

EXPERIENCE OF ECONOMIC IMPACT ASSESSMENT

OUR BUSINESS IN MOROCCO

Our operating business in Morocco first undertook a socio-economic impact study in 2012. This study was crucial in ensuring that we had a clear understanding of our impacts and could define key engagement messages and future objectives. It also provided clear insight to inform our Moroccan business strategy.

Since then, the macro-environment has changed dramatically. The market structure has moved from being a quasi-monopoly to a competitive open market; with two major changes in terms of the tax regime change and price regulation.

To remain competitive and market relevant we recognised that we needed to progress a strategic review and therefore saw great benefit in once again undertaking a socio-economic impact study. The aim was to understand how this changing environment is affecting our business and our stakeholders.

During the study which was part of a larger project on Non-Tariff barriers and national value, a number of challenges were faced. The impact assessment process lasted 3-months. It was initiated with the data collection from different entities, followed by analysis, and then most challenging relating the data to the methodology, whilst taking account of the current and predicted future value chain transformation.

Compared to prior years, our output and revenues in Morocco have fallen with the opening-up of the domestic tobacco market to competition in 2013. Figures indicate that total revenues have almost halved and direct employment has fallen by around 40%.

Despite the declines, we have maintained and strengthened our social responsibility policy in Morocco with fewer resources and in a more challenging environment. The local management team have responded positively to the insights from the first study, strengthening societal involvement, and improving communication with stakeholders on the company's involvement in the socio-economic development of Morocco. In 2015, the SMaRT Foundation was founded as a community commitment to Morocco and to strengthen the company contribution to human development.

The study has shown that the business shares and distributes value in a voluntary and strategic manner so that communities, stakeholders and the environment benefit. The contribution is both social and economic; generating value added economic activity through our manufacturing presence, making a large contribution to Morocco's public finances, supporting employees and jobs in the supply chain, and enabling a number of social programmes.

In Morocco we employ some 930 full-time personnel, with 61% workforce based in Casablanca. An additional 2,300 tobacco cultivators supply the domestically sourced tobacco. Purchases with suppliers and wider economic spending supports an additional 6,478 jobs across Morocco.

The report clearly outlines the positive socio-economic impacts made but also highlights recommendations for further improvement across all of our stakeholder groups.

Recommendations include better contributing to the delivery of the ambitions set out in the Moroccan government's Industrial Acceleration Plan. Opportunities have been identified through our production activities (including the supply chain). If we were able to reverse our market share decline since 2014 we could add some MAD 0.74 billion or 0.25% to the size of the industrial sector in Morocco. We could also contribute more positively through our leading role in tobacco manufacturing, which indirectly supports other manufacturing operations (e.g. paper products used in packaging); by investing in more productive manufacturing. This in turn would cascade into other industries through technology transfer, the movement of skilled workers and international connectivity.

We are very pleased that this study has highlighted our key commitments and given further insight to our considerable direct and indirect value chain impacts. We will keep working together to do more to enhance our positive social and economic impacts in Morocco.

