



**KEY FINDINGS**  
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# Introduction and objectives

- **Imperial Tobacco Limited (ITL) is a leading international tobacco company, with products sold in over 160 countries worldwide.** The Group's total tobacco portfolio includes cigarettes, fine cut tobaccos, papers, cigars and smokeless tobacco brands.
- To form a deeper understanding of its impacts, Imperial Tobacco commissioned Corporate Citizenship, a global corporate responsibility consultancy, to **undertake a socio-economic impact analysis of its operations in Portugal.**
- The objectives for this project were to:
  - Better understand and articulate **its contribution to the economy at the country level**
  - Continue to **build reputation as a responsible company.**
- With this assessment Imperial Tobacco will have a clearer picture of its contribution in Portugal. It is also a learning process highlighting opportunities for Imperial Tobacco to enhance its positive social and economic impact.

# Methodological note

- The scope of this assessment includes:
  - Data related to Imperial Tobacco's operations in Portugal through Imperial Tobacco International Limited (data covering FY2012-2014);
  - Data for FY2014 from Empor SA (cigar division).
  - Data for FY2014 from Logista Portugal.
- **Imperial Tobacco is a majority shareholder in Logista** – a leading logistics provider for the tobacco industry and others both in Portugal and across Southern Europe. Logista is a large business in its own right, **with approximately 350 employees and 13,115 customers across Portugal**. Data was received from Logista Portugal, and this has been included within the report where relevant. **A short case study describing Logista's operations and impact is also included within the report.**
- Corporate Citizenship's work for this project involved the following key steps:
  - Using a tailored data-gathering survey collect data on Imperial Tobacco's key impacts;
  - Telephone interviews with key individuals within the company;
  - Conducting desk-based research;
  - Analysing data received and estimating the company's wider impacts.Further details on the approach are included with the Appendices.
- The data presented within this report is based primarily on internal financial and management information provided by key personnel within Imperial Tobacco and has not been audited by Corporate Citizenship.

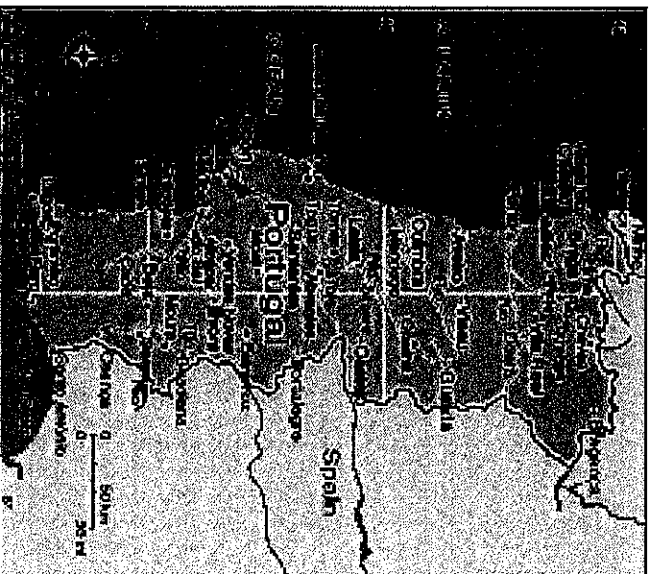
# Summary findings

- **Imperial Tobacco has significantly grown its presence in the Portuguese tobacco market - revenues were €28.9 million in the fiscal year 2014, having risen by 44% in just two years.**
- **The total direct and indirect tax payments made on Imperial Tobacco's products and operations in Portugal amounted to €213 million in 2014. Excise tax and VAT accounted for €212 million – approximately 1% of the total tax collected on goods and services by the Portuguese government.**
- **In total, Imperial Tobacco's direct and indirect contribution to the Portuguese economy in 2014 is estimated at €240.6 million.**
- **Imperial Tobacco directly provided 412 jobs in Portugal in 2014.** The company offers a range of skills development opportunities, including internships and apprenticeships for young people.
- **Imperial Tobacco's products are distributed to 175 wholesalers across Portugal, who in turn supply over 50,000 retailers.** The company also spent about **€3.6 million** with Portuguese suppliers in 2014.
- **In total, including employment at suppliers, wholesalers and retailers, Imperial Tobacco is estimated to support direct and indirect employment of over 5,000 full-time equivalent jobs across Portugal. For every worker directly employed by Imperial Tobacco, approximately 11 additional workers are therefore estimated to be supported in the wider economy.**

# Detailed findings

# Imperial Tobacco in Portugal

**Imperial Tobacco Group has a significant and growing presence in Portugal through its tobacco business and its subsidiaries Empor SA and Logista Portugal**



## **Imperial Tobacco in Portugal**

- Imperial Tobacco Portugal established in 2006 and part of Imperial Tobacco Limited. Predominantly focused on sales and marketing activities.
- Imperial Tobacco products sold nationally throughout Portugal, covering 11,500 point of sales and 175 wholesalers nationwide.
- Local producer in Azores promoting some local manufacturing.

## **Empor SA**

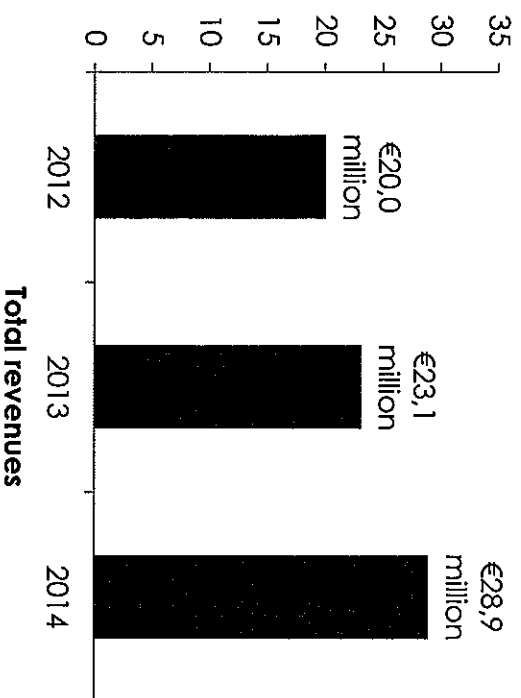
- Founded in 1990, selling premium tobacco and gifts.
- Headquartered in Lisbon distributing products throughout Portugal through wholesale, direct retailers, sub-distributors and four owned stores.
- Owned stores include Casa Havaneza, the oldest tobacco shop in Portugal, established in 1864.

## **Logista Portugal**

- Operating in Portugal since 2002, affiliated to Imperial Tobacco since 2008.
- Leading distributor of high added value products and services distributing tobacco related, convenience and pharmaceutical products.
- Reaches over 16,000 delivery points across Portugal.

# Imperial Tobacco in Portugal

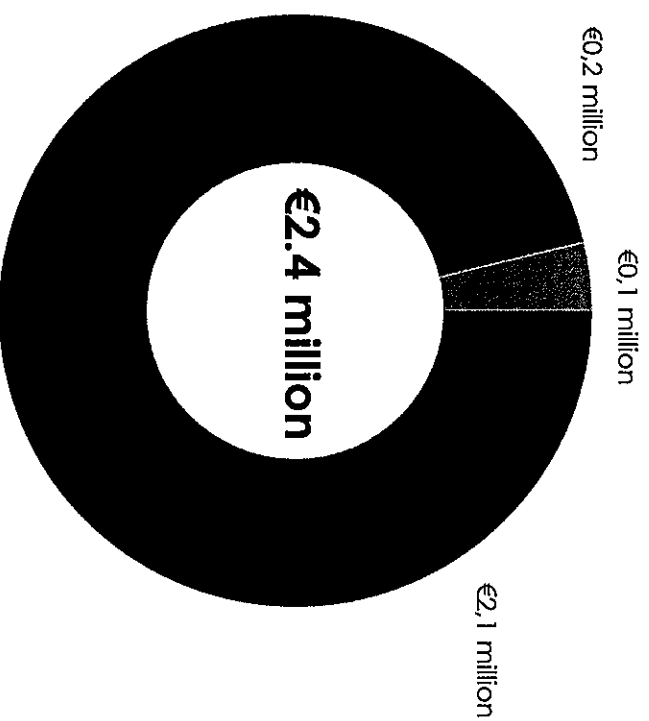
**Imperial Tobacco is an increasingly important player in the tobacco market in Portugal**



- Imperial Tobacco has significantly grown its presence in the Portuguese tobacco market.
- The company's market share currently stands at 12% for factory-manufactured cigarettes (FMC) and 32% for fine-cut tobacco (FCT). Meanwhile, Empor has an 85.8% share of the cigar market.
- Imperial Tobacco's biggest brand is JPS, with other key brands including West, Golden Virginia, Lambert & Butler and Davidoff. It offers a range of products at all price points.
- Imperial Tobacco's Portuguese revenues were **€28.9 million in 2014, having risen by 44% in just two years.**



# Supporting economic growth



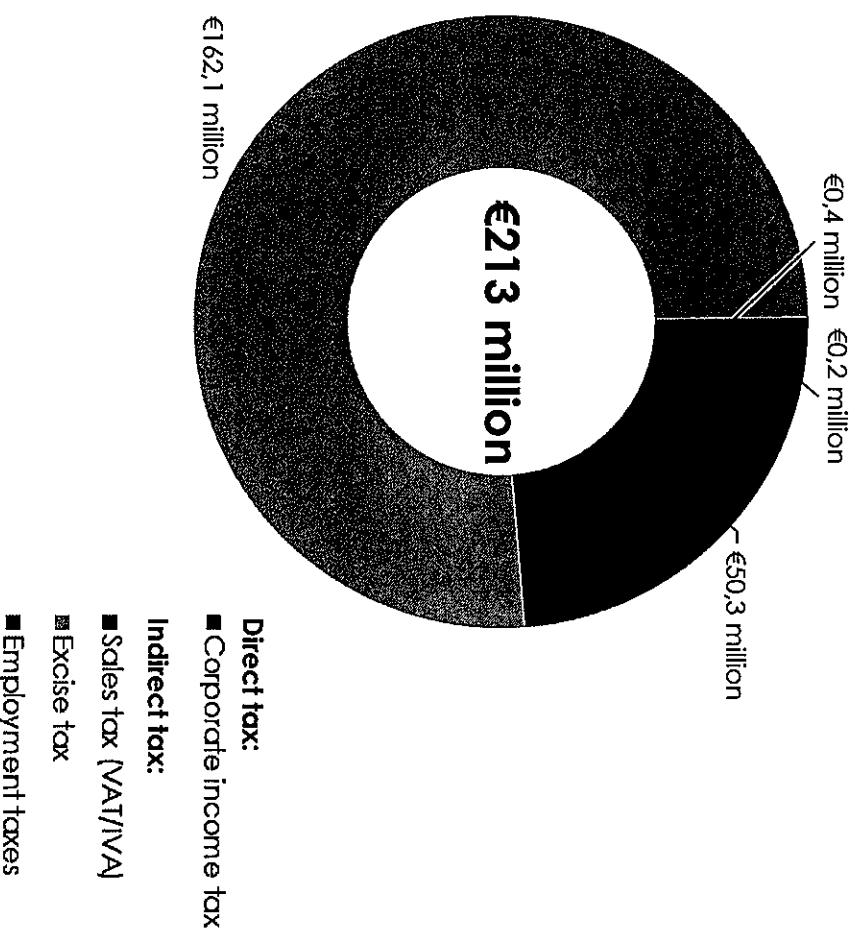
- To employees as salaries and benefits
- To government as direct (income) tax
- To lenders of capital (net finance payments)

## Imperial Tobacco's direct economic impact

- Imperial Tobacco is a successful, profitable business in Portugal. The value it creates for the economy benefits a range of stakeholders.
- The company is investing in growth. It is currently increasing trade investment, and moving to larger offices in June 2015.
- The **direct contribution** of Imperial Tobacco and Empor to the Portuguese economy in 2014 was **€2.4 million**<sup>1</sup>. The majority of this amount was distributed to employees and government.
- **Additional indirect impacts** via tax payments and the value chain are covered on the following slides.

<sup>1</sup> Stated in terms of gross value-added – a measure of a company's contribution to GDP defined as the difference between its net revenues and cost of sales. See Appendix A for further details.

# Contributing to public finances

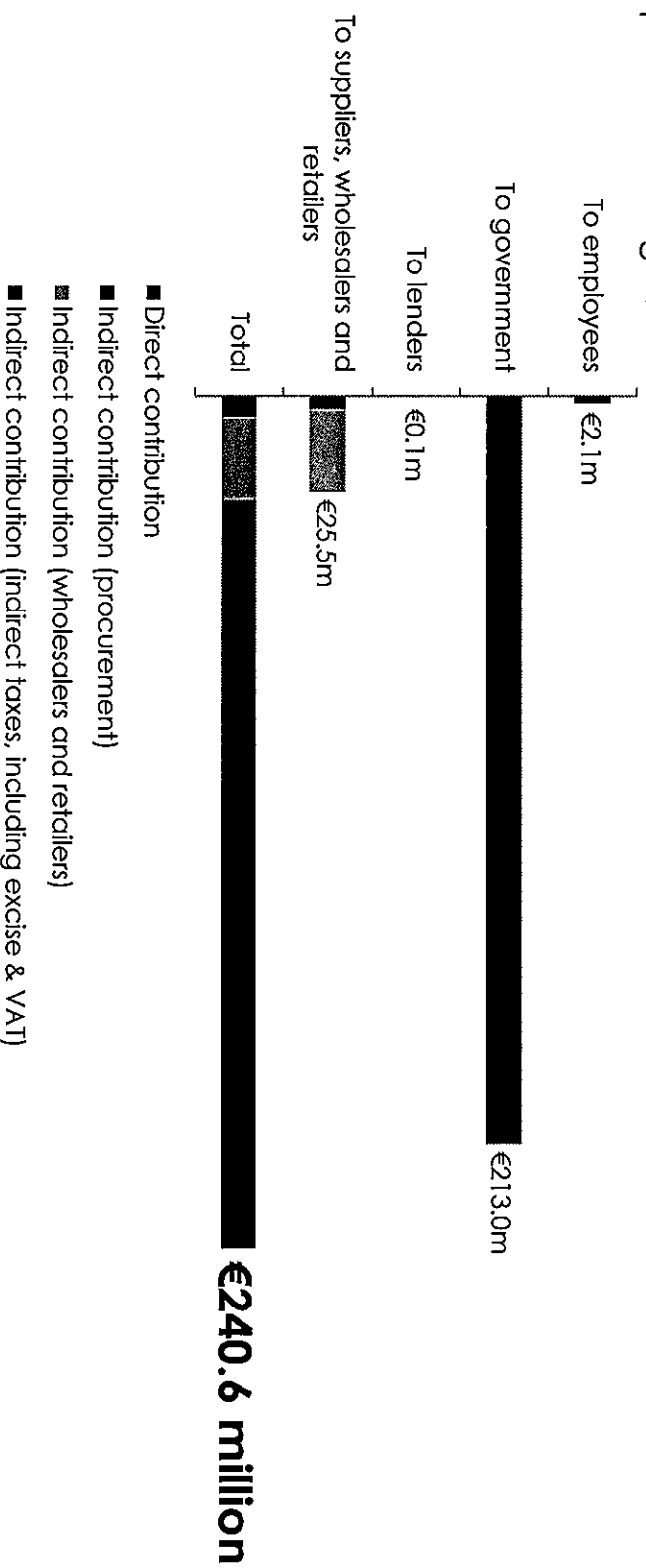


- **Total direct and indirect tax payments made on Imperial Tobacco's products and operations in Portugal amounted to €213 million in 2014.**
- The majority of the tax contributions are made indirectly. In total, excise and VAT amounted to 86% of the companies' €246 million gross sales<sup>1</sup> in 2014.
- **In 2014, excise tax and VAT on Imperial Tobacco products in Portugal amounted to €212.4 million – approximately 1% of the total tax collected on goods and services by the Portuguese government.**

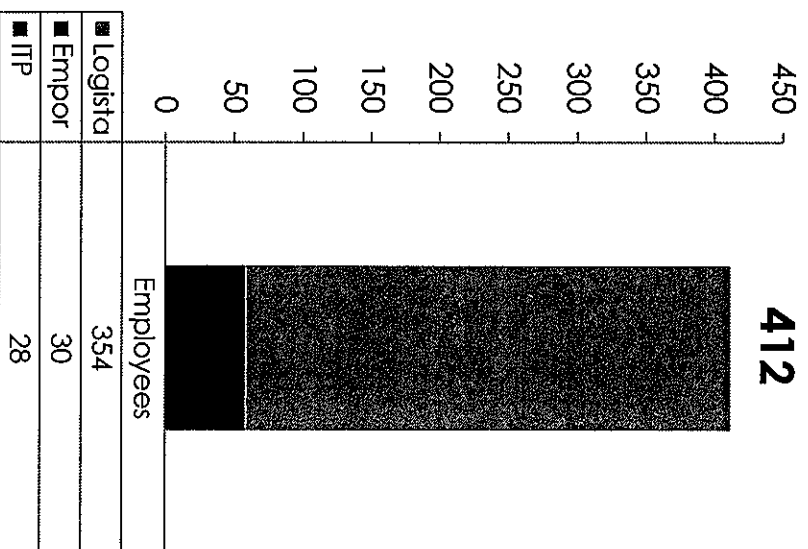
<sup>1</sup> I.e. the total amount paid by consumers for Imperial Tobacco and Empor's products

# Total economic impact

- In addition to its direct contribution to the Portuguese economy, **Imperial Tobacco has a significant indirect economic impact.**
- This is felt through the indirect taxes paid to the government, as well as the money spent with local suppliers and the trade margins earned by wholesalers and retailers, all of which will be re-spent further throughout the economy.
- In total, **Imperial Tobacco's direct and indirect economic impact in Portugal in 2014 is estimated at €240.6 million.** In addition, further induced impacts will be felt in the wider economy as direct and indirect employees re-spend their wages.

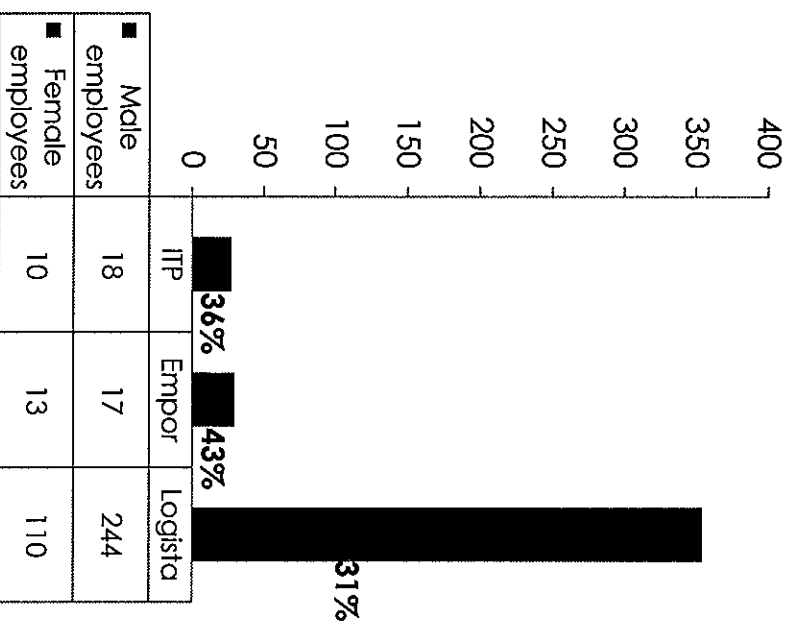


# Direct employment



- Employment has grown steadily at Imperial Tobacco Portugal over the last five years. **The company employed 28 full-time staff in 2014.** Of these, 22 were in the sales function, with the remainder in other departments including marketing and finance.
- **The company's cigar division subsidiary, Empor, employs an additional 30 staff, while Logista Portugal has 354 employees. In total, the three companies have 412 direct employees in Portugal.**
- Imperial Tobacco has **local manufacturing operations in Portugal through FTM**, which is a **local producer based in Azores** that manufactures branded Imperial Tobacco products for Azores and Madeira, providing valuable manufacturing jobs for the islands.
- Together, ITP and Empor spent €2.1 million on salaries and benefits in 2014, an average of approximately €35,000 per employee.
- The company offers a range of employee benefits, including medical insurance, company cars and company phones.

# Quality of jobs



## Skills, training and development

- Imperial Tobacco Portugal spends €35,000 annually on training for its employees. In 2014, the company offered a range of training and skills development opportunities, including languages and sales skills.
- ITP employs two interns in Portugal. The company has also established a **local graduate programme, offering placements to graduates from international universities including Nova, Catolica, IESE and ESADE.**
- Logista hires around ten interns per year, and also takes on apprentices.

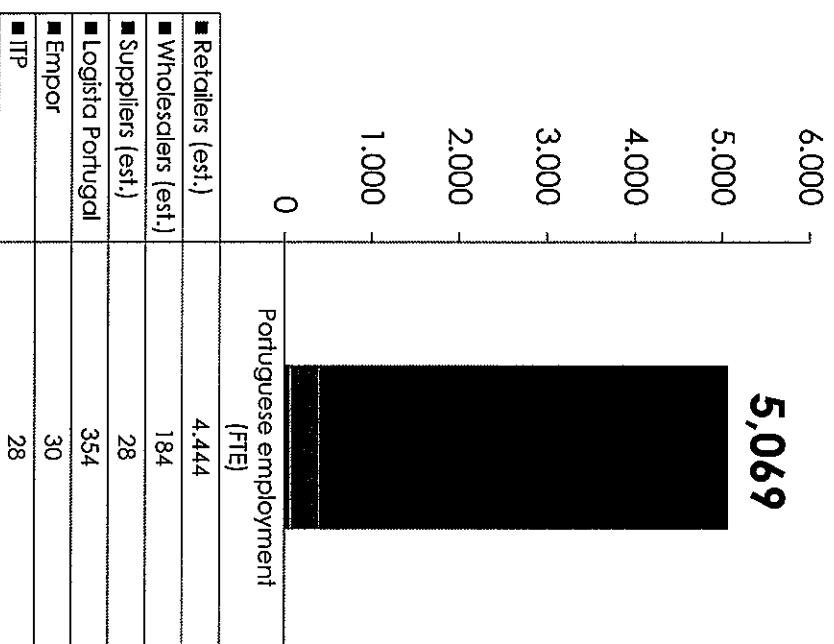
## Diversity and equal opportunities

- Imperial Tobacco is committed to encouraging a diverse workforce and promoting equality in employment. The company has a merit-based hiring process and believes equal and non-discriminative policies are crucial to upholding diversity throughout the Group.
- In Portugal, ITP, Empor and Logista have 133 female employees, representing 32% of the total workforce.

# Supporting employment through the value chain (1)

- **In 2014, Imperial Tobacco spent €3.6 million with Portuguese suppliers, for marketing, distribution and other services.**
- **Imperial Tobacco's products are distributed to 175 wholesalers across Portugal, who in turn supply over 50,000 retailers.** These range from convenience stores, hotels and restaurants to tobacconists and independent-owned vending machines.
- From a survey of wholesalers and retailers, conducted by Imperial Tobacco:
  - **Wholesalers stated on average that tobacco represents about 90% of their revenues, with Imperial Tobacco products accounting for about 13%.**
  - For retailers, the proportion of revenues from tobacco varied, with Imperial Tobacco products accounting for an average of 4% of revenues (up to 15% of revenues at certain retailers).
- All of the wholesalers and retailers also commented on the significant added value to their businesses of selling tobacco products, contributing to football and enabling them to sell other products.

# Supporting employment through the value chain (2)



### The multiplier effect

- In addition to its direct employment, estimates indicate that **Imperial Tobacco helps sustain many more jobs through its value chain, including suppliers, wholesalers and retailers.**
- **The estimated employment impact is approximately over 4,600 full-time equivalent (FTE) jobs across Portugal<sup>1</sup>.**
- This gives a **total direct and indirect employment estimate of 5,069**. In other words, for every worker directly employed by Imperial Tobacco, approximately 11 additional workers are estimated to be supported in the wider economy.
- Further details on this estimate, including the assumptions involved, are provided in the Appendix.

<sup>1</sup> Based on data from a sample of wholesalers and retailers, and estimates for suppliers based on ITP's own employment. See Appendix B for further details.

# Community investment and environmental responsibility

## Imperial Tobacco

### World Food Day

- ITP supported World Food Day by donating over 1000kg of food to Federação Portuguesa dos Bancos Alimentares, a Portuguese food bank.
- 200 families benefitted from ITP's donations.



- Reduced CO2 emissions
- ITP's field force use low carbon emission cars

## Empor

### Little Sister of the Poor

- Empor supports Little Sister of the Poor through donations and marketing.
- Little Sister of the Poor is an international congregation of Roman Catholic women serving the elderly poor in over 30 countries.



- Sociedade Ponto Verde
- Empor recycles waste from packaging through Sociedade Ponto Verde, a sustainability NGO.



## Logista

### CEPAC

- Centro Padre Alves Correia is a civil law institute that supports immigrants in Portugal.
- Logista develops specialised training programmes to help immigrants find work.
- Logista also receives volunteers from programmes into their organisation.





# Logista Portugal

# Logista – a leader in southern Europe



**Logista Group is southern Europe's leading distributor of products and services to proximity retailers.** The company, which is majority-owned by Imperial Tobacco Limited, provides warehousing and distribution for tobacco related and convenience products, electronic top-ups, pharmaceuticals, books, publications, lotteries and more.

Through its network of around 300,000 delivery points and 6,000 vehicles across Spain, France, Italy, Portugal and Poland, Logista delivers products serving 35 million daily consumers. In 2014, the Group's total revenues were €9.5 billion, of which tobacco and tobacco-related products represented the vast majority (€8.9 billion).

**In Portugal, Logista delivers to over 12,000 wholesalers, retailers and points of sale – making over 760,000 deliveries per year.** The company offers an extensive range of specialised services to the tobacco sector, expanded in 2014 through investment in machinery that allows the repacking of tobacco products to meet original quality standards.

Logista and Imperial Tobacco Portugal enjoy a close working relationship. The company delivers Imperial Tobacco products to 174 wholesalers across the country, making over 18,000 deliveries per year. **The two companies also participate in the sharing of best practices.**

# Appendix

# Calculation of direct economic contribution

- The direct contribution of Imperial Tobacco in Portugal (including Empor) to the economy of Portugal has been measured in terms of gross value-added (GVA). This is defined as the difference between its net revenues and cost of sales.

- In FY2014, 79% of the company's net revenues (after VAT and excise tax) were spent on costs of sales. The remainder is defined as the company's gross value-added. Of this, the amount retained in Portugal has been calculated by subtracting profits and depreciation/amortisation expense:

	in €m		
	Imperial Tobacco	Empor	Total
<b>Gross sales</b>	237.8	7.8	<b>245.6</b>
VAT and tobacco tax	208.9	2.0	210.9
<b>Net revenues</b>	28.9	5.8	<b>34.7</b>
Raw materials and consumables	15.4	3.9	19.2
Other costs of sales (structure costs, advertising & publicity, distribution)	7.0	1.2	8.1
Changes in inventories		0.0	0.0
Profits/depreciation/amortisation	5.1	-0.2	5.0
<b>Direct impact in Portugal</b>	<b>1.5</b>	<b>0.9</b>	<b>2.4</b>

# Estimation of indirect employment

## Suppliers

- The estimate of employment in the supply chain is based on data on Imperial Tobacco Portugal's own employment. Taking GVA/employee for ITP and Empor and multiplying this by ITP's supplier spending in Portugal gives an employment estimate of up to 28 full-time equivalent jobs.
- This estimate relies on the assumption that Imperial Tobacco's suppliers have a similar GVA/employee to ITP. We believe this to be a reasonable assumption, given that a high proportion of ITP's staff are involved in marketing and sales, and this also represents a significant proportion of supplier spending in Portugal. The estimate also assumes that tier one suppliers spend all of their revenues from Imperial Tobacco on either employee wages or second tier suppliers, and that all spending takes place domestically. While there is bound to be some "leakage" as spending takes place overseas, this is not readily quantified, and so employment will be somewhat overestimated in this regard.

## Wholesalers and retailers

- Estimates of employment at wholesalers and retailers is based on a sample of these. 6 wholesalers, accounting for 36% of Imperial Tobacco's sales, provided data on their employment and wage spending, as well as the proportion of their revenues attributable to Imperial Tobacco products. 9 retailers, covering a range of channels (including 2 tobacconists, 2 petrol stations and 3 hotels/restaurants) also provided data.
- Average employment at the wholesalers and for each channel of retailer was scaled by the proportion of total they represent in order to give a total employment estimate. This was then divided by the average revenues attributable to Imperial Tobacco products, the assumption being that this acts as a proxy for the employment attributable to Imperial Tobacco.

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