



Human rights in the tobacco fields – a brief on Swedish Match’s and investors’ risk management

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Introduction

As part of Swedwatch's publication - "Smokescreens in the Supply Chain - The impacts of the tobacco industry on human rights and the environment in Bangladesh", Swedwatch investigated to what extent the tobacco company Swedish Match manages salient human rights risks related to its own supply chain. In addition, Swedwatch asked several Scandinavian investors how they approach existing human rights challenges within the global tobacco industry.

Common human rights challenges within the tobacco industryⁱ:

- Agriculture is overall a high-risk sector in regard to child labour. Several studies document the existence of child labour on tobacco farms across the globe. The most recent reports concern Indonesia and the USA.ⁱⁱ
- Health impacts on tobacco workers are caused by exposure to pesticides. Effects impact the nervous system, increase the risk of cancer and impact workers' reproduction system. Workers experience immediate physical symptoms when nicotine from the tobacco plant leaf enters the skin. The long term effects on child workers' brain development is a cause of concern.
- Over-indebtedness, which occurs through a contract form common between tobacco companies and tobacco farmers, is often a result of high investment costs and unreliable returns. Heavily indebted farmers often become dependent on tobacco companies. Swedwatch's analysis is that this can in some cases equate to what the International Labour Organisation (ILO) defines as bonded labour.ⁱⁱⁱ

The main risks for human rights violations within the tobacco supply chain are found in the areas where tobacco is cultivated, harvested and processed.

The most vulnerable groups from a human rights perspective are therefore:

- tobacco farmers and their families;
- agricultural workers hired by tobacco farmers.

Within both these categories, children constitute a particularly vulnerable group.

Swedish Match in the global tobacco industry

40 million people work in tobacco cultivation and processing in the global industry. Tobacco is often grown on smallholder farms which are owned or leased by a family.^{iv} The majority of all tobacco is grown in developing countries.

Shares in tobacco companies form an integral part of many international stock market indices and the global tobacco market has an estimated value of 450-500 billion British pounds.^v Compared to many large multinational tobacco companies, Swedish Match is a minor player, yet the company is included in global indices and has a stock market value of approximately 55 billion Swedish kronor, equivalent to roughly 4.8 billion British pounds.^{vi}

Swedwatch contacted Swedish Match during research for the report “Smokescreens in the Supply Chain – the impacts of the tobacco industry on human rights and the environment in Bangladesh” regarding the companies’ management of human rights risks at the start of the supply chain. Apart from confirming the name of one supplier, Swedish Match chose not to disclose the names of its suppliers or the regions where it sources from.^{vii}

Swedish Match and the United Nations Guiding Principles on Business and Human Rights

According to the United Nations Guiding Principles on Business and Human Rights (UNGP)^{viii}, the primary international framework regarding corporate social responsibility, companies should, regardless of size, sector or operational context:

- Adopt a human right policy, approved at the most senior level;
- Identify and assess any actual or potential adverse human rights impacts through a human right due diligence process;
- Respond to risks that have been identified;
- Track effectiveness of measures to minimise or mitigate risks;
- Openly communicate how the company has responded to identified risks.

Through publicly available information on the Swedish Match website, as well as through answers provided by Swedish Match, Swedwatch has studied the company’s policies and sustainability reports through the lens of the UNGPs.^{ix} Swedwatch notes the following:

Policies

The company has a thorough Code of Conduct (CoC) which forms the basis for the sustainability work of the company. The CoC is based on relevant international norms and clearly expresses a commitment by Swedish Match to respect human rights and employment law, as well as expressing a zero tolerance of child labour.^x

Swedish Match also has a Supplier Code of Conduct. This policy also emphasises its commitment to respect of international norms.

However, uncertainty arises regarding expectations on sub-suppliers, i.e. further down in Swedish Match’s supply chain - where risks of rights-violations are generally highest. Although Swedish Match does expressly forbid forced labour and outlines that risks regarding child labour should be evaluated and mitigated, Swedish Match is vague in its formulation of which actors are responsible for ensuring that this is implemented. Swedish Match simply “encourages” suppliers to communicate the requirements to sub-suppliers.^{xi}

Assess risks of adverse impacts

Since 2013, Swedish Match has worked with the consultancy firm AB Sustain – a company which operates the programme “Social Responsibility in Tobacco Production” (SRTP). The programme includes an annual self-assessment by suppliers regarding their sustainability work. The programme was initiated by the tobacco company British American Tobacco (BAT) and is used by several other multinational tobacco companies. AB Sustain also conducts on-site audits.^{xii} Swedish Match also conducts its own visits to suppliers every four years. Details regarding the evaluation criteria for the audits are not publicly disclosed.

According to Swedish Match’s sustainability reports, the company conducts dialogue with stakeholders. However, neither tobacco farmers, their families nor seasonal labourers have been included in any of these stakeholder consultations.

Despite child labour being identified by Swedish Match as a widespread risk within the tobacco industry, the company does not present an extensive impact assessment that shows the scope of human rights challenges in different countries and growing areas.

Mitigate identified risks

Swedish Match outlines several actions to mitigate risks including: membership of a sector-wide initiative to combat child labour – ECLT (Eliminating Child Labour in Tobacco-growing Foundation); its Supplier Code of Conduct, included in each business contract, and; yearly visits to tobacco markets to discuss sustainability issues. Swedish Match is not clear on if visited markets include countries that cultivate and produce tobacco.

Effectiveness of measures to minimise or mitigate risks

Results from AB Sustain's audits and Swedish Match own visits are not publicly available. This makes it difficult to determine whether or not measures to minimise or mitigate risks have resulted in improved conditions in their cultivation areas.

Swedish Match has stated that they will, from 2017, begin reporting according to the requirements outlined in the Global Reporting Initiative (GRI). This is expected to ease review of improved results.

Communication

Swedish Match's sustainability and annual reports do not provide detailed information regarding suppliers' sustainability work. Furthermore, possible engagement with tobacco framers and labourers regarding human rights is also unavailable.

Swedish Investors

Swedish and Nordic investors have substantial investments in tobacco companies. Investors in Swedish Match include the First, Second, Third, and Fourth AP Funds, SEB and Nordea - who are among its ten largest owners. As such, they are also amongst those who have a potentially large influence on the company.

In May 2016, Swedwatch asked the following investors questions regarding their awareness of sustainability challenges within tobacco cultivation, and also whether or not they use their leverage as investors to instigate positive change:

7th AP-fund (AP 7)

The Ethical Council which represents the first, second, third and fourth AP-fund

Nordea Fonder Aktiebolag

SEB Investment Management AB

Swedbank Robur Fonder AB

Danske Capital AB

Länsförsäkringar Fondförvaltning AB

Catella Fondförvaltning AB

All apart from Catella Fondförvaltning answered.

Swedwatch found that investors had a good understanding of the most common sustainability challenges within the tobacco industry. Several stated that they had raised questions regarding human rights in their dialogue with tobacco companies. Nevertheless, the investors had - over the last two years - been informed of very few incidents within the tobacco supply chain. The investors did not clarify whether or not they believe that this is reflective of the challenges or due to poor oversight.

The investors stated that when they were provided with information regarding incidents on tobacco farms, they were unable to act on information due to the fact that it was not possible to establish a link between incident-location and the individual purchasing company. This is often due to shortcomings in transparency on the part of tobacco companies. The challenge for investors to link tobacco companies to challenges on tobacco farms highlights the need for increased traceability in order to be able to address the issues with the relevant tobacco companies and also to increase investors' opportunities to influence and improve company practices.

Most investors who partook in Swedwatch's survey shared information from isolated reports of human rights challenges on the tobacco farms. The Ethical Council, which represents the four national state pension funds, shared that they had assessed and communicated with several tobacco companies and that child labour had been identified as a common challenge. The Ethical Council chose not to disclose which tobacco companies they referred to, or what the results of the engagement dialogues were.

Conclusions

The human rights challenges within the tobacco industry are widely recognised and well documented. Nevertheless, tobacco companies have not yet succeeded in addressing them.

Swedish Match has credible policies in place but should, in alignment with the UNGP, increase the transparency surrounding its supply chain. Swedwatch furthermore encourages Swedish Match to extend its stakeholder dialogue to also include the most vulnerable groups of the tobacco supply chain; the people working in the tobacco fields. Engaging in such dialogue will allow Swedish Match to enhance its understanding of salient issues, and thereby enable the company to minimize its risks for contributing to negative impacts on people and the environment throughout its chain of suppliers.

The existing lack of transparency surrounding tobacco supply chains limits investors and owners to use their leverage. The opaqueness also lessens investors' possibility to contribute to increased respect for human rights with the tobacco industry.

ⁱ Decision, FCTC/COP6(11), Economically sustainable alternatives to tobacco growing (in relation to Articles 17 and 18 of the WHO FCTC), Adoption of Policy options and recommendations on economically sustainable alternatives to tobacco growing (in relation to Articles 17 and 18 of the WHO FCTC). 2014. http://apps.who.int/gb/fctc/PDF/cop6/FCTC_COP6%2811%29-en.pdf?ua=1, retrieved 05042016.

Leppan, W., Lecours, N., Buckles, D. (Ed.). International Development Research Centre. Tobacco Control and Tobacco Farming, Separating Myth from Reality. ISBN 978-1-55250-582-3. 2014. <https://idl-bnc.idrc.ca/dspace/bitstream/10625/53191/1/IDL-53191.pdf>, retrieved 02042016.

Human Rights Watch USA, *Teens of the Tobacco Field*, 2015. https://www.hrw.org/sites/default/files/report_pdf/us1215tob_4up.pdf, retrieved 04042016.

Human Rights Watch. "The Harvest is in My Blood": Hazardous Child Labour in Tobacco Farming in Indonesia. 2016. <https://www.hrw.org/report/2016/05/24/harvest-my-blood/hazardous-child-labor-tobacco-farming-indonesia>, retrieved 29062016.

ⁱⁱ Ibid.

ⁱⁱⁱ Swedwatch uses the International Labour Organization's (ILO) definition where the term "bonded labour" is seen as a type of forced labour and refers specifically to situations where a person is coerced to work through the use of accumulated debt.

http://www.ilo.org/global/topics/forced-labour/news/WCMS_237569/lang--en/index.htm, retrieved 05042016.

^{iv} International Labour Organization. ILO: Employment Trends in the Tobacco Sector: Challenges and Prospects. Report for discussion at the Tripartite Meeting on the Future of Employment in the Tobacco Sector. TMETS-R-2002-10-0337-EN.Doc/v4. Geneva. P-31. 2003.

^v On their website the tobacco company British American Tobacco the value £450-500 billion.
http://www.bat.com/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DO9DCKFM, retrieved 06062016.

^{vi} MSCI Inc. MSCI World Tobacco (USD). 2016. <https://www.msci.com/documents/10199/fbbc98b0-584c-463f-93a9-76606eda3c8a>, retrieved 02042016.

^{vii} Johan Wredberg, Director of Communications and Media Relations, Swedish Match, replied to Swedwatch's survey questions via email on 18 June 2015. Swedish Match chose not to answer Swedwatch's follow-up questions in April 2016, instead the company provided a shorter comment on their supply chain management work on 15 June 2016.

^{viii} United Nations Human Rights Office of the High Commissioner. Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework. 2011.
http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf, retrieved 06062016.

^{ix} Swedish Match describes their sustainability work in annual reports and sustainability reports.

^x Swedish Match. Code of Conduct. 2015.
https://www.swedishmatch.com/globalassets/documents/policies/swedishmatchcodeofconduct_en.pdf, retrieved 28062016.

^{xi} Swedish Match's Supplier Code of Conduct, Appendix to Supplier Contracts Issue date: 2013-07-12.
https://www.swedishmatch.com/globalassets/documents/policies/swedishmatchsuppliercodeofconduct_en.pdf, retrieved 23062016.

^{xii} Swedish Match. Swedish Match and Sustainability. 2014.
https://www.swedishmatch.com/globalassets/documents/sustainability/sustainability-reporting-archive/2014_sustainabilityreport_swedishmatch.pdf, retrieved 05052016.

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<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3155738/>, retrieved 07062016.