

# HUMAN RIGHTS IMPACT ASSESSMENT

## INTRODUCTION

In order to better understand our respect of human rights and in a context of new and emerging legislation, such as the UK Modern Slavery Act (2015), we commissioned a leading global risk consultancy, Verisk Maplecroft (Maplecroft), to conduct a corporate Human Rights Impact Assessment (HRIA).

The HRIA is guided by the United Nations Guiding Principles on Business and Human Rights Reporting Framework. It was designed to help us systematically assess, evaluate and prioritise areas within our global operations and in our supply chains for tobacco leaf and non-tobacco materials (NTM: tier 1 suppliers only) for a stronger respect of Human Rights. The results of the HRIA will help us to identify areas for improvement and action.

## METHODOLOGY

### 1. PHASE 1: GEOGRAPHICAL RISK ASSESSMENT:

Our operations and supplier footprint was assessed in terms of the most relevant stakeholder human rights based on the geographical location of the site.

Figure 1 below highlights the human rights which the assessment identified as the most relevant for the key stakeholder groups: consumers, workers, suppliers and communities; based on a geographical risk rating.

**Figure 1:** Human rights most relevant to our key stakeholder groups as determined by a geographical risk assessment.

<b>Consumer (4.25)</b>	<b>Worker (3.81)</b>	<b>Supplier (4.63)</b>	<b>Community (3.88)</b>
<b>Right to life (5.72)</b>	<b>Right to life (5.18)</b>	<b>Right to life (5.31)</b>	<b>Right to life (6.09)</b>
Right to access to effective remedies (2.13)	Right to equality before the law, equal protection, non discrimination (3.86)	<b>Right not to be subjected to slavery, servitude or forced labour (4.33)</b>	Right to liberty and security (4.44)
<b>Right of protection for the child (4.63)</b>	Right to access to effective remedies (2.17)	Right of protection for the child (3.76)	Right to access to effective remedies (2.22)
Right to health (4.53)	Freedom of association (3.89)	Right to freedom of association (4.00)	Right to a fair trial (4.59)
	<b>Right to enjoy just and favourable conditions of work (3.96)</b>	Right to work (3.50)	Right of protection for the child (4.30)
	Right to form and join trade unions and the right to strike (3.72)	Right to form and join trade unions and the right to strike (4.00)	<b>Right to an adequate standard of living (5.71)</b>
	Right to an adequate standard of living (3.91)		Right to take part in cultural life (5.10)

**Legend:**

Low (0.00-2.50)

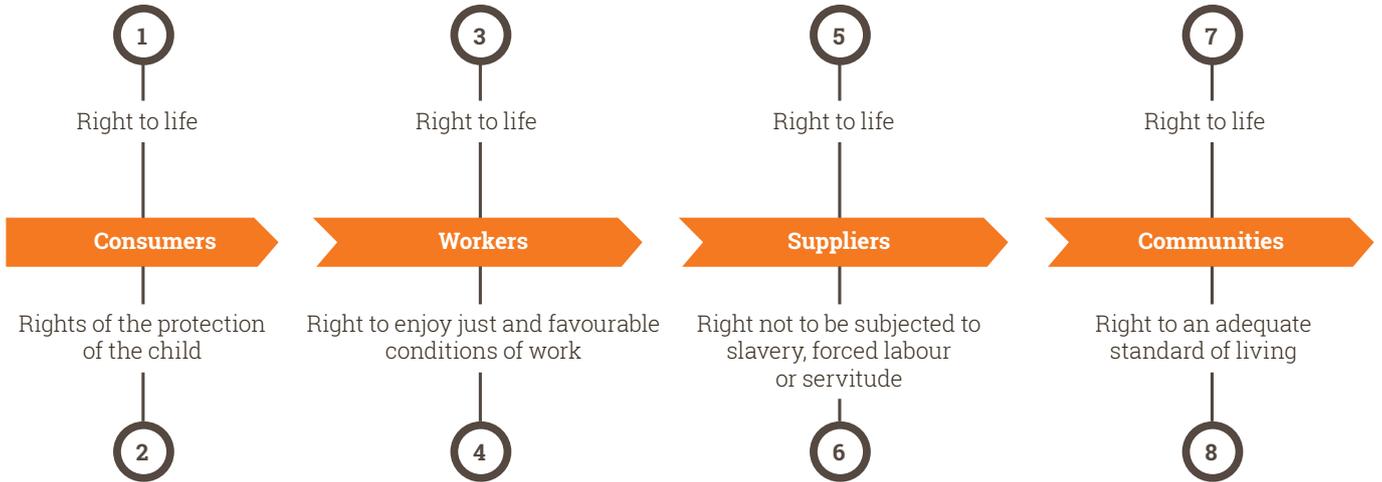
Medium (2.50-5.00)

High (5.00-7.50)

Extreme (7.50-10.00)

Figure 1 indicates that the majority of human rights identified at present are rated as low to medium risk. The 8 highest risk-rated human rights have been identified in bold text. These human rights were prioritised and taken forward for investigation in Phase 2 of the assessment. They are presented below in Figure 2.

**Figure 2:** The 8 highest risk-rated human rights identified by stakeholder group.



**2. PHASE 2: GAP ANALYSIS OF POLICIES, PROCESSES AND PRACTICES:**

In Phase 2, our existing policies, processes and practices were assessed to evaluate the extent to which the 8 highest risk-rated human rights are addressed and integrated within our due diligence procedures.

Our management of these human rights were investigated against the 6 due diligence stages identified by the UN Guiding Principles on Business and Human Rights. This is illustrated in Figure 3 below.

Phase 2 also included in-depth interviews with internal subject matter experts to clarify and validate the findings.

**Figure 3:** The six stages of the due diligence process, based on the UN Guiding Principles on Business and Human Rights.



### 3. PHASE 3: ACTUAL IMPACT ASSESSMENT:

In Phase 3, our top 10 operational and supplier sites identified with the higher risk-ratings were assessed to determine if any allegations of a potential human rights breach were evident, in relation to the human rights identified as most relevant.

This analysis was based on a comprehensive multi-lingual review of allegations made against our sites and suppliers in the media and NGO reports.

Two reports of allegations were identified in relation to the “consumer” stakeholder grouping. These were:

1. An allegation against our operational site in Cote d’Ivoire in relation to the right to life (product safety and consumer health information); and
2. An allegation against a supplier in India in relation to the rights of the protection of the child (youth access prevention).

The first cites alleged numbers of smoking-related deaths. We acknowledge that smoking is a cause of serious disease and we do not challenge the public health messages related to smoking.

The second allegation relates to a supplier from whom we purchase tobacco leaf from; we do not distribute our products through them so this alleged breach is indirectly related to our business activities.

When considering potential human rights breaches, we recognise that an absence of allegation may result from not only from good due diligence but also from limited media and/or NGO attention i.e. the lack of reporting does not necessarily mean there are no breaches. With this in mind, it therefore may be appropriate to investigate more deeply where a site or supplier operates in an area of high geographical risk. This assessment of risk is part of the approach we haven taken to directing our internal audits and our supplier assessments.

## RESULTS

An overview of the results from Phase 1, 2 and 3 are illustrated in Figure 4 below.

**Figure 4:** Overall results from Phase 1, 2 and 3 of the HRIA

Stakeholder	Human Right	PHASE 1: Geographical Risk Rating	PHASE 2: Due Dilligence Score	PHASE 3: Allegations Rating
<b>Consumer</b>	Right to life (product safety and consumer health information)	5.72	9.03	7.40
	Right of the protection of the child (youth access prevention)	4.63	7.29	5.92
<b>Worker</b>	Right to life (occupation health and safety)	5.18	9.79	0.00
	Right to enjoy just and favourable working conditions of work	3.96	8.47	0.00
<b>Supplier</b>	Right not to be subjected to slavery, servitude or forced labour	4.33	6.88	0.00
	Right to life	5.31	5.97	0.00
<b>Community</b>	Right to an adequate standard of living	5.71	5.14	0.00
	Right to life (community health and wellbeing)	6.09	4.03	0.00

**Legend: Phase 1 and Phase 3**

Low (0.00-2.50)

Medium (2.50-5.00)

High (5.00-7.50)

Extreme (7.50-10.00)

**Legend: Phase 2**

Very good (10.00-7.50)

Good (7.50-5.00)

Poor (5.00-2.50)

Very poor (2.50-0.00)

Based on the HRIA good practice was highlighted and improvement opportunities recommended, details of which, are provided in Figure 5.

**Figure 5:** Recommendations from the HRIA

Stakeholder Group	Priority Human Right	Implications for Imperial Brands	Due Dilligence Assessment	Good Practice Identified	Improvement Opportunities
<b>Consumers</b>	The right to life	<ul style="list-style-type: none"> <li>Product safety and consumer health information</li> </ul> <p>Businesses should seek to address adverse impacts on human health through their business activities or products.</p>	Very good performance	<ul style="list-style-type: none"> <li>Comprehensive policies, practices and processes in place to address product safety and our duty of care with our respect to consumer health</li> <li>Best practice in the 'policy', 'assess risk', 'treat risk', 'report performance' and 'remediate risk due diligence' stages</li> </ul>	<ul style="list-style-type: none"> <li>Performance in the 'monitor risk due diligence' stage</li> </ul>
<b>Consumers</b>	The rights of the protection of the child	<ul style="list-style-type: none"> <li>Youth access prevention (YAP)</li> </ul> <p>Businesses should seek to protect children's rights by ensuring adequate protection is in place around access to products that may have adverse impacts on human health.</p>	Good performance	<ul style="list-style-type: none"> <li>Adequate commitment to respect the right of the protection of the child through a range of policies, practices and processes to address YAP</li> <li>Best practice in the 'policy' and 'treat risk due diligence' stages</li> </ul>	<ul style="list-style-type: none"> <li>Performance in the 'monitor performance' and 'remediate risk due diligence' stages</li> </ul>
<b>Workers</b>	The right to life	<ul style="list-style-type: none"> <li>Occupational health and safety (OHS)</li> </ul> <p>Businesses should seek to protect workers' rights and promote safe and healthy working conditions, including when there is an eminent danger of death or serious life-threatening harm to their workers.</p>	Very good performance	<ul style="list-style-type: none"> <li>Strong commitment to respect the right to life through comprehensive policies, practices and processes to reduce work-related injuries among workers</li> <li>Strong performance across the full range of due diligence stages, including 'policy', 'assess risk', 'treat risk', 'monitor performance', 'report performance' and 'remediate risk'</li> </ul>	<ul style="list-style-type: none"> <li>No gaps identified</li> </ul>



Stakeholder Group	Priority Human Right	Implications for Imperial Brands	Due Dilligence assessment	Good Practice Identified	Improvement Opportunities
<b>Suppliers</b>	The right to life	<ul style="list-style-type: none"> <li>Occupational health and safety in the supply chain</li> </ul> <p>Businesses should seek to protect workers' rights in the supply chain and promote safe and healthy working conditions, including when there is an eminent danger of death or serious life-threatening harm to workers.</p>	Good performance	<ul style="list-style-type: none"> <li>Reasonable commitment to respect the right to life through policies, practices and processes to reduce work-related injuries among suppliers</li> <li>Best practice in the 'treat risk due diligence' stage</li> </ul>	<ul style="list-style-type: none"> <li>Performance at the 'policy', 'assess risk' and 'monitor performance' stages</li> <li>Performance rating for 'report' and 'remediate risk due diligence' stages</li> </ul>
<b>Suppliers</b>	The right not to be subjected to slavery, forced labour or servitude	<ul style="list-style-type: none"> <li>Employment practices in the supply chain</li> </ul> <p>Businesses should not employ child labour, forced labour, or trafficked persons, and ensure adequate protection for migrant workers.</p>	Good performance	<ul style="list-style-type: none"> <li>Adequate commitment to respect the right not to be subjected to slavery, servitude or forced labour through policies, practices and processes</li> <li>Best practice in the 'policy' and 'treat risk due diligence' stages</li> </ul>	<ul style="list-style-type: none"> <li>Performance at the 'assess risk', 'monitor performance', 'report performance' and 'remediate risk due diligence' stages</li> </ul>
<b>Communities</b>	The right to life	<ul style="list-style-type: none"> <li>Community health and wellbeing</li> </ul> <p>Businesses should seek to effectively manage their operations that may have an impact on community health and wellbeing, as well as the spread of infectious diseases (e.g. malaria and HIV) that may affect both company workers and their families in the local communities.</p>	Poor performance	<ul style="list-style-type: none"> <li>Relatively good performance at the 'policy' and 'treat risk due diligence' stages</li> </ul>	<ul style="list-style-type: none"> <li>Reported commitment to respect the right to life in communities</li> <li>Performance at the 'assess risk', 'monitor performance', 'report' and 'remediate risk due diligence' stages</li> </ul>

## NEXT STEPS: ADDRESSING THE HRIA FINDINGS

To focus improvements based on the HRIA findings we will take the actions detailed in Figure 6.

**Figure 6:** Human rights focus areas and our improvement actions

Stakeholder	Risk Issue	Actions for Financial Year 2017
<b>Consumer</b>	Right to life	We will review existing consumer complaints processes and the nature of received complaints (in relation to product quality, safety and consumer health) in order to determine whether further monitoring or improvement actions are required.
<b>Consumer</b>	Right of the protection of the child	Phase 3 of the HRIA identified our top 10 operational sites which are at increased risk of breaching this particular human right.  In response we will conduct a new in-depth analysis of these markets, reviewing current legislation, awareness and compliance with our own International Marketing Standard, local initiatives with retailers related to youth access prevention and the grievance mechanisms in place for consumers.
<b>Supplier</b>	Right to life	We will review our supplier monitoring programmes and reporting to better illustrate the respect for the health and safety of workers in the supply chain.  We will also consider the potential extension / better promotion of existing grievance mechanisms for workers in the supply chain.
<b>Communities</b>	Right to life	We will review existing and potential grievance mechanisms for local communities where we operate, prioritising those in highest risk areas.

## IN ADDITION

We will:

- enhance our Internal Audit approach to further address the respect of human rights based on the findings of this Human Rights Impact Assessment;
- conduct human rights training for our Internal Audit team and review the areas which require additional focus from an audit perspective; and
- further disclose information against the relevant Global Reporting Initiative (GRI) framework of relevant indicators.