



IMPERIAL TOBACCO GROUP PLC SUBMISSION TO THE JOINT COMMITTEE ON HUMAN RIGHTS APRIL 2009

Imperial Tobacco welcomes the opportunity to contribute to the Joint Committee on Human Rights' inquiry into business and human rights. This includes examination of the way in which businesses can affect human rights both positively and negatively; how business activities engage the relative responsibilities of the UK Government and individual businesses; and whether the existing UK regulatory, legal and voluntary framework provides adequate guidance and clarity to business as well as adequate protection to individual rights.

In response to the call for evidence, Imperial Tobacco would like to offer insight into the approach that it takes as a British-based company operating internationally. Hence, this submission covers:

1. An introduction to Imperial Tobacco
2. Business and human rights
3. Human rights policy and management approach
4. Employment practices and labour rights
5. Working with business partners
6. Working with the community
7. Conclusions

This response also appears at www.imperial-tobacco.com

1. INTRODUCTION

The Imperial Tobacco Group PLC (“Imperial Tobacco” or “the Company”) is a leading international tobacco company which manufactures, markets, distributes and sells a comprehensive range of cigarettes, tobaccos, cigars, rolling papers and tubes. The Company has sales in over 160 countries and employs around 40,000 people in 50 countries world-wide. Imperial Tobacco Group has its headquarters in Bristol in the UK.

Imperial Tobacco is committed to high standards of corporate governance and business conduct and to operating responsibly in line with its Business Principles, Code of Conduct, policies and standards. This includes complying with all relevant laws,

regulations and voluntary agreements; managing social, environmental and economic risks and opportunities; and responding to stakeholder issues and external developments.

Further information is available at www.imperial-tobacco.com and in the Company's Annual Report & Accounts and Corporate Responsibility Reviews. These are available both online and in printed copy.

2. BUSINESS AND HUMAN RIGHTS

Imperial Tobacco agrees with the proposition that the state has a duty to protect human rights, and welcomes the recommendations of the UN Special Representative on Business and Human Rights, Professor John Ruggie, that set out the three core principles:

- The state's duty to protect against human rights abuses by third parties including business;
- The corporate responsibility to respect and promote the human rights of its employees, of the communities in which it operates, and of its business partners; and
- The need for individuals to have access to remedies for breaches of their human rights.

Imperial Tobacco aims to establish and maintain effective risk assessment and management mechanisms based on the Universal Declaration of Human Rights.

As a UK PLC, the Company uses the guidance to UK businesses on their human rights obligations as encompassed by company and employment legislation. The Company supports the International Labour Organization's (ILO) conventions that cover freedom from discrimination, freedom from forced labour, freedom of children from child labour, freedom of association and the right to collective bargaining. It also uses recognised standards and guidelines, such as those published by the Organisation for Economic Co-operation and Development (OECD), the United Nations' Global Compact and the Global Reporting Initiative, to help shape its human rights-related policies.

3. HUMAN RIGHTS POLICY

Imperial Tobacco is a British-based company with employees in over 50 countries worldwide. Whilst the governance of these countries varies, Imperial Tobacco's policy is to respect and advance the fundamental human rights of individuals across all the Group's operations and to influence its business partners to do the same.

The consideration and management of aspects of human rights are covered by various corporate policies, systems and processes. These include employment policies and practices, occupational health, safety and environmental management systems, procurement processes and community investment activities. The Company also has processes that consider human rights issues in its product supply processes, market assessments and for potential new investments or joint ventures.

A range of governance procedures is used to monitor the effective application of internal controls across Imperial Tobacco's business. These include independent reviews by the Group Compliance Function together with self-assessment of risks and relevant controls. Senior operational managers of each business and function annually certify that effective systems of internal control, in accordance with the Group's policies and covering all business activities, have been maintained within their area of responsibility.

Specialist audits and assessments support these governance procedures. These include third-party audits of the Company's performance against ISO 14001 for environmental management and OHSAS 18001 for health and safety management. Trained social auditors use the principles of SA 8000 as a basis of evaluation for performance improvement purposes in newly acquired operations in countries considered by the UK Foreign and Commonwealth Office (FCO), US Office of Foreign Assets Control (OFAC), or the FTSE4Good Policy Committee to be medium- to high- risk in terms of human rights.

Periodic self-assessment questionnaires, submitted via an internet-based non-financial reporting system, capture information and performance measures from the Company's factories, offices and markets. This assessment enables a better understanding at

corporate-level of local practices and helps managers to identify improvements needed to align with corporate policies.

This management approach and performance is reported in the Company's annual Corporate Responsibility Review, and summarised in the Annual Report & Accounts. Independent assurers verify the data and statements made, and benchmark activities against the Global Reporting Initiative's guidelines.

4. EMPLOYMENT PRACTICES AND LABOUR RIGHTS

Imperial Tobacco's Business Principles and employment policies set out a framework of practices to ensure employees are treated with fairness, dignity and respect, as depicted in universally accepted standards for human rights.

4.1 Employee engagement

Effective working relationships with employees and their representative organisations are an important element of the way in which the Company conducts its business. Individuals' rights to representation are respected and the Company uses a range of engagement mechanisms in different locations. These include formal trade unions and works councils, the European Employee Forum, joint bargaining arrangements and collective agreements. For example, in West Africa during the 2006 financial year, the Company created a Common Collective Agreement concerning main terms and conditions of employment for its subsidiaries in Senegal, Ivory Coast, Burkina Faso and Mali.

4.2 Contracts of employment

Imperial Tobacco's policy is to provide all employees with a written contract of employment in accordance with relevant statutory requirements. The aim is to comply with the appropriate employment legislation in each jurisdiction by providing a contract that details the agreed employment terms and conditions, with the rights and responsibilities of both parties made clear and understandable. Grievance mechanisms are provided to ensure that employees have access to established, formal procedures through which they may have their complaint considered and addressed consistently, fairly and within an appropriate time frame. Where employees do not meet the standards of behaviour and job performance expected of them, formally documented disciplinary

procedures are used to ensure that individuals are treated appropriately and consistently.

4.3 Responsible restructuring

Working in a highly competitive environment, the Company continues its drive to improve efficiency. This has led to restructuring of various parts of the business and to some factory closures. The aim is to manage these situations in a fair and responsible manner and to support employees through any restructuring programmes. The focus is on active consultation with employees and their representatives and the incorporation within social plans of measures and approaches to support early retirement, voluntary severance, internal and external redeployment.

4.4 Equal opportunity and non-discrimination

Equal opportunity and non-discrimination are important aspects of the Company's employment practices. The aim is to ensure that no employee or job applicant receives less favourable treatment than any other on the grounds of gender, race, disability, marital status, nationality, ethnic or national origin, sexual orientation, age or religious beliefs, or any basis which is not related to their performance or their ability to carry out a job. Human resource managers review local procedures to ensure that direct or indirect discrimination does not take place. Areas reviewed include recruitment and selection, remuneration, opportunities for training and development, security of employment and conditions of work. Employment agencies and other organisations involved in the supply of employees to the Company are advised of the corporate policy and local standards on equal opportunities. Grievance procedures are in place to allow employees to challenge actions believed to be discriminatory without threat of victimisation and retaliation.

4.5 Remuneration

The policy of Imperial Tobacco is to ensure its employees are rewarded effectively in line with their contribution, the Group's performance and the market. To comply with this policy, local operations ensure remuneration is equitable with reference to comparable roles within the relevant area of the Company, taking into account the level of responsibility held and individual

performance. They also ensure remuneration is competitive in relation to the appropriate external labour market.

4.6 Occupational health, safety and wellbeing

The occupational health, safety (OHS) and wellbeing of employees and those working with the Company remain a high priority. The aim is to reduce work-related injury and ill health through risk management, employee training and co-operation, performance reporting, audit and improvement planning. Central to OHS management systems is a risk assessment philosophy that allows the Company to identify risks, create improvement plans and implement management controls to reduce or eliminate significant risks. A number of risk management training tools and techniques are used, including in those countries where the legal requirement for risk assessment is less developed.

A range of performance measures and self-assessment questionnaires are collated through the non-financial reporting system. This information can be accessed and used at Group, function, market and site level to monitor and improve performance. Key accident categories are analysed and a training programme has been developed to improve the quality of accident investigations so that underlying causes can be identified. The aim is to stimulate good-quality reporting, investigation and corrective action so that such incidents provide a valuable learning opportunity.

The overall objective with regard to employee wellbeing is to increase the awareness, identification and reporting of occupational illness, so that incidents of work-related ill-health and days lost through sickness can be reduced. The Company also has more specific objectives in some countries where state health and hygiene provisions are weak. Through a detailed audit and review process health management systems, medical infrastructures and surveillance systems in each of the countries of operation are kept under review and local initiatives undertaken to make lasting improvements to the quality of life of employees, their families and their communities. These include provision of clean water and sanitation facilities for farming communities close to the Company's operations in Madagascar, and supporting malaria prevention projects in Central and West Africa.

4.7 Elimination of child labour

As a responsible company Imperial Tobacco does not condone the use of child labour, whether in its own operations or in its supply chain. The Company is committed to working with suppliers and appropriate bodies to support the progressive elimination of any exploitation of children in the tobacco sector. Imperial Tobacco is a Board member of the Elimination of Child Labour in Tobacco (ECLT) Foundation. The ECLT was established in 2000 by organisations representing tobacco workers, growers and manufacturers, with support from the International Labour Organization. Through the Foundation the Company aims to ensure that children are provided with an upbringing that gives them the best chance in all aspects of life. ECLT partnership projects are ongoing in Malawi, Tanzania, Mozambique, Uganda, Zambia, Philippines and Kyrgyzstan. More information, including progress updates on each of the projects, can be found at www.eclt.org

4.8 Elimination of forced labour

Imperial Tobacco continues to support the ILO core conventions on freedom from forced labour. The social assessments described above use the principles of SA 8000 which include the right to freedom from forced labour. The self-assessment questionnaire on the Company's non-financial reporting system captures information relating to employment practice policies and the local practices in place.

5. WORKING WITH BUSINESS PARTNERS

Imperial Tobacco is committed to working with suppliers and appropriate organisations to encourage their compliance with international labour standards. The majority of raw tobacco used by Imperial Tobacco is purchased from third-party suppliers, mainly through the leading international leaf supplying companies. A small amount is purchased directly from the farmers, principally in Madagascar, Morocco and Laos. The issues that need to be managed within the tobacco supply chain are similar to those of other agricultural industries, and include health and safety, child or forced labour, lack of schooling, farmers' incomes, appropriate use of plant protection products and environmental protection.

To assess standards in the tobacco supply chain the Company operates the Social Responsibility in Tobacco Production (SRiTP) programme. SRiTP consists of self-assessments, guidance, audits and improvement plans that allow the evaluation and, where necessary, improvement of performance. SRiTP places an emphasis on continuous improvement and the ability of all parties to work together to find solutions to social, environmental and economic issues in the supply chain.

The Company's ISO 9001 supplier qualification process includes social and environmental aspects. First-tier suppliers complete an initial survey which asks questions about their policies and procedures, their standards of business conduct and their labour practices in line with the ILO core conventions. They are also asked if they have procedures in place to evaluate and select their suppliers or subcontractors, in an attempt to encourage better standards further down the supply chain. The supplier qualification process involves a phased cycle of on-site audits to check against the supplier's self-assessment.

6. WORKING WITH THE COMMUNITY

Imperial Tobacco has made significant progress in advancing a strategic community investment portfolio that takes account of international issues. This includes the use of the UN Human Development Index and Millennium Development Goals to identify issues of global importance and the geographic regions where these are particularly relevant to the Company. For new investments, fewer but more substantial initiatives are undertaken that generally involve three to five-year pledges. A portion of the Company's community investment budget is dispersed through regional investment committees for the funding of local projects favoured by employees that meet the UN goals

The Company is increasingly involved in partnership programmes with suppliers and non-governmental organisations in tobacco growing communities to seek solutions to issues such as child labour, poverty alleviation, climate change, environmental protection and sustainable development. For example, projects are in place in Malawi, Mozambique and Madagascar that protect ancient forests from deforestation and develop practical solutions for the use of wood for tobacco curing. Established initiatives



include the planting of woodlots and bamboo, the provision of fuel-efficient ovens and curing barns, and model tobacco plantations to demonstrate to farmers the benefits of good agricultural practice.

Other continuing and new projects involve working with local authorities and NGOs to introduce new sources of rural income through microfinance and investing in community-led developments to improve quality of life in communities which are involved in tobacco growing.

7. CONCLUSIONS

Imperial Tobacco believes that companies which operate globally have a responsibility to maintain high standards of respect for the promotion of human rights. These standards should be consistent in every market, but must take into account the social and cultural aspects that prevail locally.

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