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Senior VP Corporate Development

Beatriz Balbin
Chief, Special Procedures Branch
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Palais des Nations
1211 Geneva 10
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Copy: Masamichi Terabatake, Representative Director of the Board, President, Chief Executive Officer,
Japan Tobacco Inc.

Eddy Pirard, President and Chief Executive Officer, JT International SA

Thursday, 19 July, 2018

Re: JT International SA response to Joint Communication from Special Procedures

Ref: OL OTH 23/2018

Dear Ms Balbin,

Thank you for your letter of 22 May 2018, a joint communication sent by the Working Group on the issue of human rights and transnational corporations and other business enterprises; the Special Rapporteur on the implications for human rights of the environmentally sound management and disposal of hazardous substances and wastes; the Special Rapporteur on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health; the Special Rapporteur on the right to food; and the Special Rapporteur on contemporary forms of slavery, including its causes and consequences.

We set out below our responses to each of the questions you have posed and our proposals as to further developing our dialogue on these important issues. Please note that this letter is sent by JT International SA (*JTI*) on behalf of itself and Japan Tobacco Inc. Although many of the policies and initiatives we describe in this letter are applicable across the Japan Tobacco Inc. group (*JT Group*), primary responsibility for engagement with tobacco leaf suppliers in the region you have identified lies with JTI, and JTI is best placed to respond to your queries and participate in any further dialogue.

With regard to **Question 1 on additional information or general comments regarding the allegations**, we wish to convey our thanks for the request to engage in a constructive manner with the OHCHR on how to improve human rights and labor standards in agriculture and the tobacco sector. In the spirit of transparency and accountability, we have provided information on how we operate, hoping this will explain better our current approach.

Our commitment to human rights is formalized through the JT Group Human Rights Policy¹, which is fully aligned to the UN Guiding Principles on Business and Human Rights (*Guiding Principles*). The policy was approved by the Board of Directors of Japan Tobacco Inc. and was informed by relevant internal and external expertise, including our Human Rights Expert Committee established in 2016, who continue to meet on an annual basis. This policy covers our global operations.

¹ JT Group Human Rights Policy:
https://www.jti.com/sustainability/people_planet_society/human_rights/pdf/JT_Group_Human_Rights_Policy.pdf

As stated in our human rights policy, we recognize that implementing the measures to respect human rights throughout our global operations is an ongoing process. We are fully committed to our human rights journey and will continue to expand and improve our activities in this area.

The matters your letter raises, concern operations which are neither within the JT Group nor within its corporate control. Whilst we do purchase tobacco leaf from Zimbabwe, as detailed below, this is via third-party suppliers. We have no direct contracts with tobacco growers in Zimbabwe. However, the contractual agreements we have with our suppliers refer to our human rights policy and we expect our suppliers to comply with this policy as well as our Supplier Standards² and Code of Conduct³.

We procure leaf from Zimbabwe and this equates to approximately 6% of our global purchase, estimated to be 5% of the total tobacco volume grown in Zimbabwe in 2017.

Our business model in Zimbabwe has always been through third-party suppliers, and prior to 2016 we purchased through Tribac (Private) Limited (**Tribac**). There has been no human capital nor accounting capital provided to Tribac. Currently, we purchase 100% of our Zimbabwe tobacco leaf supply from third-party suppliers and approximately 95% from three key third-party suppliers: Alliance One International, Inc. (**AOI**), Premium Tobacco International DMCC (**Premium**), and Universal Leaf Tobacco Company, Inc. (**Universal**). All of our suppliers in Zimbabwe are contractually required to implement our Agricultural Labor Practices (**ALP**) program – based on the International Labour Organization’s (**ILO**) Fundamental Principles and Rights at Work (including Convention 138 and 182).

In addition, in Zimbabwe, our three suppliers have signed a Sustainable Tobacco Production (**STP**) contract. STP is an industry-wide best practice initiative that drives continuous improvement, and includes specific processes and on-site reviews. STP also covers areas such as sustainable farming techniques, the use of agrochemicals, soil and water management and actions that can be taken to help prevent child labor, forced labor and to create safer working environments.

We conduct annual meetings with our suppliers in Zimbabwe, where we notably follow-up on observations identified by our ALP program and any improvement measures, and have planned follow up meetings in 2018 to review progress made in labor practices.

With regards to agrochemicals, also called Crop Protection Agents (**CPA**), it is in our interest and enshrined in our policies, for these to be applied in a safe, responsible, and environmentally sound manner – something which is very clearly articulated in both our ALP and STP. In addition, it is worth mentioning that overall, tobacco growing requires less agrochemicals and fertilizers than other major crops as studies from the US Department of Agriculture⁴ and the Food and Agriculture Organization of the UN (**FAO**)⁵ show. For example, the FAO study demonstrates that in sub-Saharan Africa, fertilizer use for maize is at 26%, compared with 3.2% for tobacco.

Although JTI acting alone cannot eliminate child labor and other labor and environmental issues that occur in the tobacco growing process, we take these issues very seriously, working with our suppliers and many other stakeholders to reduce these in our tobacco supply chain. We are committed to continuing and expanding this work in our efforts to eliminate child labor and promote safe and healthy workplaces in tobacco growing.

² JTI Supplier Standards: https://www.jti.com/sites/default/files/global-files/documents/download-pdf/JTI_Supplier_Standards_Revised_August_2016.pdf

³ JTI Code of Conduct: <https://codeofconduct.jti.com/>

⁴ UNITAB, The use of pesticides in tobacco-growing: <http://www.cittadeltabacco.it/wp-content/uploads/2012/09/4-The-use-of-pesticides-in-tobacco-growing-January-2012.pdf> (accessed 10 June, 2018)

⁵ FAO, Fertilizer use by crop: <http://www.fao.org/tempref/docrep/fao/009/a0787c/A0787E00.pdf> (accessed 10 June, 2018)

With regard to **Question 2 on what human rights due diligence has been undertaken and how we identify and provide for effective remediation**, we hope the below information answers this question.

As mentioned earlier, our commitment to human rights is formalized through the JT Group Human Rights Policy, which is fully aligned to the Guiding Principles. The policy commits us to carry out human rights due diligence by assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.

Currently, our key programs to tackle human rights impacts in our supply chain are through our ALP program, designed to identify a wide range of potential human rights issues, and our Achieving Reduction of Child Labor in Support of Education (**ARISE**) program⁶, which specifically targets child labor.

Using human rights risk assessment techniques, we have identified countries that are deemed high-risk from a human rights perspective. Zimbabwe was identified as high-risk as part of this process. We aim to assess all high-risk countries.

Before carrying out impact assessments in the countries identified, we conducted together with Business for Social Responsibility (**BSR**), a gap analysis of our corporate framework, including policies, procedures, and processes in November 2017.

The impact assessment has begun in our key leaf-sourcing countries, and we are beginning to take steps in response to the initial feedback, whilst the process continues. We aim to cover 50% of all high-risk countries by the end of 2020 – the key findings will be made publically available in our sustainability reports⁷.

To further implement the Guiding Principles on a company-wide basis, we created a human rights e-learning module to coincide with the launch of the JT Group Human Rights Policy. This resulted in more than 78% of employees with computer access being trained on human rights in 2016-17.

We have been assessing actual human rights impacts through our reporting concerns mechanism since the inception of our Code of Conduct. In 2017, we received 102 reported cases related to human rights. We did not receive any concerns related to health and safety or child labor. We also received no reported concerns from Zimbabwe (see 'Our business ethics' section of the JT Group Sustainability Report FY2017 for further information).

We review all concerns raised and where necessary launch investigations and implement appropriate corrective actions. By prioritizing our actions, we aim to address actual and potential adverse human rights impacts in an efficient way. To that end, we take the information you have brought to our attention very seriously, and set out below our proposed next steps in this regard.

With regard to **Question 3 on the steps we have taken to provide for the effective remedy of potential adverse human rights impacts**, JTI has developed several measures, standards and programs, including:

- Our ALP program, which supports our approach to supply chain management and labor standards. They were developed with the support and guidance of the ILO, and reflect internationally recognized labor standards regarding child labor, rights of workers, and workplace health and safety. We communicate our ALP to directly-contracted growers and through our suppliers, and provide them with guidance and training for implementation. Our ALP aligns with the STP.

⁶ ARISE: <http://www.ariseprogram.org>

⁷ JT Group Sustainability Reports: <https://www.jt.com/sustainability/report/>

- The ARISE program was developed to help prevent and eliminate child labor in the tobacco-growing communities where we do business. It is a joint initiative with the ILO and Winrock International, and was developed with the involvement of national governments, social partners, and tobacco-growing communities. ARISE currently operates in Brazil, Malawi, Tanzania and Zambia, the countries where we source the most of our tobacco leaf.
- Grower Support Programs (**GSP**), which deliver needs-based projects that support the social and economic environment of tobacco growing communities. Investments include school infrastructure, education support, access to safe water, sanitation and well-being.
- Good Agricultural Practices (**GAP**), which improves farmer profitability and promotes safe working conditions for farm laborers. We provide specific customized crop recommendations and dedicated extension services directly to contracted growers – thereby influencing more strongly their socio-economic development.
- We continuously increase awareness and share best practices to contribute to the prohibition and elimination of child labor, forced labor and unsafe working environments through our membership to the UN Child Labour Platform, our involvement in the Alliance 8.7. Initiative and the Eliminating Child Labour in Tobacco Growing Foundation (**ECLT**).

More about our ALP program and its implementation in Zimbabwe

Our ALP has been rolled out globally and currently covers 90% of our directly contracted growers and 80% of our third-party suppliers. We expect to reach 100% coverage by 2019. The roll-out depends on the understanding and commitment of both the growers and the agronomy extension workers who work for our third-party suppliers. There needs to be a strong understanding of local conditions and challenges in each country as well as comprehensive and customized training programs. It is important that those who must uphold the ALP standards also understand how to implement them. We therefore meet country teams, discuss implementation, visit farms, and agree actions plans with local entities. To date, the prioritization process has been largely dependent on the size of operation, and on pre-mapped potential risks.

Our three key third-party suppliers (AOI, Premium, and Universal), have all gone through our supplier certification and onboarding process. The majority of the tobacco they source for us is purchased through a direct grower contract system with both independent growers and grower groups. They also participate on the auction floors, together with 15 other buying companies, and 33 registered auction buyers.

The requirement of compliance with our ALP applies to all of our commercial agreements irrespective of type. The way in which the program is mediated however varies. If a grower is directly contracted, ALP is embedded in the contracts we have with them. If we source from third-party suppliers – which is the case in Zimbabwe – our level of influence with farmers is indirect, so we contractually require our third-party suppliers to embed ALP into their own local agreements. This means that our ALP can be more easily localized and operationalized, and we consider this the most appropriate use of our leverage.

To roll-out ALP in Zimbabwe, we engaged with AOI and Universal in November 2015, and with Premium in February 2016. We've also visited Zimbabwe in September 2017, to follow up with our suppliers and conduct field visits.

All our leaf suppliers, including those sourcing from Zimbabwe, provide reports and action plans to us every six months using specific mandated templates. This enables us to identify gaps, suggest improvements, and develop our guidance.

We regularly engage with our suppliers, which helps us understand their local labor issues. In 2016, the labor issues identified by the reports from suppliers were around health & safety, rights of workers and child labor, and we are actively working with our suppliers to improve these.

To improve the effectiveness of the ALP program, we have developed guidance documents to support suppliers regarding the requirement for an extreme breaches management process. This improved process now incorporates three key elements: protection for the victim and observer, a clear escalation route and remediation plan, and access to specialist support.

With regard to **Question 4 on the existing measures including policies we have in place to ensure occupational health and safety and the protection of workers**, our ALP program and assessment mechanism include the following specific requirements, in addition to what has already been explained in the previous answers.

Companies and growers share responsibility to establish a safe and healthy working environment. International recognition of such responsibility is reflected in ILO Convention 184. The grower shall apply reasonable measures to create and maintain a safe, healthy, and injury-free working environment, and to ensure the wellbeing of workers.

- **Farm safety** – the grower should regularly check the farm environment for safety hazards, communicate them to workers and take all reasonable steps to eliminate them.
- **Prevention of Green Tobacco Sickness (GTS)** – the grower should ensure that workers understand the risks of GTS and apply reasonable measures and practices to prevent it in accordance with the JTI recommendations provided to growers.
- **Crop Protection Agent (CPA) management** – only specific CPA that are registered for use on tobacco may be used by contracted growers. Our pre-purchase sampling and analysis program monitors this and in fact is a final purchase decision process. The grower should follow the security, storage, handling, preparation, application and safe-disposal instructions provided by the manufacturer of the CPA. The grower should follow the procedures explained to them by JTI's farming experts where we contract directly with our farmers, which are based on GAP that have been optimized for local conditions. The grower shall inform their workers of the correct way to work with CPA and the risks involved. It is forbidden for children, pregnant women or nursing mothers to handle or apply CPA.
- **Machinery and hand tools** – the grower should ensure that all machinery and hand tools used for agricultural activities are in safe working order and correctly maintained.
- **Accommodation and wellbeing** – accommodation and food, where provided by the grower, should be, at minimum, sufficient to meet the basic needs of workers and their dependents, including access to potable water and sanitary facilities.
- **First aid** – workers on the farm should be provided with access to first aid and access to professional healthcare where needed.
- **Transport** – where provided by the grower, should be safe and free of charge.

As part of the ALP process, when we or our suppliers – depending on whether they are directly contracted to JTI or not – see breaches of the above rules, we expect these to be recorded as ALP observations, prioritized and followed up as part of our suppliers' action plans.

With regard to **Question 5 about specific initiatives taken to ensure protection of workers regarding exposure to toxic chemicals and other hazardous substances**, the situation is as follows.

In Zimbabwe our suppliers implement the continuous improvement-based ALP. We expect our suppliers' farming experts to visit every farm several times a year to provide technical advice on the crop and to advise on labor practices. While visiting a grower the farming experts observe and record against ALP, and where appropriate provide advice and guidance. Using this information, our third-party suppliers then identify the root causes and the need for additional training. For more details please see our answer to Question 6.

Workplace health & safety for agricultural workers is one of the key elements of the industry-wide STP and is also embedded into our ALP. Only CPA specifically registered for use on tobacco may be applied to tobacco grown under directly contracted production systems. In addition, adherence to CPA residue requirements are referenced in our Supplier Agreements. There are standard procedures followed by all of our suppliers and assessed within STP. These are meant to protect the worker from CPA, for example:

- Training for correct and safe handling and application of CPA.
- Distribution of Personal Protective Equipment (PPE) to farm workers for safe CPA handling.
- Training on safe CPA storage and disposal of empty CPA containers to avoid contact.
- Training and distribution of signage to prevent re-entry after CPA has been applied.
- Requiring growers to keep CPA application records.

With regard to **Question 6 about mechanisms or initiatives regarding data collection, measuring, monitoring, reporting and verification of information on health of workers in our supply chain**, we are pleased to provide the following information.

In our vertically integrated origins, it is JTI's farming experts who, during their field visits gather the ALP observations on the three pillars: rights of workers, workplace health & safety, and child labor. These observations lead into improvement measures targeted at the growing communities, and inform our social programs ARISE and GSP allowing for targeted improvement measures.

To reiterate, JTI has no presence in Zimbabwe through direct contracting; and we buy tobacco from third-party leaf suppliers. Nonetheless, all of our suppliers are assessed via STP, which covers topics such as sustainable farming techniques, the use of agrochemicals, soil and water management and actions that can be taken to help prevent child labor, forced labor and to create safer working environments. Self-assessments are done every year and on-site assessments are performed every three years.

In addition, we require all our suppliers to report twice per year on our ALP. The half-year ALP reports include the following: overview; supplier country profile; best practices; number of issues observed; and any challenges and improvements required. We then analyze the reports in close collaboration with twentyfifty Ltd. – human rights in supply chain experts – and in annual meetings with our global suppliers. From 2017 onwards, we have also been providing our suppliers with written feedback on each sourcing country.

Continuing our response to **Question 6 about the health of nearby communities and the contamination of water, air, soil and food**, we can provide the following information.

As mentioned earlier, it is in our very interest and enshrined in our policies, for the CPA to be applied in a safe, responsible, and environmentally sound manner – something which is very clearly articulated in both our ALP and STP.

In addition, it is worth reiterating that overall, the tobacco crop uses less agrochemicals and fertilizers than other major crops, as studies from the US Department of Agriculture⁸ and the FAO⁹ confirm.

With regards to potential water and soil contamination, each of our suppliers has its own specific programs and initiatives. For example, in Zimbabwe:

AOI promotes and monitors:

- Buffer zones around the tobacco field if a waterway is adjacent to prevent water contamination.
- Fertilizers to be inserted into and covered with soil to avoid running off with rain water.
- Crop rotation to help rebuild the soil structure with organic matter and avoids top soil erosion.

Premium's measures include:

- Commercial farms are testing soil and water annually.
- Premium conducts soil test for small scale farming area on 3-5 years basis.
- The company is planning to conduct water test of big water bodies among small scale farming areas.
- Seedbed sites to be a minimum of 30 meters away from any water source.
- Farmers are only supplied with the exact quantities of chemicals they require to ensure all chemicals are used on the crop which reduces the risk of contamination from left over chemicals.
- Only green label (low toxicity) chemicals supplied.

And Universal:

- Contracts pollution monitoring at grower level by an external consultant guided by Environmental Management Agency (EMA) regulations.
- Universal's farming experts monitor curing fuel use, water use, buffer zones to meet regulatory standards of 30 meters (According to the Environmental Management Act Chapter 20:27 as read with Statutory Instrument 7 on Environmental Impact Assessment and Ecosystems Protection Regulation).
- Contracts an external consultant to monitor factory air emissions and water discharge based on Statutory Instrument 72 of 2009 and Statutory Instrument 12 of 2007 of the above-mentioned Act.
- There are no regulatory limits as yet in Zimbabwe for carbon dioxide, however, Universal is participating in the Carbon Disclosure Project (CDP).

Various best practices within the tobacco industry aim at safeguarding the communities' health in addition to the workers' protective measures mentioned under question 5. For example, some of our farming principles include:

- Encouraging our growers to diversify their production with viable food crops, and we / our suppliers provide them with advice and seeds for doing so.
- Providing food seed to improve food security in communities where we purchase tobacco leaf.

⁸ UNITAB, The use of pesticides in tobacco-growing: <http://www.cittadeltabacco.it/wp-content/uploads/2012/09/4-The-use-of-pesticides-in-tobacco-growing-January-2012.pdf> (accessed 10 June, 2018)

⁹ FAO, Fertilizer use by crop: <http://www.fao.org/tempref/docrep/fao/009/a0787c/A0787E00.pdf> (accessed 10 June, 2018)

We understand the particular social and environmental challenges faced by countries where we operate. Through our business practices and programs, we actively contribute to improve communities' livelihoods. In 2016 alone, over 300 community investment programs were active in more than 60 countries. These programs are based in areas where we work, but do go beyond supporting only tobacco farmers. We work with our suppliers to share our approach so that these can be expanded in countries like Zimbabwe.

With regard to **Question 7 on measures we have in place to uphold international human rights obligations to protect children**, we hope the below information sets out our approach.

Child labor is a major challenge not only in tobacco growing but in agriculture more generally. We do not pretend to be able to solve the problem of child labor on our own, but we are doing our utmost to play our part in solving the problem, by working with others. Only joint and continuous efforts with governments, affected communities and other stakeholders will fully address the root causes.

As mentioned earlier, our ALP is based on the ILO's Fundamental Principles and Rights at Work, and as such, our approach to tackling child labor respects the Conventions and definitions provided by the ILO.

In addition to ALP, we have introduced the ARISE program in countries where our tobacco leaf is sourced through directly-contracted growers. We specifically promote education as the way to prevent and eliminate child labor. The program is delivered in partnership with Winrock International and the ILO. It also involves awareness raising within communities, income-generating activities and vocational skills training for women. We also establish Community Child Labor Committees, which educate communities, and monitor participation of children in school, encouraging parents to send their children to school if instances of child labor are found. By end of 2017, more than 39,000 children were taken out of child labor and placed into formal education and / or after school programs, since the beginning of the program in 2011.

ARISE aims to develop and implement activities that progressively eliminate child labor, as well as address the underlying social and economic factors that drive smallholder tobacco farmers to engage children in hazardous work. Part of the program's activities include:

- Raising awareness on child labor (since 2011 more than 150,000 community members and teachers were educated about child labor).
- Economic empowerment initiatives (village loans & savings schemes, income-generating activities, including training in locally relevant revenue-generating skills and small business management).
- Engaging with governments and regulatory bodies to develop action plans and anti-child labor policies.

In Zimbabwe, examples of AOI preventing child labor by addressing the challenges in hiring appropriate labor include the following:

- MTC (AOI local entity in Zimbabwe) provides loans in the form of a bank transfer to growers at peak labor demand periods throughout the season, to assist with hiring labor and allowing for the fair remuneration of labor and the reduction of child labor¹⁰.
- MTC allows growers to keep a percentage of initial tobacco sales to pay school fees, rather than requiring the payment for those sales to be immediately returned to pay off the debts acquired by the growers for inputs from the company¹¹.

¹⁰ Human Rights Watch, Appendix A. Correspondence with Tobacco Companies: https://www.hrw.org/sites/default/files/report_pdf/zimbabwe0418_web_appendices2.pdf page 20, accessed 13 June, 2018

¹¹ Human Rights Watch, A Bitter Harvest: https://www.hrw.org/sites/default/files/report_pdf/zimbabwe0418_web_2.pdf page 86, accessed 13 June, 2018

Next steps

We wish to express our unequivocal commitment to respecting human rights, improving labor conditions, in particular the health and safety of farm workers, and to ending child labor. Regardless of the size of our operations or purchases, or whether we source tobacco directly or through third-parties, we remain determined to create positive change and a long-term future for tobacco growers.

We hope that you will recognize that our approach toward tackling issues described above is applied with due care and consistency, as part of the ongoing process of expanding and improving our activities in this area, and reflects our commitment to our human rights journey. We would be happy to share with you any further information about our efforts, or the efforts of our suppliers in Zimbabwe. We can also seek to arrange a visit to one of our suppliers at your request.

At the same time, we accept that there is always more we can learn, and it is vitally important to stay vigilant. We take the information you have brought to our attention very seriously, and we will investigate the issues you have raised. To that end, we would be very grateful if you could provide any further or more granular information that is available, including as to specific operations, geographies or entities to which the allegations relate, or any other facts you consider would help us, in light of our relationship with suppliers operating in Zimbabwe (as described in this letter). Anything further you are able to provide will be used for the exclusive purpose of better directing our enquiries and response.

We look forward to future opportunities for us to continue working together to make a difference.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Suzanne', with a horizontal line underneath it.

Suzanne Wise
Senior VP Corporate Development

