

# MODERN SLAVERY

STATEMENT 2022



# MODERN SLAVERY

## STATEMENT 2022

### CONTENTS

|   |           |
|---|-----------|
| <b>Our commitment</b>   | <b>3</b>  |
| <b>Our structure, operations &amp; supply chain</b>                               | <b>4</b>  |
| Our structure   | 5         |
| Our operations  | 5         |
| Our supply chains   | 6         |
| <b>Assessing the risk of modern slavery in IBA's operations and supply chains</b> | <b>7</b>  |
| <b>Actions taken by IBA to assess and address modern slavery risks</b>            | <b>9</b>  |
| Governance  | 10        |
| Policies  | 10        |
| Procurement & due diligence processes   | 11        |
| Training and awareness  | 12        |
| Whistleblower policy  | 12        |
| Non-for-profit partners   | 12        |
| <b>Assessing the effectiveness of IBA's actions</b>                               | <b>13</b> |
| Due diligence outcomes  | 14        |
| IBA's direct operations   | 15        |
| Policies  | 15        |
| Group supply chain operations   | 16        |
| External allegations and remediation  | 19        |
| <b>Progress on our 2022 goals</b>   | <b>20</b> |
| <b>Commitments for 2023</b>   | <b>22</b> |

Imperial Tobacco Australia Limited ACN 088 148 681 trading as Imperial Brands Australasia (IBA) is the Australian trading subsidiary in the Imperial Brands p.l.c. group of companies (Imperial Brands) and is a reporting entity within the meaning of sections 4 and 5 of the Modern Slavery Act 2018 (Cth).

This statement, covering IBA's full financial year to 30 September 2022, reports on potential modern slavery risks in IBA's operations and supply chains and outlines actions taken to address those risks.

This is the third statement IBA has produced to comply with the Modern Slavery Act 2018 (Cth). The previous statement produced by IBA can be accessed on the Registry.

IBA's Board of Directors approved this statement on 23 February 2023 in accordance with section 13(2)(c) of the Modern Slavery Act 2018 (Cth), and it is signed on IBA's behalf by Pratik Kumar Ganguly.

## OUR COMMITMENT

As an international business, Imperial Brands recognise the importance, influence, and duty we have in promoting respect for human rights. Imperial Brands and IBA's policy is to respect and support the dignity, well-being 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.

Modern slavery includes all forms of trafficking in persons, slavery and slavery-like practices, including the worst form of child labour.

Like all businesses, IBA risks being exposed to modern slavery either within its direct operations or indirectly through its supply chain. IBA recognises that managing this risk is a multi-stakeholder issue, requiring engagement with suppliers and other key stakeholders associated with IBA's business, including customers, employees and NGOs.

Our commitment to human rights, including modern slavery and forced labour, extends through several 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 of IBA has oversight of our ESG (environmental, social and governance) agenda in Australia, and the Imperial Brands Board oversees the ESG agenda at a Group level, which is also supported by a cross-functional ESG Committee.

Human rights, which includes modern slavery, is one of Imperial Brands' eight priority ESG issues. Further detail about the other priority areas can be found here: <https://www.imperialbrandsplc.com/healthier-futures/our-esg-strategy>.

Imperial Brands' ESG strategy sets clear aims for each of the priority areas and is aligned with the United Nations (UN) Sustainable Development Goals (SDGs), which aim to have a transformational impact on the world by 2030. Imperial Brands' performance against the ESG strategy is detailed within the Annual Report and Accounts, our corporate website and Performance Summary. The Imperial Brands ESG strategy frames the way that IBA approaches and manages these issues locally. Imperial Brands' focus in 2022 was to continue strengthening its human rights due diligence framework and embed human rights awareness across functions within the business, including its Speak Up (whistleblowing) channels. In addition, Imperial Brands conducted an analysis to update its salient human rights issues for priority locations.

IBA's focus in 2022 was to establish local initiatives and procedures to combat the risks of modern slavery in our direct supply chain.

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.

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The IBA Board of Directors approved this statement on 23 February 2023.

**Pratik Kumar Ganguly**

Director, Imperial Tobacco Australia Limited

# OUR STRUCTURE, OPERATIONS & SUPPLY CHAIN

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.

# OUR STRUCTURE, OPERATIONS & SUPPLY CHAIN

## OUR STRUCTURE

IBA is a public company registered in Australia with its principal place of business and registered office at John Player Special House Level 4, 4-8 Inglewood Place, Norwest NSW.

IBA is the Australian trading subsidiary of Imperial Brands and its ultimate holding company is Imperial Tobacco Limited, registered in the United Kingdom.

IBA employed approximately 233 people in Australia during the financial year ending 30 September 2022.

## OUR OPERATIONS

Imperial Brands is the fourth largest international tobacco group of companies, operating across 120 markets. It manufactures and sells conventional tobacco products (such as cigarettes and rolling tobacco), smoking accessories (including cigarette papers) and potentially less harmful next generation products (NGPs) (such as e-cigarettes, heated tobacco products and snus).

IBA only imports and distributes conventional tobacco products and smoking accessories in Australia. We do not manufacture these products locally. IBA also does not currently participate in the NGP market due to Australian regulatory restrictions on NGPs. Approximately 99% of IBA's imports originate from Taiwan or the European Union through supply contracts with related Imperial Brands companies. The balance of the manufactured tobacco products which IBA imports and distributes are from companies that are not part of the Imperial Brands Group.

IBA distributes its imported products to approximately 4000 wholesalers and retailers. IBA has agreements with two logistics companies that facilitate the distribution of these products.

IBA's Board of Directors has primary responsibility for the governance of IBA. Various committees and sub-committees support IBA's directors in monitoring its performance, risk and compliance, including human rights and sustainability.

# OUR STRUCTURE, OPERATIONS & SUPPLY CHAIN

## OUR SUPPLY CHAINS

Imperial Brands establishes relationships of trust and integrity with its suppliers globally. Imperial Brands expects its 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 reflected in Imperial Brands' requirements for supplier standards, business conduct and employment practices. Imperial Brands' Supplier Code of Conduct, based on its Code of Conduct, sets out the behaviours that Imperial Brands expects its suppliers to demonstrate.

**Imperial Brands has two distinct supply chains, namely tobacco leaf supply and non-tobacco materials supply, which includes general goods and services.**

Imperial Brands primarily sources and manufactures goods for supply to IBA. IBA also sources a small amount of manufactured tobacco products directly from other businesses; however these products represent less than 1% of IBA's annual trade volume. IBA then distributes the products obtained from Imperial Brands or other companies, directly to its Australian wholesale or retail customers.



### TOBACCO LEAF SUPPLY

Imperial Brands works with its suppliers to advance good agricultural practices and is committed to purchasing tobacco from socially and environmentally responsible suppliers.

Imperial Brands sources tobacco globally, primarily through large international tobacco merchants and has 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 Imperial Brands' tobacco, 97%, is sourced from third-party suppliers, with the remaining balance of supply coming from directly contracted growers in Madagascar and Laos and vertically integrated farms in Madagascar.

Imperial Brands is committed to the Sustainable Tobacco Programme (STP), which aims to have a positive human rights impact in tobacco-growing communities. All Imperial Brands' tobacco leaf suppliers are expected to participate. STP is an independently managed framework that works by providing visibility over Imperial Brands' supply chain in two ways. First, by empowering suppliers to report on their actions to address any identified risks. Second, by verifying these actions remotely and in the field (the latter, on a risk-based approach). Imperial Brands uses this information to design its response to support its suppliers in taking effective action, through action plans. Imperial Brands maintains a dialogue with suppliers on the progress of their action plans and provide support through Leaf Partnerships to enhance long-term projects and initiatives. Through Leaf Partnerships, Imperial Brands works directly with suppliers to fund identified projects on a risk-based approach and their impact in tobacco-growing communities.

In 2022, Imperial Brands **purchased more than 148,000 tonnes of tobacco leaf from 33 countries around the world**. During the last years, Imperial Brands rationalised its supplier base and considers it to be very stable.

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

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



### NON-TOBACCO MATERIALS SUPPLY

Imperial Brands buys non-tobacco materials (NTM) directly, including paper, filters, glue and ingredients for tobacco products. The components that go into making next-generation products (NGP) are sourced from Imperial Brands' direct suppliers.

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

Imperial Brands' key strategic suppliers (both direct and indirect) are managed by its global procurement central category teams. Local procurement teams manage smaller suppliers. Year-on-year, Imperial Brands consolidates the number of suppliers where possible to better enable oversight and control over the supply chain.

In 2022, Imperial Brands had 241 direct material suppliers, 70 of which are managed centrally by the global procurement team and 171 managed by local procurement teams. Of Imperial Brands' direct material supplier base, approximately 85% of its primary spend is with 21 suppliers.

Imperial Brands has approximately 15,000 suppliers on its approved direct and indirect supplier list.



### IBA'S DIRECT SUPPLY CHAIN

As mentioned above, IBA's direct supply chain concerns distribution to wholesalers and retailers, for which IBA engages logistics companies to facilitate. IBA also engages suppliers who provide goods and services for the purposes of IBA carrying out its core distribution business.

# ASSESSING THE RISK OF MODERN SLAVERY IN IBA'S OPERATIONS AND SUPPLY CHAINS



# ASSESSING THE RISK OF MODERN SLAVERY IN IBA'S OPERATIONS AND SUPPLY CHAINS

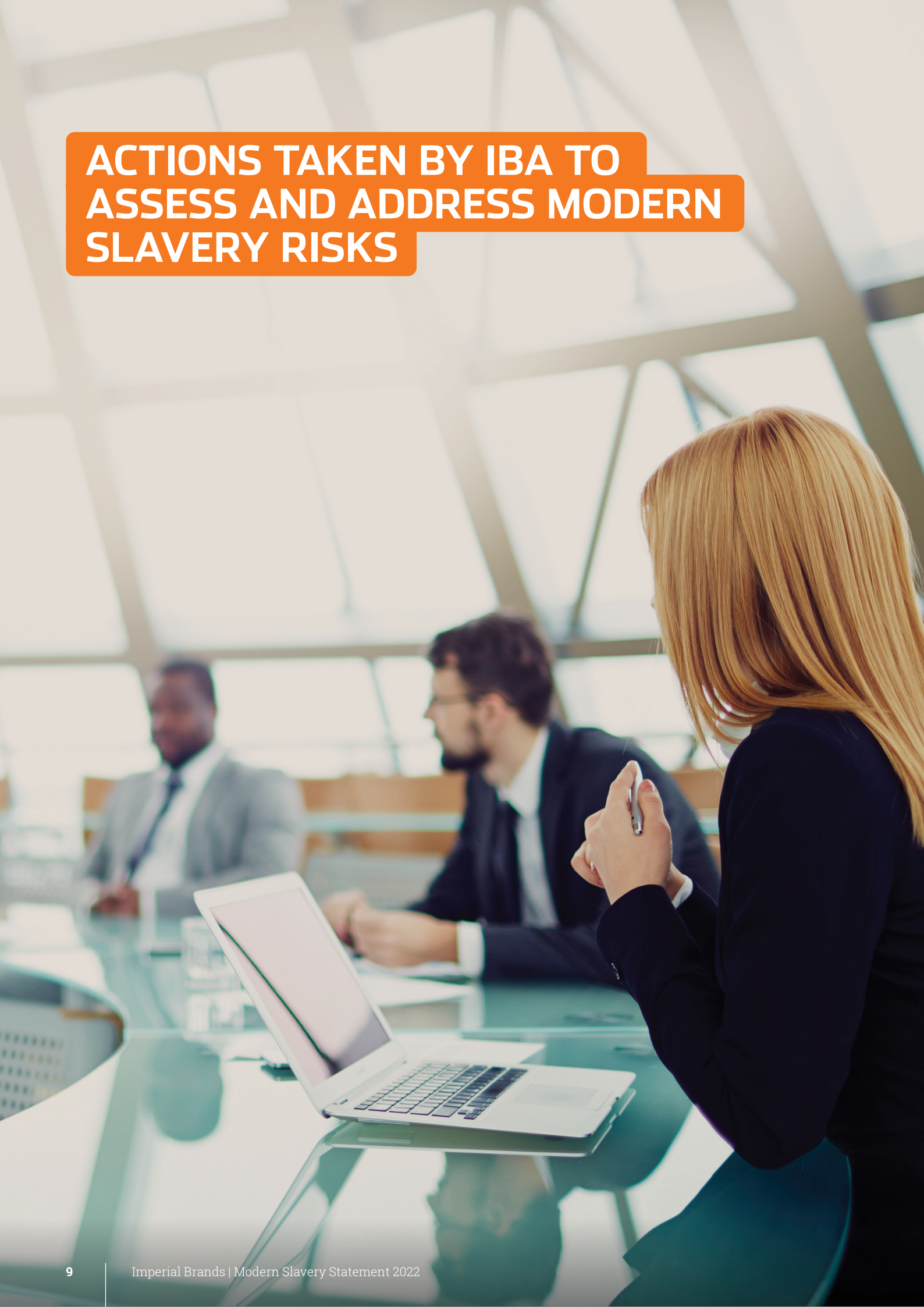
As outlined above, IBA distributes products to our Australian wholesale and retailer customers. More than 99% of these products are manufactured and supplied to us by our parent company, Imperial Brands. IBA also distributes a small number of products manufactured and supplied by companies that are not within the Imperial Brands Group. These products make up less than 1% of IBA's annual trade volumes.

IBA considers that its downstream supply chain presents a low risk of modern slavery practices, given that its direct supply chains are based and controlled in Australia and concern only the importation and distribution of manufactured products. IBA acknowledges that the supply chains of our parent company, Imperial Brands, present broader risk due to the nature of its direct operations. We, therefore, rely on Imperial Brands' assessment, ongoing monitoring and management of these upstream risks, when undertaking IBA's own modern slavery risk assessment and compliance activities.

Notwithstanding this, we recognise that our direct operations and supply chains still have the potential for human rights abuses. Regarding our direct operations, Australian workplace and employment laws apply to IBA, which we further support with robust workplace health and safety policies. For IBA's supply chain, IBA is committed to working with our suppliers and business partners to improve standards.



# ACTIONS TAKEN BY IBA TO ASSESS AND ADDRESS MODERN SLAVERY RISKS



# ACTIONS TAKEN BY IBA TO ASSESS AND ADDRESS MODERN SLAVERY RISKS

## GOVERNANCE

The governance structure for Imperial Brands' environmental, social and governance (ESG) responsibilities include its 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.

In 2022, Imperial Brands appointed a Human Rights Manager who is the Secretariat of the HRCWG and is tasked to oversee and manage human rights issues across Imperial Brands' operations and supply chains.

IBA's ESG activities broadly focus on delivering on Imperial Brands' Group goals and progressing local initiatives. Local initiatives include IBA's involvement with the Tobacco Industry Product Stewardship Group (TIPSG), Australian Packaging Covenant Organisation (APCO) and NSW Government's Tidy Roads Steering Committee (TRSC).

## POLICIES

As a global business, Imperial Brands recognises the role it has in promoting respect for human rights, including the prevention of modern slavery. Its policy is to respect and support the dignity, well-being and human rights of our employees, the workers in our supply chain and the communities in which we operate.

Imperial Brands' Code of Conduct is embedded throughout its entities and drives IBA's responsible approach. The Code is aligned with policies, internal controls and risk management processes that underpin IBA's strategy.

A commitment to human rights is a fundamental part of the Code of Conduct and Supplier Code of Conduct. These documents set out the foundations for Imperial Brands and IBA's approach to human rights, which all our employees, suppliers and business partners are expected to adhere to. Imperial Brands complies with applicable human rights laws, and our Human Rights Policy take precedence where local law is less stringent.

**Imperial Brands and IBA adhere to a series of internal policies, which include:**

Code of Conduct

Supplier Code of Conduct

Human Rights Policy

Whistleblowing Policy (Speaking Up)

Anti-Bribery and Corruption Policy

Fairness at Work Policy

Employment Policy

Global Procurement Policy

Employee Wellbeing Policy

Work Health and Safety Policy

Environment Policy

## HUMAN RIGHTS POLICY

Imperial Brands' Human Rights Policy applies to all Group companies and joint ventures where it has management control. It applies to all employees, directors, and officers of Imperial Brands companies, including temporary and contract staff.

The 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.

In 2021, Imperial Brands conducted an expert review of the Human Rights Policy to increase alignment with international standards. In 2022, acting on this review and feedback from external agencies and internal stakeholders, Imperial Brands refreshed its Human Rights Policy in the spirit and ambition of the new ESG Strategy. The Policy lays a foundation for future improvements. Imperial Brands aims to review the Policy annually to ensure it reflects new trends and developments and renews its ambitions regarding respecting and promoting human rights.

# ACTIONS TAKEN BY IBA TO ASSESS AND ADDRESS MODERN SLAVERY RISKS



## PROCUREMENT & DUE DILIGENCE PROCESSES

Through our procurement processes, suppliers and IBA customers (including retailers) are expected to comply with our Supplier Code of Conduct. Imperial Brands only select suppliers who demonstrate that they can operate within the standards and Code.

Imperial Brands and IBA expect our suppliers to ensure that their business partners and subcontractors meet the same or similar standards as IBA requires of the supplier. Imperial Brands updated its Supplier Code of Conduct in 2022 to reinforce its commitment to conducting business in an ethical way and respecting and promoting human rights and the environment.

### In 2022, IBA:

Achieved its goal of identifying and engaging a provider of an ethical supplier screening tool for use within our business.

Developed and commenced the roll-out of our supplier questionnaire.

Improved our tendering process and requirements to ensure that ESG issues are addressed and considered.

## Ethical Sourcing

In 2022, IBA introduced a new ethical supplier screening tool to its procurement and due diligence processes. The ethical screening tool provides reports on the 'riskography' of the supplier, details regarding recent events to the extent they concern ESG issues and the supplier, sourced from government regulatory bodies, the news, and provides sources of information to consider each further.

The ethical supplier screening tool, provided by Equifax, enables IBA to run checks on businesses before engaging with them and to ensure that existing supplier relationships are suitable and align with Imperial Brands' ESG objectives. The tool also enables IBA to receive alerts and update reports about our suppliers.

The ethical supplier screening tool is used on every new contractor engaged by IBA. As to IBA's existing relationships, we have completed checks on 138 suppliers who together represent approximately 94% of IBA's annual third-party spend.

**The effectiveness of this tool is highlighted on page 15.**

## Contracts

IBA's standard procurement contracts contain express provisions obliging our suppliers to take reasonable steps to ensure that its supply chains and businesses are free of human rights abuses, trafficking or slavery. IBA also seeks that suppliers notify IBA of any actual or suspected modern slavery practices in their supply chains, where those practices have any connection to the supplier's provision of goods or services to IBA. The terms of IBA's standard procurement contracts also bind the suppliers to Imperial Brands' Code of Conduct.

Regarding our customer relationships, IBA's standard contract and trading terms also bind its Australian customers to the Code of Conduct. Similar to IBA's procurement contracts, these contracts also require the customers to take reasonable steps to ensure that their supply chains and businesses are free from modern slavery practices and that any suspected modern slavery practices be reported to IBA.

In all circumstances, IBA seeks that our customers and third-party suppliers agree to our modern slavery provisions; however if a supplier will not agree to be bound by these terms, IBA relies on other factors to determine the appropriateness of a new or continuing relationship with that supplier. These factors include our existing relationship with the supplier, our knowledge of their supply chains, whether the supplier is itself a reporting entity under the Modern Slavery Act 2018 (Cth) and its submissions to date, the search results of ethical screening checks, and any other factors IBA considers appropriate.

## Tender Process

In 2022, IBA updated its tender process by requiring that all potential suppliers respond to questions regarding their ESG practices and notes the requirement for suppliers to complete IBA's modern slavery questionnaire.

## Supplier Questionnaire

In 2022, IBA developed and introduced its Modern Slavery Supplier Questionnaire, which is required to be completed by all new key suppliers. This questionnaire will allow IBA to assess the relative risks of a potential supplier's supply chain and will contribute to IBA's decision on whether or not to engage with that supplier.

IBA also commenced rolling out this questionnaire to its existing suppliers. For the 2022 reporting period IBA requested 24 suppliers, who together make up approximately 73% of IBA's annual supplier spend, to complete the questionnaire. To date, IBA has received responses from 10 of these suppliers representing approximately 54% of IBA's annual supplier spend.

# ACTIONS TAKEN BY IBA TO ASSESS AND ADDRESS MODERN SLAVERY RISKS

## TRAINING AND AWARENESS

The Imperial Brands' Code of Conduct sets out the responsible behaviours expected from employees in their dealings with colleagues, customers, consumers, suppliers, agents, intermediaries, advisers, governments and competitors. It also includes Imperial Brands' respect for human rights.

The Code of Conduct is available in over 30 languages and is published in full on the Imperial Brands corporate website. The Supplier Code of Conduct, which is aligned with the Code of Conduct, is available in 19 languages.

All employees of Imperial Brands are required to undertake Code of Conduct training on commencement of employment, and refresher training is required whenever the Code of Conduct is updated.

Imperial Brands has an online modern slavery e-learning course which is available to all employees. During the 2022 reporting period, Imperial Brands created a new ESG digital awareness programme. The human rights module of that programme elaborates on how to identify potential signs of modern slavery and report concerns effectively. Imperial Brands also intends to develop materials for offline workers.

**100% of IBA employees** have completed the first Code of Conduct training course, while 94% have completed the second course.

**95% of IBA employees** have completed the existing modern slavery e-learning course.

## WHISTLEBLOWING POLICY

IBA expects all its employees and business partners to always act with integrity 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 can and should be raised independently via Imperial Brands' Whistleblowing (Speaking Up) service, which supports reporting in 39 languages.

Imperial Brands' Speaking Up platform is now established and 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. Imperial Brands has an aligned internal Whistleblowing and Speaking Up Policy.

Imperial Brands takes its responsibility to investigate any potential modern slavery concerns extremely seriously. Accordingly, Imperial Brands has robust monitoring processes in place which are designed to help identify and mitigate the presence of modern slavery in our supply chains. Imperial Brands' investigation processes include thorough consideration of modern slavery concerns which are reported – whether through Imperial Brands' own review, third-party assessment or through established reporting and speaking-up channels.

During 2021, Imperial Brands took steps to enhance its 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 the Speaking Up process. If incidents are material, they are also reported to the Imperial Brands' Board.

Besides the independently run Speaking Up whistleblowing platform, there are other ways to raise concerns within Imperial Brands. For example, concerns about a breach of the law, the Code of Conduct or any other policy can be raised by speaking to people managers, the P&C team, the Governance team, local Legal Counsel, Group Legal or the Imperial Brands Company Secretary.

Imperial Brands established a Modern Slavery Working Group to effectively escalate any concerns of modern slavery and has utilised this working group to review its existing escalation process to identify potential areas of improvement.

## NON-FOR-PROFIT PARTNERS

Imperial Brands is proud to be a founding member of the Slave-Free Alliance (SFA) and an ongoing supporter of the international charity Hope for Justice in its pursuit of a slave-free world.

In 2022, SFA supported the audit of some of Imperial Brands' suppliers across European sites to help strengthen its internal auditing procedures. The SFA identified areas for improvement for the goods and services supply of Imperial Brands, including facilities management. These suppliers are termed indirect suppliers and do not undergo the supplier qualification programme and Imperial Brands does not carry out regular onsite audits of its 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.

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

## ASSESSING THE EFFECTIVENESS OF IBA'S ACTIONS

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

# ASSESSING THE EFFECTIVENESS OF IBA'S ACTIONS



## DUE DILIGENCE OUTCOMES

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

### At the Group level, Imperial Brands has:

- Strengthened our human rights due diligence processes by conducting anti-modern slavery audits in its European facilities management service provider in Germany and a manufacturing site in Poland. An additional human rights audit was piloted in a tobacco leaf supplier in the Philippines. Learnings have been captured and actioned to strengthen the global approach.
- Updated modern slavery self-assessments in all manufacturing sites. These findings will inform Imperial Brands' continuous improvement plan.
- Provided ongoing support to manufacturing sites' Modern Slavery Local Champions. Local Champions are responsible for reporting the performance of Imperial Brands' 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 Imperial Brands' ESG Strategy. The group meets monthly and membership includes representatives from Group Legal, Governance, Internal Audit, Leaf Sustainability, Procurement, Global Supply Chain, P&C and ESG. 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 wrongdoings.
- 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 Imperial Brands viewed as salient for its 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.



## MONITORING HUMAN RIGHTS

In 2022, Imperial Brands 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, Imperial Brands issued a series of good practices and recommendations. No related concerns were raised.

# ASSESSING THE EFFECTIVENESS OF IBA'S ACTIONS

## IBA'S DIRECT OPERATIONS

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

As reported in this statement, IBA introduced an ethical supplier sourcing tool to its due diligence procedures this year. In the 2022 reporting period, we performed searches via Equifax's ethical screening tool for 138 of our suppliers, who together represent approximately 94% of IBA's annual supplier spend.

One risk notification arising from use of the Equifax ethical screening tool required further investigation. Through IBA's internal escalation process, IBA obtained additional information from the supplier about their own relevant internal processes and to IBA's satisfaction.

## POLICIES

### Whistleblower Policy (Speaking Up)

During the year to 30 September 2022:

- no confirmed incidents of modern slavery or forced labour was identified through Imperial Brands' whistleblowing reporting mechanisms; and
- of the issues that were raised via the whistleblowing mechanisms, none were found to be material.

Issues reported to Imperial Brands included allegations of mistreatment of employees, claims of unfair treatment or wrongful termination, allegations of unprofessional behaviour, pay concerns, the use of company funds and payment of consultants, breach of the company credit policy and concerns regarding the protection of personal data. There were also unfounded claims of conflict of interest, breach of the control environment, bribery and corruption, and misuse of company property.

IBA recognises that whilst no confirmed incidents were identified through Imperial Brands' whistleblowing procedure, whether at a Group level or locally, this does not mean issues do not potentially exist. Imperial Brands and IBA, therefore, remain committed to further enhancing our approach and understanding, recognising that this is a continuous, collaborative and evolving process.



### Case study

In March 2022, an allegation of modern slavery was raised through Imperial Brands' established internal reporting channels within its supply chain. It was reported to have happened during the international relocation of an Imperial Brands employee. The allegation was immediately escalated for urgent investigation. This saw both active participation and immediate engagement from all concerned parties.

Imperial Brands conducted an investigation in collaboration with the supplier and took the opportunity to review both our policies and procedures and that of the suppliers. Although the investigation concluded there were no concerns of modern slavery identified, Imperial Brands has taken the opportunity to capture learnings and review its due diligence approach and those of the supplier. The current investigations procedure has since been adapted, which included the review and updating of Imperial Brands' investigation record template. This is now more robust and comprehensive and maintains a victim-centred approach.

Additionally, Imperial Brands established a Modern Slavery Working Group to help with the effective escalation of any concerns of modern slavery. This working group was created to enable the Group to respond in an appropriate and urgent manner. This working group has been utilised to review Imperial Brands' existing escalation process to identify potential areas of improvement.

# ASSESSING THE EFFECTIVENESS OF IBA'S ACTIONS

## GROUP SUPPLY CHAIN OPERATIONS

Imperial Brands' direct operations present some level of risk of modern slavery practices in its supply chain. These operations are upstream from IBA's operations and are not in our local business' direct control or management. IBA relies on the steps and measures taken by Imperial Brands at a Group level to assess and manage the modern slavery risks associated with producing and manufacturing tobacco and tobacco-related products.

### Self-assessments

Building on the modern slavery review project conducted across its manufacturing sites in 2020, Imperial Brands mapped out the modern slavery workforce risks and potential areas of concern for its Global Supply Chain operations. A self-assessment questionnaire was used for 21 modern slavery leading indicators to assess Imperial Brands' baseline. The ambition was for all sites to be 100% compliant with them in the 2022 financial year. By the end of Imperial Brands' reporting period, data revealed 96% compliance had been achieved.

From this exercise, Imperial Brands learned 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 Imperial Brands in reaching its 100% goal.

The output from the self-assessment questionnaires is captured in Imperial Brands' 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 Imperial Brands' 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 Imperial Brands modern slavery commitments.

### Tobacco leaf supply

Imperial Brands seeks to make a positive impact within our suppliers' tobacco-growing communities and are working in partnership with leaf suppliers to identify issues within tobacco-growing communities. Conducted in collaboration with suppliers, Imperial Brands uses Supply Chain Impact Assessments to focus on local priorities and strengthening policy commitments and standards with the view to increase the positive impact of Imperial Brands' actions.

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

#### In 2022, Imperial Brands:

- Enhanced the in-house processes that further formalise its due diligence approach. To this extent, all Human and Labour Rights potential issues reported to date concerning Imperial Brands employees have been acted upon. With regards to third party leaf supply chain, Imperial Brands remains in dialogue with suppliers on their efforts.
- Within its leaf supply chain, conducted two Impact Assessments and five STP In-Depth Assessments. For those that are complete, supplier action plans are in progress.
- Supported 84,000 farmers and their families through the Leaf Partnerships projects. These projects aimed to increase access to basic needs and improve livelihoods, supplementing suppliers' on-the-ground initiatives.



# ASSESSING THE EFFECTIVENESS OF IBA'S ACTIONS

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.](#)



# ASSESSING THE EFFECTIVENESS OF IBA'S ACTIONS

## Sustainable Tobacco Programme

All suppliers from whom Imperial Brands sources tobacco are required to participate in the industry-wide STP. The STP is a framework for continuous improvement which is independently managed by a Secretariat on behalf of the participants. It involves an annual self-assessment questionnaire, focused independent reviews and subsequent improvement plans if required. The STP contains specific guidance and indicators relating to human and labour rights, including: whether any children have been employed on farms, questions relating to schooling in terms of access, and adherence to regulation and legislation.

Through the STP, independent third parties will support the validation and measurement of the programmes and interventions which are in place in Imperial Brands' supply chains. This process is complemented by in-country verifications carried out by Imperial Brands' Leaf team and third parties.

The programme has been developed to better enable the identification of risks and opportunities based on the geographical location of suppliers. Further, the programme has been designed to enable suppliers to report on the steps they are taking to produce a sustainable quality supply of tobacco leaf whilst providing the opportunity for farmers to share knowledge on good agricultural practices, with the view to improve labour standards, standards of living and address environmental challenges.

In 2022, Imperial Brands continued working with industry to enhance the STP and have embedded a due diligence process to identify, prioritise, respond, measure and report on the work Imperial Brands and its suppliers do as part of a continual process to improve human rights and environmental impact.

STP annual assessments are a component of Imperial Brands' supplier relationship management and the outcome of these assessments form part of Imperial Brands' supplier rating, along with quality, cost and value.

Where a supplier persistently fails to demonstrate how they are managing their ESG responsibilities in a particular sourcing origin, Imperial Brands considers ceasing purchases from that sourcing origin. This is a last resort as Imperial Brands prefers to work in partnership with its suppliers to raise standards.

## NTM & NGP supply

Imperial Brands' 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, Imperial Brands' 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 (leaf, NGP, NTM, indirect and logistics) was created and will begin to be rolled out by Imperial Brands in 2023. All new suppliers and supplier sites are subject to a mandatory audit, and all suppliers are required to adhere to the Code of Conduct. This applies to both centrally managed and locally managed suppliers.

Imperial Brands' Supplier Code of Conduct was also updated in 2022 to include human rights and environmental minimums and ambitions.

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

## Goods and services supply

Imperial Brands' indirect suppliers of goods and services, including facilities management, do not undergo the supplier qualification programme.

Where Imperial Brands has run a tender process, the supplier is requested to provide copies of policies relevant to the services they supply, which may include those addressing labour practices, forced labour and child labour (in the case of outsourcing services or goods manufacture). The policies are reviewed as part of the selection process.

For significant service requirements, Imperial Brands typically conduct a site visit as part of the selection process. Imperial Brands do not carry out regular onsite audits of indirect suppliers. Site visits to potential suppliers are ad-hoc and approached on a case-by-case basis if an ESG risk has been identified.

Imperial Brands' contracts do, however, include the right to audit and an ongoing requirement that suppliers, and their subcontractors, comply with Imperial Brands' Code of Conduct, applicable laws and policies throughout the contract term.

# EXTERNAL ALLEGATIONS AND REMEDIATION



Imperial Brands is committed to investigating potential human rights issues identified within its supply chain and direct operations. Imperial Brands takes any allegations relating to human rights, including modern slavery, extremely seriously. Imperial Brands pursues 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 allegation 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 Brands is vigorously defending the claim. As this matter concerns ongoing litigation, Imperial Brands is unable to comment further.

# PROGRESS ON OUR 2022 GOALS

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



# OUR ACHIEVEMENTS AND FUTURE COMMITMENTS



IBA made progress this year by strengthening our due diligence frameworks and approach to ethical procurement. IBA is committed to strengthening its approach to addressing modern slavery in its operations and supply chain and recognising that this is a continuous, collaborative and evolving process. Below we have set out our progress against our 2022 goals and what we hope to achieve in 2023 and beyond.

| PROGRESS ON OUR 2022 GOALS   | STATUS  |
|--|---|
| Exploring the use of gap analysis to better identify IBA's progress with achieving its anti-slavery initiatives.                                 | In Progress   |
| Devising internal audit processes to identify potential control weaknesses for IBA in combatting modern slavery.                                 | Achieved at Group level and in progress locally   |
| Assessing available ethical supplier screening products for improved surveillance of modern slavery risks in IBA's supply chains.                | Achieved  |
| Audit of the non-Imperial Brands suppliers of manufactured tobacco products.   | As non-Imperial Brands products represent less than 1% of local trade, IBA has reconsidered its approach and set a more appropriate goal for 2023 |
| Preparation of a procurement questionnaire to better assist IBA and its suppliers to identify modern slavery risks in the supply chains.         | Achieved  |
| Preparation of a questionnaire for IBA's trading partners to better assist IBA to identify modern slavery risks in its downstream supply chains. | Deferred to 2023 due to resourcing limitations  |
| Preparation of a template for investigations of modern slavery practices occurring in IBA's supply chains.                                       | Achieved at Group level, in progress locally  |
| Considering engagement of a suitable not-for-profit partner to combat modern slavery practices.  | In practice at Group level, in progress locally   |
| Ongoing training programmes for IBA employees.   | Achieved & ongoing  |
| Refresher training for IBA employees on existing policies.   | Achieved & ongoing  |

# COMMITMENTS FOR 2023



# COMMITMENTS FOR 2023

Below we have set out what IBA hopes to achieve in 2023 and beyond.

**Conduct a gap analysis** to identify areas for improvement in IBA's approach to assessing and addressing the risk of modern slavery in our direct operations.



**Conduct ethical supplier screening** against all new suppliers.



**Identify and assess** the actions taken by non-Imperial Brands suppliers of manufactured cigarette products to reduce the risk of modern slavery in their supply chains.



Over the 2023 and 2024 reporting years, **roll out IBA's procurement questionnaire** to all key suppliers with whom IBA has a continuing relationship.



**Develop a modern slavery questionnaire** for our trading partners and commence roll out to IBA's key retail partners.



Tailor Imperial Brands' **investigations template** for IBA's local business activities.



Continue considering the engagement of a suitable local not-for-profit partner to **combat modern slavery practices**.



Roll out Imperial Brands' **Human Rights Policy** to all IBA employees.



Roll out Imperial Brands' **updated Supplier Code of Conduct** to IBA employees and develop a plan for rolling this out to our suppliers.



Roll out Imperial Brands' new **modern slavery e-learning module** to all IBA employees.



## APPROVAL

The IBA Board of Directors approved this statement on 23 February 2023.



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