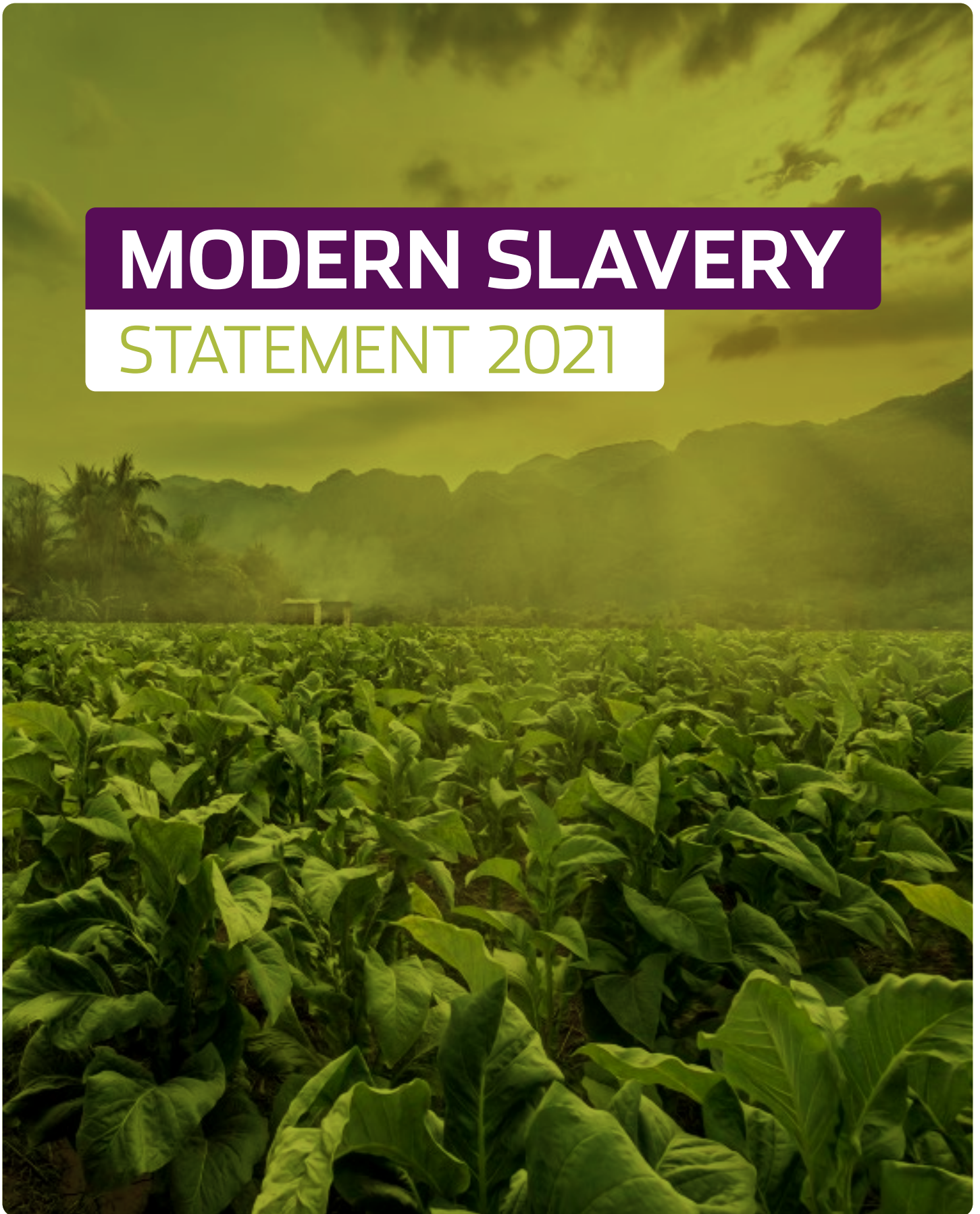


# MODERN SLAVERY

STATEMENT 2021



# MODERN SLAVERY

## STATEMENT 2021

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For more information on our sustainability strategy and detailed approach to human rights please visit: [www.imperialbrandsplc.com/sustainability](http://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 2021, to understand potential modern slavery risks related to our business and supply chains and describes measures taken to address this risk.

This is the sixth statement we have produced, previous statements can be accessed on our corporate website.

# OUR COMMITMENT

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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 guidance<sup>1</sup>, 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, which I chair.

Human rights, which includes modern slavery, is one of our top five priority ESG issues along with: consumer health, climate and energy, farmer livelihoods and welfare, and waste. Our sustainability strategy sets clear aims for each of 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 against our sustainability strategy is detailed within the Annual Report and Accounts, our corporate website and within our Performance Summary. Our focus in 2021 was to strengthen our human rights due diligence framework and embed human rights awareness across functions within the business.

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 2020 – September 30th 2021. The statement was approved by the Board of Directors on 01/02/2022 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.imperialbrandspc.com/sustainability](https://www.imperialbrandspc.com/sustainability)

<sup>1</sup> <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

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.



# OUR BUSINESS AND SUPPLY CHAINS

## OUR BUSINESS

In January 2021, Chief Executive Stefan Bomhard and members of the executive team outlined a new strategy to transform Imperial Brands and create long-term value. Our strategic approach is being supported by changes to our culture and ways of working that will place the consumer at the centre of our global business. Over time, our new strategic plan will deliver a stronger and more consistent performance in both conventional tobacco products and next generation products (NGP).

Our sustainability strategy and ESG priorities, including modern slavery, 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. 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, 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.

[www.itgbrands.com](http://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.

[www.fontemventures.com](http://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.

[www.grupologista.com](http://www.grupologista.com)



## LOGISTA

Logista's respect for Human Rights (which includes modern slavery) is explicitly set out in Logista's Code of Conduct and General Principles of Conduct for suppliers. 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 International Bill of Human Rights, the principles and guidance contained within the United Nations Guiding Principles (UNGP) on Business and Human Rights and the European Social Charter are also upheld.

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 in order to

support them in reporting suspected human rights issues.

All reports received are investigated by the Compliance Committee, which reports to the Audit and Control Committee in every meeting 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 2021 financial year (as was the case in 2020), 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 SUPPLY CHAINS

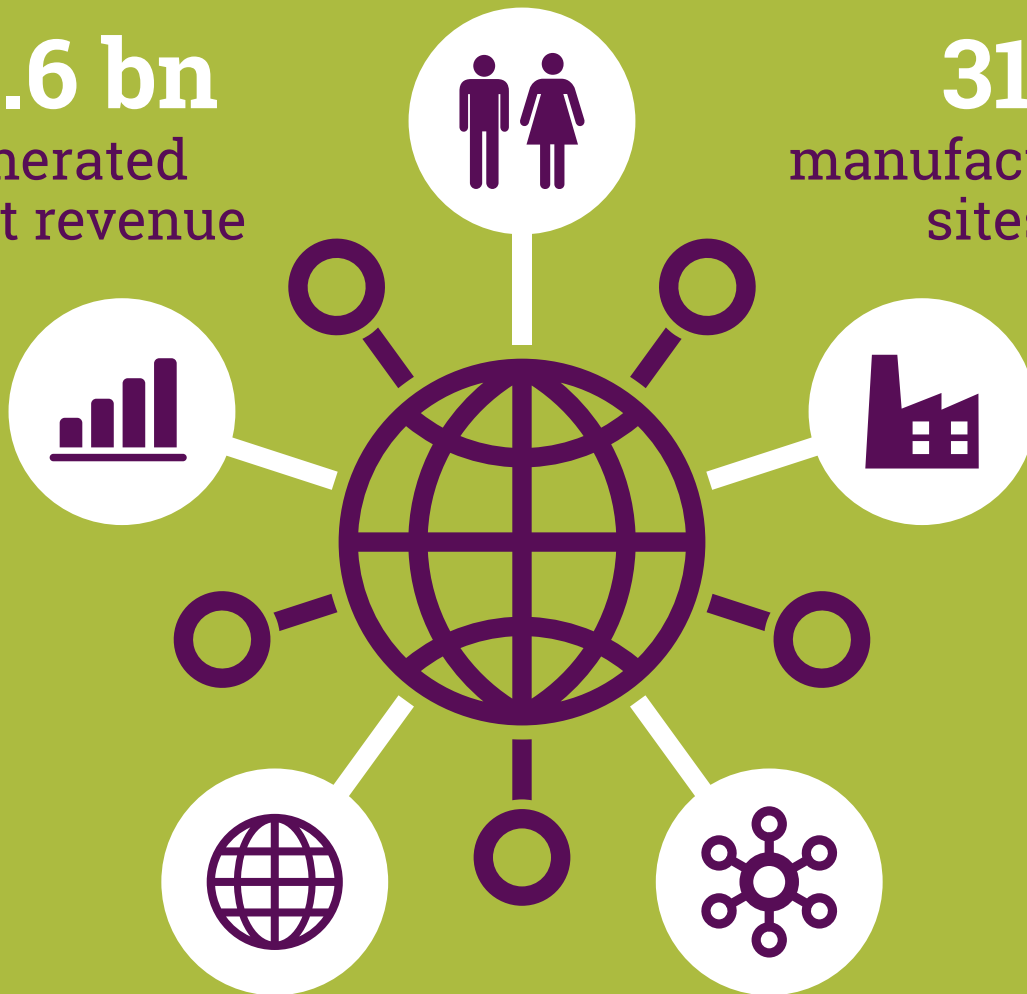
## OUR BUSINESS AND WORKFORCE IN 2021

**27,700**

employees worldwide

**£7.6 bn**  
generated  
in net revenue

**31**  
manufacturing  
sites



**120**  
markets  
worldwide  
selling our  
products

**160**  
brands in  
our portfolio

# OUR BUSINESS AND SUPPLY CHAINS

## SUPPORTING EMPLOYEES, SUPPLIERS AND COMMUNITIES THROUGH THE ONGOING COVID-19 PANDEMIC



The Board has remained fully engaged in the Group's response to the pandemic, with the health and safety of our people being our first priority, followed by a focus on sustaining business performance. The Group's response has been an important agenda item at formal Board meetings and the Board listening event as part of our informal engagement.

The Board has remained fully engaged in the Group's response to the pandemic, with the health and safety of our people being our first priority, followed by a focus on sustaining business performance. The Group's response has been an important agenda item at formal Board meetings and the Board listening event as part of our informal engagement.

Our operations benefit from a diversified supply chain and factory footprint, which has had to respond to rapid changes in demand and operating conditions. During the year we reviewed the risk of COVID to suppliers, to ensure continuity of supply, we have reviewed learnings from COVID and incorporated into business processes. We have 31 factories and it is a credit to our manufacturing teams that 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 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. From 2020, some of our Leaf Partnership funds were diverted to support tobacco farming communities during the COVID pandemic. By working with our suppliers in India, Malawi, Mozambique, Indonesia and Philippines we have been able to support projects such as after school programmes that include providing safe playgrounds, vocational projects, and provided school kitchens to promote school attendance, which is an important factor in reducing the risk of modern slavery. We will continue to work with suppliers on these projects throughout the COVID pandemic.



For further information see Annual Report and Accounts 2021 and for the latest information on our response to COVID-19, visit our website: [www.imperialbrandsplc.com/about-us/covid-19](http://www.imperialbrandsplc.com/about-us/covid-19)

# OUR BUSINESS AND SUPPLY CHAINS

## 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 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.**

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 pride in working with our suppliers to advance good agricultural practices and are committed to purchasing tobacco from socially and environmentally responsible suppliers.

All our tobacco suppliers are expected to participate in the Sustainable Tobacco Programme (STP). The STP is a framework for continuous improvement and has been designed to enable our suppliers to report on the steps they are taking to produce a sustainable quality supply of tobacco leaf. The STP has been restructured to identify risks and opportunities based on the geographical location of our suppliers. The STP requests that suppliers focus on priority areas, and requires suppliers to provide details of actions they take in relation to these priorities and the measures they put in place to assess effectiveness of any interventions. This risk-based approach allows us to better support suppliers and further enhances transparency and the reporting of sustainability impacts and practices in our agricultural supply chain.

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, Spain, 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 2021, we purchased more than 160,000 tonnes of tobacco leaf from 33 countries around the world. In the last five years or so we have rationalised our supplier base and consider it to be very stable.

**c.160,000**

tonnes of tobacco leaf  
purchased from 33 countries



### NON-TOBACCO MATERIALS SUPPLY

The non-tobacco materials (NTM) we buy directly include paper, filters, glue and ingredients for cigarette products. The components that go into making NGP, 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. Year-on-year we consolidate the number of suppliers where we can to better enable oversight and control over the supply chain.

In 2021, we had 325 direct material suppliers, 70 of which are managed centrally by our global procurement team and 171 managed by our local procurement teams. Of our direct material supplier base, approximately 85% of our main spend is with 21 suppliers.

**c.16,000**

suppliers on our approved  
direct and indirect supplier list



# GOVERNANCE AND POLICIES

As a global business we recognise the role we have in promoting respect for human rights, including the prevention of modern slavery.

# GOVERNANCE AND POLICIES



The governance structure for our environmental, social and governance (ESG) responsibilities includes our ESG Steering Committee, previously chaired by the Chair of Imperial Brands. The ESG Steering Committee was reconfigured in October 2021 and will be chaired by the Group CEO.

During 2021, the ESG committee endorsed the formation of the Human Rights Compliance Working Group (HRCWG) to strengthen the human rights due diligence framework. The human rights risk appetite statement was presented to the committee by the Director of Assurance and Risk. This was endorsed by the committee and later in the year, by the Board.

## POLICIES

As a global business we recognise the role we have in promoting respect for human rights, including the prevention of modern slavery. 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.

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 Nations Guiding Principles on Business (UNGP) and Human Rights.

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 employees, directors and officers of Imperial Brands companies, including temporary and contract staff. In 2021, we conducted an expert review of our policy, we are currently implementing recommendations to increase alignment with international standards such as the UNGPs, and the ILO Conventions.

Through our procurement processes, suppliers are required to comply with our Supplier Code. We only select suppliers who demonstrate that they can operate within our standards and Code. We expect our suppliers to ensure that their business partners meet the same standards.

Compliance to our Code and Supplier Code is monitored through the due diligence processes outlined on page 12.

## 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

As a global business we recognise the role and influence we have in promoting respect for human rights across our business and supply chains



# GOVERNANCE AND POLICIES



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Compliance to our Code and Supplier Code is monitored through the due diligence processes outlined on page 12.

## SPEAKING-UP

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

In 2021 we launched a new Speaking Up platform, which is available to employees and other stakeholders, including suppliers and farmers. The platform offers a wide range of reporting routes and supports anonymous reporting and feedback.

We also updated our Speaking Up policy to align to the new process and the policy has been made available both internally and on the Governance page of our website. Internal processes, including procurement and human resources, are also aligned to the new Speaking Up process.

We take any allegations relating to human rights extremely seriously. We engage internally and externally with the relevant stakeholders, which may include suppliers and NGOs to investigate allegations and respond to the issues raised.

During the year we also took steps to enhance our Speaking Up investigations process with emphasis on farming communities. The Group's Audit Committee is routinely provided with updates on our Speaking Up incidents and the operation of our Speaking Up process, which was relaunched on 1 November 2020. If incidents are material they are also reported to the Board.

Issues raised during our 2021 financial year included allegations of mistreatment of employees, claims of unfair treatment or wrongful termination, allegations of unprofessional behaviour, pay concerns, and misuse of company property. Our People and Culture teams managed a number of these issues, whilst other more complex incidents were managed by the Company Secretary, with investigation support and advice provided by members of Finance, Group Security, Group Legal, People and Culture and Internal Audit. The anonymity of the individual making the complaint was maintained at all times.

In 2021, there was one issue raised relating to human rights through whistleblowing procedures. This concern related to the provenance of cotton used in the production of some of our NGP products. The concern was thoroughly investigated using established internal procedures and - where required - with the support of expert external legal advisers.

Specifically, we investigated the allegation of whether cotton from the Xinjiang region of China was being used. Whilst we were unable to confirm if cotton from Xinjiang was being used, given the possibility, we amended our agreement with the supplier with the effect that cotton sourced for our products is sourced from outside of the Xinjiang region. We have also required our supplier to place this same obligation on each of their sub-suppliers.

During the year, there were no confirmed incidents of modern slavery or forced labour identified through our whistleblowing procedures or grievance mechanisms. We recognise that whilst no incidents were identified (through these mechanisms) this does not mean issues do not potentially exist. 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:

<https://www.imperialbrandsplc.com/sustainability/download-documents.html>



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

Our ongoing commitment to human rights includes a desire to make a positive impact within our suppliers tobacco growing communities. The key tool used is the Sustainable Tobacco Programme (STP).



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



Our ongoing commitment to human rights includes a desire to make a positive impact within our suppliers tobacco growing communities. The key tool used is the Sustainable Tobacco Programme (STP).

This is enhanced through in-country audits by our leaf team to contribute to the identification of priority issues. We also undertake Supply Chain Impact Assessments, which are conducted in partnership with our tobacco leaf suppliers within a number of tobacco growing communities from which we source tobacco leaf. These assessments will enable us to: understand the priority human rights in our global supply chains; strengthen policy commitments and standards; and take actions to increase the positive impact that both we and our suppliers are having in their supply chains. We aim to share key steps taken to address some of the priority impacts from these assessments in 2022.

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 2021, SFA supported the audit of some of our suppliers to help strengthen our internal auditing procedures.

Our management teams are currently undergoing in-depth accredited training on modern slavery and human rights. To date we have trained 18 key managers across the business.

## MODERN SLAVERY SELF-ASSESSMENTS

Building on the modern slavery review project conducted across our manufacturing sites in 2020, we have mapped out the modern slavery workforce risks and potential areas of concern for our Global Supply Chain (GSC) operations. This included owned factories distribution centres and ITG Brands operations management.

Using a self-assessment questionnaire for 21 leading indicators aligned to the manufacturing system methodology, we have assessed the baseline to establish stretching targets with an ambition for all sites to be 100% compliant in our 2022 financial year. Each site has created its own action plan and commitment, and data is reported every month in our Non-Financial Reporting (NFR) system and subsequently reported across the Group. The leading indicators are tracked and monitored via self-assessments and internal audits across the site against our Modern Slavery Standard which was developed to support the local teams on the further development of this agenda. We will conduct an audit of all sites in financial years 2022-2023.





# DUE DILIGENCE PROCESSES

Our focus in 2021 was to strengthen our due diligence framework and embed the awareness of responsibility for human rights across all functions within the business.



# DUE DILIGENCE PROCESSES



Our focus in 2021 was to strengthen our due diligence framework and embed the awareness of responsibility for human rights across all functions within the business.

## We have:

- Strengthened governance through the formation of a cross-functional Human Rights Compliance Working Group. Membership of the group includes representatives from Group Legal, Governance, Internal Audit, Leaf Sustainability, Procurement, Global Supply Chain (GSC), Sustainability and People and Culture. One of the key achievements of this group was to strengthen the Human Rights Due Diligence Framework for the business.
- Conducted a review and benchmark of all key policies that address human rights issues to identify areas for improvement.
- Developed a central register to capture global human rights reporting and due diligence requirements.
- Assessed employee training needs, and provided in-depth training to key personnel across the business via an accredited online course delivered by a third party.

In 2020, we were able to conduct an audit of our factory in Laos. The audit included verification of appropriate controls to assure respect for human rights which included: modern slavery, child labour, forced labour, disciplinary practices, working conditions and whistleblowing. No related concerns were raised. We were unable to conduct audits in 2021 due to travel restrictions.



## OUR OPERATIONS

Our Internal Audit function take a risk-based approach to identify activity to audit. Working with the Slave Free Alliance (SFA), we identified that Facilities Management is deemed as high risk of potential instances of modern slavery.

Working with the SFA, we developed an approach to audit anti-modern slavery controls, a pilot audit was conducted with our UK facilities management provider. The pilot audit was due to take place in 2020, but was postponed to July 2021 due to COVID.

The audit conducted in collaboration with a subject matter expert from the SFA, included interviews with both the service provider personnel and a selection of its outsourced services suppliers in the areas of catering, cleaning, security, and waste management. Shopfloor interviews were also conducted in order to gain a better understanding of how the supply chain anti-modern slavery controls were being applied at the worker-level, and to identify any potential modern slavery issues.

There was no evidence of modern slavery taking place during the supplier assessment or within any of their suppliers. However, we identified control improvements in the supply chain, such as development of a formal supplier-side 'Slavery Escalation Process' to ensure their employees know what to do if a potential instance of modern slavery was detected. This is critical to safeguard any suspected victim.

The piloted audit approach is now being deployed with other third parties and within our own operations.

Our operations are regularly monitored and are audited using a risk-based approach. Where a risk is identified, 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.

# DUE DILIGENCE PROCESSES

## TOBACCO LEAF SUPPLY

We wish to make a positive impact within our suppliers' tobacco growing communities and are working in partnership with our leaf suppliers to identify any issues within tobacco growing communities. We will use Supply Chain Impact Assessments, conducted in collaboration with our suppliers which enable us to focus on local priorities, strengthening policy commitments and standards in order to increase the positive impact of our actions. We will share key steps being taken to address some of the priority impacts from these assessments in 2022.

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 seek to address the risk of child labour through three main avenues:**

**1**

An industry-wide leaf supplier programme known as the Sustainable Tobacco Program (STP). STP

is a project in which some of the largest tobacco manufacturers collaborate to create a single sustainability goal for the tobacco industry. 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 core conventions and the principles and guidance contained within other external frameworks such as the UNGP 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. This is predominately to support farmer livelihoods and welfare, and assist rural communities from where we source tobacco.



**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

## SUSTAINABLE TOBACCO PROGRAMME

In 2021 we continued to work with the industry to enhance the STP and have embedded a due diligence process to identify, prioritize, respond, measure and report on the work we and our suppliers do as part of a continual process to improve human rights and environmental impact.

Through cross-industry dialogue and a continual improvement cycle, 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.

All suppliers from whom we source tobacco are expected to participate in the STP. STP is independently managed on behalf of the participants by a Secretariat and is a framework for continuous improvement. Using an independent IT platform, the Secretariat gathers certain data from suppliers by way of an annual self-assessment questionnaire. Focused independent reviews will be undertaken following validation and verification of the data, and subsequent improvement plans will be requested from suppliers if required.

Through the STP, independent third parties will support the validation and measurement of the programmes and interventions which are in place in our supply chains. We will complement this process with in-country verifications carried out by our leaf team and third parties. In addition to this, we are working with independent partners and engaging with experts in human rights to increase our collective understanding of the issues faced in tobacco-growing communities.

The STP contains specific guidance for suppliers and indicators related to child labour, including working to gain an understanding of whether any children have been employed on farms, have access to schooling, 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 environmental, social and governance responsibilities in a certain sourcing origin, we will consider ceasing purchase from that sourcing origin.

In 2021 the STP indicators and guidance were reviewed to better align with external frameworks such as the UNGP on Business and Human Rights and the UN Sustainable Development Goals.

The programme has been developed to better enable the identification of risks and opportunities based on the geographical location of our suppliers. This risk-based approach will allow us to support suppliers with initiatives that further enhance transparency and reporting of sustainability impacts.





# DUE DILIGENCE PROCESSES

## 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

Our indirect suppliers of goods and services, including facilities management do not undergo the supplier qualification programme. Where we have run a tender process, we request the supplier provides copies of policies relevant to the services that they supply, which may include those addressing the labour practices, forced labour and child labour (in the case of service outsourcing or goods manufacture). We review the policies 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.

**In 2021, we identified how to strengthen our approach to sustainable procurement by determining the inherent risk of certain non-tobacco material suppliers. This will lay the foundation for the intended roll out of a self-assessment due diligence programme during 2022.**



## 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.

# 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 pursue multi-stakeholder initiatives, including an industry-wide sustainable tobacco programme which is aligned to the UN Guiding Principles, and engage both internally and with any relevant external stakeholders, which may include suppliers and NGOs, to investigate allegations and respond to any issues identified.



## 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. In December 2020, a claim was filed in the UK High Court against Imperial Brands plc, Imperial Tobacco Limited and four of its subsidiaries by a group of tobacco farm workers. Imperial is vigorously defending the claim. As this is an ongoing litigation, we are unable to comment further.



# MODERN SLAVERY TRAINING AND AWARENESS

Our modern slavery e-learning course has been developed to support employees understand the issue and explain how to raise concerns on suspected or actual human rights abuses. The program is available in 15 languages.

# MODERN SLAVERY TRAINING AND AWARENESS



Our Code of Conduct is embedded throughout Imperial Brands and drives our responsible approach. It is aligned with the policies, internal controls and risk management processes that underpin our strategy. It also includes our respect for human rights.

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. The Code 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, we have a rolling training programme to ensure ongoing engagement with the Code of Conduct throughout the business, including e-learning courses and face-to-face sessions. Code of Conduct e-learning continues to be accessible via an onboarding portal.

Since its launch in 2018 the course has been completed by 93% of our priority target population 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 2021 we translated our modern slavery e-learning course into a further three languages: Russian, Laotian and Portuguese.

Our modern slavery e-learning course has been developed to support employees understand the issue and explain how to raise concerns on suspected or actual human rights abuses. The program is available in 15 languages including English, German, Chinese, Dutch, French, Greek, Polish, Russian, Spanish Ukrainian, Japanese, Czech, Russian, Laotian and Portuguese. An exercise carried out in Laos and Madagascar has delivered the course in classrooms to 450 people that do not have access to computers, including farmers.

Training on sustainable practices and human rights for our leaf team and directly contracted farmers is an ongoing process. This is mirrored with the vast majority of our key suppliers who provide training to farmers across the growing season, focusing on peak growing periods. A range of methods are used, such as posters, handbooks, storytelling and kits to help land key messages.

In 2021, having assessed employee training needs, working with a specialist third-party service provider we provided training to key personnel in our manufacturing teams entitled "Introductory course: Combatting Forced Labour and Modern Slavery in Business and Supply Chains". In addition, to date, we have also trained 18 key managers across the business, participating in an accredited online course run by an expert third party.

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

We continue to raise employee awareness on the 2021 UK Anti-Slavery Day via global communication through our Intranet, global news forum and our internal communication platform, Yammer.

**Our modern slavery e-learning course has been developed to support employees understand the issue and explain how to raise concerns on suspected or actual human rights abuses.**



# PROGRESS AGAINST 2021 COMMITMENTS

We have made progress this year, particularly through strengthening our governance and human rights due diligence framework and we continue to provide modern slavery training across all functions of the business.





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COMMITMENT	STATUS	COMMENT
Complete the facilities management audit in partnership with our UK Facilities Management provider	Complete 	Audit successfully completed. There was no evidence of modern slavery taking place during the supplier assessment or within any of their suppliers. <b>See page 13</b>
Continue to strengthen governance through the formation of the cross-functional Human Rights Compliance Working Group	Complete 	Cross-functional Human Rights Compliance Working Group established. <b>See page 13</b>
Continue to review and develop modern slavery training needs analysis to ensure effective understanding globally	Ongoing 	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. <b>See page 18</b>
Roll out 'End Slavery' training course to additional key managers	Complete 	To date we have trained 18 key managers across the business, participating in an accredited online course run by an expert third party. <b>See page 18</b>
Implement an IEMA recognised e-learning on modern slavery risk developed specifically for our manufacturing teams	Complete 	Training provided to key personnel in manufacturing. <b>See page 18</b>
Continue working with the industry to develop the Sustainable Tobacco Programme (STP)	Ongoing 	Through the STP, independent third parties will support in the validation and measurement of the programs and interventions that are in place in our supply chains and we are committed to reporting on these. <b>See page 15</b>
To report on the completion rate of the modern slavery e-learning module	Completion rate: 	Since its launch in 2018 the course has been completed by 93% of our priority target population and includes the management group and key personnel from across our business functions. <b>See page 18</b>
To report on the allegations of modern slavery or forced labour through our whistleblowing procedures or grievance mechanisms		During the year, one potentially relevant concern was made through our whistleblowing procedures or grievance mechanisms. <b>See page 10</b>
To report on the incidents of modern slavery or forced labour identified through our whistleblowing procedures or grievance mechanisms		During the year, no confirmed incidents of modern slavery or forced labour were identified through our whistleblowing procedures or grievance mechanisms. <b>See page 10</b>

## NEXT STEPS IN 2022

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.

# NEXT STEPS IN 2022



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 2022 are:

**Appoint a dedicated expert Human Rights Manager** to oversee and manage human rights issues across our operations and supply chains.



**Strengthen our approach to sustainable procurement** by determining the inherent risk of certain non-tobacco material suppliers in order to roll-out a self-assessment due diligence programme.



**Conduct an audit** of our facilities management supplier across Europe sites, using the anti-modern slavery control module.



**Continue with monitoring human rights** leading indicators in our operations and report on the number of audits completed.



**Report on key actions** being taken to prevent and address any human rights related issues arising within our supply chain, whether this information comes through from our own assessments, the industry-wide Sustainable Tobacco Programme or from independently commissioned Impact Assessments being conducted within tobacco growing communities.



**Continue to review and develop modern slavery training** needs analysis to ensure effective understanding globally.



**Manufacturing sites to update modern slavery self-assessments** (last assessment completed in 2020).





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