

ADDRESSING CHILD LABOUR

Child labour is not acceptable. Our approach to respecting human rights, including child labour, is guided by the international human rights principles in line with the International Bill of Human Rights, the International Labour Organization's (ILO) core conventions and the principles and guidance contained within the United Nation Guiding Principles (UNGP) on Business and Human Rights.

In accordance with the main international and legal instruments contained in the Conventions of the ILO and the Convention on the Rights of the Child (UNCRC), child labour is defined as work that can harm children's well-being and hinder their education, development and future livelihood.

GLOBAL CONTEXT

The ILO estimate that worldwide 218 million children between 5 and 17 years of age are in employment. Among them, 152 million are victims of child labour with almost half of them, 73 million, working in hazardous child labour¹.

Almost half of child labour is to be found in Africa (72.1 million); 62.1 million in Asia and the Pacific; 10.7 million in the Americas; 1.2 million in the Arab States and 5.5 million in Europe and central Asia¹.

Child labour is concentrated primarily in agriculture (71%), which includes fishing, forestry, livestock herding and aquaculture, and comprises both subsistence and commercial farming; 17% in services; and 12% in the industrial sector, including mining¹.

The ILO also cite evidence pointing to a strong link between household poverty and child labour; perpetuating poverty across generations by keeping the children of the poor out of school and limiting their prospects for upward social mobility.

"We do not want child labour in our supply chain. Children should have the right to enjoy their childhood, be safe and have access to education."



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1. Source: Global Estimates of Child Labour: Results and trends, 2012-2016, Geneva, September 2017.

OUR RESPONSIBILITY

We have a collaborative approach to human rights, partnering with key stakeholders across our value chain to make positive societal impact. Our commitment to human rights extends through several Group policies. Our Code of Conduct and Supplier Code of Conduct set out the foundations to our approach to human rights, which all our employees, suppliers and business partners are required to adhere to.

Our on-going commitment to human rights has included: undertaking Human Rights Impact Assessment (HRIA) to better understand the salient human rights in relation to our global supply chains; strengthening policy commitments and standards; and more recently reviewing how robust these policies are.

To ensure our policy requirements are implemented within our supply chain, we use the Supplier Qualification Programme for our non-tobacco material (NTM) and Next Generation Products (NGP) supply and the industry wide Sustainable Tobacco Programme (STP) for our leaf sourcing.

SUPPLIER QUALIFICATION PROGRAMME

The 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, our 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 Environmental, Social, Governance (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.

All new suppliers or supplier sites are subject to a mandatory audit. This applies to both centrally managed and locally managed suppliers. All our suppliers are required to sign-up to our Code of Conduct. We have at least two meetings per year with all our centrally managed suppliers where any concerns can be raised. We will cease our relationship with a supplier if they continually fail to demonstrate how they are managing their ESG responsibilities.

TOBACCO LEAF SUPPLY

We source tobacco globally primarily through large international tobacco merchants as we are not vertically integrated; only a small amount is sourced directly from farmers. Main sourcing countries include Brazil, India, China and others in Asia and Sub-Saharan Africa.

Through cross-industry dialogue and a continual improvement cycle, the STP has been designed to enable our suppliers to report on the steps they are taking to produce a sustainable quality supply of tobacco leaf as well as providing the opportunity for farmers to improve labour standards, raise standards of living and addressing environmental challenges, by sharing knowledge on good agricultural practices.

Our suppliers employ Leaf Technicians who are responsible for visiting farmers to support good agricultural practices and to capture data related to agronomy and socio-economic issues, including child labour. The increasing use of hand-held technology is improving supply chain transparency and the standards being achieved at farm level. Our Leaf Sustainability teams work closely with our leaf suppliers to focus improvements.

In addition, we have been encouraging suppliers to grow under an Integrated Production System (IPS). IPS can be defined as an approach to agricultural production that embraces social implications, economics, environment and technology.

Similar to other agricultural industries, the risk of child labour is highest in our tobacco growing supply chain. Addressing child labour is a multi-stakeholder issue, one which no single entity can address in isolation. In collaboration with key stakeholders including the industry, suppliers and NGOs, we seek to address the risk of child labour through three main avenues:

We use three main avenues to manage child labour risk in our tobacco leaf supply chain:

1. The Sustainable Tobacco Programme (STP);
2. Our Leaf Partnership projects and;
3. Our support of the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation.

1. ADDRESSING CHILD LABOUR THROUGH THE SUSTAINABLE TOBACCO PROGRAMME

All suppliers from whom we source tobacco are required to participate in the industry wide STP. The STP is a framework for continuous improvement and involves an annual self-assessment questionnaire, focused independent reviews and subsequent improvement plans if required. The STP covers the areas of: Environment; Social and Governance and encourages the implementation of good agricultural practices.

The STP contains specific guidance and indicators related to child labour including: whether any children have been employed on farms; questions relating to schooling in terms of access, and adherence to regulation and legislation.

Leaf Technicians provide farmer training regarding activities such as tending seedbeds, planting, application of crop protection agents, harvesting and curing. During these training sessions, the Leaf Technician will provide information on good agricultural practices and will give advice to farmers on numerous issues including child labour, school attendance and Green Tobacco Sickness.

The STP annual assessment is part of our formal supplier relationship management and it forms part of the suppliers' ratings that we determine along with quality, cost and value.

Where a supplier persistently fails to demonstrate how they are managing their environmental, social and governance responsibilities in a certain sourcing origin, we will consider ceasing to purchase from that sourcing origin. This is a last resort as we prefer to work in partnership to raise standards.

In 2020 we continued to work with the industry to enhance the STP. The STP indicators and guidance were reviewed to better align with the UNGP on Business and Human Rights and the UN Sustainable Development Goals.

The programme has been restructured to better enable the identification of risks and opportunities based on the geographical location of our suppliers. Suppliers are encouraged to provide details on what they are doing to mitigate the risk and maximise positive impact. Suppliers will also provide measures they have in place to determine how successful these interventions are.

This risk-based approach will allow us to better support the suppliers with interventions as well as further enhance our transparency and reporting of our sustainability impacts and practices in our agricultural supply chain.

The STP has been focused into eight themes: Water; Human and Labour Rights; Crop; Climate Change; Livelihoods; Natural Habitats; Soil Health; and Governance

A phased roll out of the questionnaires began in September 2020, we will report on our progress during 2021.

2. ADDRESSING CHILD LABOUR THROUGH OUR LEAF PARTNERSHIP PROJECTS

We allocate over £1 million annually into our Leaf Partnership projects. This is predominately to support farmer livelihoods and welfare and assist rural communities from where we source tobacco.

The two essential criteria for leaf partnerships are projects which:

1. Enhance farmer welfare and income – typically through enabling the farmer to improve the yield and quality of his tobacco and/or food crops or by reducing his labour requirements.
2. Improve natural resource management – typically through reducing the need for indigenous forest, improving water and soil management and protecting biodiversity – thereby securing long-term income security for the farmer.

Our projects are targeted in tobacco-growing countries, identified as having the most need. By focusing on the above two criteria, we're able to enhance productivity, incomes, reduce labour requirements and improve farming inputs. We see this as important in securing quality tobacco supplies and providing farmers with better incomes, higher standards of living and also mitigating the potential reliance on child labour.

With improvements in data gathering and analysis enabled by technology utilised by Leaf Technicians we are increasingly better placed to target interventions and support within prioritised communities.

Our Leaf Partnership projects are currently supporting a range of initiatives including the development of boreholes, dams and weirs in Malawi and Mozambique. We have also provided digital equipment for schools in India, personal protection equipment (gloves, hats and facemasks) to farmers in Lebanon and provided funding for fruit trees and tobacco-curing barn improvements in Laos.

In 2020, some of our Leaf Partnership funds were diverted to support tobacco farming communities during the COVID-19 pandemic.

Further information on Leaf Partnerships can be found on our website.



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3. ADDRESSING CHILD LABOUR THROUGH OUR SUPPORT OF THE ECLT FOUNDATION

We are active Board members of the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation. We make a significant annual financial contribution, have enacted the Member's Pledge of Commitment aligned to the UNGP on Business and Human Rights and continue to give management time and expertise with participation on the ECLT Board of Trustees and on a number of working groups and consultative committees.

The ECLT Board has cross industry representation from the main Tobacco Manufacturers, Tobacco Merchants and the International Tobacco Growers Association. The International Labour Organization (ILO) acts as an advisor to the Board.

As an ECLT Board Member we have adopted a Pledge of Commitment and Minimum Requirements. The Pledge affirms, "ECLT Foundation Board Members respect and recognize the principles and rights enshrined ILO Core Conventions and Recommendations on child labour".

The Pledge further affirms a sector-wide commitment to uphold robust policies on child labour, minimum requirements on tackling child labour, and implementation consistent with the UN Guiding Principles on Business and Human Rights based on the Ruggie 'Protect, Respect, and Remedy' Framework.

ECLT works to address child labour through project implementation, global advocacy and disseminating good practices, influencing public policy on child labour and knowledge building through research and evidence.

For further information please view the ECLT website: www.eclt.org/en.



Further Information:

Collaborating for positive societal impact

Sustainable Tobacco Supply

Modern Slavery Statement