

POSITION PAPER – TOBACCO INDUSTRY

Definition & Scope

Tobacco is a product prepared from the leaves of the *Nicotiana tabacum* plant. The leaves, naturally rich in nicotine, are dried and processed for smoking, inhalation, chewing or ingestion.

Tobacco companies are defined as companies engaged in the manufacturing or distribution of tobacco products, and for which such activities account for a significant share of their total annual revenue. Certain tobacco companies may also be involved in the production of tobacco leaves, through vertical integration.

Tobacco leaves growers are defined as companies involved in the production of tobacco leaves and not vertically integrated into a tobacco company.

Tobacco leaves traders are defined as companies involved in the trading of tobacco leaves and not vertically integrated into a tobacco company.

This position paper applies to all clients of the Group and its subsidiaries, worldwide, and covers all financial products and services provided to all companies operating within the tobacco industry.

Rationale

The World Health Organization's Framework Convention on Tobacco Control (WHO FCTC)¹ recognizes the “*devastating worldwide health, social, economic and environmental consequences of tobacco consumption and exposure to tobacco smoke*”, and introduces measures to be taken by governments to reduce demand for, and supply of, tobacco products (through regulation, taxation, education, among other measures). This Convention has been ratified by 180 countries².

¹ http://www.who.int/fctc/text_download/en/

² The list can be found at: https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IX-4&chapter=9&clang=_en



BNP PARIBAS

The bank
for a changing
world

BNP Paribas acknowledges that the main environmental, social, and governance risks for companies operating in the tobacco sector are as follows:

- In tobacco leaves production: poor labour practices, including child labour and dangerous working conditions
- In tobacco manufacturing and distribution: public health issues³, risks of smuggling and corruption, controversial marketing and advertising practices.

BNP Paribas believes that tobacco companies have a role to play to minimize the inherent risks of tobacco production and consumption, and expects tobacco companies to act responsibly.

BNP Paribas requires its clients to respect national laws, and encourages them to operate in line with international good practices. In particular, BNP Paribas expects tobacco companies to be fully transparent on the health risks associated with smoking, and not to target young or vulnerable people. BNP Paribas expects both tobacco leaves growers and tobacco companies' in-house leaves growers not to use child or forced labour.

This position paper further details the practices that BNP Paribas believes its clients in the tobacco industry should follow.

Expectations

Towards tobacco leaves growers

BNP Paribas requires tobacco leaves growers, like all other agriculture companies, to be in line with BNP Paribas' CSR Policy on the agriculture sector⁴. This policy encompasses detailed social, environmental and governance stakes. In particular, among its different requirements, some specifically address major concerns touching the upstream tobacco industry, such as:

- Do not use child or forced labour⁵,
- Minimize the use of pesticides,
- Protect workers from harmful exposure to nicotine,
- Respect the rights of workers to organize in a trade union, and
- Prohibit discrimination against employees and applicants for employment.

Towards tobacco leaves traders

BNP Paribas requires tobacco leaves traders, like all other agricultural products trading companies, to be in line with BNP Paribas' CSR Policy on the agriculture sector⁶.

³ Smoking has been recognized as one of the greatest causes of preventable death in the world. It leads to diseases affecting the heart, liver and lungs (e.g. heart attacks, cancer, hypertension), among others.

⁴ <https://group.bnpparibas/en/financing-investment-policies>

⁵ As defined in the International Labor Organization (ILO) Conventions C138 Minimum Age (1973), C182 Worst Forms of Child Labor (1999), and C29 Forced Labor (1930).

⁶ <https://group.bnpparibas/en/financing-investment-policies>



BNP PARIBAS

**The bank
for a changing
world**

Towards tobacco companies

Tobacco companies are expected to develop and publish a Corporate Social Responsibility strategy, covering the main environmental, social, and governance issues of the sector. Tobacco companies are also encouraged to address potential criticism and controversies in a transparent manner.

In addition, BNP Paribas expects tobacco companies to follow the practices detailed below.

Addictive components & harmful substances

Tobacco companies should limit the use of additives (incl. preservatives, humectants, and flavouring agents) as some additives, in particular flavouring agents, may increase the addictiveness of tobacco products⁷.

BNP Paribas encourages tobacco companies to develop or support research programs to limit the toxicity of tobacco products.

Marketing practices and communication

Tobacco companies should be transparent in their marketing practices. In particular, companies should provide clear information on the health danger of smoking to their consumers (on their website and on their packaging). Tobacco companies should publicly disclose the ingredients of their tobacco products (additives, flavouring agents, etc.), with a particular emphasis on toxic constituents. In addition, BNP Paribas encourages tobacco companies to disclose such information to governmental authorities.

Moreover, tobacco companies should not target minors in their marketing activities. Companies should take youth smoking prevention measures and raise awareness on the dangers of underage smoking.

Illicit trade

Tobacco companies should fight against smuggling, illicit manufacturing and counterfeiting of tobacco products. Companies should not promote the selling of their products through the black market.

BNP Paribas encourages its clients to cooperate with other tobacco companies and government/customs agencies to fight against smuggling, for example by improving the traceability of their tobacco products.

Government relations

Tobacco companies should refrain from lobbying governments to undermine tobacco control efforts.

⁷ http://ec.europa.eu/health/scientific_committees/opinions_layman/tobacco/en/index.htm#2



BNP Paribas requires US tobacco companies to be signatories to the Master Settlement Agreement (MSA)⁸.

Supply chain

Tobacco companies should take environmental, social and governance criteria into account when selecting their tobacco leaves suppliers. In particular, tobacco companies should check and ensure that tobacco growers:

- Do not use child or forced labour⁹,
- Minimize the use of pesticides,
- Protect workers from harmful exposure to nicotine,
- Respect the rights of workers to organize in a trade union, and
- Prohibit discrimination against employees and applicants for employment.

Tobacco companies should follow the same practices for their own activities.

BNP Paribas encourages tobacco companies to be part of the Eliminating Child Labour in Tobacco Growing (ECLT) initiative¹⁰.

Animal testing for tobacco products

Tobacco companies should refrain from testing tobacco product effects on animals. Tobacco companies should favor non-animal research techniques such as analytical chemical methods, computer modeling.

Implementation

All companies operating within the tobacco industry that are clients of BNP Paribas will be screened regularly and their performance against the expectations of this position paper will be assessed. BNP Paribas will engage with its clients to promote good practices, in line with internationally accepted standards.

When areas of improvement are identified, BNP Paribas will monitor progress made by its clients, on a regular basis.

BNP Paribas may terminate its commercial relationship with clients whose practices are considered unacceptable, or with clients that fail to make material progress on the identified areas of improvement.

End of document

⁸ The MSA was entered in 1998. The participating companies agreed to curtail or cease certain tobacco marketing practices, as well as to pay, in perpetuity, various annual payments to the states to compensate them for some of the medical costs of caring for persons with smoking-related illnesses.

⁹ As defined in the International Labor Organization (ILO) Conventions C138 Minimum Age (1973), C182 Worst Forms of Child Labor (1999), and C29 Forced Labor (1930).

¹⁰ <http://www.eclt.org/>



BNP PARIBAS

**The bank
for a changing
world**