

STP 2.0 *Development*

Overview for CORESTA
October 2019



The Sustainable Tobacco Program (STP) Initiative



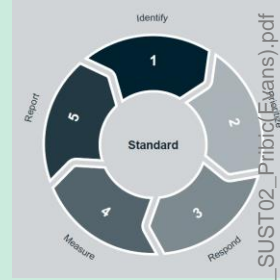
The STP is an industry initiative and collaboration between the seven manufacturers Altria Client Services, British American Tobacco, JT International, Imperial Tobacco, Philip Morris International, R.J. Reynolds Tobacco and Swedish Match.

Our vision is to become leaders in driving sustainable agriculture. Our aim is to:

- improve our environmental and social footprints
- contribute to United Nations Sustainable Development Goals (SDGs) and
- enable transparent communication of responsible practices across our supply chain

We do this through proactive and continuous work to improve agricultural practices in our supply chain.

Background



The business environment is **changing rapidly**

This is influenced by societal expectations and increased regulation

Increased regulation is almost entirely influenced by the UNGPs and driven by the State’s duty to protect

Supply chain operations have moved from *produce & sell* to **consumer driven supply chains**

A responsible supply chain **identifies, prioritizes, responds, measures and reports** on environmental, human rights, social and other significant impacts

Obligations under the United Nations Guiding Principles

We have an obligation to avoid causing or contributing to adverse impacts in our supply chain

We are expected to undertake human rights due diligence in our supply chain

We are expected to use our leverage in the supply chain to effect change in wrongful practices

We seek to prevent/mitigate impacts that are linked to our supply chain

If we cause or contribute to an adverse human rights impact we address this through remediation



Increasing Regulatory Challenges around Supply Chains

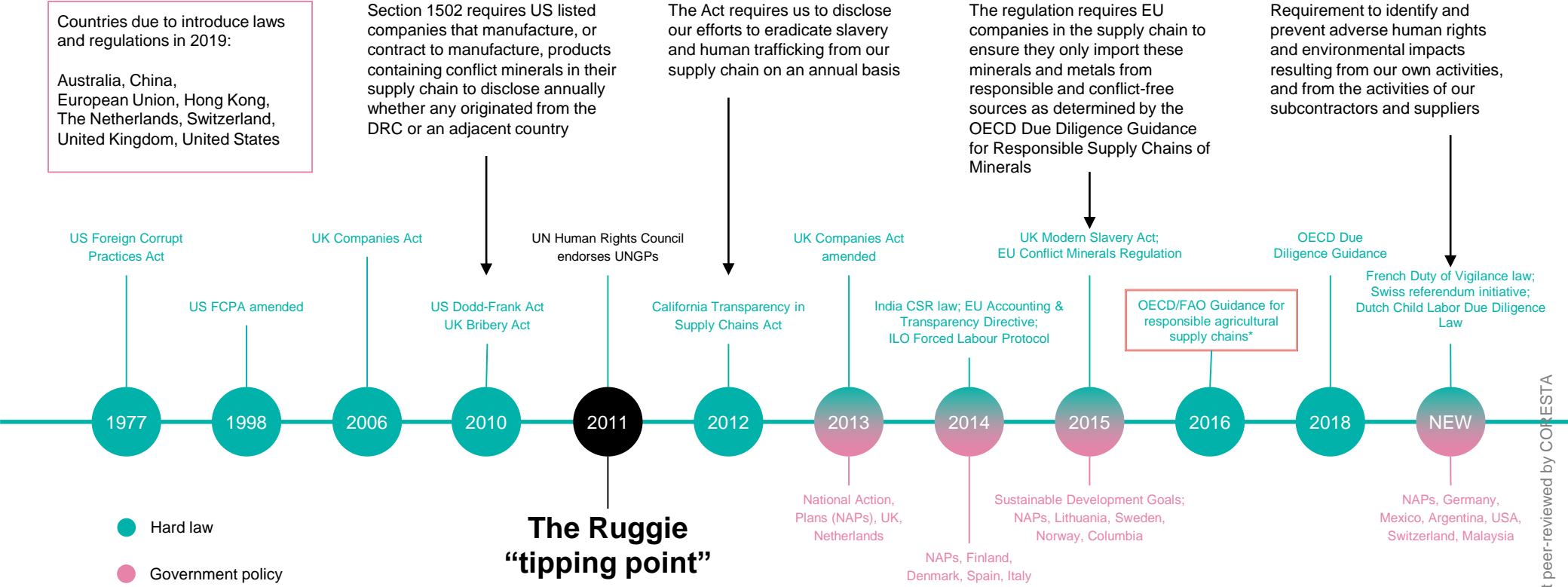
Countries due to introduce laws and regulations in 2019:
Australia, China, European Union, Hong Kong, The Netherlands, Switzerland, United Kingdom, United States

Section 1502 requires US listed companies that manufacture, or contract to manufacture, products containing conflict minerals in their supply chain to disclose annually whether any originated from the DRC or an adjacent country

The Act requires us to disclose our efforts to eradicate slavery and human trafficking from our supply chain on an annual basis

The regulation requires EU companies in the supply chain to ensure they only import these minerals and metals from responsible and conflict-free sources as determined by the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals

Requirement to identify and prevent adverse human rights and environmental impacts resulting from our own activities, and from the activities of our subcontractors and suppliers



*OECD/FAO guidelines is a key focus; it is a common point of reference/interpretation for implementation of all these slightly varying laws and guidelines in agro-supply chains

Increasing Scrutiny



Uzbekistan: Forced Labor Linked to World Bank

Systematic Violations Underpin Country's Cotton Sector

(Brussels) – The World Bank is funding half a billion dollars in agricultural projects linked to forced and child labor in Uzbekistan, Human Rights Watch and the Uzbek-German Forum for Human Rights said in a report released today. Under the loan agreements, the Uzbek government is required to comply with laws prohibiting forced and child labor, and the World Bank can suspend the loans if there is credible evidence of violations.



A woman picks cotton during the 2015 cotton harvest, which runs from early September to late October or early November annually. © 2015 Simon Buxton/Anti-Slavery International

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South Africa: Women Farm Workers' Rights Routinely Violated

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Photo: Laura Bratton/GroundUp

Women farm workers march in Cape Town to the provincial legislature and then to the Department of Labour.

By Barbara Maregele

Farmers' organisation AgriSA has dismissed the findings of a survey by the Women on Farms Project (WFP) released last month. The report highlights labour violations and the poor working conditions of women farm workers, many of them seasonal workers.

RELATED TOPICS

Business »

- Ethiopia: Despite Abuses, Expelled Ethiopians Hope to Be Smuggled Back to Saudi
- Zimbabwe: Airzim Dumps Discredited Name in Fresh Rebranding Attempt
- Ghana: Ghana Aims to Regain Top Spot in Cocoa Production
- Nigeria: Seven Feared Dead in Kebbi Boating Accident

Modern Slavery: dark secrets of rural Britain

Seasonal workers in agriculture remain at risk of forced labour within the UK, says Clive Aslet, despite legal safeguards to prevent slavery

Pesticide inhalation kills 18 Maharashtra farmers, 400 in hospital

Shishir Aryal TNN | Updated: Oct 4, 2017, 05:27 IST

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HIGHLIGHTS

- Fadnavis announced ex-gratia payment of Rs 2 lakh to the next of kin of farmers and labourers who died due to pesticide inhalation
- An Inquiry has also been ordered into the matter under the assistant chief secretary (home)
- The CM also announced that the government will run an awareness campaign on safe use of pesticides

'50% of Zim children involved in child labour'

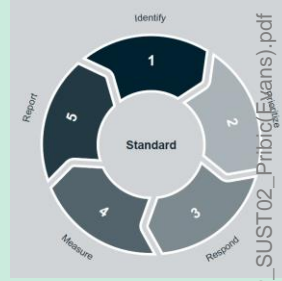
- June 12, 2015



wbcsd

Is your business ready for environmental, social and governance-related risk?

STP Brief History



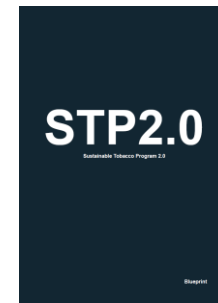
- › 2016: Social Responsibility in Tobacco Programme (SRTP) changed to STP; SRTP was an external consultancy program and STP is owned by manufacturers
- › May 2017: six manufacturers agree to reform the STP; manufacturers and leaf suppliers wanted a focused and impact-oriented program based on relevant assessments
- › August 2018: the STP 2.0 Blueprint is created and agreed
- › April 2019: the process to select service providers for the development of the STP 2.0 Platform – both content and technical platform – is carried out
- › June 2019: Altria joins the STP Initiative
- › October 2019: the development of the STP 2.0 Platform starts

The STP 2.0 Blueprint– a Tipping Point



The essence:

- › The approach is risk based
- › The process is set up to follow a cycle of continuous improvement: Identify-Prioritize-Respond-Measure-Report
- › Material sustainability aspects are in focus
- › Positive impact and contributions to the SDGs are in focus
- › Assessments are in-depth and targeted to priority areas and foci
- › Increased transparency of the whole process is targeted
- › Alignment with ISO and other standards or guidance documents (e.g. CORESTA) is aimed for

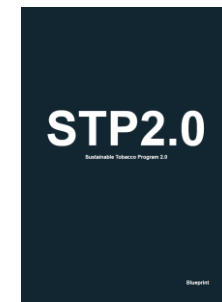


The STP 2.0 Platform

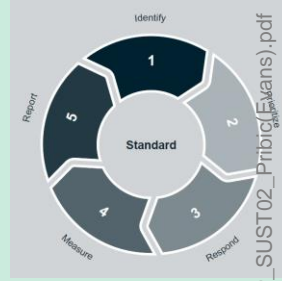


The STP 2.0 Platform includes three main components:

- › A Technical System
- › A guidance integrated into a technical system
- › A process with a set of stages following a standardized continuous improvement cycle; including risk assessment, self-assessment, validation of self-assessment, prioritization, in-depth assessment, dialogue, implementation of actions, measuring impact and reporting on progress



Development of the STP 2.0 Platform – a multi-stakeholder endeavor



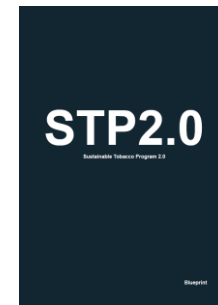
Key stakeholders in the development project and in the future are:

- › Leaf suppliers
- › Subject matter experts (including academia) such as CORESTA and ECLT etc

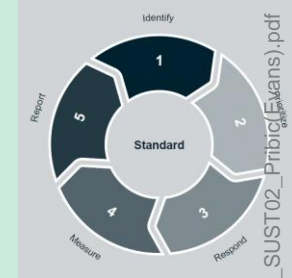
Content development and integration in IT system will be done in iterations (agile approach)

Service providers selected to support STP 2.0 development:

- › AB Sustain for the content development
- › Worldfavor for IT system



Next steps



- › Development of STP 2.0 starts now!
- › The deadline for the development project is Q3 2020
- › First assessments to start in 2020
- › Secretariat will be appointed by end of the development project
- › Project kick-off meeting was held in London on Oct 3/4th; Key decisions:
 - › The development roadmap has been defined
 - › The first focus area to be developed is water management; the learnings from the first iteration will inform the rest of the process
 - › A number of suppliers will be directly involved in the development