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A DIALOGUE ON HUMAN RIGHTS

# Why it matters

STAKEHOLDER DIALOGUE REPORT 2013



SUSTAINABILITY REPORT

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ANNUAL REPORT

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## In October 2013, British American Tobacco hosted an independently facilitated stakeholder dialogue that focused on the challenges posed to business by changing international and national regulations and societal expectations relating to human rights.

The earliest recognised role of business in relation to human rights was the treatment of employees. But employees are not the only people who can be impacted by a company's activities. Since the 1980s, a societal consensus has been emerging that the role of business in human rights goes beyond employees' labour rights to – at least – the rights of host communities and/or workers in their supply chain.

In 2005, UN Secretary General, Kofi Annan, appointed John Ruggie “to identify and clarify standards of corporate responsibility and accountability with regard to human rights”.

Three years later, Ruggie presented the UN Human Rights Council with the Protect, Respect and Remedy framework. Following on from this, the Council asked him to develop recommendations that would ensure that the principles articulated in the framework would take effect. The result was the UN Guiding Principles – endorsed by the UN Human Rights Council in 2011 – which state that:

- a. A company's human rights responsibilities are not limited to its workforce. Business can potentially have an impact through all of its activities and relationships that ‘interact’ with various individuals or community.
- b. As a company, human rights responsibilities start from the impacts of its own activities but extend to the impacts of business partners' activities, if these are a direct result of its operations or products.

With these issues in mind, British American Tobacco invited a group of external stakeholders – including representatives from NGOs, universities and other experts with detailed knowledge of the relationship between business and human rights – to join with senior personnel from the Group to help shape its proposed new Human Rights Policy and the subsequent development of its approach to human rights.

The session – facilitated by Carnstone Partners LLP, a specialist consultancy that advises clients on sustainability issues – included presentations from external experts to provide context and focused on three specific areas of human rights impacts:

- Supply chain (covering issues such as labour standards, the impact of suppliers' operations on communities, and suppliers' corporate conduct);
- Employment relationships (alignment with international standards, promotion of diversity and inclusiveness, employee engagement and grievance mechanisms, and treatment of contract/casual staff); and
- Corporate conduct (underlying principles, in-country conduct to avoid possible complicity in human rights' abuses, and governance, mitigation and remedy).

The following pages summarise the principal points made by participants in each of these three dimensions and their views on the elements required to develop and implement an effective approach to human rights.

British American Tobacco is currently considering how to incorporate the insights provided during the day into its human rights policy and how to enhance its management of this important aspect of its wider sustainability agenda.

### British American Tobacco: Approach to human rights

British American Tobacco operates in over 180 markets worldwide and employs around 55,000 people. We believe that universally recognised fundamental human rights should be respected and this commitment is explicitly referenced in our Statement of Business Principles.

Our approach to human rights embraces both our workforce (as outlined in our Employment Principles) and wider supply chain.

The most significant part of our supply chain relates to tobacco growing. Although we don't own tobacco farms, we work closely with over 100,000 directly contracted farmers to enhance productivity and to minimise social and environmental impacts. A major focus of our strategy has been the elimination of child labour within tobacco growing.

Elsewhere within our supply chain we use our influence to encourage respect for the universally recognised human rights contained within various international conventions and agreements.



**Recognising that BAT cannot develop a Human Rights Policy in isolation, I am delighted that this dialogue threw up so many rich and thought-provoking insights and views which will prove invaluable as we develop our new policy and consider how our future practices may have to evolve.**

Simon Millson  
Group Head of Corporate Affairs  
British American Tobacco

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## SUPPLY CHAIN

Participants highlighted the importance of raising awareness of human rights issues and the challenges they pose throughout the business. This should encompass both senior management and those in front-line roles that are most likely to be confronted by them at first hand. The former's grasp of the bigger, strategic picture and authority to commit the necessary resources made them central to the effectiveness of any corporate approach to human rights, while the latter were best placed to identify issues and to mitigate them. It was vital that senior management, with their strategic overview and ability to deploy resources, should be included in this process.

A vital first step was to develop bespoke information that focuses on a business's actual adverse impacts. This can then be used to shape the training for those employees who are confronted by these issues on a regular basis. Participants emphasised that training should go beyond identifying actual or potential issues and cover how to resolve the underlying causes, preferably by cooperating with other stakeholders. Central to securing real and sustained improvements in performance was building the capacity of suppliers to address the most significant impacts for which the company could be held responsible.

While safeguarding labour rights throughout the supply chain was of prime importance, this should not become the sole focus of a company's activity to improve human rights within the supply chain. Rather, companies should look at human rights as broadly as possible, taking into account wider social, environmental and community impacts arising from the company's operations and business – including procurement – practices. Approaches that failed to understand the links between sustainability, human rights and corruption were likely to be ineffective.

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**Multinational companies have historically addressed human rights from a 'risk to the business' perspective, but the Guiding Principles are asking companies to look at human rights from the rights holder's perspective.**

Participant

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**It's important to raise awareness of human rights so those on the ground can do meaningful work. Awareness is not just spotting the child and getting them to school but asking WHY that child is not at school.**

Participant

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## EMPLOYMENT RELATIONSHIPS

Businesses should clearly set out the standards – including international conventions (such as those of the ILO) – with which they comply and to which they aspire. They should provide regular updates on progress using robust metrics. If performance falls short then there should be an explanation of how and when any gap will be bridged. Participants recognised the need to acknowledge the challenges posed by national legislation in the application of the policy.

The credibility of any human rights policy with internal and external audiences was heavily dependent on demonstrating input from employees and/or their representatives. Employees – and others – needed to be aware of the existence of mechanisms to capture concerns or complaints. Ideally, these mechanisms should be independent of management.

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**Be really open about the issues and challenges. Explain the issues you face and your grievance mechanisms.**

Participant

## CORPORATE CONDUCT

In this dimension particularly, participants felt it was crucial that the highest level of management within a company should explicitly endorse the policy and be seen to give active encouragement to its implementation. Again, it was important to identify which universally recognised standards the company supported and how they would be implemented – including taking account of differences in national legislation. Likewise, if the company was supportive of rights not captured in these standards it should be explicit about its commitment to their realisation.

As with the other dimensions, for the policy to command credibility, it had to reference actual human rights impacts that confront the business rather than incorporate a generic list of potential challenges.

Finally, short and unambiguous statements about what is deemed to be unacceptable were deemed to be far more powerful than something verbose and open to interpretation.

Participants cited the policies and approach of the extractive sector as an example of good practice in this area.



**Be aware of the difference between what's permissible by national law and what's permissible within the BAT sphere of influence. BAT can set a higher standard than the local law.**

Participant

## ASPIRATION INTO REALITY

There was general agreement that human rights impacts presented both a threat and opportunity. Businesses that fail to manage their impacts effectively lay themselves open to regulatory sanction, financial penalties and reputational damage. Whether taken singly or in combination these outcomes can have a negative impact on sales, profitability and share price. Conversely, businesses that embrace the developing societal consensus of human rights – which extends beyond direct employment relationships – are better able to safeguard their brands and licence to operate, and enhance the security of their supply chains.

In what was a wide-ranging discussion, participants identified several essential elements for translating a commitment to improving human rights performance into a reality:

- The starting point for any effective human rights policy, and the strategy to implement it, is to understand where a business has its greatest impacts and what effect these impacts have on its operations;
- The policy itself should be succinct, set out aspirations and how they will be achieved, and reference those international standards the company adheres to;
- Awareness of the human rights impacts and of the policy should be disseminated throughout the organisation and there has to be high-level ownership of the strategy and accountability for performance;
- Training on human rights should be tailored to the needs of individuals, include case studies and be focused on developing solutions rather than simply identifying risks or non-compliance;
- Responses to specific human rights impacts will be more effective if they dovetail with the company's wider sustainability strategy and activities and involve collaboration with relevant stakeholders; and
- Public reporting of performance – by reference to progress against previously identified objectives and appropriate metrics – is a powerful demonstration of a company's commitment to transparency.



**This is about both impacts on a company but also on stakeholders. What does addressing human rights actually mean to the business, your own sustainability, and what does it mean to the communities in which you operate?**

Participant

### ASSURANCE COMMENT FROM ERNST & YOUNG LLP

As part of our process for providing assurance on British American Tobacco's Sustainability Reporting, which includes the Sustainability Summary 2013, we attended the London-based stakeholder dialogue that took place in October 2013. To view our conclusions and observations, or for more details about our process, see our online assurance statement which can be found at [www.bat.com/assurance](http://www.bat.com/assurance)