



2025 Annual Modern Slavery Report



The present report is prepared in accordance with the *Fight Against Forced Labour and Child Labour in Supply Chains Act* for the year ended on December 31, 2024, 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 48,000 people worldwide, including ITCAN's approximately 470 full-time employees across Canada.

ITCAN distributes its products to over 29,000 retailers throughout Canada.

ITCAN's Commitment

The BAT Group's commitment to respect the human rights of its employees, the people with whom it works and the communities in which it operates is long-standing. ITCAN, as a 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 issue within the context of the broader Group's management of human rights risks across its supply chains.

ITCAN and BAT Group Business Structure

ITCAN is a wholly owned subsidiary of the BAT Group. The Board of British American Tobacco p.l.c. ("BAT Board") 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 those 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, 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 Group's strategy and policies are adapted for local implementation within Canada.

BAT's Chief Corporate 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 2024 Combined Annual and Sustainability Report..

Supply Chain

Alongside its traditional cigarette products, ITCAN's portfolio includes non-combustible products such as vaping products, and nicotine replacement therapy 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, which touches several industries with potential 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 products supply chain.

ITCAN has adopted for local implementation and continues to fully adhere to the BAT Group's human rights related policies and standards as this relates to the supply chain for ITCAN's 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 157,000 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, as well as securing a sustainable, efficient and reliable supply chain for the BAT Group businesses.

The BAT Group has a relationship with approximately 700 direct and 25,000 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 a number of 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 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.

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 for its agricultural supply chain seek 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 93% of the tobacco purchased by volume in 2024 ("Thrive Supply Chain").

In addition, BAT has developed a web-based platform for Thrive-related data – Thrive Digital – where suppliers complete their annual submissions based on the following five metrics: Financial (economic livelihoods of farmers, including access to resources), Natural (the ecosystem necessary to sustain agricultural production and livelihoods), Human (skills, knowledge, labour and human rights), Social (self-sufficient and resilient communities), and Physical (infrastructure needed to maintain viable places to live and work). 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. In 2024, 94% 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. To date, more than 138,000 people in farming communities received training on crop diversification techniques. Finally, the BAT Group has developed and introduced a 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.

Grievance Mechanisms

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 assessments¹, which in 2024 showed:

- 97.96% of farmers and farm labourers who are part of Thrive, reported having access to at least one type of grievance mechanism;

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 93% of the tobacco the Group purchased by volume in 2024 ('Thrive Supply Chain').

- 307 grievances were raised by farmers in Thrive Supply Chain 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 ways to improve 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 2024, a total of 117 incidents of child labour were reported on 0.05% of farms in the BAT Group’s Thrive Supply Chain. The majority of these cases related to under-18-year-olds stitching and/or tobacco green leaves. Of these, 100% were reported as resolved during the growing season.

In cases of recurring incidents, a farmer’s contract is not renewed for the next season. No recurring incident was identified in 2024. 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. That is why the BAT Group monitors the recurrence of child labour cases, and often involves local communities in its remediation plans.

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 who supplies non-leaf materials used in BAT Group products, such as filters, paper, adhesives, liquids, devices and batteries, as well as higher-risk indirect suppliers who supply machinery and point of sale materials. BAT Group’s Supplier Code of Conduct (as further discussed on page 6) applies to all such suppliers and sets the standards for responsible business conduct.

BAT Group aims for all such suppliers to have undergone at least one independent labour due diligence audit within a three-year cycle by the end of 2025. By the end of 2024, this was achieved for 91% of such suppliers. All in-scope suppliers are evaluated through an independent risk assessment platform which covers topics that are relevant to the BAT Group such as working conditions and forced labour. The outcome of the risk assessment will determine the type of audit assigned, which can be either a third-party on-site audit or a third-party verified self-assessment.

If an in-scope supplier is identified to fall below BAT Group’s minimum standards, the BAT Group support the supplier to develop an action plan and monitors its progress. If a supplier does not show necessary improvements, BAT Group will terminate the contract, as appropriate, taking into account responsible disengagement and relevant OECD guidelines.

Supplier audits and findings

In 2024, 321 independent labour audits were carried out. 156 were first time audits and 165 were re-audits of existing suppliers due to previous audit performance. Through this process, 23 suppliers made sufficient improvements to meet BAT Group standards and 10 were removed from the supply chain.

On-site audit revealed 48.6% of issues related to health and safety, while 17.4% were about working hours, 5.5% of issues about adequate wages, 13.8% of issues about management systems and the remaining 14.7% were related to other issues which included environment, business ethics and living wages.

Monitoring human rights in BAT Group direct operations

The BAT Group uses Verisk Maplecroft's human rights indices, including its Modern Slavery Index to assess the risk level faced by its direct operations. The assessment criteria include labour rights and protection, safety and security, and equality, diversity and discrimination. In 2024, 22 countries where the BAT Group has direct operations were identified as higher risk locations. These direct operations underwent additional assessments to evaluate and ensure their compliance with relevant BAT Group policies and standards.

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 controlled by the BAT Group across a range of compliance topics. The SoBC include dedicated chapters on Respect in the Workplace and Human Rights, which align with 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 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 (SCoC)

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.

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 implement 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.

Group '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 does not tolerate victimisation or reprisals of any kind against anyone raising a concern – such conduct is itself a breach of the SoBC.

People can speak up in various ways, including talking directly to senior management, Human Resources or their line manager. BAT also has a confidential independently 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 - 540;
- Number of rights-holders in tobacco-growing communities 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 – 417,628.

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.