

# Modern Slavery Act 2015 Statement

This statement sets out the steps that we [Imperial Brands Plc and subsidiaries] have taken to mitigate the risk of slavery and human trafficking occurring within any part of our business or our supply chain during the financial year ending 30 September 2015.

## Overarching statement

Slavery and human trafficking are abuses of a person's freedoms and rights. We are totally opposed to such abuses in our direct operations, our indirect operations and our supply chain as a whole.

## Meaning of slavery and human trafficking

Our understanding of slavery and human trafficking is based on the definitions set out in the Modern Slavery Act 2015 and is guided by the UN Universal Declaration of Human Rights and the conventions of the International Labour Organisation (ILO) particularly relating to forced or compulsory labour.

We recognise that forced labour as a form of slavery includes debt bondage and the restriction of a person's freedom of movement whether that be physical, non-physical or, for example, by the withholding of a worker's identity papers.

## Our business

Our core business is built around a tobacco portfolio. We are also creating new consumer experiences through our non-tobacco subsidiary, Fontem Ventures.

With our Corporate Centre located in Bristol, United Kingdom, our brands and products are available in more than 160 countries worldwide. Our operations are predominately factories along with sales and support offices. We employ 36,400 people in more than 60 countries globally. We have 44 manufacturing sites and a majority shareholder position in Logista, which is a logistics business in Europe. For the purpose of this statement, Logista is considered part of our supply chain.

We manage our markets on the commercial roles they play, not by geographic location. Our markets prioritise Growth or Returns. Growth Markets are about building presence, whilst in Return Markets we actively manage our strong market share positions.

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

## Our supply chains

We purchase the majority of our tobacco leaf from third-party suppliers, mainly through leading international leaf-supplying companies. Our tobacco is sourced from various

countries including Brazil, China, India, EU member states and Africa. A small amount of our tobacco is purchased through direct involvement in the cultivation of tobacco leaf, principally in Madagascar, Morocco and Laos.

For the purposes of this statement, we report on steps taken within our supply chain, by which we mean those suppliers to the Group with whom our organisation deals directly. We also report on those steps taken within such supply chains that have indirect effects on the wider supply chain.

## **Relevant policies**

In keeping with our commitment to act with integrity in all our business dealings, many of our existing policies are relevant to ensure that there is no slavery or human trafficking in any part of our business or our supply chains.

Our relevant policies include:

- Code of Conduct;
- Global Procurement Policy;
- Fairness at Work Policy;
- Employment Policy;
- Employee Engagement Policy;
- Remuneration Standards and Guidelines;
- Health Protection and Wellbeing Policy;
- Public Interest Disclosure Policy;
- Business Development Policy;
- Supply Chain and Premises Security Policy; and
- Product Supply Compliance Policy.

In our Code of Conduct, which is available in 17 different languages, relevant sections cover 'Discrimination and Harassment', 'Human Rights', 'Responsible Procurement and Supplier Partnerships' and 'Anti-Illicit Trade'.

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

We provide guidance and training to support employee understanding of expected behaviour, particularly in respect of their business decisions and the Code of Conduct. We encourage employees to raise concerns and we have a Public Interest Disclosure Policy.

We believe in the business benefits brought about by diversity and equal opportunity. We therefore support collective bargaining for our own employees and through our supplier standards.

We actively support employee engagement, representation, dialogue and the ability of an employee to raise potential concerns or grievances. Freedom of association and the right to collective bargaining is a core labour standard that we respect as guided by the International

Labour Organization (ILO). We apply our employment practices in line with, and in certain aspects exceeding the requirements of, local legislation.

We recognise that we operate in a number of countries where human rights are an issue of particular concern. Following periods of new acquisition and before our employment practices and monitoring are embedded, we use trained social auditors as a basis for evaluation of performance improvement based on risk assessment.

We are guided by the SA8000 standard to cover a variety of potential issues including child labour, forced labour, health and safety, freedom of association, the right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration, and management systems.

## **Risk assessment and due diligence**

The risk of slavery and human trafficking within our own organisation is avoided and mitigated as a result of strict policies and procedures as well as the oversight built into our business operations and the knowledge and skills of our staff. We assess risk based on a number of factors including geographical risk indices pertaining to human rights, the level of supply chain control, external governance factors and levels of political stability.

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

Our supplier standards address a broad spectrum of working conditions including fair remuneration, working hours, no child labour, respect, non-discrimination and health and safety, as well as freedom from forced labour.

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

It is a requirement that all our leaf suppliers must participate in SRiTP and are subject to both a phased cycle of onsite audits to check against the supplier's self-assessment and independent review by our appointed external service providers.

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

To influence further throughout the wider supply chain, we encourage our suppliers to evaluate their suppliers and sub-contractors against our requirements. We review whether our suppliers undertake such practices as part of the phased cycle of audits discussed above.

We are further seeking to drive supplier standards as part of our Global Procurement Strategy. This has reduced local sourcing and rationalised our supplier base enabling us to have fewer and stronger supplier partnerships. This enables us to have greater knowledge of our business partners and leverage, to enhance supplier standards.

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

As part of our anti-illicit trade (AIT) work, we have strict controls in place, including a 'Know Your Contractor' (KYC) process that requires formal due diligence and ongoing reviews. The KYC process is in line with our Product Supply Compliance Policy and is governed by our EU AIT Cooperation Agreement, which was enacted in 2010. We also have a Supply Chain and Premises Security Policy to help direct activities that will better protect our business and mitigate risk.

We engage with regulators and develop, deploy and implement AIT strategies. We have effective partnerships with law enforcement agencies in key and strategic markets. We also provide forensic and expert witness support to prosecutions of illicit trade and smugglers of our products.

## **Training and awareness**

We have a level of competency within our organisation attained through training relating to human rights and the social accountability standard SA8000. We have a number of SA800-certified personnel who work within our central Corporate Responsibility Team.

Human rights awareness training has been further directed to personnel who work in Human Resource and Corporate Affairs. Specific supplier standards training is directed at Procurement personnel, Leaf purchasing and Business Quality. More general awareness is available throughout the wider organisation through the training and awareness relating to the Code of Conduct. We further provide guidance and training to support employee understanding of expected behaviour, particularly in respect of their business decisions and the Code of Conduct.

## **Effectiveness and performance review**

We do not have key performance indicators specifically in relation to slavery or human trafficking as any instance would be expected to be a non-compliance and breach of employment laws, our direct employment practices, Code of Conduct, wider Group policies and / or supplier standards.

However, the business practices that relate to the mitigation of slavery or human trafficking risk do have internal performance measures.

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

- Number of employees who have completed Code of Conduct compliance training;
- Employee engagement scores;
- Issues raised through Public Interest Disclosure; and
- Grievances.

In relation to supplier standards, we monitor and review:

- Supplier audit results;
- NTM supplier qualification total weighted mean;
- Supplier ratings; and
- Score from the SRiTP Programme.

In relation to our AIT work, we monitor and review:

- Compliance with Product Supply Compliance Policy standards;
- Number of seizures and associated fines notified to us by authorities;
- Security audit reports (compliance with policy and standards); and
- Number of security incidents.