

HUMAN RIGHTS IMPACT ASSESSMENT

BACKGROUND

In 2016 we carried out a corporate Human Rights Impact Assessment (HRIA) that looked at the potential human rights risks connected to growing and manufacturing tobacco products. Based on the increasing importance of Next Generation Products (NGP) to our business, we expanded the assessment in 2018 to assess the human rights impacts associated with the purchasing of NGP components.

This is a summary of both those assessments which were carried out for us by Verisk Maplecroft. The HRIA was informed by the United Nations Guiding Principles (UNGPs) on Business and Human Rights, with the aim of helping us identify areas for improvement and action within our direct operations, leaf supply chain, tier-one non-tobacco material (NTM) suppliers (those with whom we have a direct relationship) and our key strategic NGP suppliers. The combined HRIAs assessed around 940 entities.

We will periodically review and update our HRIA based on operational and business footprint changes.

WHAT WE DID AND WHAT WE FOUND

During the 2016 study, we identified four stakeholder groups for our tobacco operations;

- Consumer
- Worker
- Supplier
- Community

We used a phased methodology to establish an overall risk rating for the priority human rights issues identified for our business:

PHASE 1: GEOGRAPHICAL RISK ASSESSMENT

The geographical locations for our direct operations and suppliers were assessed for the most salient human rights risks relevant to the four stakeholder groups. This was done using Verisk Maplecroft's global human rights risk indices, which offered a common basis of assessment across location and stakeholder group.

PHASE 2: GAP ANALYSIS OF EXISTING POLICY, PROCESS AND PRACTICE

Our policies, processes and practices were quantitatively assessed against six due diligence stages (below) in line with the UNGPs to evaluate the robustness of our management procedures and identify areas for targeted engagement.



PHASE 3: ACTUAL IMPACT ASSESSMENT

Our top ten operational and supplier sites with the highest risk ratings were identified and then assessed for allegations of human rights breaches based on the rights identified as most relevant.

A comprehensive multilingual review discovered two allegations relating to the Consumer stakeholder group. One allegation made was against our site in Cote d'Ivoire in relation to the right to life (product safety and consumer health information), citing 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 was against a supplier in India in relation to the 'rights of the child' (youth access prevention); this related to a supplier from whom we purchase tobacco leaf; we do not distribute our products through them so this alleged breach is not directly related to our business activities. However, we insist that all Imperial Brands companies, employees and agencies working on our behalf stringently adhere to our International Marketing Standard (IMS), where we set out clear rules to ensure our products are only marketed and sold to adult consumers. Where local legislation is less stringent our IMS takes precedent.

Recognising that a lack of allegations doesn't necessarily indicate a lack of breaches, we've since directed our internal audits and supplier assessments to include the assessment of risk to human rights.

2016 RESULTS
OVERALL RESULTS FROM PHASES 1, 2, 3 OF THE HRIA

Stakeholder Group	Human Right (how it relates to us)	PHASE 1: Geographical Risk Rating	PHASE 2: Due Diligence Score	PHASE 3: Actual Impact
Consumer	Right to life (product safety and consumer health information)	High Risk	Low Risk	High Risk
	Right of the child (youth access prevention)	Medium Risk	Medium Risk	High Risk
Worker	Right to life (occupation health and safety)	High Risk	Low Risk	Low Risk
	Right to enjoy just and favourable working conditions of work	Medium Risk	Low Risk	Low Risk
Supplier	Right not to be subjected to slavery, servitude or forced labour	Medium Risk	Medium Risk	Low Risk
	Right to life (occupational health and safety)	High Risk	Medium Risk	Low Risk
Community	Right to an adequate standard of living (Indigenous community welfare)	High Risk	Medium Risk	Low Risk
	Right to life (Indigenous community health and wellbeing)	High Risk	High Risk	Low Risk

Key to shading

- Low Risk
- Medium Risk
- High Risk
- Extreme Risk

Recommendations were made for areas of medium-to-high risk, which we have begun to action. These include reviewing: our consumer complaints processes; grievance mechanisms for our suppliers; and supplier monitoring programmes to further disclose human rights issues.

In 2018, we focused our attention on our NGP supply chain. We adjusted our approach and scope to account for ‘industrial production’ and ‘purchasing of component materials and finished goods’. Resulting in the inclusion of three additional risk areas for our Suppliers:

- Corruption
- Privacy and freedom of expression
- Young workers

The HRIA provided a risk rating based on:

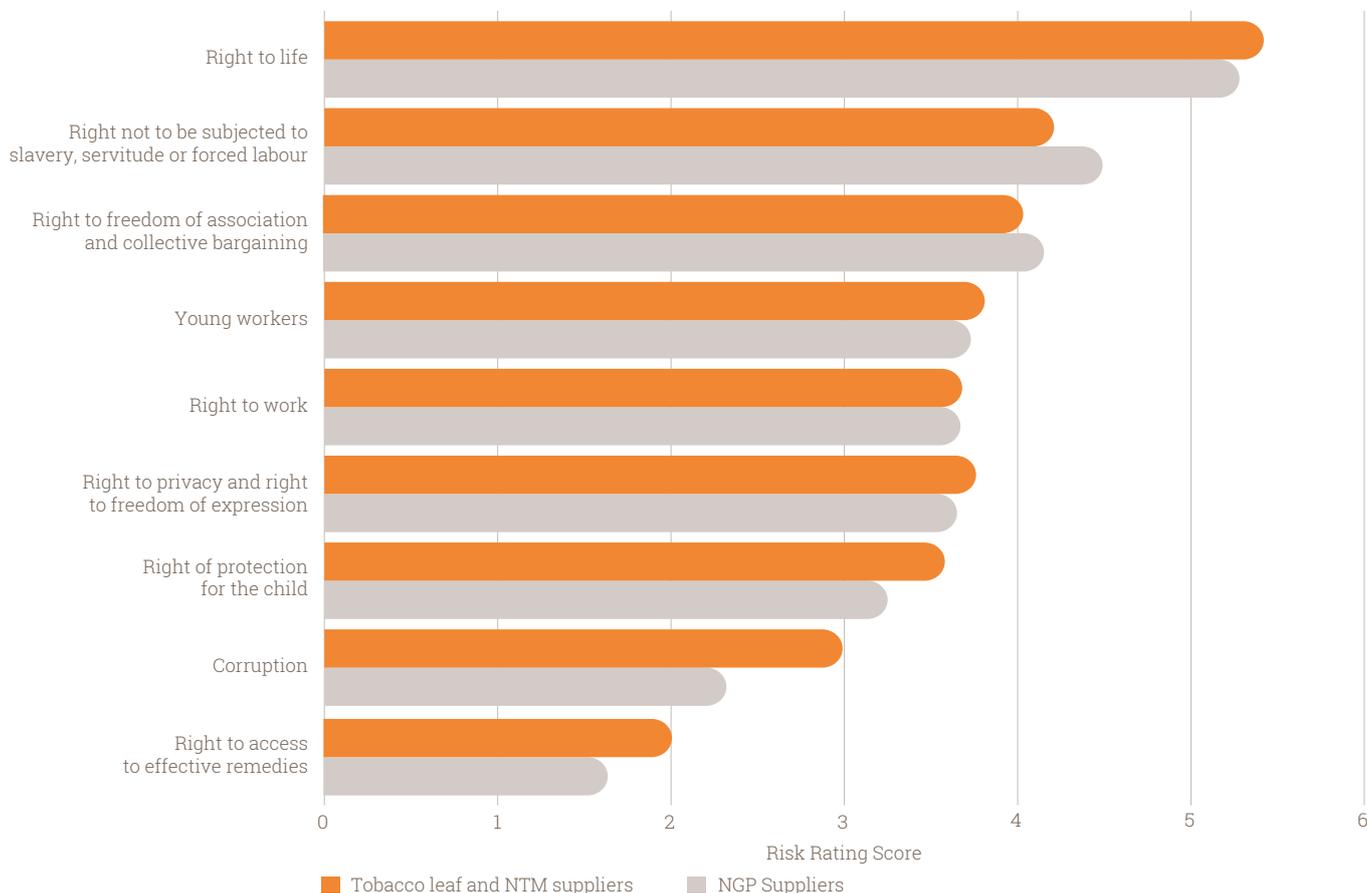
- The risk associated with operating in the country the supplier is based in
- The likelihood of the potential impact

Overall, twelve of the thirteen NGP suppliers assessed received a medium-risk score based on the likelihood and potential impact. This rating was attributed to the fact that the countries in which they operate regulate and protect human rights effectively. One supplier received a higher rating based on the country of operation having weaker levels of regulation and legal protection.

Across our NGP suppliers the priority human rights were identified as:

- The right to life (occupational health and safety);
- The right not to be subjected to slavery, servitude and forced labour; and
- The right of freedom of association and collective bargaining.

SUPPLIER – HUMAN RIGHTS ISSUES



RECOMMENDATIONS AND NEXT STEPS

The combined results from both HRIAs supported the development of our Human Rights Policy which outlines our commitment to managing and mitigating the risk of human rights abuses both within our direct and indirect operations.

We have begun addressing the recommendations provided and have also developed an e-learning tool for our employees to help them understand the risks of modern slavery and human rights abuses in general, and how they can report suspected violations.

In general, our focus for improving future performance is based in the areas of ‘monitoring and reporting performance’ and ‘remediating risk’.



Next steps include:

- Communicate our grievance mechanisms and Speaking Up (Whistle-blowing) procedures to key stakeholder groups including our tobacco leaf, NTM and NGP suppliers.
- Continue to assess our human rights reporting; including the introduction of new KPIs where possible and further strengthening our public reporting aligned to the Global Reporting initiative (GRI).
- Further integrate human rights issues into our internal audit processes.