

# MODERN SLAVERY AND HUMAN TRAFFICKING

STATEMENT 2022



# MODERN SLAVERY

## STATEMENT 2022

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For more information on our ESG strategy and detailed approach to human rights, please visit: [www.imperialbrandspc.com/healthier-futures/our-esg-strategy](https://www.imperialbrandspc.com/healthier-futures/our-esg-strategy)

This statement sets out the steps taken by Imperial Brands PLC and its subsidiaries during the financial year ending 30 September 2022 to understand potential modern slavery risks related to our business and supply chains and describes measures taken to address this risk.

This is the seventh 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 the 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 of Conduct and Human Rights Policy. These documents set out the foundations for our approach to human rights, which all our employees, suppliers and

business partners are expected to adhere to. The Board has oversight of our ESG (environmental, social and governance) agenda, supported by a cross-functional ESG Committee, which I chair.

Human rights, which includes modern slavery, is one of our eight priority ESG issues.

To read about the other priority areas here:

[www.imperialbrandsplc.com/healthier-futures/our-esg-strategy](http://www.imperialbrandsplc.com/healthier-futures/our-esg-strategy).

Our ESG strategy sets clear aims for each of these issues and is aligned with the United Nations (UN) Sustainable Development Goals (SDGs), which aim to have a transformational impact on the world by 2030. Our performance against our ESG strategy is detailed within the Annual Report and Accounts, our corporate website, and our Performance Summary.

Our focus in 2022 was to continue strengthening our human rights due diligence framework and embedding human rights awareness across functions within the business, including our Speak Up channels. In addition, we revisited the human rights risks we viewed as salient to ensure they were up to date for our priority locations.

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, 2021 – September 30th, 2022. The statement was approved by the Board of Directors on 31/01/2023 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/healthier-futures/our-esg-strategy](http://www.imperialbrandsplc.com/healthier-futures/our-esg-strategy)

<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 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, 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 cigarettes 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 the leading distributor to proximity retailers in Southern Europe, serving around 200,000 points of sale across Spain, France, Italy, and Portugal. In addition, Logista distributes to wholesalers in Poland. It 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 reflect the provisions of the International Labour Organisation (ILO)'s fundamental conventions on freedom of association and the right to collective bargaining, along with the International Bill of Human Rights; the principles and guidance contained within the UN Guiding Principles (UNGPs) on Business and Human Rights; and the European Social Charter.

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 2022 financial year (as was the case in 2021), Logista did not receive any reports of incidents relating to respect for freedom of association and the right to collective bargaining, job discrimination, forced or child 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

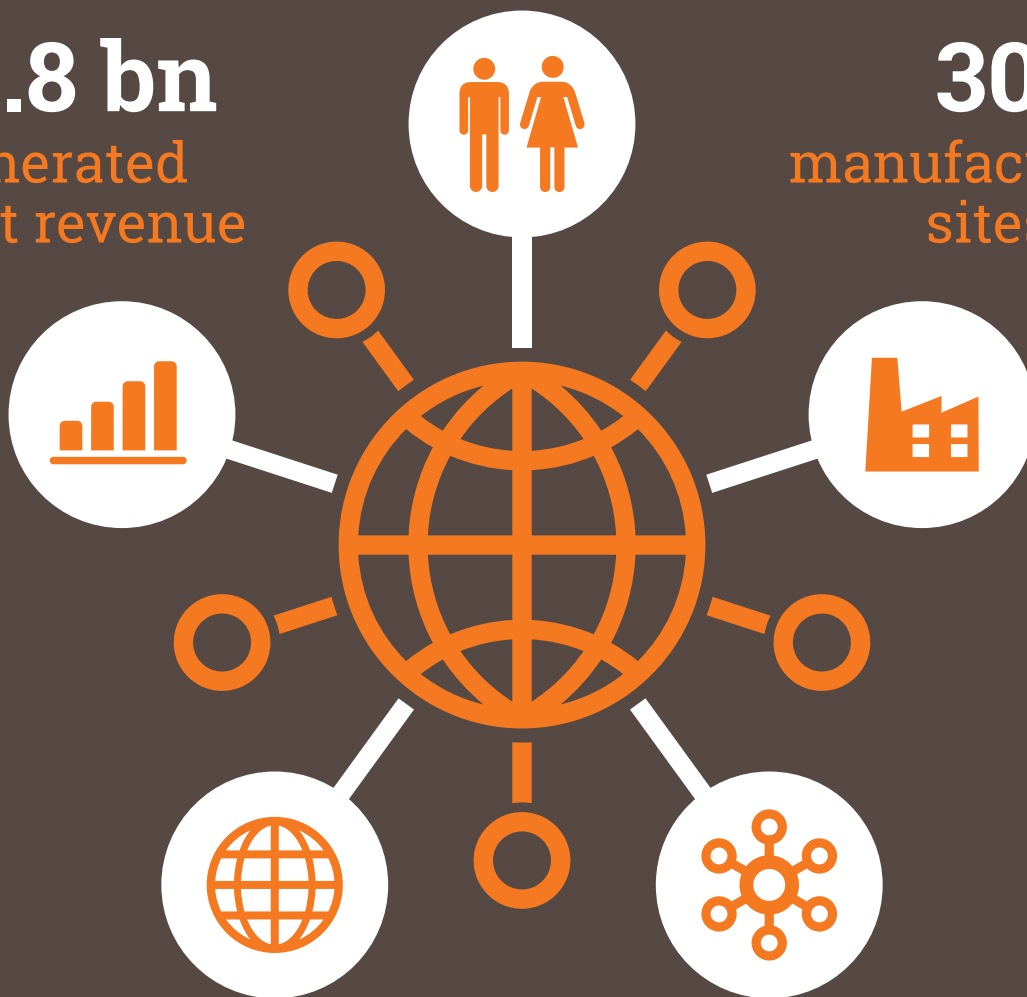
## OUR BUSINESS AND WORKFORCE IN 2022

**26,000**

employees worldwide

**£7.8 bn**  
generated  
in net revenue

**30**  
manufacturing  
sites



**120**  
markets  
worldwide  
selling our  
products

**160**  
brands in  
our portfolio

# 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. Our respect for human rights is reflected in our requirements for supplier standards, business conduct and employment practices. Our Supplier Code of Conduct, 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. We are committed to working with our suppliers and business partners to improve supply chain standards. In 2022 we updated our Supplier Code of Conduct in order to reinforce our human rights and environmental commitments with our suppliers.**

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.

We source tobacco globally, primarily through large international tobacco merchants. We have a global sourcing footprint, which covers Africa, the 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 directly contracted growers in Madagascar and Laos and from vertically integrated farms in Madagascar.

In 2022, we purchased more than 148,000 tonnes of tobacco leaf from 33 countries around the world. During the last years, we have rationalised our supplier base and consider it to be very stable.

c.148,000 tonnes of tobacco leaf purchased from 33 countries

In 2022, 96% of our suppliers participated in the STP. The STP includes a human rights module and specifically references guidance on modern slavery.

**c.148,000**

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 the 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 2022, we had 241 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.

We have approximately 15,000 suppliers on our approved direct and indirect supplier list.

**c.15,000**

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 Committee, chaired by the Group CEO.

In 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 of Conduct. These documents set out the foundations to our approach to human rights, which all our employees, suppliers and business partners are expected to adhere to. We comply with applicable human rights laws, and where local law is less stringent, our Human Rights Policy takes precedence.

Our Human Rights Policy and approach are guided by international human rights principles in line with the International Bill of Human Rights, the ILO's core conventions, and the principles and guidance contained within the UN Guiding Principles (UNGP) on Business 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 to increase alignment with international standards such as the UNGPs, and the ILO Conventions. As a result, in 2022, we refreshed our Human Rights Policy in the spirit and ambition of our new ESG Strategy. As part of that work, we acted on feedback from a number of external agencies and internal stakeholders. The resultant Policy lays a foundation for future improvements. We aim to review the Policy annually to ensure it reflects new trends and developments and renews its ambitions regarding respecting and promoting human rights. Our Human Rights Policy is informed by and aligned with the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and core conventions, as well as the principles contained within the UNGPs, the OECD Guidelines for Responsible Business and the UNSDGs.

Through our procurement processes, suppliers are required to comply with our Supplier Code of Conduct. 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. We are updating our Supplier Code of Conduct, which will reinforce our commitment to conducting our business ethically and respecting and promoting human rights and the environment.

Compliance with our Code of Conduct and Supplier Code of Conduct is monitored through the due diligence processes outlined on [page 14](#).

## 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



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 to increase alignment with international standards such as the UNGPs, and the ILO Conventions. Our Human Rights Policy was updated in 2022 and the subsequent review of our Supplier Code of Conduct and Speaking Up Policy are currently underway.

Through our procurement processes, suppliers are required to comply with our Supplier Code of Conduct. 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 with our Code and Supplier Code of Conduct is monitored through the due diligence processes outlined on [page 14](#).

## 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 77 countries, and supports reporting in 39 different languages.

Our Speaking Up platform is now established and is available both to our employees and to other stakeholders, including suppliers and farmers. The platform offers a wide range of reporting routes and supports anonymous reporting and feedback. We have an aligned internal Speaking Up Policy.

We take our responsibility to investigate any potential modern slavery concerns extremely seriously. Accordingly, we have robust monitoring processes in place which are designed to help identify and mitigate the presence of modern slavery in our supply chains. Our investigation processes include thorough consideration of modern slavery concerns which are reported – whether through our own review, third-party assessment or through established reporting and speaking-up channels. Of the issues raised during 2022, we identified six potential instances where modern slavery reporting required further investigation. Five of the six investigations have concluded and have been found not to involve modern slavery concerns. The sixth, raised at the end of the financial year, continues to be investigated.

We recognise that whilst no incidents of modern slavery were confirmed, the complex nature of our supply chain and some of the difficult environments in which we operate mean that issues may exist. Accordingly, we continue to review and consider our approach to identifying and addressing modern slavery in our supply chain on an ongoing basis.

During the year 2021, we took steps to enhance our Speaking Up investigations process with an 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.

## SPEAKING UP



There are several ways for our employees to raise concerns, including via their people manager and local People and Culture team.

Employees and third parties can also raise a concern anonymously or independently through an automated Confidential Reporting System, which can be accessed via a QR code. There is also a local toll-free line, and 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 ESG-related topics

please visit our website:

[www.imperialbrandsplc.com/healthier-futures](http://www.imperialbrandsplc.com/healthier-futures)

We recognise that whilst no incidents were identified (through our whistleblowing procedure), 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.

## THE IMPORTANCE OF ASKING FOR HELP AND SPEAKING UP

We take any allegations relating to human rights extremely seriously. We believe that by sharing our opinions and concerns, we can innovate, improve, and become more effective as an organisation. We can reduce risks and resolve issues by telling people about unsafe conditions or improper behaviour to create a better, safer workplace. Besides our independently run Speaking Up platform, there are other ways to raise concerns. For example, concerns about a breach of the law, our Code of Conduct or any other policy can be raised by employees speaking to people managers, the People and Culture team, the Governance team, Legal Counsel or Group Legal or the Company Secretary.

We established a Modern Slavery Working Group to effectively escalate any concerns of modern slavery. We have utilised this working group to review our existing escalation process to identify potential areas of improvement.

# 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).

The STP aims to have a positive human rights impact in tobacco-growing communities and all tobacco leaf suppliers are expected to participate. It is an independently managed framework which works by providing us with visibility over our supply chain in two ways. First, by empowering our suppliers to report on the actions they are taking to address any risks identified. Second, by verifying these actions both remotely and in the field (the latter on a risk-based approach). We use this information to design our response to support our suppliers in taking effective action, through action plans. We maintain a dialogue with suppliers on their action plan progress and provide support through Leaf Partnerships to enhance long-term projects and initiatives. Through Leaf Partnerships, we work directly with suppliers to fund identified projects on a risk-based approach and support their impact in tobacco-growing communities.

The STP 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 enable us to: understand the challenges to 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 are 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 2022, SFA supported the audit of some of our suppliers to help strengthen our internal auditing procedures.

In 2021, 18 key managers participated in in-depth training on modern slavery and human rights. To complement our training efforts, in 2022, we have created a brand new ESG digital awareness programme. Its human rights module elaborates on how to spot potential signs of modern slavery and report concerns effectively. We will also develop materials for offline workers.

## MODERN SLAVERY SELF-ASSESSMENTS

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

We used a self-assessment questionnaire for 21 modern slavery leading indicators to assess our baseline. Our ambition was for all sites to be 100% compliant with them in our 2022 financial year. By the end of the reporting period, data revealed we had achieved 96%. We learned from this exercise that improvements could be made in the clarity of the self-assessment questionnaire and there were practical challenges gathering data from some manufacturing sites. Going forward, each site will tailor its own action plan to assist us in reaching our 100% goal.

The output from the self-assessment questionnaires is captured in our Non-Financial Reporting (NFR) system and reported across the Group. They are tracked and monitored via self-assessments, which are verified in internal audits across the sites against our internal document 'Manufacturing Standard: Modern Slavery', which was developed to support the local teams. Additionally, during 2022, all manufacturing sites were requested to update their responses for a longer questionnaire. The rationale behind this was to capture a fresh picture of the progress and maturity of our sites against our modern slavery commitments.



## DUE DILIGENCE PROCESSES

Our focus in 2022 was to continue strengthening our human rights due diligence processes to identify, prevent, and mitigate human rights risks, which are aligned to international frameworks and legislation, and embedding human rights awareness across functions within the business.

# DUE DILIGENCE PROCESSES



Our focus in 2022 was to continue strengthening our human rights due diligence processes to identify, prevent, and mitigate human rights risks, which are aligned to international frameworks and legislation, and embedding human rights awareness across functions within the business.

## WE HAVE:

- Strengthened our human rights due diligence processes by conducting anti-modern slavery audits in our European facilities management service provider in Germany, and a manufacturing site in Poland. An additional human rights audit was piloted for a tobacco leaf supplier in the Philippines. Learnings have been captured and actioned to strengthen our global approach.
- Updated modern slavery self-assessments in all manufacturing sites. These findings will inform our continuous improvement plan.
- Provided ongoing support to our manufacturing sites' Modern Slavery Local Champions. Local Champions are responsible for reporting the performance of our modern slavery leading indicators in the internal NFR system every month.
- Reinstated and strengthened a cross-functional Human Rights Compliance Working Group (HRCWG) to drive and steer the actions related to the human rights ambitions of our ESG Strategy. The group meets monthly, and membership includes representatives from Group Legal, Governance, Internal Audit, Leaf Sustainability, Procurement, Global Supply Chain, ESG and People and Culture. The Global Head of Sustainability chairs the HRCWG, and its Secretariat is the recently appointed Human Rights Manager. The Human Rights Manager is tasked to oversee and manage human rights issues across Imperial Brands operations and supply chains.
- Created ad hoc Due Diligence and Modern Slavery Working Groups within the HRCWG to continually enhance our procedures and responses to potential incidents.
- Updated the Group's Human Rights Policy to reflect the most relevant human rights international frameworks and to address the feedback received from ESG rating agencies.
- Revisited the human rights risks we viewed as salient for our priority locations in line with our People and Planet Strategy and new Human Rights Policy. The identified salient human rights risks are child labour; modern slavery; occupational health, safety and wellbeing; fair wages and decent work; gender equity, non-discrimination and non-harassment; and freedom of association and collective bargaining.

## OUR OPERATIONS

Our Internal Audit function take a risk-based approach to identify activity to audit. Working with SFA, we identified that facilities management is deemed high risk for potential instances of modern slavery.

Our focus in 2022 was to continue strengthening our human rights due diligence framework and embedding human rights awareness across functions within the business, including our Speak Up channels. In addition, we revisited the human rights risks we viewed as salient to ensure they were up to date for our priority locations.

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 in July 2021. For 2022, we committed to conducting an audit of our facilities management supplier across European sites.

The audit, conducted in collaboration with a subject matter expert from SFA, included: an initial review of specific policies and procedures; testing a sample of two Imperial sites in Germany; interviews with services provider personnel and its outsourced service supplier; and shopfloor interviews to better understand how the supply chain anti-modern slavery controls were being applied at worker-level. The sites were chosen due to the higher percentage of non-nationals working in the soft facilities management services, which could potentially carry a higher risk of modern slavery.

The audits did not identify any instances of suspected modern slavery and areas of improvement were reported to further mitigate the risk of modern slavery by enhancing the quality of procedures and practices already in place.

Our operations are regularly monitored and 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.

## MONITORING HUMAN RIGHTS

In 2022, we conducted two cross-audits in factories in Poland and the Philippines. These involved the verification of appropriate occupational health and safety concerns and monitoring the existence of modern slavery leading indicators, including high levels of occupancy at a single address and unrelated people using the same bank account; disciplinary practices, working conditions, working hours and wages; grievance mechanisms and whistleblowing. As a result of these audits, we issued a series of good practices and recommendations. No related concerns were raised.



# 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 issues within tobacco growing communities. We use Supply Chain Impact Assessments, conducted in collaboration with our suppliers, which enable us to focus on local priorities and strengthening policy commitments and standards in order to increase the positive impact of our actions.

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 requires a multi-stakeholder response; no single entity can address issues in isolation.

### In 2022:

A key improvement was the enhancement of the in-house processes that further formalise Imperial's due diligence approach. To this extent, all Human and Labour Rights potential issues reported to date concerning Imperial employees have been acted upon. With regards to third party leaf supply chain, Imperial remains in dialogue with suppliers on their efforts.

Within our leaf supply chain two Impact Assessments and five STP In-Depth Assessments have been conducted. For those that are complete, supplier action plans are in progress.

84,000 farmers and their families benefitted from our Leaf Partnership projects. These projects aimed to increase access to basic needs and improve livelihoods, supplementing our suppliers' on-the-ground initiatives.



### Case study

Within the last year, we participated in four independent Supply Chain Impact Assessments (SCIA). These assessments help focus our suppliers to prioritise topics and develop or enhance action plans to have a meaningful impact on the ground. Where collaboration is beneficial to achieving impact, we jointly commission these assessments with other manufacturers or suppliers. A recent example of industry collaboration is the Türkiye 2021 SCIA.

A total of 560 stakeholders' perspectives on social conditions in the Turkish Tobacco Leaf supply chain were secured during field research in tobacco-growing communities during the harvest period. The third party also worked with each of the six participating suppliers in establishing individual action plans that address the findings, and an outcome was the establishment of an industry-wide body to collectively address areas of common focus. We have closely followed the development of these action plans and working groups over the last year and will continue to stay informed through dialogue with our suppliers on their progress.

# DUE DILIGENCE PROCESSES

## TOBACCO LEAF SUPPLY

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 2022 we continued to work with the industry to enhance the STP and have embedded a due diligence process to identify, prioritise, 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 address 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 relating 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.

In 2022, a Procurement Risk Framework covering all five product categories (Indirects, NGP, NTM, leaf and logistics) was created and approved and will begin to be rolled out in 2023.

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 Supplier Code of Conduct.

Also in 2022, our Supplier Code of Conduct has been updated and approved to include human rights and environmental minimums and ambitions. Training and communications for Imperial employees and Procurement teams will be carried out in 2023.

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 2022, a Procurement Risk Framework covering all five product categories (Indirects, NGP, NTM, leaf and logistics) was created and approved and will begin to be rolled out in 2023.**



## 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 UNGP 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 effectively.



## 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 programme is available in 15 languages and has been taken by thousands of employees from around the world.

In 2022, as part of our continuous commitment to raise awareness and enhance our knowledge regarding human rights and modern slavery, we have created a new ESG digital awareness programme. Its dedicated human rights module focuses on modern slavery.

In addition, we have developed additional content, updated global data and included new case studies to help enhance our understanding of this important issue.

# 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 of Conduct, 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 95% 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.

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 Chinese Traditional, Czech, Dutch, English, French, German, Greek, Italian, Japanese, Polish, Portuguese, Romanian, Russian, Spanish, and Ukrainian. Additionally, in-person training was carried out in Madagascar and Laos. In Madagascar, we reached 509 farmers, 1,105 seasonal workers and 182 other offline workers. While in Laos, the training was delivered to 601 contracted farmers and 34 permanent employees.

Training on sustainable practices and human rights for our Leaf team and directly contracted farmers is an ongoing process. This is paired 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 2022, as part of our continuous commitment to raise awareness and enhance our knowledge regarding human rights and modern slavery, we have created a new ESG digital awareness programme. Its dedicated human rights module focuses on modern slavery. We have developed additional content, updated global data and included new case studies to help enhance our understanding of this awful crime. Supplementary materials will be especially created for offline workers.

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

We continued to raise employee awareness on the 2022 UK Anti-Slavery Day via global communication through our Intranet, global news forum and our internal communication platform, Yammer. As founding members of SFA, all Imperial employees had access to a week-long programme of events to mark that important date and gain knowledge about modern-day slavery.

**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 2022 COMMITMENTS

We have made progress this year, particularly through strengthening our human rights governance and due diligence and our approach to sustainable procurement.



# PROGRESS AGAINST 2022 COMMITMENTS



We have made progress this year, particularly through strengthening our human rights governance and due diligence and our approach to sustainable procurement. Equally, we continued monitoring our modern slavery leading indicators performance and reporting on key actions to prevent and address human rights related issues arising within our supply chain. We also developed a new ESG digital learning programme so as to raise awareness regarding the respect of human rights.

COMMITMENT	STATUS	COMMENT
Appoint a dedicated expert Human Rights Manager to oversee and manage human rights issues across our operations and supply chains.	Completed 	A Human Rights Manager was appointed on 1st Feb 2022, as part of the wider ESG team. <b>See page 14</b>
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.	Completed 	Imperial Brands' Supplier Code of Conduct has been updated and approved to include human rights and environmental requirements and ambitions. We also developed a Procurement Risk Framework covering all 5 procurement categories. <b>See page 18</b>
Conduct an audit of our facilities management supplier across Europe sites using the anti-modern slavery control module.	Completed 	Anti-modern slavery policies and procedures in place at Imperial's third-party facilities management company were reviewed and then tested on a sample of two Imperial sites in Germany. The audits did not identify any instances of suspected modern slavery taking place, and several areas of improvement were reported. <b>See page 14</b>
Continue with monitoring human rights leading indicators in our operations and report on the number of audits completed.	Completed 	Modern slavery leading indicators have been monitored monthly via our NFR system, and two modern slavery internal audits, in Poland and the Philippines, were completed. <b>See page 14</b>
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.	Completed 	96% of our suppliers participated in the Sustainable Tobacco Programme (STP) in 2022. <b>See page 7</b> Enhancement of the in-house due diligence approach. All Human and Labour Rights potential issues reported to date concerning Imperial employees have been acted upon. <b>See page 15</b> 2 Impact Assessments and 5 STP In-Depth Assessments were conducted. <b>See page 15</b> 84,000 farmers and their families benefitted from Leaf Partnership in 2022. <b>See page 15</b>
Continue to review and develop modern slavery training needs analysis to ensure effective understanding globally.	Completed 	We created a new ESG digital awareness programme whose human rights module focuses on modern slavery. It will be available for online and offline workers. <b>See page 12, 21, 22</b>
Manufacturing sites to update modern slavery self-assessments (last assessment completed in 2020).	Completed 	All manufacturing sites updated their respective modern slavery self-assessments. The lessons learnt from the process will be utilised for continual improvement purposes. <b>See page 12, 14</b>



## NEXT STEPS IN 2023

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 2023



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 2023 are:

**Develop an escalation process and response plan** to address allegations of modern slavery within our own operations in a standardised manner.



**Creation of a Modern Slavery Local Champions Community** to ensure offline and local routes for allegations to be escalated and responded to effectively, provide ongoing support, and share best practice.



**Pilot a Human Rights Internal Audit Module** in selected priority locations to facilitate assurance over human rights risks as part of Imperial Brands' factories and markets audit plan.



**Launch Imperial Brands updated Supplier Code of Conduct**, including a refreshed business ethics aspect as well as new human rights, and environment sections, and roll out to all current and new suppliers.



**Identify training needs** for targeted groups, including supplier communication, and roll out of ESG digital awareness programme.



**Update our Modern Slavery Manufacturing Standard.**



**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.



Over the course of the financial years 2023 and 2024, **we will implement the Third-Party Risk Framework** developed in 2022 to make continual improvements in the human rights and environmental aspects of our supply chain operations.



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