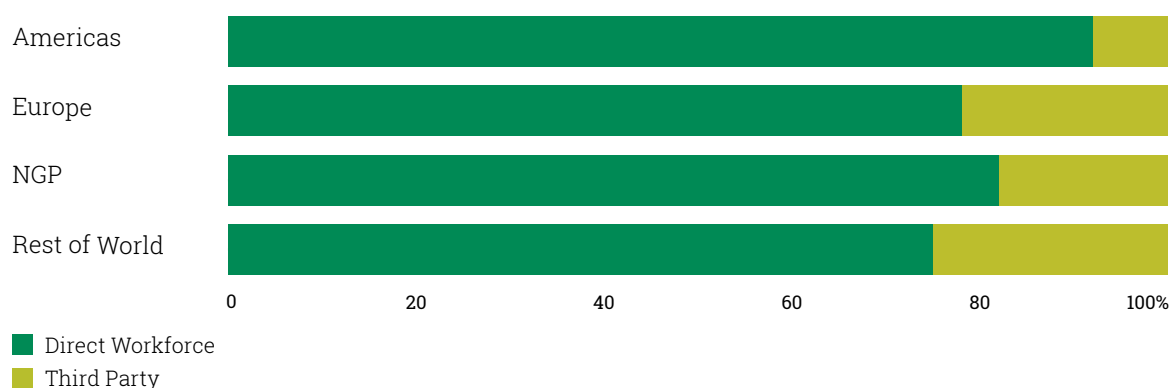
> ASSESSMENT OF MODERN SLAVERY RISK WITHIN OUR OPERATIONS AND SUPPLY CHAIN

MODERN SLAVERY SELF-ASSESSMENTS

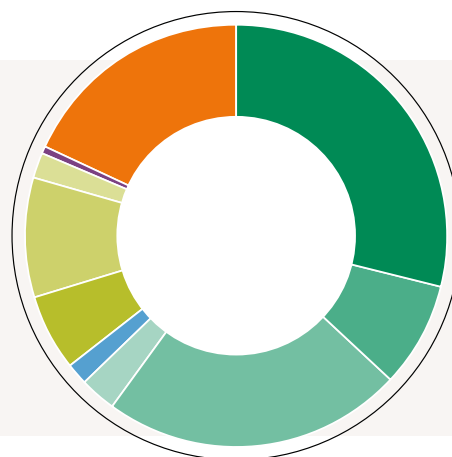
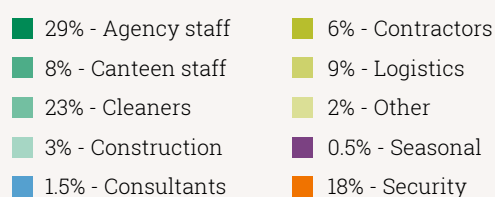
During the year, we conducted a detailed modern slavery review project across our manufacturing sites to better understand the workforce demographics across our operations. Recognising that the risk of modern slavery is likely to be greater during in-direct recruitment of personnel onto our sites, the assessment mapped out part-time, contract, seasonal and short term labour, along with the types of roles third party contractors undertake on our sites. The project then assessed what policies and processes we have for the recruitment of local labour and where potential gaps may be. A headline summary of our manufacturing workforce and the role third party providers contribute is detailed below.

Our workforce and third party service providers

Manufacturing workforce distribution



Third party service providers



The majority of third party service providers are contracted to undertake operational tasks within our manufacturing sites, as detailed in the pie chart above.

All of our manufacturing sites were required to complete a detailed self-assessment which contained questions on policies, local risk, accountability, training, labour sourcing, working conditions, third party workforce, supply chain management, auditing and reporting.

As a result of the self-assessment, every manufacturing site has an objective for financial year 2021 (FY21) to implement action plans, which range from training, policy developments and communication. Progress against action plans will be monitored through a set of modern slavery leading indicators. Each site has nominated an accountable individual to ensure the implementation of the action plan and will report progress to the Manufacturing Leadership Team on a monthly basis. We will report progress against action plans later this year.

> DUE DILIGENCE PROCESSES

We conduct due diligence within our direct operations and supply chain to demonstrate that our policies and processes are being adhered to and to understand where there may be gaps in our controls

DIRECT OPERATIONS

Our direct operations are regularly monitored and are audited using a risk-based approach. Where there is considered a risk, internal audits can include an assessment of labour practices, health and safety procedures in place as well as assessing local employee awareness of and training in the following: Imperial's Code of Conduct; International Marketing Standards; Whistleblowing Policy; and Grievance Policy.

In 2020, we were able to conduct an audit of our factory in Laos just before lockdowns were imposed due to COVID-19. The audit included verification of appropriate controls in place to assure the respect for human rights which included: modern slavery, child labour, forced labour, disciplinary practices, working conditions and whistleblowing. No related concerns were raised.

We continue to monitor and audit our direct operations and as a result of strengthening our processes and awareness of these issues, during the year, through the manufacturing modern slavery self-assessment, one historic instance of labour abuse was identified. One of our sites in Africa reported that in 2018 there was a two month period whereby the local cleaning contractor had withheld payment to cleaning staff contracted to Imperial's site.

As soon as this was brought to local management's attention they investigated the allegation, ensured the staff were compensated and made the required contractual changes. This incident identified the need for better escalation processes within the organisation and this is something we have begun to implement through action plans and communicated to our sites.

To ensure that our due diligence processes continue to adequately mitigate against the risk of modern slavery, during the year our Internal Audit team worked with SFA to develop a modern slavery audit methodology for use in our direct operations and supply chain.

Unfortunately due to COVID-19, audits scheduled for the year were postponed. However we plan to reactivate this work during 2021 when restrictions are lifted and will report any findings in our 2021 statement.



IN 2020, WE WERE ABLE TO CONDUCT AN AUDIT OF OUR FACTORY IN LAOS JUST BEFORE LOCKDOWNS WERE IMPOSED DUE TO COVID-19. THE AUDIT INCLUDED VERIFICATION OF APPROPRIATE CONTROLS IN PLACE TO ASSURE THE RESPECT FOR HUMAN RIGHTS WHICH INCLUDED: MODERN SLAVERY, CHILD LABOUR, FORCED LABOUR, DISCIPLINARY PRACTICES, WORKING CONDITIONS AND WHISTLEBLOWING. NO RELATED CONCERNS WERE RAISED



> DUE DILIGENCE PROCESSES (CONTINUED)

TOBACCO LEAF SUPPLY

Similar to other agricultural industries, the risk of human rights abuses, including child labour and modern slavery is highest in our tobacco growing supply chain. Addressing issues such as child labour and modern slavery require a multi-stakeholder response; no single entity can address issues in isolation.

In collaboration with key stakeholders including the industry, suppliers and NGOs, we use three main avenues to address the issue of child labour:

1

Leaf supplier programme known as the **Sustainable Tobacco Program (STP)**; the Human and Labour Rights section of STP is a critical element for the respect of human rights and is aligned with the relevant ILO conventions and the UN Guiding Principles on Business and Human Rights.

2

Leaf Partnership Projects; working directly with our suppliers to fund projects in tobacco growing communities to help tackle some of the root causes of human and labour rights issues.

3

Our active support of the **Eliminating Child Labour in Tobacco Growing Foundation (ECLT)**, which aims to tackle the root causes of child labour by improving access to education and providing alternatives to childhood working. It also has an advocacy role, raising awareness with governments and communities to galvanise positive action. See [ECLT website](#) for more information.



> DUE DILIGENCE PROCESSES (CONTINUED)

SUSTAINABLE TOBACCO PROGRAMME

All suppliers from whom we source tobacco are required to participate in the industry wide STP. The STP is a framework for continuous improvement and involves an annual self-assessment questionnaire, focused independent reviews and subsequent improvement plans if required.

The STP covers ESG areas and encourages the implementation of good agricultural practices.

The STP contains specific guidance and indicators related to human and labour rights including: whether any children have been employed on farms; questions relating to schooling in terms of access, and adherence to regulation and legislation.

The STP annual assessment 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.

Where a supplier persistently fails to demonstrate how they are managing their ESG responsibilities in a certain sourcing origin, we will consider ceasing to purchase from that sourcing origin. This is a last resort as we prefer to work in partnership to raise standards.

In 2020 we continued to work with the industry to enhance the STP. The STP indicators and guidance were reviewed to better align with the UNGP on Business and Human Rights and the UN Sustainable Development Goals.

The programme has been restructured to better enable the identification of risks and opportunities based on the geographical location of our suppliers. Suppliers are encouraged to provide details on what they are doing to mitigate the risk and maximise positive impact. Suppliers will also provide measures they have in place to determine how successful these interventions are.

This risk-based approach will allow us to better support the suppliers with interventions as well as further enhance our transparency and reporting of our sustainability impacts and practices in our agricultural supply chain.

The STP has been focused into eight themes: Water; Human and Labour Rights; Crop; Climate Change; Livelihoods; Natural Habitats; Soil Health; and Governance. A phased roll out of the questionnaires began in September 2020, we will report on our progress during 2021.



THE PROGRAMME HAS BEEN RESTRUCTURED TO BETTER ENABLE THE IDENTIFICATION OF RISKS AND OPPORTUNITIES BASED ON THE GEOGRAPHICAL LOCATION OF OUR SUPPLIERS. SUPPLIERS ARE ENCOURAGED TO PROVIDE DETAILS ON WHAT THEY ARE DOING TO MITIGATE THE RISK AND MAXIMISE POSITIVE IMPACT



> DUE DILIGENCE PROCESSES (CONTINUED)

NTM AND NGP SUPPLY

The Supplier Qualification Programme is the first screening process for all new NTM and NGP suppliers.

This involves suppliers completing a self-assessment which includes questions on business conduct, environmental management, and labour practices including discrimination, child and forced labour, freedom of association, remuneration, working hours and health and safety.

Once on board, our Internal Audit team undertake a phased cycle of onsite supplier validation audits using a risk-based approach. Internal Audit follow a detailed Supplier Audit Risk and Control Matrix which includes the supplier providing evidence for their management of ESG issues including how the supplier communicates their own Code of Conduct and grievance policies across their operations, how they conduct audits and act on findings and detail on measures to ensure employee health and safety.

All new suppliers or supplier sites are subject to a mandatory audit. This applies to both centrally managed and locally managed suppliers. All our suppliers are required to sign-up to our Code of Conduct.

We have regular meetings throughout the year with all our centrally managed suppliers where any concerns can be raised. We will cease our relationship with a supplier if they continually fail to demonstrate how they are managing their ESG responsibilities..

SERVICES AND GOODS SUPPLY

The SFA identified areas for improvement for our goods and services supply, including facilities management. These suppliers are termed indirect suppliers and do not undergo the supplier qualification programme. Where we have run a tender process, we request the supplier to provide us with policies relevant to the services that they will supply which may include those addressing the labour practices, forced labour and child labour (in the case of service outsourcing or goods manufacture); and we review them as part of the selection process.

For larger service requirements, for example a new outsourced service or a move of service provision to a different geography, or goods manufacture for Imperial, we would typically conduct a site visit as part of the selection process. We do not carry out regular onsite audits of our indirect suppliers; any site visits would be ad-hoc and defined on a case-by-case basis if an area of ESG risk has been identified.

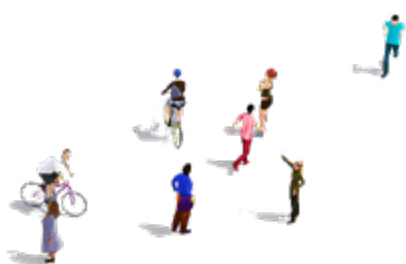
Our contracts do, however, include the right to audit, and the ongoing requirement that the supplier and their subcontractors comply with our Code of Conduct, applicable laws and applicable policies throughout the contract term.

WORKING WITH FACILITIES MANAGEMENT PROVIDERS AT OUR HEAD OFFICE IN THE UK

Facilities management, which can include security work and cleaning staff, was identified by the SFA as an area where the potential for modern slavery is high.

Following the gap analysis conducted by SFA, understanding how global facilities management contracts are developed and managed was identified as a high priority action. In September 2019, we started working in partnership with our UK facilities management providers to better understand the risk and identify areas for improvement.

This work involved onsite audits which were due to be conducted during 2020, however COVID-19 prevented this from happening. We believe this collaboration will prove beneficial in strengthening processes and procedures which can be applied globally to ensure a consistent approach. As such, we are committed to continuing this work once COVID restrictions permit.



> EXTERNAL ALLEGATIONS AND REMEDIATION

We are committed to investigating potential human rights issues identified within our supply chain and direct operations. We take any allegations relating to human rights, including modern slavery, extremely seriously. We engage both internally and with the relevant external stakeholders, which may include suppliers and NGOs to investigate allegations and respond to the issues raised.

ITALY

In May 2019 a national newspaper claimed that Imperial Brands among others were allegedly buying tobacco leaves that could have been picked by exploited African migrants in tobacco fields in the Campania region of Italy. This could have potentially been an incident of modern slavery which we take extremely seriously, and we immediately initiated our own investigation into the claims.

We source a very small amount of tobacco from the Campania region of Italy through a third-party supplier. The volume we purchase typically equates to around 3 per cent of the 50,000 tons produced in the region on an annual basis.

Our supplier in Campania works with tobacco farmers to promote good agricultural labour practices and monitors compliance with the STP by making at least six visits to each farm every growing season. The STP clearly states that there shall be no child labour or forced labour and sets out clear minimum requirements for wages and working hours, amongst other labour-related practices.

During the visits by the supplier to tobacco farmers, at no time has any evidence to support the claims made in the newspaper report been identified. In addition to supplier visits, an independent third-party auditor (AB Sustain) conducts audits to check on compliance with the programme.

Our own Leaf Sustainability Manager visited supplier farms in Italy to further reinforce the good agricultural practices we expect from all the farmers in our supply chain.

MALAWI

In June 2020 Imperial Brands responded to a claimant law firm's allegations of human rights issues in the Malawian tobacco supply chain, which included allegations relating to child and forced labour. Although outside the financial year covered by this statement, in December 2020 a claim was filed in the High Court against Imperial Brands plc and a number of its subsidiaries by a group of tobacco farm workers. We are unable to comment in detail as this is ongoing litigation, which we intend to defend.

> **OUR SUPPLIER IN CAMPANIA WORKS WITH TOBACCO FARMERS TO PROMOTE GOOD AGRICULTURAL LABOUR PRACTICES AND MONITORS COMPLIANCE WITH THE STP BY MAKING AT LEAST SIX VISITS TO EACH FARM EVERY GROWING SEASON**

➤ MODERN SLAVERY TRAINING AND AWARENESS

Our Code of Conduct sets out the responsible behaviours we expect from employees in their dealings with colleagues, customers, consumers, suppliers, agents, intermediaries, advisers, governments and competitors. It also includes our respect for human rights.

Our Code of Conduct is available in over 30 languages and is published in full on our corporate [website](#). Our **Supplier Code**, which is aligned to our Code of Conduct is available in 19 languages. All our employees are required to undertake Code of Conduct training either via an e-learning module or face-to-face training. Code of Conduct training continues to be rolled out to all new employees.

Our modern slavery e-learning course has been developed to support employees in understanding the issue and explaining how to raise concerns on suspected or actual human rights abuses. Since its launch in 2018 the course has been completed by over 8,000 employees. This represents 87% of our priority target population for the course and includes the management group and key personnel from across our business functions. We are actively working to expand the rollout of the training to employees and third parties who may not have access to our online training platform, through face to face training. In 2020, the e-learning course was translated into an additional two languages: Japanese and Czechoslovakian. The e-learning is available in German, Chinese, Dutch, French, Greek, Polish, Russian, Spanish Ukrainian, Japanese and Czechoslovakian.

During the year we continued to train employees on the issue of modern slavery. In addition to the mandatory modern slavery e-learning course we also targeted training workshops to specific functions including Procurement and Leaf Sustainability.

In January 2020 the Procurement Leadership Team took part in Modern Slavery Workshop facilitated by the Slave Free Alliance. During the workshop, our global procurement specialists were provided training on the issue of modern slavery, which included exploring how modern slavery can impact businesses and supply chains, general 'indicators' of modern slavery, relevance to procurement and risk and control measures.

The team was challenged to consider their areas of procurement specialism and how modern slavery could impact the supply chain.

The training has supported the ongoing work to strengthen processes in relation to modern slavery and human rights.



A number of senior managers from various functions including Legal, Procurement, Manufacturing Human Resources and Internal Audit also participated in the six week IEMA qualified 'End Slavery' course led by Ardea International. The course detailed legislative frameworks and how to identify modern slavery risks and impacts; the legal requirements of the Modern Slavery Act (section 54); as well as providing an understanding of how different job functions play an important role in monitoring and implementing processes and systems to combat modern slavery. The cross functional group were asked to explore risk and opportunities in their relevant functions and continue on working together to ensure risks are managed and opportunities realised. During

2021 we will roll this training out to other key functions within Imperial.

To raise employee awareness on the 2020 UK Anti-Slavery Day, we ran a global communication through our Intranet, global news forum and Yammer. This feature provided information on the size of the global issue and details from some of the functions proactively working to strengthen our processes in relation to modern slavery.

We will review our training needs analysis annually to ensure we continue to provide adequate training on modern slavery.

> PROGRESS AGAINST 2020 COMMITMENTS

Commitment	Status		Comment
Develop a global map of our workforce aligned to peak periods of activity in our operations and review the local recruitment policies we have in place for recruiting temporary staff.	✓		The project led to a larger piece of work to ensure a consistent approach to local recruitment and policy provisions. We have developed a set of Modern Slavery Leading indicators which will be rolled out across all manufacturing sites during 2021. <u>See page 11</u>
Better understand the risks associated with global facilities management, by mapping the high-risk areas in this supply chain. Internal audit with the support of SFA, to conduct a pilot audit of facilities management at our UK head office.	 on-going		This work was paused due to COVID-19 restrictions. We will continue this work in 2021 when restrictions are lifted.
Develop a modern slavery audit module to enhance Imperial Brand's capability in identifying risk.	✓		In collaboration with SFA our Internal Audit team have developed a modern slavery audit module. Unfortunately this was not able to be put into practice due to COVID-19 restrictions. Audits will be conducted as soon as restrictions permit and will be reported on accordingly. <u>See page 12</u>
Undertake training needs analysis, identifying target groups of employees and provide them with specific modern slavery training and awareness.	✓		Along with extending the number of languages our e-learning is available in, we also conducted functional specific training and training for cross functional senior management. We will continue to monitor our training needs analysis to ensure adequate training across the Group. <u>See page 17</u>

> PROGRESS AGAINST 2020 COMMITMENTS

(CONTINUED)

Performance Indicator	Unit	Progress	Detail
Reported incidents of modern slavery through our whistleblowing hotline	Number	0	Page 9
Coverage of manufacturing sites completing modern slavery self- assessment	%	100	Page 11
Manufacturing sites self-assessment completion	%	100	Page 11
Completion of the modern slavery e-learning module	%	87	Page 17

> NEXT STEPS IN 2021

We remain committed to strengthening our approach to addressing modern slavery in our operations and supply chain and recognise that this is a continuous, collaborative and evolving process.

Our priorities for 2021 are:

- 1 Complete the facilities management audit in partnership with our UK Facilities Management provider
- 2 Continue to strengthen governance through the formation of the cross-functional Human Rights Compliance Working Group
- 3 Continue to review and develop modern slavery training needs analysis to ensure effective understanding globally
- 4 Roll out 'End Slavery' training course to additional key managers
- 5 Implement an IEMA recognised e-learning on modern slavery risk developed specifically for our manufacturing teams
- 6 Continue working with the industry to develop the Sustainable Tobacco Programme

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