



**Corporate Social Responsibility:**

**Walking the Talk**

**Speech by Benjamin Kemball**

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**To the Canadian Club of Montréal**

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Ladies and Gentlemen, thank you for being here today and thank you Francine for your kind introduction.

I am very pleased to be with you today. But I am also very conscious of the great challenge that this represents. Especially when I know that many of you are most probably thinking: what can the president of a tobacco company possibly have to say about corporate social responsibility?

I know that the tobacco industry and, by association, Imperial Tobacco Canada are not perceived as responsible because we manufacture and sell a product that can be cause of serious health problems.

But I believe that the nature of our product is the very reason why a tobacco company should be so concerned with being socially responsible. And why Canadians should expect us to do the right thing. It has to be in the interests of Canadian society that the market for tobacco products is managed by legal manufacturers operating in a responsible manner and in full compliance with the laws and regulations of the country.

Two weeks ago I had the pleasure of attending a 2 day leadership meeting in Maryland. The event was organized by McKinsey management consultants and brought together 30 CEOs from across North America. One of the themes was Business and Society and within that Corporate Social Responsibility.

Of course there are those who dryly believe that the only business of business is business or more sceptically that CSR is just another form of PR or espousing causes close to the chairman's heart. But the most compelling examples – and happily there were many – showed two common characteristics. Firstly, the areas of attention were relevant to the stakeholders and the business itself - whether the focus be the environment, the community, or even employee activism – and secondly, they also had social responsibility built into their business model, in other words at the front and centre of their business strategies and conduct.

This is exactly how Imperial Tobacco Canada sees social responsibility. A tobacco company CAN be responsible, we MUST be and we ARE. We will always strive to do the right thing and my purpose today is to tell you how.

Profit is not our sole concern. Not by a long shot.

We are not alone in this as, in today's world, corporations everywhere are striving to balance economic performance with the social and environmental dimensions. Does this imply that there is an inherent conflict between being successful and being responsible? Of course not – the coincidence of commercial success and responsibility is sustainability, and there is shareholder value in sustainability.

In our case, as a tobacco company, we meet demand for a legal product that has no such thing as a safe version and we have a duty to act responsibly. One thing that those against us tend to forget is that Imperial Tobacco Canada is not an anonymous organization of simply bricks and mortar. 860 people make up Imperial Tobacco Canada. These people, like you, have children, families and friends. They participate in their communities. They want to believe in the company they work for. Each and every one of them is totally dedicated to do their jobs responsibly.

We face an additional challenge in having to deal with a government policy called “denormalization”, which is a systematic strategy to portray us as being anything but good corporate citizens.

The ostracizing of the tobacco industry has included attempts to also try to dismiss the ideas and concerns raised by numerous other groups, ranging from retailers and the hospitality sector, to veterans, charity bingos and the charities that rely on them for funding.

Indeed, one of the most offensive elements of this concept of denormalization is the way governments now treat smokers – as decent a group of people as any other in society – as aberrant or deviants.

Yet despite the well-funded denormalization tactics and the controversial nature of our industry, Imperial Tobacco Canada has 860 employees who are very proud to work for the Company and, in changing our distribution system last year, we were able to recruit more than 300 new university-educated employees to fill positions across Canada with over 100 hired here in Quebec.

Which brings me to our approach to social responsibility and what we as employees, as a corporation, as members of the most international tobacco group in the world and as individuals collectively stand for.

Our parent company, British American Tobacco, takes social responsibility very seriously. BAT is the only tobacco company in the world to be listed on the Dow Jones Sustainability Indices and has been since 2002.

Last year, the Board of Directors of Imperial Tobacco Canada approved the creation of a Corporate Social Responsibility Committee to review and monitor how we live up to our Statement of Business Principles.

Reporting directly to the Board, another of the duties of our CSR Committee is to ensure that our company talks to diverse stakeholders to better understand what they expect of us and find ways to respond to these expectations.

As a result, last fall we embarked on a process that saw us talk with a broad cross-section of Canadians with an interest in the tobacco industry. We spoke with them in order to gain their insight into key issues surrounding our industry. We call this initiative Let's Talk.

I must say that we were pleasantly surprised by the large number of individuals and organizations – over 80 in all - who agreed to sit down and talk with us. Their views, opinions and suggestions were invaluable and our dialogue was very constructive. We also included our employees to glean their impressions of our approach to CSR.

In about two weeks, we will publish a Social Report based on this dialogue. It will describe in detail our methodology, from issue identification to stakeholder selection and the method we used to record and categorize what stakeholders had to say.

An important aspect of our Social Report is that it will have been independently verified. This means that every statement and assertion in it can be backed up by factual evidence. For those of you familiar with social reporting, the standard used for the verification is called AccountAbility AA1000, which happens to be the gold standard in this emerging field. In doing so, we will be one of only two Canadian companies to release an independently verified and dialogue-based Social Report.

There is a wide variety of tobacco-related issues, but for this our first Social Report we focused on three major concerns – youth smoking prevention, the reduction and elimination of illicit trade (or contraband) and reducing the harm

associated with tobacco consumption. External studies and a public opinion survey showed these were priorities for stakeholders.

Our report will provide a comprehensive overview of these three issues, what stakeholders expect us to do and our commitments in response to their expectations. But this is only the beginning.

A year from now, we will publish a report showing our progress, through a set of key performance indicators to be developed for this purpose.

Two years from now, we will begin a new Let's Talk cycle.

I would now like to briefly outline the three issues we discussed in the inaugural Let's Talk cycle, their social importance and some of our commitments in relation to these issues. They are the cornerstone of the Social Report.

The first issue is youth smoking.

Youth should not have any access to tobacco products and should be prevented from smoking. On this there is no debate.

Imperial Tobacco Canada considers the prevention of underage smoking an extremely important social issue. We do not and will not target underage youth and recognize the inappropriateness of marketing activities directed at them.

There is no ambiguity here. We know it is plain wrong for kids to smoke or for companies to encourage or even condone this.

In fact, Imperial Tobacco Canada is the largest financial contributor to the only national program aimed at helping retailers and their staff eliminate the sale of tobacco products to underage youth.

As a concrete example of our commitment Imperial Tobacco Canada is prepared to contribute financially to a new national youth smoking prevention program that would operate independently of the tobacco industry.

We will walk the talk.

The second issue we discussed in Let's Talk is illicit trade of tobacco products – contraband and counterfeit. This is not only a business issue. The illegal sale of tobacco products is a problem that affects all Canadians.

Approximately 25% of the cigarettes smoked in Ontario and Quebec in 2006 were smuggled.

The illegal sale of tobacco products is costing governments around \$1.5 billion a year in tobacco revenues and the numbers will keep on growing unless the problem is addressed. All the indications suggest that the situation has further deteriorated since our study, and on current trends, more than 30% of cigarettes purchased across Canada by 2009 will be illegal.

I should also note that the measurable sales decline of the tobacco industry in Canada over the past two years is not due to reductions in cigarette consumption. Most of the reduction in reported sales is explained simply by a switch from legal, taxed products to illegal, untaxed ones.

Think about this for a moment. Despite the tens of millions of dollars that have been poured into tobacco control in this country, it has never been easier to purchase an illegal cigarette whose contents, packaging, marketing and sales are completely unregulated.

Surely, something needs to be done!

A responsible and legal tobacco industry is in everyone's best interest. Effective regulation, control and prevention programs, particularly among youth, are not possible in an out-of-control, illegal free-for-all.

We aim to continue our active participation in the fight against the illegal sale of tobacco products by supporting governments, retailers, impacted communities and other stakeholders in their efforts to raise awareness and enforce the laws of Canada.

We will continue to conduct in-house research and or support third-party research on the prevalence and impact of the illegal cigarette trade in this country.

As a concrete example of our commitment, within the next year we will support a public forum on the illegal tobacco trade bringing together all parties interested in finding a solution to this growing social and economic problem. We will walk the talk.

The third issue we discussed with stakeholders was harm reduction in relation to tobacco products.

Let me begin by stating, unequivocally, that the most effective way to avoid the risks of smoking is not to start smoking, and the best way to reduce the risks of smoking is to quit. There is no such thing as a safe cigarette.

The reality, however, is that more than five million Canadian adults continue to smoke despite high taxes, increasing restrictions on where and when they can smoke and, most importantly, despite a full awareness of the risks. This number is likely to remain high for the foreseeable future.

Research shows that the public believes that if ways can be found with the potential to reduce the health risks of smoking, they want to be informed.

We view the development of tobacco products that could reduce risks as a priority.

We are conducting research and product development, but we cannot proceed on our own. The public, quite rightly, would expect anything we find or say to be independently verified.

This is a complex issue.

The “quit-or-die” approach taken by some goes against the responsibility we should have towards those who continue to smoke.

There is also the issue of what approach to take to try to reduce risks. Providing new products that smokers will not use will offer no benefits to public health. The end product has to be acceptable to smokers. The stakeholders we spoke to understood this.

We need to determine how tobacco companies, governments and the scientific community can work together to ensure that research is verified and that the public gets accurate information about these products and their possible benefits and limitations.

For our part, we remain dedicated to our rigorous long-term research program into developing and testing products that may reduce health risks.

We will also explore the market acceptability of potentially less harmful tobacco categories such as Swedish-style snus, a smokeless product.

As a concrete example of our commitment, we will introduce such a product in test markets within the next 12 months. We will walk the talk.

Ladies and gentlemen, when you look objectively at tobacco-related issues, it becomes quickly apparent that in order to meet society's expectations, all stakeholders need to work together to find workable solutions.

We all want to do what is right. But if we are going to get it right, we need to listen to each other and work together. We know we will be scrutinized and criticized. We welcome the scrutiny and the debate. It is precisely why I am here today and I invite you all to read our first Social Report when it is published and available on our internet site in two weeks. It is a ground-breaking initiative in the Canadian business world and one which makes us very proud.

We don't have all the answers and we may not even be asking all the right questions. But we believe strongly that if all parties can listen and engage, there are real opportunities for progress.

Our commitment as a company is to live up to and surpass this expectation. Our commitment is to walk the talk.

Thank you.