



2024 Annual Modern Slavery Report



This is our first report in accordance with the *Fight Against Forced Labour and Child Labour in Supply Chains Act* as approved by Imperial Tobacco Canada Limited's Board of Directors.

Who we are

Imperial Tobacco Canada Limited ("ITCAN") is headquartered in Brampton, Ontario, with offices throughout Canada, including Montreal. ITCAN is Canada's leading tobacco and nicotine company and is a wholly owned subsidiary and part of the British American Tobacco Group ("BAT Group"). The BAT Group is a global multi-category consumer goods business, operating in over 180 markets. Its headquarters are based in London, UK, and it employs more than 46,000 people worldwide, including ITCAN's approximately 500 full-time employees across Canada.

ITCAN is proud to distribute its high-quality products to over 29,000 retailers throughout Canada.

Our Commitment

The BAT Group's commitment to respect the human rights of its employees, the people with whom it works with and the communities in which it operates is long-standing. ITCAN, as a proud member of the BAT Group, recognises that, like all businesses, there is a risk of modern slavery issues arising in either the BAT Group's own operations or those of its extended supply chain.

ITCAN continues to build upon, and strengthen, its approach to tackling this global issue within the context of the broader Group-wide human rights approach.

Our Business Structure

ITCAN is a wholly owned subsidiary of the BAT Group. The Board of British American Tobacco p.l.c. ("BAT") is collectively responsible to its shareholders for the long-term success of the BAT Group and for the BAT Group's strategic direction, purpose, values, and governance. The BAT Board provides the leadership necessary for the BAT Group to meet its business objectives within a robust framework of internal controls. The BAT Board is supported by its Audit Committee, which monitors performance, risks, and adherence to the BAT Group's standards, including for human rights of its worldwide employees and within its extended supply chain.

In addition to the United States of America, the BAT Group is made up of two regional structures, being:

- Asia-Pacific, Middle East and Africa (APMEA); and
- Americas and Europe (AME). ITCAN is a member of AME.

The Audit Committee is underpinned by its Regional Audit Committees and Corporate Social Responsibility Committee framework, with committees for each of the two BAT Group regions, including the US business, and for locally listed BAT Group entities and specific markets, where appropriate. BAT's Management Board, chaired by its Chief Executive, is responsible for overseeing the implementation of BAT Group strategy and policies set by the BAT Board, and for creating the framework for BAT Group subsidiaries', including ITCAN's, day-to-day operations. ITCAN is responsible for ensuring that the strategy and policies set by the BAT Board are followed and adapted to the Canadian market in which it operates.

BAT's Chief Strategy & Growth Officer has overall responsibility for the delivery of the BAT Group Sustainability Agenda, supported by the Chief Sustainability Officer, the BAT Group Sustainability Team and the sustainability subject-matter experts across the BAT Group.

The BAT Group's governance framework provides a channel for the appropriate flow of information, monitoring and oversight of key issues, including those relating to human rights and modern slavery, at all levels of the BAT Group, from ITCAN's local business to the BAT Board level.

You are invited to find out more about the BAT Group strategy, business model, structure and governance in BAT's 2023 Combined Annual and Sustainability Report. ITCAN is also currently preparing and finalizing its first local Sustainability report.

Our Supply Chain

Alongside its traditional cigarette products, ITCAN's portfolio includes non-combustible products such as vaping products, and nicotine therapy replacement pouches.

As such, ITCAN relies on the BAT Group supply chain, which includes BAT Group's owned manufacturing facilities and third party contracted manufacturing facilities, and which touches several industries with human rights risks and impacts, including agriculture for our tobacco supply chain, product material sourcing like paper and filters for cigarettes and manufacturing and electronics for our New Category supply chain.

ITCAN fully adheres to the BAT Group's human rights related policies and standards as this relates to the supply chain for its own products. BAT Group assesses suppliers' inherent risk exposure against Verisk Maplecroft human rights indices and conducts independent audits on the highest-risk suppliers. For more information, see page 5.

The majority of the BAT Group's tobacco is sourced by the BAT Group's own Leaf Operations through direct contracts with over 91,000 farmers. The remainder is from third-party suppliers that, in turn, contract with more than 154,000 farmers.

The vast majority of farms in the BAT Group tobacco supply chain are smallholder family farms of just two hectares on average. The BAT Group's directly contracted farmers benefit from the work of its global leaf agronomy research and receive support from its field technicians. Furthermore, BAT Group's third-party suppliers (many of whom BAT Group has long-term partnerships with) extend similar support to their contracted farmers.

This long-term sourcing model provides the BAT Group's directly contracted farmers and those contracted to its third-party suppliers with stability and security, enabling them to invest for the future, as well as securing a sustainable, efficient and reliable supply chain for the BAT Group businesses.

The BAT Group has a relationship with approximately 1,300 direct and 32,500 indirect product material suppliers. There is a growing supply chain in consumer electronics and e-liquids for the BAT Group's New Category products, and over 32,500 suppliers of indirect goods and services that are related to IT services and facilities management.

The BAT Group's Commitments, Policies, Standards and Controls

The BAT Group has a long-standing commitment to respect fundamental human rights as affirmed by the Universal Declaration of Human Rights. This includes respecting the rights of:

- employees;
- the people the BAT Group works with; and
- the communities in which the BAT Group operates across its supply chain and business operations.

The BAT Group’s approach to managing human rights risks is aligned with the UN Guiding Principles on Human Rights (UNGPs).

The BAT Group’s policies and principles for human rights and modern slavery issues, including its Standards of Business Conduct (SoBC) and Supplier Code of Conduct (SCoC) are reviewed and endorsed by the BAT Board, for local adoption and implementation by all BAT Group companies worldwide, including ITCAN.

Understanding the Risks

BAT has identified that the greatest human rights-related human rights and modern slavery risks are in the BAT Group’s tobacco supply chain.

These risks relate to the nature of the agricultural sector, which is characterised by large numbers of temporary workers, use of family labour in small-scale farming and high levels of rural poverty.

As such, BAT’s due diligence procedures include annual risk assessments based on the type of supplier and country of operation.

BAT recognises that circumstances in some countries present a higher risk for human rights issues, such as where regulation or enforcement is weak or where levels of corruption, criminality or unrest are high. As such, annual risk assessments to identify BAT Group operations in high-risk countries form part of the BAT Group’s due diligence procedures.

The BAT Group takes allegations relating to human rights extremely seriously and seeks to openly engage with the relevant stakeholders and respond appropriately to the issues raised. This includes working with families and communities to find solutions while respecting local context and the challenges of operating small, family-run farms.

If the BAT Group receives reports of unethical behaviour, it will take appropriate steps to investigate and address any issues.

Enhancing Farmer Livelihoods

The BAT Group recognises that it has a vital role to play in promoting a positive social impact across the supply chain.

The BAT Group works with its contracted farmers in enhancing their livelihoods and food security. BAT’s community programmes help to build long-term resilience for rural communities.

Rural poverty is one of the primary root causes of human rights issues in agriculture. If farmers have sustainable living incomes, farming is more attractive to the next generation. It also reduces the risks of

exploitation, as well as child and forced labour, and helps encourage improved adherence to safety and environmental standards. That is why enhancing farmer livelihoods is an important focus area in the BAT Group's Sustainability Agenda.

BAT's Thrive programme, an in-house system to collect data across aspects of farmers' livelihoods, is based on the internationally recognised 'Five Capitals' framework. These are: financial, natural, physical, human and social. Strength in all five enables farmers and rural communities to prosper.

BAT has defined indicators to measure progress against each of the Five Capitals, against which the BAT Group's own Leaf Operations and third-party suppliers' complete annual assessments. BAT's annual Thrive assessment covers BAT's directly contracted farmers and those of the BAT Group's third-party suppliers which represented over 94% of the tobacco purchased by volume in 2023.

In addition, BAT has developed a web-based platform for Thrive-related data – Thrive Digital – where suppliers complete their annual submissions. This is an interactive tool integrated with data analytics dashboards.

BAT's Extension Services of expert field technicians play a crucial role in improving human rights management across its directly contracted farmer base. They provide on the ground support and act as a direct link between the farmers and BAT, building trusted relationships and working with the farmers to develop their skills, promote better yields and build their resilience. They record data at each individual farm visit, including interviews with farm workers and monitoring for child and forced labour. There are unannounced visits and tracking of prompt actions that are needed to remediate and improve standards. BAT's suppliers provide similar support services for their contracted farmers.

The BAT Group encourages its directly contracted farmers to diversify their crops and income sources to help improve their food security and increase their resilience. 93.3% of farmers in the BAT Group's Thrive Supply Chain have diversified income streams with high-value alternative crops which enable farmers to increase their income, and which can help reduce the risk of child labour on small family farms. Finally, in 2023 the BAT Group developed and introduced a new Women's Empowerment Framework which focuses on topics applicable to the local market context, including women's and girls' welfare and health, capacity building and gender equality, entrepreneurship and creating wider opportunities to improve livelihoods, which also brings men along to address cultural or other barriers.

Giving Farmers a Voice

The BAT Group recognises the importance of fair and effective grievance mechanisms for farmers and farm workers. That is why the BAT Group tracks access to grievance mechanisms for its contracted farmers and the farmers supplying those of the BAT Group's third-party suppliers that are part of the Thrive assessments, which in 2023 showed:

- 99.9% of farmers and farm labourers who are part of Thrive, reported having access to at least one type of grievance mechanism;
- 292 grievances were raised by Thrive farmers and/or workers of which 100% were reported as resolved; and
- Regular meetings with farmers/workers or their representatives were reported as the most widely available grievance mechanism. Others used included meetings with unions, local NGO/government-led mechanisms, and telephone hotlines.

Given how important these grievance mechanisms are for understanding and responding to rights holders, BAT continues to look at new ways to further increase accessibility and promote a culture of openness for the BAT Group's contracted farmers and labourers to raise human rights-related issues.

Reporting and resolving incidents of child labour

The BAT Group recognises that child labour and forced labour are challenging and complex issues.

BAT's Operational Standard on Child Labour is mandatory for the BAT Group's own Leaf Operations and is recommended as a guidance to its third-party leaf suppliers.

In 2023, a total of 359 incidents of child labour were reported on 0.15% of farms in the BAT Group's annual Thrive assessment covering the BAT Group's Thrive Supply Chain¹. The majority of these cases related to under-18-year-olds working on tasks such as watering seedbeds, harvesting and stitching tobacco. Of these, 100% were reported as resolved during the growing season.

In 2023, a 62% reduction in the incidents of child labour reported was supported by: ongoing implementation of child labour mitigation programmes, farmer training, and stakeholder engagement amongst the BAT Group's Thrive Supply Chain. The BAT Group recognises the complexity of child labour and that monitoring cannot take place on every farm every day of the growing season, so incidents may be hidden or under-reported.

The BAT Group believes that tracking recurring non-compliance is essential to address root causes. When recurring non-compliance is identified the farmer's contract is not renewed for the next growing season. 18 contracts were not renewed in 2023 due to child labour incidents identified.

Respecting human rights in the Product Materials Supply Chain

Beyond the tobacco supply chain, labour factors are considered before the BAT Group starts working with a new product materials supplier.

Prior to approval, suppliers must undergo an independent due diligence audit, performed by BAT's audit partner Intertek and aligned to ILO standards. This due diligence covers forced labour, child labour, wages and hours, health and safety, environment, and management systems. Suppliers are expected to achieve a score of 70% to qualify.

Existing suppliers are externally audited using a risk-based approach. Each year the BAT Group conducts a risk assessment on 100% of the BAT Group's existing materials suppliers. Using independent human rights indices developed by Verisk Maplecroft, the BAT Group assesses suppliers' inherent risk exposure based on their country and the goods or services they provide.

BAT tracks suppliers' progress against the corrective action plans centrally. The BAT Group has zero tolerance to serious issues, which, when identified through the audit process, are promptly remediated and validated by an independent auditor.

¹ The BAT Group's metrics derive data from their annual Thrive Assessment, which includes the BAT Group's directly contracted farmers and those of Group's third-party suppliers, which represented over 94% to the tobacco the Group purchased by volume in 2023 ('Thrive Supply Chain').

Supplier audits and findings

In 2023, 623 social assessments of suppliers (167 were re-audits from previous years and 186 were new audits) located in 55 countries were conducted through BAT's appointed third parties, Intertek and EcoVadis. This comprised:

- 478 tier 1 product materials suppliers;
- 50 lower tier product materials suppliers; and
- 95 indirect goods and services suppliers.

Of all the issues identified, 83% were classified as 'moderate', relating to issues such as hours and wages, poor record-keeping and health and safety procedures.

17% were classified as 'major' and related to excessive working hours, wages below the legal minimum, inadequate fire and emergency preparedness, lack of required permits or licences and poor record-keeping.

The 'major' non-compliance issues identified in these audits and actions comprised:

- Labour standards/Human Rights 75%
- Environmental issues 25%.

51% of corrective actions identified were completed and verified by year-end 2023, with the remainder on track to close by the end of Q2 2024. By the end of 2025, the BAT Group is aiming for all product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle. By the end of 2023, this had been achieved for 58.8% of suppliers in those categories.

Standards of Business Conduct (SoBC)

The BAT Group's Standards of Business Conduct (SoBC), is the BAT Group's core global policy, setting out the high standards of integrity expected of its employees, its subsidiaries, and joint ventures which the BAT Group controls across a range of compliance topics. The SoBC include dedicated chapters on Respect in the Workplace and Human Rights, which are in line with the BAT Group's support for the UN Guiding Principles and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. ITCAN has adopted the SoBC for local implementation.

Every year, all of the BAT Group, including ITCAN employees and business entities must formally confirm that they have complied with the SoBC.

Employees must complete an annual SoBC sign-off, in which they reaffirm their commitment and adherence to the SoBC and declare, re-declare or update any personal conflicts of interest. The sign-off process includes SoBC e-learning and offline training for employees without easy online access. It may include real-life scenarios covering issues of relevance to the BAT Group.

BAT Group business entities, including ITCAN, complete an annual assessment against key audit controls in which they confirm that their area of business, or market, has adequate procedures in place to support SoBC compliance.

BAT Group's audit controls also require human rights risk assessments and risk mitigation action plans to exist in high-risk countries where the BAT Group companies operate, and for processes to be in place to demonstrate that human rights are managed effectively in the workplace and supply chain.

Supplier Code of Conduct

The BAT Group's Supplier Code of Conduct (SCoC) complements the SoBC by defining the minimum standards expected of the BAT Group's suppliers including on human rights. Should an ITCAN supplier fail to meet the SCoC standards whether through inadequate commitments, inactions or non-compliance, they will be obligated to demonstrate the corrective measures taken. Failure to do so may result in the termination of the business relationship.

The BAT Group companies', including ITCAN's suppliers are expected to promote adherence to the requirements of the SCoC and carry out appropriate due diligence within their own supply chain for their new and existing suppliers. ITCAN makes the SCoC available in English and in French to all its suppliers through its onboarding processes and includes the SCoC in its contractual arrangements.

The BAT Group regularly reviews its SoBC and SCoC to ensure alignment to best practice.

Standards and controls

The BAT Group has standards, procedures, and controls in place to support the effective implementation of BAT Group policy commitments. Examples include:

- an SoBC Assurance Procedure, which defines how allegations and reports of SoBC breaches should be investigated and remediated fairly and objectively; and
- a Leaf Suppliers Manual, which outlines operational standards on child labour prevention and personal protective equipment (PPE) in tobacco farming and provides guidance and procedures for applying BAT's SoBC child labour commitments and requirements for PPE provision, training and monitoring in the BAT Group's tobacco supply chain.

Ethical Recruitment for BAT Group Employees

For BAT Group companies, including ITCAN, there is a commitment to fairness and inclusivity which is embedded throughout the recruitment process, helping to ensure equal access to opportunities throughout the BAT Group and also to help to mitigate human rights risks for employees worldwide.

The hiring process is managed by BAT's in-house Global Business Services, which works to global BAT Group-wide standards.

All prospective employees undergo rigorous pre-employment checks, which include verifying identification, right-to-work status and other relevant employment documentation.

These standards apply to all types of employees, including permanent, temporary, part time and full time.

Where recruitment agencies are involved, these undergo rigorous checks and only recruitment through vetted vendors is permitted.

Safe Spaces to 'Speak Up'

The BAT Group's SoBC makes it clear that anyone working for – or with – the BAT Group should speak up if they have a concern about actual or suspected wrongdoing. This includes employees, contractors, contingent workers, business partners, customers, suppliers and their workers.

The BAT Group always listens to these concerns. The BAT Group does not tolerate victimisation or reprisals of any kind against anyone raising a concern – such conduct is itself a breach of the SoBC and is a serious disciplinary matter.

People can speak up in various ways, including talking directly to senior management, Human Resources or their line manager. BAT also has externally managed global 'Speak Up' channels available 24 hours a day online, by text or telephone. The channels can be used anonymously and are available in multiple languages.

Measuring Effectiveness

BAT assesses its approach against key performance indicators (KPIs) which include the following for 2023:

- Percentage of employees that completed the annual SoBC self-assessment – 100%;
- Cumulative number of human rights impact assessments completed, aligned with the UN Guiding Principles - 10;
- Number of independent supplier labour audits conducted - 623;
- Supplier corrective actions verified by year end 2023 with the remainder on track for Q2 2024 – 51%;
- Number of rights-holders in tobacco-growing communities that engaged via BAT Human rights impact assessments – 5,239;
- Percentage of BAT Group companies assessed for human rights risks against Verisk Maplecroft indices, including its Modern Slavery Index and percentage of farms in the Thrive Supply Chain monitored for child labour – 100%;
- Number of attendances at human rights training delivered by BAT's Leaf Operations and third-party leaf suppliers – 418,584.

These KPIs, alongside monitoring of strategic plans and emerging risks and best practice, are regularly reviewed at senior level through BAT's governance framework and committees, including by:

- The BAT Board Audit Committee, comprising independent Non-Executive Directors;
- BAT's Regional Audit and CSR Committees;
- BAT's Operations Sustainability Forum, chaired by BAT's Operations Director; and
- BAT's Supply Chain Due Diligence Governance Committee, chaired by BAT's Group Head of Procurement.

ITCAN is proud of what has been achieved so far, and recognises, like many other businesses, that more can be and will continue to be done.