Journey
to A Better Tomorrow
Human Rights Report 2020
BAT is a leading, multi-category consumer goods business committed to building A Better Tomorrow for all our stakeholders.

Welcome
Welcome to BAT’s Human Rights Report for 2020, the latest edition of our Focus Reports on specific topics to provide stakeholders with more in-depth information on the areas that interest them most. This Report focuses on human rights and how we are raising the bar to address impacts across our global business and supply chain.

We have an inspiring corporate purpose to build A Better Tomorrow, unveiled in our evolved Group strategy in March 2020. Our Sustainability Agenda is integral to our Group strategy and reflects our commitment to reducing the health impact of our business through providing adult consumers with a wide range of enjoyable and less risky products. The Agenda is underpinned by excellence across our other environmental, social and governance (ESG) priorities, including human rights.

Commitment to human rights
We have a long-standing commitment to respect the human rights of our employees, the people we work with and the communities in which we operate. We have achieved a lot over the last 20 years. Still, society and stakeholders expect us to do more. The world is changing. Our approach must too.

This Report presents the progress we have made, highlights our ongoing work and outlines our plans for the future. This Report is aligned with the UN Guiding Principles Reporting Framework (UNGPRF), which provides comprehensive guidance for companies to report on how they respect human rights in accordance with the UN Modern Slavery Act;

Our suite of corporate publications
This Report forms part of our wider suite of corporate publications, including our:

- Annual Report, covering our Group strategy and purpose of building A Better Tomorrow by reducing the health impact of our business;
- ESG Report, covering our Sustainability Agenda and performance across our ESG priorities, aligned to the Global Reporting Initiative Standards, the Sustainability Accounting Standards Board framework and the World Economic Forum’s ESG framework;
- Modern Slavery Statement, detailing the steps taken to prevent modern slavery and human trafficking in our business and supply chains, in accordance with the UK Modern Slavery Act;
- Gender Pay Report, covering our diversity and inclusion strategy and statutory gender pay gap reporting for our UK employees; and
- Science and Technology Report, covering our research into new category products, as well as exploring our open and transparent approach to science engagement.

See bat.com/reporting
Who we are and where we are

Founded in 1902, we have evolved into a leading, multi-category consumer goods business. Our purpose is to build A Better Tomorrow by reducing the health impact of our business.

Transformation and innovation
Our purpose is to build A Better Tomorrow by reducing the health impact of our business, which entails:

• Committing to providing adult consumers with a wide range of enjoyable and less risky products;

• Continuing to be clear that smoking poses serious health risks, and the only way to avoid these risks is not to start or to quit;

• Encouraging those who would otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk products; and

• Tracking and sharing progress of our transformation.

We aim to accelerate the growth of our New Category revenues at a faster rate than total revenue, reaching £5 billion in 2025. We have an ambition to reach 50 million consumers of non-combustible products worldwide by 2030.

Global reach
We are a leading FTSE company with truly international credentials. Spread across six continents, our regions are the United States of America; Americas and Sub Saharan Africa; Europe and North Africa; and Asia-Pacific and Middle East.

In 2019, we employed more than 53,000 people. They work in a range of roles and environments, including managerial office-based, manufacturing and operations, trade marketing and distribution, and research and development.

Our supply chain touches several industries with important human rights impacts, including agriculture, electronics and manufacturing. Our tobacco supply chain includes over 90,000 directly contracted tobacco farmers. Beyond tobacco, we source product materials like paper and filters for cigarettes, and we now have a growing electronics supply chain for our new category products.
In 2019:

- **200** markets where our brands were sold
- **53,000+** employees
- **90,000+** directly contracted tobacco farmers
- **45** factories in 43 countries
- **£25,877m** revenue

Our regions and business operations:

- **United States of America**
  - Reynolds American Companies
- **Americas and Sub-Saharan Africa**
  - Canada
  - Latin America North and Caribbean
  - Latin America South
  - West and Central Africa
  - East and Southern Africa
- **Europe and North Africa**
  - North-Western Europe
  - Southern Europe
  - Central Europe North
  - Central Europe South
  - Turkey, Caucasus, North Africa
  - Russia, Central Asia, Belarus
- **Asia-Pacific and Middle East**
  - Middle East and South Asia
  - Asia-Pacific
  - Bangladesh
  - Indonesia
  - North Asia
  - South East Asia

Countries where we have factories:

Countries where we have strategic product materials suppliers:

Countries with BAT directly contracted tobacco farmers:

Countries where we have strategic third-party tobacco suppliers:
At the centre of our strategy is our bold, new purpose to reduce the health impact of our business.

Reducing the health impact of our business
BAT is on a transformation journey with an evolved Group strategy to build A Better Tomorrow that delivers value for both shareholders and stakeholders alike. At the centre of our strategy is our bold, new purpose to reduce the health impact of our business by:

- Committing to providing adult consumers with a wide range of enjoyable and less risky products;
- Continuing to be clear that combustible cigarettes pose serious health risks, and the only way to avoid these risks is not to start or to quit;
- Encouraging those who otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk alternatives; and
- Tracking and sharing progress of our transformation.

Today, BAT’s non-combustible products are available in over 50 countries, and we are on track to have around 13 million consumers of our non-combustible products by the end of this year.

We have set ourselves ambitious targets, including an ambition to reach 50 million consumers of non-combustible products worldwide by 2030, and to accelerate the growth of our New Category revenues at a faster rate than our total revenue, reaching £5 billion in 2025.

We encourage those who would otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk alternatives.

Delivering a positive social impact
ESG is the heart of our business and a key driver of our transformation. Delivering our ESG priorities, including the protection of human rights, is key to us achieving our ambition to build A Better Tomorrow for all our stakeholders.

Our commitment to respect the human rights of our employees, of the people we work with, and the communities in which we operate is long-standing. We have achieved a lot over the last 20 years but we continue to push ourselves further.

To achieve our purpose of building A Better Tomorrow, we must protect human rights and deliver a positive social impact in the communities in which we operate.

I am proud to report that we are making great progress towards our ambitions. Today, BAT’s non-combustible products are available in over 50 countries, and we are on track to have around 13 million consumers of our non-combustible products by the end of this year, an increase of around 3 million in 2020.
The global impacts of COVID-19 mean that human rights issues now require an even sharper focus. I believe our purpose-led strategy has put us in a better position to manage these issues and to support our people and partners around the world.

Our commitment to respect the human rights of our employees, of the people we work with, and the communities in which we operate is long-standing.

Our ambition for A Better Tomorrow
Protecting human rights is a clear priority for us and we are proud of what we have achieved so far. It is 20 years since we became founder members of the Eliminating Child Labour in Tobacco (ECLT) Foundation. We have robust policies in place outlining our commitments to ensuring our operations are free from child labour and exploitation of labour, underpinned by comprehensive due diligence, monitoring and remediation programmes.

We have a clear commitment to aim for our tobacco supply chain to be free of child labour by 2025.

By focusing on the most difficult issues, we can push ourselves, and others, to continue to change and to create a future where it truly can be A Better Tomorrow for all.

We have strong governance in place for our employees and our partners. Last year alone, for instance, we had more than 200,000 attendees at over 2,600 eliminating child labour training sessions that we ran. We also recognise that forced labour is a serious risk in agricultural supply chains and I am proud that we had zero reported cases of forced labour in 2019.

We adopt a zero-tolerance approach to forced labour while having a clear commitment to aim for our tobacco supply chain to also be free of child labour by 2025.

This journey will not be easy. By focusing on the most difficult issues, we can push ourselves, and others, to continue to change and to create a future where it truly can be A Better Tomorrow for all.

Jack Bowles
Chief Executive, December 2020
## At a glance: our human rights performance

<table>
<thead>
<tr>
<th>Area/issue</th>
<th>Metric</th>
<th>2019 performance</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Child labour</strong></td>
<td>% of farms monitored</td>
<td>99.6%</td>
<td>Page 25</td>
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<tr>
<td></td>
<td>% of farms with child labour incidents identified</td>
<td>0.57%</td>
<td></td>
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<tr>
<td></td>
<td>Number of child labour incidents identified (proportion reported as resolved)</td>
<td>1,812 (100%)</td>
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<tr>
<td><strong>Access to grievance mechanisms</strong></td>
<td>% of farmers reported as having access to at least one type of grievance mechanism</td>
<td>99%</td>
<td>Page 20</td>
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<tr>
<td></td>
<td>% of farm labourers reported as having access to at least one type of grievance mechanism</td>
<td>96%</td>
<td></td>
</tr>
<tr>
<td><strong>Human rights impact assessments (HRIAs)</strong></td>
<td>Number of countries with HRIAs conducted, aligned to the UN Guiding Principles</td>
<td>3</td>
<td>Pages 21–22</td>
</tr>
<tr>
<td><strong>Farmer training</strong></td>
<td>Number of farmer training sessions (with attendances) on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Child labour</td>
<td>2,667 (200,115)</td>
<td>Page 25</td>
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<tr>
<td></td>
<td>• Health and safety</td>
<td>5,479 (398,356)</td>
<td>Page 20</td>
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<tr>
<td></td>
<td>• Farm business management</td>
<td>2,709 (76,656)</td>
<td>Page 23</td>
</tr>
<tr>
<td></td>
<td>• Women’s empowerment</td>
<td>298 (24,368)</td>
<td>Page 28</td>
</tr>
<tr>
<td><strong>Human rights risk assessments</strong></td>
<td>% of product materials suppliers assessed for human rights risks against Verisk Maplecroft indices</td>
<td>100%</td>
<td>Page 31</td>
</tr>
<tr>
<td><strong>Supplier audits</strong></td>
<td>Number of independent supplier audits conducted by Intertek, of which:</td>
<td>94</td>
<td>Page 32</td>
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<tr>
<td></td>
<td>• Number of tier 1 product materials suppliers</td>
<td>65</td>
<td></td>
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<tr>
<td></td>
<td>• Number of tier 2 product materials suppliers</td>
<td>20</td>
<td></td>
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<tr>
<td></td>
<td>• Number of indirect goods and services suppliers</td>
<td>9</td>
<td></td>
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<tr>
<td></td>
<td>% of suppliers’ corrective action plans completed by year end and verified by our audit partner Intertek</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td><strong>Standards of Business Conduct (SoBC) adherence</strong></td>
<td>Number of SoBC allegations relating to Workplace and Human Rights</td>
<td>152</td>
<td>Page 41</td>
</tr>
<tr>
<td><strong>Employee training and engagement</strong></td>
<td>Number of established SoBC breaches relating to Workplace and Human Rights</td>
<td>51</td>
<td></td>
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<tr>
<td></td>
<td>% employees who completed training on our SoBC</td>
<td>100%</td>
<td>Page 40</td>
</tr>
<tr>
<td></td>
<td>Employee engagement score in our global ‘Your Voice’ survey (% difference to FMCG comparator group)</td>
<td>82% (+7)</td>
<td>Page 41</td>
</tr>
<tr>
<td><strong>Diversity and inclusion</strong></td>
<td>% female representation in senior management globally (target 40% by 2025)</td>
<td>23%</td>
<td>Page 37</td>
</tr>
</tbody>
</table>

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1 As reported through our 2019 Thrive assessments covering BAT contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2019.
Protecting human rights during the COVID-19 pandemic

The world has been powerfully impacted by COVID-19. It has dramatically changed how we live and work, placing huge pressures on our people, suppliers and wider society. The world is stepping up to the challenge. Now, more than ever, our commitments count.

Playing our part in the global response

Vaccine development
We are using novel tobacco plant technology to develop a COVID-19 vaccine candidate that has been submitted to the US Food and Drug Administration for review. We hope to progress into clinical trials in the US before the end of 2020.

Find out more on page 39

Testing and logistical support
We are deploying our strong capabilities in science, engineering and logistics to support national responses to COVID-19. This includes loaning specialist equipment for COVID-19 testing, manufacturing hand sanitisers and personal protective equipment (PPE) in our factories, as well as making donations to many funds around the world supporting local efforts.

Find out more on page 39

Supporting our suppliers and communities

Protecting vulnerable farming communities
We are supporting tobacco-growing communities that may be particularly vulnerable to both the virus and its long-term economic implications. We have worked to keep farms and trading floors operating safely, have distributed PPE and other essential items, and in countries such as Kenya, we have enhanced access to clean water and handwashing facilities.

Find out more on page 24

Supplier engagement
We have maintained fast, two-way engagement channels with suppliers to help ensure we can respond together to the ever-changing situation. We have also helped suppliers struggling with cash flow issues by ensuring that, where needed, they are paid earlier than existing payment terms require.

Find out more on page 32

Upholding standards

Human rights due diligence
Where on-site supplier audits, as part of our human rights due diligence, have not been possible during travel and lockdown restrictions, we have worked to implement alternatives, including self-assessment questionnaires and ‘virtual audits’.

Find out more on page 32

Employee training
We are ensuring our employees still get the training they need on our Standards of Business Conduct (SoBC). For those without easy online access, who would normally have face-to-face group training sessions, we have developed a training booklet that can be safely accessed through our SoBC app.

Find out more on page 40

Looking after our people

Safeguarding wellbeing
We have implemented a wide range of measures to create ‘COVID-19-secure’ workplaces, and have reinforced the extensive wellbeing support available to our employees, including online medical consultations and mental health support. Our digital transformation over recent years means we were well-placed to move to remote home working where needed.

Find out more on page 39

Keeping engaged
We have worked to ensure all our employees, wherever they are working, feel connected and engaged, such as with our #StrongerTogether virtual 24-hour event for all our employees worldwide in July 2020. Our employee networks have also adapted to the challenges of COVID-19, such as our B United LGBT+ network holding virtual Pride celebrations around the world.

Find out more on page 38

The global impacts of COVID-19 mean that human rights issues now require an even sharper focus. I believe our purpose-led strategy has put us in a better position to manage these issues and to support our people and partners around the world.

Jack Bowles, Chief Executive
Progress in action: our human rights journey

A look back on the highlights of our long-standing commitment to protecting the people our business depends on.

Establishing 2000–2009

- Co-founded the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation alongside our peers, suppliers, the International Tobacco Growers’ Association and the ILO as an advisor to ECLT’s board
- Developed our first Child Labour Policy and International Marketing Standards
- Published our first Social Report
- Developed our Social Responsibility in Tobacco Production (SRTP) programme
- Implemented our Employment Principles covering diversity, reasonable working hours, employee wellbeing and other benefits
- Collaborated with stakeholders on an integrated supply chain sustainability strategy

Developing 2010–2015

- Implemented our diversity and inclusion strategy
- Developed our human rights strategy in consultation with stakeholders, and aligned to the UN Guiding Principles
- Integrated our Human Rights Policy within our Standards of Business Conduct (SoBC)
- Piloted our Thrive programme focused on enhancing farmer livelihoods
- Developed the Sustainable Tobacco Programme with others in the industry to replace our own SRTP programme
- Implemented our supply chain due diligence programme and developed our first Supplier Code of Conduct

Embedding 2016–2019

- Published our first Modern Slavery Statement
- Named in the FTSE top five for our detailed disclosures and actions on modern slavery
- Established independently managed global ‘Speak Up’ channels
- Updated our Supplier Code of Conduct to include strengthened human rights provisions
- Rolled out our Farmer Sustainability Management system for digitally monitoring our contracted farmers
- Published our first Gender Pay Report and Conflict Minerals Report
- Conducted our first human rights impact assessments (HRIAs) in India, Indonesia and Mozambique

Accelerating 2020

- Launched our evolved Group strategy with a clear corporate purpose to build A Better Tomorrow for all our stakeholders
- Announced stretching new targets to increase our consumers of non-combustible products to 50 million and achieve carbon neutrality2 by 2030
- Announced our new ambitions for zero child labour and zero forced labour in our tobacco supply chain by 2025
- Published our first Human Rights Report – the first in the industry

2 Based on Scope 1 and 2 carbon dioxide equivalent (CO₂e) emissions.
The outside view: an independent perspective on human rights

In 2011, the United Nations General Assembly endorsed and published the UN Guiding Principles on Business and Human Rights.

The Principles introduced the expectation that businesses should undertake due diligence of their human rights impacts – a concept that has been integrated into modern slavery legislation in the UK, California and Australia and a likely future directive in the EU.

Such developments encourage companies to look closer at their supply chains, what happens within them and whose responsibility it is to remedy any negative impacts.

We work in tobacco, as well as many other industries, because many millions of smallholder farmers around the world currently grow tobacco. These farmers and their families are often heavily reliant on the income it provides.

In the past two years, my team and I have visited tobacco-growing communities in Latin America, North and Sub-Saharan Africa, Asia and Europe, working for several manufacturers, including BAT. We have engaged with farmers and also with the more vulnerable in these communities (women, children and migrant workers) to understand how tobacco cultivation affects them – and whether existing practices are addressing those impacts.

Historically, the industry has rightly prioritised eliminating child labour from tobacco farming, alongside protecting the health and safety of farmers and workers. These subjects continue to be important, and the industry is making progress in these areas.

However, there are three emerging and interconnected issues, frequently encountered in agricultural supply chains, that we believe the industry should continue to increase its focus on:

1. **The changing climate:** For now, tobacco often proves to be a resilient crop, but farmers are reporting other challenges such as decreased yields of other crops, which impacts income and family nutrition, and increasing distances to potable water. Climate refugees could explain a growing number of vulnerable migrant workers.

2. **Women’s empowerment:** In agriculture, women’s contribution to the farm is not always separately recognised, and they often shoulder most of the domestic burden in childcare and household chores. In some cultures and rural communities, women, including the wives of farmers and workers, can report forms of mental and physical abuse. In other industries, women’s empowerment in farming communities has been found to support improvements in health, safety and family wellbeing, and in eliminating child labour.

3. **The need for alternative incomes:** Farmers and their communities are at times becoming more dependent on tobacco. Greater diversity in income is important now and will future proof the farming communities against any drop in traditional demand. Women’s empowerment is also likely to be key to achieving this.

We have done extensive work with BAT on its tobacco-growing supply chain. I am pleased to see from this report the work BAT is doing to consider impacts across its non-tobacco supply chain and business operations.

**Luke Wilde**  
Managing Partner, Founder  
twentyfifty Limited

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Luke Wilde is a managing partner and founder of twentyfifty Limited, a business consultancy. Since founding twentyfifty in 2004, he has worked with many large international businesses to pioneer approaches to implementing human rights due diligence and addressing the impacts. twentyfifty is working with a number of tobacco manufacturers and suppliers to build aligned and impactful action to address human rights issues in their supply chains.

Details of BAT’s HRIAs can be found on pages 21–22.
To build A Better Tomorrow, we must protect human rights. By working with stakeholders to understand risks and impacts, we can identify their root causes. Then, together, we can build sustainable, long-term solutions.

At BAT, sustainability is at the heart of our strategy and a key driver of our business transformation.

Kingsley Wheaton,
Chief Marketing Officer

In this chapter
11 Our strategy for building A Better Tomorrow
12 Robust, transparent and accountable: how we manage human rights
14 What matters most: our human rights impacts
In 2020, we launched our evolved Group strategy focused on building A Better Tomorrow for all our stakeholders. Our Sustainability Agenda is integral to our evolved Group strategy and reflects our commitment to creating shared value for all our stakeholders. Our purpose to reduce the health impact of our business is the principal focus area of our Agenda. This is underpinned by excellence across our other ESG priorities.

Human rights is a priority area for delivering a positive social impact. Our Agenda also focuses on other important ESG topics that are interrelated to human rights, including climate change, farmer livelihoods, health and safety, people and culture, and business ethics.

Our Sustainability Agenda

**Our purpose**

- **Consumers** by responsibly offering them enjoyable and less risky choices to cigarettes.
- **Society** by addressing the overall health, social and environmental impacts of our business, and by raising standards for people across our value chain.
- **Employees** by creating a dynamic, inspiring and purposeful place to work that values their wellbeing, embraces diversity and respects their rights.
- **Shareholders** by delivering sustainable, superior returns and long-term growth.

- **Excellence in environmental management**
  - Climate change
  - Water
  - Biodiversity and afforestation
  - Waste

- **Delivering a positive social impact**
  - Human rights
  - Farmer livelihoods
  - Health and safety
  - People and culture

- **Robust corporate governance**
  - Business ethics
  - Responsible marketing
  - Regulation and policy engagement

- **Creating shared value for**

**Our contribution to the UN Sustainable Development Goals (SDGs)**

- **Strategic**
  - 3. Good health and well-being
  - 12. Responsible consumption and production

- **Priority**
  - 8. Decent work and economic growth
  - 9. Industry innovation and infrastructure

- **Localised**
  - 10. Reduce inequalities
  - 15. Life on land
Robust, transparent and accountable: how we manage human rights

We have a long-standing commitment to respect fundamental human rights, as affirmed by the Universal Declaration of Human Rights.

This commitment includes respecting the rights of our employees, the people we work with and the communities in which we operate, across our supply chains and business operations.

Our approach to human rights management is aligned to the UN Guiding Principles on Business and Human Rights. We work to keep ourselves – and our supply chain – aligned and accountable through strong policies, due diligence and remediation programmes.

Our Main Board of Directors has overall responsibility for human rights. The Board is supported by the Audit Committee, which monitors performance, risks and adherence to our standards. This oversight is underpinned by our Regional Audit and CSR Committee framework. Together, our governance framework provides a flexible channel for the structured flow of information, monitoring and oversight of key issues, including those relating to human rights, at all levels of the Group from our local business units to the Board level.

Our human rights strategy

Minimum standards
Defines the minimum standards expected of our operations and suppliers

Salient issues
Focused on the most important human rights issues for our business and stakeholders

‘Speak Up’ channels
For reporting of concerns, grievances and non-compliance

Due diligence
Steps to identify, prevent and mitigate human rights business impacts

Corrective action plans
To address any issues identified

Remedy
Steps to remediate any adverse human rights impacts identified

Engagement
To understand the views of, and impacts upon, our stakeholders

Policy
Group-wide human rights commitments in our Standards of Business Conduct (SoBC) and Supplier Code of Conduct

Business procedures
Embedded through business procedures, practices and governance

Risk assessment
Assess inherent human rights risk exposure of our suppliers and business operations

Prioritisation
Prioritise the highest risk for assessments, reviews or audits

Monitor and review
Ongoing risk assessments, and follow-up reviews or audits based on risk profile
**Policy commitments**

Our Standards of Business Conduct (SoBC) sets out the high standards we are committed to upholding. It comprises our core global policies, including our Workplace and Human Rights Policy detailing our support for the UN Guiding Principles and ILO’s Declaration on Fundamental Principles and Rights at Work.

Our Supplier Code of Conduct defines the minimum standards expected of our suppliers, including for human rights, and is incorporated into our contractual arrangements.

We regularly review our policies to ensure they remain effective. For example:

- The SoBC Workplace and Human Rights Policy was amended in 2019 to clarify our modern slavery controls for prohibiting the use of recruitment fees or retention of identity papers; and
- The Supplier Code of Conduct was updated in 2018 with additional human rights criteria for the responsible sourcing of conflict minerals and minimum standards for wages, benefits and working hours.

**Standards, manuals and controls for applying our policies**

- **Standards of Business Conduct (SoBC)**: Comprises our core global policies, including for human rights, ‘Speak Up’, and bribery and corruption. It applies to all Group companies and employees.
- **Supplier Code of Conduct**: Complements our SoBC by defining the minimum standards expected of all suppliers to any BAT Group company – including human rights criteria.

**Our policies**

- **SoBC Assurance Procedure**: Defines how allegations and reports of SoBC breaches are investigated and remediated.
- **Employment Principles**: Sets out a common approach for good employment practices and workplace human rights across the Group.
- **Operational standard on child labour prevention**: Guidance and procedures for applying our child labour policy commitments in our tobacco supply chain.
- **Operational standard on PPE in tobacco farming**: Guidance and procedures for mandatory PPE provision, training and monitoring in our tobacco supply chain.
- **‘Speak Up’ channels**: Independently managed channels for reporting possible wrongdoing or breaches of our Standards.
- **Audit controls**: Annual self-assessment for all BAT businesses against a robust set of standards and controls.

Underpinned by due diligence, monitoring and remediation programmes for our business and supply chains.
What matters most: our human rights impacts

To identify how our business impacts people, we must talk to those people who we impact. This approach guides our strategy to focus on what matters most to people across our value chain.

How we identify what matters most
We aim for best practice in all that we do. For human rights that means undertaking a defined process, aligned to the UN Guiding Principles, to identify our most important and salient human rights impacts.

To do this:

We engage
We engage with stakeholders and rights-holders across our value chain. By listening to their views, we can better understand the issues that impact them most. For this Report, our engagement included:

• Interviews with over 250 tobacco farmers and farm labourers in Bangladesh, Brazil and Kenya as part of a research study into the impacts of tobacco growing on rural livelihoods;
• Supplier self-assessments as part of the industry-wide Sustainable Tobacco Programme;
• Supplier workplace conditions audits, including detailed observations and worker interviews; and
• Reports, grievances and allegations raised via our ‘Speak Up’ channels from employees, contractors, suppliers, external stakeholders and anonymous sources.

Most importantly, we drew on our recent human rights impact assessments in India, Indonesia and Mozambique. These assessments included the voices of over 900 rights-holders in tobacco-growing communities engaged by independent human rights experts from twentyfifty Limited.

We research
We conduct extensive research to help us understand our place in the big picture of human rights and identify emerging risks, trends and best practice. This included an examination of:

• Thought leadership from groups such as the ILO, the Corporate Human Rights Benchmark and the Responsible Business Alliance;
• Reporting of industry and FMCG peer companies; and
• Media reports and articles.

We prioritise
We prioritise the issues identified in our engagement and research activities using a defined scoring methodology to assess their level of importance to our key stakeholder and rights-holder groups. This process gives us our final list of salient human rights impacts, detailed on the following page.

250+
interviews with tobacco farmers and labourers in Bangladesh, Brazil and Kenya

250+
interviews with tobacco farmers and labourers in Bangladesh, Brazil and Kenya

900+
rights-holders engaged in India, Indonesia and Mozambique

How we identify our human rights impacts

We engage
To understand the views of, and impacts upon, our key stakeholders and rights-holders across our value chain.

We research
To understand our place in the big picture and identify emerging risks, trends and best practice.

We prioritise
To focus on the issues of greatest importance to our stakeholders and rights-holders.

We have engaged with farmers and also with the more vulnerable in these communities (women, children and migrant workers) to understand how tobacco cultivation affects them – and whether existing practices are addressing those impacts.

Luke Wilde, Managing Partner, Founder, twentyfifty Limited
What we identified

The human rights priorities we identified are detailed in the adjacent table, with each issue mapped to the people in our value chain it impacts most. We cover each of these issues in this Report, with the corresponding icons indicating which issue is covered on each page.

We report in detail on our core purpose to reduce the health impact of our business in our Annual Report and our ESG Report.

A close watch

We continue to keep a close watch on emerging issues and situations impacting societies and people’s rights.

The COVID-19 pandemic has the potential to increase the vulnerability of people across our value chain, including amplifying risks to their health and safety, wages and livelihoods, and potential to become victims of modern slavery. At the same time, the Black Lives Matter movement has highlighted ongoing and unacceptable inequalities.

Our Board has maintained close oversight of the Group’s response to the impact of these unprecedented circumstances, and examples of our actions can be found in this report. We continue to assess the situation and respond accordingly.

The human rights impacts that matter most

Each issue is represented by a unique icon – these icons feature on the following pages to indicate the issues being covered.

The people who are most impacted by these issues

<table>
<thead>
<tr>
<th>Consumers</th>
<th>BAT employees &amp; contractors</th>
<th>Suppliers’ employees &amp; contractors</th>
<th>Tobacco farmers &amp; farm labourers</th>
<th>Migrant workers</th>
<th>Women</th>
<th>Children</th>
<th>Local communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the health impact of our business</td>
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Our tobacco supply chain crosses many countries and cultures, and consists mainly of smallholder family farms. We work in partnership with over 90,000 contracted farmers and take a holistic approach to improving their livelihoods.

Tackling human rights risks is at the forefront of our mission. By taking action today, we can help drive change and build A Better Tomorrow for farming communities.

In 2019:
- 90,000+ directly contracted farmers supplying over two-thirds of our annual tobacco purchases
- 250,000+ farmers contracted by our third-party tobacco suppliers
- £46.1m invested in community programmes globally in the last three years

In this chapter
17 Our holistic approach to human rights in tobacco growing
19 Setting standards and driving change
23 Supporting our farmers
27 Partnerships and communities
The farmers we work with are valued business partners. We want them to have prosperous livelihoods and for farming communities to thrive.

Alan Davy, Director, Operations
**Objective**

To enable prosperous livelihoods for our tobacco farmers, uphold standards and eliminate human rights violations by tackling the root causes.

### A Better Tomorrow for farmers

Our field technicians are essential for identifying and addressing human rights issues on the ground. They work with the farmer to build their skills, promote better yields and maintain standards.

**Support includes:**

- Educating farmers on policies and standards
- Farm monitoring
- Remediation and prompt actions
- Providing high-quality seed varieties and crop inputs
- Annual contracting, guaranteeing a fair price for tobacco
- Agronomy support and technical assistance
- Data and information gathering
- Training and communications
- PPE provision and training
- Innovative sustainable technologies

### A Better Tomorrow for communities

Programmes and partnerships vary according to the country and can be focused on local needs.

**Support includes:**

- ECLT strategic partnerships and local projects
- Financial literacy and savings
- Rural youth development and child labour prevention
- Clean water and sanitation
- Women’s empowerment
- Access to healthcare
- Food security and self-sufficiency
- Education and skills development
- Afforestation and habitat conservation

### Example outcomes:

- **Increased farmer income and reduced rural poverty**
  - Up to 20% boost in farmers’ tobacco crop yields thanks to our new seed varieties

- **Long-term farmer resilience**
  - 92% of tobacco farmers in our supply chain grow other crops, enhancing their food and economy security

- **Less child and forced labour**
  - 5,000+ human rights training sessions in 2019, helping to raise farmers’ awareness and understanding

- **Enhanced working conditions and standards**
  - Requirement for 100% provision of PPE for tobacco farmers and workers
Setting standards and driving change

Our policies and due diligence programmes enable us to identify and address human rights risks, impacts and their root causes, as well as drive long-term positive change at farm level.

Industry-wide supplier standards
The Sustainable Tobacco Programme (STP) includes industry-wide standards and criteria on a wide range of areas, including human rights. The STP was developed collectively by the tobacco industry in 2015, replacing our previous Social Responsibility in Tobacco Production programme which, from 2000 until 2015, set the standard for all our tobacco suppliers worldwide. The STP is aligned to international standards, including those of the ILO and the UN Guiding Principles, and it is our policy that all of our leaf operations and third-party suppliers participate in the programme.

From a human rights perspective, the STP covers a broad range of criteria which suppliers complete a self-assessment against each year, including child and forced labour, health and safety, and income, working hours and benefits. In addition, independent on-site reviews were conducted over a three-year cycle, covering 100% of our leaf operations and suppliers.

The programme has recently undergone a detailed review, including engagement with suppliers and other relevant stakeholders, and reviews of external standards and emerging issues. From 2021, our leaf operations and suppliers will take part in the updated STP, which is aligned with the UN Sustainable Development Goals (SDGs) and has a stronger focus on impact, risk and continuous improvement.

Digitally monitoring our farms
We conduct farm monitoring of our 90,000+ directly contracted farmers, and our third-party suppliers are responsible for monitoring the farmers they source from. Our field technicians visit our contracted farmers approximately once a month during the growing season. They act as a direct link between the farmers and BAT, building trusted relationships and gaining unique insights into the challenges they face. As well as providing agronomy support, these visits are an important way of checking conditions to ensure farmers are meeting standards.

Crucial to this is our new Farmer Sustainability Management (FSM) system – a key part of the Group’s digital transformation to leverage the power of technology to enhance and accelerate our connectivity. FSM is a digital platform that supports the work of our field technicians. It enables a consistent approach to farm monitoring and overall sustainability management, with faster and more accurate reporting and remediation of any issues that are identified. FSM is currently used for the monitoring of over 90% of our contracted farmers.

Field technicians work with our farmers, recording data in the FSM app at each individual farm visit. Around 25% of the criteria are specific to human rights, including interviews with farm labourers and child and forced labour monitoring. There are unannounced visits and FSM identifies and tracks the prompt actions that are needed to remediate and improve standards. FSM includes ‘red flags’ for serious issues, such as those relating to child and forced labour, and the data is tracked and analysed centrally to ensure senior oversight and drive management action.

Farm monitoring findings 2019

96% remediated and resolved
(% breakdown of a total of 11,855 non-compliance incidents reported in 2019 via FSM that required prompt actions to remediate)
What farming communities need to thrive

Our Thrive programme aims to help improve farming communities’ quality of life. By collecting data about their livelihoods, we can develop local action plans to address some of the longer-term challenges they face. We conduct assessments of around 250,000 farmers each year representing 80% of our volumes.

Thrive is based on the ‘Five Capitals’ livelihood framework. This promotes the idea that to be sustainable, farming communities must be ‘in credit’ across five types of ‘capital’: financial, natural, physical, human and social. Strength in all five creates resilience and prosperity.

Smarter processes for safer farms

The main safety risks in tobacco growing relate to exposure to pesticides and green tobacco sickness (GTS), which can be contracted by handling wet green tobacco leaves during harvesting. As a result, ensuring farmers and their workers use PPE when using agrochemicals and harvesting is crucial.

Our operational standard for PPE in tobacco farming details our mandatory requirements for the 100% provision of PPE for farmers and workers. Ensuring the PPE is consistently and properly used is also essential, so our standard also requires 100% training and monitoring on PPE.

We monitor performance through our Thrive assessments and, in 2019, it was reported that 5,479 health and safety sessions were held, with 398,356 attendances, including farmers, labourers and other community members.

Research study into the impacts of tobacco growing

Use of PPE is high among BAT farmers, and they appear to be effectively mitigating health and safety risks.

Giving workers a voice

If a farmer or farm labourer has a grievance, it is crucial they have a way to air and resolve it. We track access to grievance mechanisms as part of our Thrive assessments, which in 2019 showed:

- 99% of farmers reported having access to at least one type of grievance mechanism as well as 96% of farm labourers;
- Farmer associations and unions are the most widely available grievance mechanism, followed by local NGO/government-led mechanisms and telephone hotlines; and
- 100% of grievances raised by workers were reported as resolved.

Given how important these are for understanding and responding to rights-holders, we continue to look at new ways to further increase accessibility and promote a culture of openness for our farmers and labourers to raise human rights-related issues. For example, in Pakistan, we have installed grievances boxes in remote rural locations.

5,400+ farmer health and safety training sessions held, with 390,000+ attendances

3 As reported through our 2019 Thrive assessments covering BAT contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2019.

4 In 2019, 56% of farms contracted to BAT and our strategic third-party suppliers were reported as being monitored for access to grievance mechanisms.
Human rights impact assessments

HRIAs are a significant undertaking, often lasting several months and involving extensive engagement with rights-holders and other stakeholders in tobacco-growing communities. Particular care is also taken to engage the most vulnerable people, such as women, youth and the elderly. In this way, HRIAs can help to identify sensitive or hidden issues that may not always be obvious from standard due diligence or monitoring.

We conducted HRIAs in India, Indonesia and Mozambique in late 2019 to early 2020. Recognising that cross-industry action is needed to effectively address human rights issues in the tobacco supply chain, the assessments in India and Mozambique are in collaboration with the wider industry. Two additional assessments in Mexico and Zimbabwe have been delayed due to COVID-19, but will be resumed as soon as it is safe to do so. The countries are selected based on a range of factors, including the level of human rights risk exposure, their importance to our sourcing strategy and the significance of tobacco growing in the country.

The assessments examine:

- Any human rights impacts in the tobacco supply chain, their severity and how widespread they are;
- The major challenges to sustainability and resilience faced by farmers and communities;
- Whether tobacco companies cause, contribute or are linked to the impacts, or if they are specific to the local context;
- Current approaches to addressing the impacts; and
- Additional actions required to promote remediation and improvement.

Luke Wilde, Managing Partner, Founder, twentyfifty Limited

How change works

HRIAs aligned to the UN Guiding Principles

Step 1: Set-up
- Background research
- Developing risk profile
- Stakeholder mapping and engagement strategy

Step 2: Scoping and preparation
- Initial visit to tobacco-growing communities
- Internal and external stakeholder interviews in country

Step 3: Fieldwork: rights-holder engagement
- Extensive engagement with rights-holders, including focus groups and interviews
- Initial findings

Step 4: Analysis and prioritisation
- Identify actual and potential human rights impacts
- Map impacts against current mitigation and remediation programmes
- Prioritisation of salient risks

Step 5: Report and action plan
- Integrating findings from the scoping, fieldwork and prioritisation
- Action plan development and implementation
India
In India, we source tobacco through an independent, associate company. Our associate is responsible for ensuring BAT global standards are met, and has in place its own extensive controls, monitoring and sustainability programmes to manage and mitigate human rights risks and impacts.

Working alongside six other tobacco companies, we undertook an HRIA to understand potential human rights risks from the perspective of farmers, workers and the community.

Independent local social researchers visited seven villages and interviewed 490 people. We were particularly grateful that the researchers had the opportunity to engage with typically vulnerable and under-represented groups like women and children, daily labourers, and landless and migrant workers.

The assessment identified a range of human rights issues that are important to individual rights-holders, such as, in a small number of cases, relating to poor sanitation and migrant worker living conditions. Significant programmes and actions already exist to address some of these issues, and we will work with our associate to help it further improve potential human rights impacts across the supply chain.

490
rights-holders engaged in tobacco-growing communities in India

Women's empowerment in communities has been found to support improvements in health, safety and family wellbeing, and in eliminating child labour.

Luke Wilde, Managing Partner, Founder twentyfifty Limited

While the assessment found a range of direct human rights issues, it also identified a number of priority themes that have the potential to impact human rights and which would benefit from cross-industry collaboration:

- The use of agrochemicals, which potentially exposes workers to health risks if not properly managed or if workers do not use the PPE provided;
- The impact of inflation and cost of living on incomes; and
- The effects of climate change on the community’s resilience.

We already work with suppliers on their PPE provision and training, income analysis and diversification, and significant water programmes to mitigate climate-related risks. The assessment has led our associate to develop an action plan to further address these complex and systemic issues in a more impactful way.

Indonesia
In Indonesia, the assessment focused on BAT-contracted farmers who supply our local business, Bentoel. Independent local researchers spoke to 160 vulnerable rights-holders from four different communities in Lombok and Madura – covering a representative cross-section of different growing areas and conditions. This included farmers and their families, female and male workers, children and youth, and other stakeholders.

The following priority issues were identified in the field research:

- Informal contracting models: contracted farmers, sometimes known as 'nucleus' farmers, may informally contract with 'plasma' or independent farmers to grow tobacco. This is a normal way of working in Indonesia but reduces the visibility of the working conditions in this next tier of farms, for example, in areas relating to health and safety, child labour or deforestation;
- Health risks: for example, due to failure to use available PPE effectively; and
- Gender inequality: women play an important role in tobacco growing but are under-represented in decision-making and may be paid less than men, as well as having a significant domestic working burden.

The use of informal contracting was immediately addressed by Bentoel and all tobacco farmers were brought under direct contracts in 2020. For the other issues identified, Bentoel has a range of existing initiatives in place which are being reinforced in Bentoel’s HRIA action plan. The action plan is also building new interventions focused on women’s empowerment, health and safety, child labour and climate change resilience.

Mozambique
We will report on the findings of this assessment in our next ESG Report.
Supporting our farmers

We provide support, technical assistance and capacity building for over 90,000 farmers worldwide, helping to enhance their livelihoods and build their long-term resilience.

Sustainable livelihoods
If farmers have profitable farms and good incomes, they are less likely to use cheaper forms of labour (including their children) and are less vulnerable to exploitation. They are also more likely to adhere to safety standards and look after the environment. That is why enhancing farmer livelihoods is central to our tobacco supply chain strategy. We measure progress via our Thrive programme and use the insights to tailor our approach to local circumstances.

Our global leaf agronomy centre, based in Brazil, develops innovative farming techniques and technologies that are then deployed to our contracted farmers by our Extension Services of expert field technicians. A powerful example is our hybrid tobacco seed varieties that offer greater yields and higher quality, helping to boost farmers’ profits. In 2019, 57% of tobacco grown by our contracted farmers was from these varieties, boosting their yields by up to 20%.

2,700+
farm business management training sessions, with 76,000+ attendances

We have also introduced our farmers to technologies that help increase farm efficiency and productivity. For example, automated curing barns reduce fuel use up to 30% and make the curing process more efficient and 50% less labour-intensive.

In Brazil, the support and technologies provided to our farmers over the last 10 years have led to a 40% increase in yields.

We educate and support our contracted farmers to grow other crops for food or as additional sources of income. In 2019, 92% of tobacco farmers in our supply chain grew other crops, including fruit, vegetables, maize and soy.

We also provide our farmers with training to help build their skills, knowledge and awareness on a range of topics – from human rights and health and safety to farm business management and women’s empowerment. For example, in 2019, 2,709 farm business management training sessions were held, with 76,656 attendances.

CASE STUDY
The role of tobacco growing in rural livelihoods

In 2019, the results of an independent study we commissioned concluded that tobacco growing plays an important and positive role in the livelihoods of tobacco farmers and labourers interviewed in Bangladesh, Brazil and Kenya. There was also no evidence to suggest a causal link between tobacco cultivation and poverty.

In addition, the research found:

- Tobacco farmers are highly diversified, and there is no indication that tobacco growing results in food insecurity;
- Child labour is a major issue across agriculture but is no more prevalent in tobacco cultivation than other crops;
- There is no evidence of entrapment or indicators of debt bondage among tobacco farmers; and
- The use of PPE is high among our contracted farmers, and they appear to be effectively mitigating health and safety risks.

"BAT Extension Services are clearly doing a good job of providing farmers with best practice information – resulting in the most pronounced and positive behaviour change."

Research study into the impacts of tobacco growing
Climate change resilience

We provide our farmers with a wide range of best practice environmental information and training, as well as introducing them to sustainable farming practices and technologies, developed by our global leaf agronomy research. Examples include sustainable fuels and curing technologies to help preserve forest resources and methods to reduce agrochemical use and preserve soil health. We are also helping farmers use water more efficiently.

In Pakistan, for example, drip irrigation technology has helped reduce farmers’ water use by up to 40%. Sustainable farming practices not only bring environmental benefits but also help to build farmers’ resilience to the impact of climate change. In some countries, we also facilitate crop insurance for contracted farmers. This can be crucial in providing a safety net for unexpected events and natural disasters, such as floods and droughts.

99% of wood used by our contracted farmers for curing fuels in 2019 was from sustainable sources.

CASE STUDY
Supporting our farmers during the COVID-19 pandemic

The global COVID-19 pandemic has highlighted the vulnerability of some tobacco-growing communities to both the virus and its long-term economic implications. That is why keeping farms operating and trading floors open is so important. Where needed, we have implemented measures such as ‘virtual’ crop negotiations, contracting and farmer support, as well as ‘COVID-19-secure’ measures at leaf buying stations, including social distancing, mask wearing and temperature checks.

We have leveraged our existing farmer communication channels, including mobile apps, web portals, local media spots, videos and fact sheets, to rapidly deploy essential COVID-19 information, often to remote rural communities. For example, in Bangladesh, we reached some 34,000 farmers across the country with our COVID-19 communications and support. In Brazil, we implemented an electronic signature system enabling over 16,000 farmer contracts to be renewed for the 2021 crop, guaranteeing their access to the inputs they need to start growing.

We have also distributed thousands of items of PPE, sanitation kits, food and other essential items to our farmers and their communities. In some countries, including Kenya, we have worked with local partners to enhance water supplies and install handwashing facilities in tobacco-growing communities.

As a farmer growing leaf in partnership with BAT, we are happy that BAT Kenya has come to assist our community during this pandemic. They ensured timely and full purchase of our tobacco crop and provided us with hand washing units.

Jared Kwatenge, tobacco farmer, Malakisi, Kenya
Protecting their future – working to eliminate child labour

An urgent challenge

Child labour is one of the most urgent human rights challenges in agriculture, with the ILO estimating that over 70% of all child labour globally occurs in the sector. Protecting children from child labour is a crucial part of our responsibility as a global business. Yet child labour is also a uniquely complex issue that requires multi-stakeholder partnerships with governments, NGOs and farmers to drive significant change.

We do not tolerate any form of child labour and our policies are aligned with the ILO Convention No. 182 on Maximum Age. Yet we know that the situation on the ground can be nuanced and that remediation requires cooperation and dialogue, rather than confrontation. This complexity is why our approach to combating child labour emphasises working with families and community members, including farmers, labourers and schoolchildren. Wherever possible, this requires cooperation and dialogue, rather than confrontation. This complexity is why our approach to combating child labour emphasises working with families and community members, including farmers, labourers and schoolchildren. Wherever possible, this requires cooperation and dialogue, rather than confrontation.

We acknowledge the limitations of our monitoring system. We cannot be present on every farm, every day of the growing season, so incidents are likely to be hidden and under-reported. That is why it is so important to take a holistic and collaborative approach, and not rely on policies and due diligence alone.

We maintain a relentless focus on addressing the root causes of child labour, such as poverty and lack of awareness, as well as strengthening the reliability of our monitoring data. Our training and communications programmes help to raise awareness and increase understanding of issues related to child labour. In 2019, 2,667 child labour training sessions were held, with 200,115 attendances, including farmers, labourers and community members.

We know that eliminating child labour is a major challenge for everyone involved in global agricultural supply chains. It is a highly complex issue, but we have nevertheless set ourselves a bold ambition for zero child labour in our tobacco supply chain by 2025.

Our ambition is for zero child labour in our tobacco supply chain by 2025.

Keeping a close eye

The majority of farms that supply tobacco are small, family-led enterprises. Over 420,000 children live on the farms in our supply chain and we recognise the risk of child labour that this represents and the need to support farmers and their families. Child labour incidents were identified on fewer than 1% of these farms in 2019, with a total of 1,812 incidents. The majority of these cases related to preparing bales, watering and weeding seedbeds, and harvesting and stitching tobacco. For each case, a remediation plan is implemented with the farmer that considers the individual circumstances. Wherever possible, this plan involves local community or school support. Further details on our child labour monitoring and remediation can be found on the following page.

We continuously work to improve and strengthen our approach, and to respond to changing situations. This includes examining new ways to train our field technicians to help them better identify child labour issues and spot early warning signs.

In addition to the normal economic challenges facing rural communities, there are fears that COVID-19 could increase poverty and lead to more incidents of child labour. We believe this is a very real risk and are calling on everyone involved in global agriculture supply chains to start to look at child and forced labour solutions differently.

We have commissioned an independent, expert-led review of our human rights policies and practices for our tobacco supply chain. The full report is due by the end of 2020 and will include a range of recommendations designed to help transform how we address child labour.

Stepping up to the challenge

Child labour performance 2019

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<tr>
<td>99.43%</td>
<td>Farms monitored with no child labour identified</td>
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<tr>
<td>0.57%</td>
<td>Farms with incidents of child labour identified</td>
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<tr>
<td>100%</td>
<td>Child labour incidents reported as resolved</td>
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<td>77%</td>
<td>Farmers that received training/capacity building on child labour issues</td>
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<tr>
<td>99.6%</td>
<td>Farms monitored for child labour</td>
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2,600+ child labour training sessions held, with more than 200,000 attendances

7 As reported through our 2019 Thrive assessments covering BAT contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2019.
How change works

Child labour monitoring and remediation

Our field technicians monitor all our contracted farmers, visiting them approximately once a month during the growing season. Our third-party suppliers are responsible for monitoring the farmers they source from.

Step 1 Engagement
Field technicians explain our Child Labour Policy and Standard to farmers, formalise their commitment not to use child labour and confirm the number of children under 18 living on the farm.

Step 2 Risk mapping
We align farmer communications, training, campaigns and recommendations with the critical phases of the crop cycle, when there is the greatest risk of child labour.

Step 3 Farm visits
Field technicians visit farmers on a monthly basis during the growing season and use FSM to record any areas that may need additional attention.

Step 4 Identification
If any instances of child labour are recorded, the farmer must formally acknowledge the incident, which is then ‘red flagged’ in FSM to ensure it is centrally tracked.

Step 5 Remediation
We work with the farmer to implement a remediation plan that considers the individual circumstances. Wherever possible, this plan involves local community or school support.

Step 6 Follow-up
If there is a repeat instance, we provide a written warning. In the rare occasions when there are further incidents, we end our relationship with the farmer.

We also take a long-term collaborative approach to tackle the root causes of child labour.

Livelihoods
We are helping our farmers to build profitable businesses and good incomes, so they do not need to rely on cheaper forms of labour and can support their children’s education.

Civil society
Since 2000, we have worked as part of the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation alongside our peers, suppliers, the International Tobaccc Growers’ Association, and the ILO as an advisor to ECLT’s board.

Community
We partner with stakeholders to support the rural communities where we operate, with projects focusing on different issues, including women’s empowerment, poverty alleviation, micro-financing, job skills training and basic services.

Our ambition is for zero child labour in our tobacco supply chain by 2025.
Partnerships and communities

We work in partnership with governments, civil society and rural communities to develop collaborative, cross-sector solutions to complex issues and to contribute to the SDGs.

Partnering for lasting solutions to child labour

We believe that partnerships and community-based programmes are the best way to end child labour. By bringing together all the relevant stakeholders, we can co-develop solutions to help bring about lasting change. No company can combat child labour alone and for any initiative to succeed, partnerships and community buy-ins are essential.

We support a range of long-term child labour programmes across our tobacco-growing regions, such as:

- In Mexico, we have fed, educated and provided healthcare to over 17,000 children as part of the Florece ('blossom') programme initiated in 2001. The project cares for children of farm labourers, nearly half of whom are indigenous people who travel to the region during the harvest, often bringing their families with them. In 2020, a record 1,489 children attended the centre.

- In Brazil, we have worked in partnership with the Growing Up Right Institute since 2015. The Institute provides development and entrepreneurial opportunities for young people in rural communities with its Rural Professional Learning Programme. To date, more than 300 young people have graduated and another 140 are on course to complete the course in 2020.

- In Pakistan, we identified a greater risk of child labour during the school holidays. Working with NGO The Vision 21 Foundation, we piloted summer schools across four growing areas. In 2019, over 135 children were able to attend. In 2020, COVID-19 led to the postponement of the programme, but in 2021 we hope to run eight schools and enrol over 240 children.

Two decades of industry action

For 20 years, we have worked as part of the ECLT Foundation, alongside other major tobacco companies, suppliers, the International Tobacco Growers’ Association, and the ILO as an advisor to ECLT’s board. ECLT’s goal is simple – a world where agricultural communities thrive without the need for child labour, allowing children to go to school, learn and grow up in a safe environment.

ECLT focuses on three key areas that are helping to bring long-lasting change in areas where tobacco is grown:

- Firstly, there are high impact projects that tackle the root causes of child labour at the local level. This includes raising awareness in communities, increasing access to education, building farm capacity to improve livelihoods and working with other industries to make sure child workers are not displaced from tobacco growing into other forms of child labour.

- Secondly, ECLT engages with policymakers, other agricultural sectors and organisations working on the ground. This engagement supports the implementation of strong policies that go beyond project areas and benefit all children and families.

- Finally, there is the ECLT Pledge of Commitment, which provides a framework for members to strengthen their commitments to eradicate child labour. The Commitment also means members must submit self-assessments of their efforts, with progress published on the ECLT website.

17,000+ children helped by our Florece child labour prevention programme in Mexico since 2001

920,000+ children, farmers and families in tobacco-growing communities helped by ECLT since 2011
Empowering women

The ILO recognises that rural women can often be disproportionately vulnerable to human rights impacts – empowering them not only contributes to inclusive and sustainable economic growth but also enhances the effectiveness of initiatives. As such, women’s empowerment is one of the key focus areas of our Thrive programme.

Across our contracted farmer base, around 8% are women but many more women also play a vital role on the other family farms we work with. In 2019, our leaf operations and strategic third-party suppliers ran 298 rural women’s empowerment training sessions, with 24,368 attendances.

For example, in Sri Lanka, we have a programme focused on enhancing food security and empowering women in poor rural communities. Women are helped to make the most of their gardens for the organic cultivation of vegetables and other food and income sources. As well as teaching agricultural skills and providing resources such as seeds, plants and poultry, they also receive training in beekeeping, mushroom cultivation and goat-rearing. This means extra food for the family and extra income from the sale of surplus produce. Over the last 14 years, the programme has benefited over 77,600 individuals in 20,000 families.

In 2019, we launched a similar programme in Pakistan. Over 900 families took part in the first year, receiving training on good agricultural practices, farm management and free seeds for kitchen gardening.

298 women’s empowerment training sessions held, with 24,368 attendances

As part of our wider community investment initiatives, we ran 25 programmes supporting agro-business development, food security and women’s empowerment in 12 countries.

CASE STUDY

Enhancing security for smallholder farmers in Mozambique

In Mozambique, where BAT sources tobacco through a strategic third-party supplier, ECLT is supporting a programme to help address the root causes of child labour by helping smallholder farmers increase their incomes. The success of the programme can be seen for beneficiaries like Simão, who received training in the ‘Farming as a Family Business’ approach. He was also provided with a polythene tunnel to protect his produce from the elements. As a result, he has substantially increased his family income from growing vegetables.

In 2019, the ECLT launched a new phase, working with partners to support children and their farming families. The project has a strong emphasis on quality education, reducing poverty and improving the resilience of smallholders, and by 2021 will have reached an additional 32,000 beneficiaries in the Angonia district.

"Before participating in the programme, it was very difficult to work. But now, thanks to the Farming Business Adviser programme, everything has changed. I can grow and harvest my produce all year round with the new tunnel, send my children to school and invest in our family business with my wife."

Simão, smallholder farmer, Mozambique

We derive great pleasure from our home garden and I have now increased my income by around Rs.10,000 (£50) a month. This programme has truly changed our lives.

D B Wathsalam, programme beneficiary, Sri Lanka

8 As reported through our 2019 Thrive assessments covering BAT contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2019.
Rural infrastructure

Tobacco is often grown in developing countries where access to clean water, sanitation, healthcare and other basic services can be a challenge. The COVID-19 pandemic has brought these challenges into even sharper focus.

In 2019, we supported 14 rural infrastructure projects in eight countries, including seven clean water and sanitation projects, three solar energy projects and the remaining focused on issues such as healthcare, technology and transport – such as those detailed below.

Access to clean water and sanitation

In Bangladesh, our Probaho programme was launched in 2009 and provides over 250,000 people a day with access to clean drinking water, thanks to the 88 water filtration plants we have installed.

An independent impact study found that this programme has reduced the number of people suffering from waterborne diseases from 32% to just 0.3%, while removing the water collection burden on women and girls.

In Pakistan, we have been improving access to clean water for people living in some of the remotest areas of the country. Currently, more than a million people annually take advantage of the five water filtration plants we have installed. We have now turned our attention to reviving 17 obsolete plants, as well as establishing five new ones.

In Sri Lanka, we have built three water filtration plants in partnership with the Sri Lanka Navy, each of which can provide clean drinking water for up to 750 families (approximately 2,000 individuals). We plan to construct 30 more plants over the next three years, benefiting around 52,000 people.

Access to healthcare

In Pakistan, we have been providing mobile doctor units for underprivileged rural communities in Khyber Pakhtunkhwa and Punjab since 1985.

During 2019, over 76,000 people benefited from the much-needed healthcare services. Five additional units were introduced in 2020, increasing coverage to more than 150,000 people.

£46.1m invested in community projects and charitable donations globally in the last three years
Our supply chain has always been about more than just tobacco. Now, as we grow our New Category business, our supply chain is expanding into consumer electronics and e-liquids. Whatever the product or the process, our principles remain the same. We must promote, uphold and protect the human rights of the people involved.

In 2019:
- 1,500+ suppliers of direct product materials
- 30,000+ suppliers of indirect goods and services

In this chapter
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33 New category products: new supply chain risks
Supplier due diligence: raising the bar together

No matter what we are procuring, the rights of people behind our products must be protected. By working together with our suppliers, we help raise the bar and improve standards across our supply chain.

We maintain a rigorous focus on human rights in the supply chain and conduct an annual risk assessment on 100% of our existing materials suppliers. Using independent human rights indices developed by Verisk Maplecroft, we assess suppliers’ inherent risk exposure based on their country location and the goods or services they provide.

Suppliers identified as high risk are then prioritised for audits. How a supplier performs in their audit determines when they will be assessed next. A ‘gold-class’ score of 95% or more means they have demonstrated that they have strong practices and procedures in place to manage and mitigate the inherent human rights risks, and so will be re-audited at least every four years. Those with a ‘bronze-class’ score of between 70%–84% will be re-audited every two years.

Beyond our 100% coverage of tier 1 materials suppliers, we continue to take a risk-based approach to our wider supply chain. This includes expanding our risk assessments and audits to include tier 2 suppliers in business-critical areas, such as for packaging materials and new category products. We also have a vast number of suppliers of indirect goods and services that are not related to our products – those in higher-risk categories of production machinery, marketing materials and facilities management are also subject to Intertek audits.

Our tobacco supply chain

Before we start working with a new product materials supplier, they must undergo an independent audit performed by our partner Intertek. The audit assesses workplace conditions covering forced labour, child labour, wages and hours, health and safety, environment and management systems. The audit is aligned with international standards, including those of the ILO, and we expect suppliers to achieve a minimum score of 70% to qualify.

Supplier due diligence: raising the bar together

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Our supply chain due diligence programme

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Governance and oversight

We have a cross-functional governance committee in place to provide oversight of our supply chain due diligence programme. The committee is chaired by our Group Head of Procurement and includes members from our procurement, sustainability, environment, health and safety, business conduct and compliance, and legal departments.

The committee meets three times a year and is responsible for reviewing plans and assessing the progress and outcomes of our supply chain due diligence programme, as well as monitoring emerging risks and best practice.

Our supply chain due diligence procedure

- **Independent audit**: Workplace Conditions Assessment (WCA) conducted by Intertek
- **Onboarding**: Supplier Code of Conduct incorporated into contractual arrangements
- **Risk assessment**: on existing suppliers against independent human rights indices annually
- **Independent audit**: WCA conducted by Intertek

Corrective action plans

<table>
<thead>
<tr>
<th>Audit score</th>
<th>Supplier status</th>
<th>Re-audit cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;=95%</td>
<td>Gold</td>
<td>4 years</td>
</tr>
<tr>
<td>85%–94%</td>
<td>Silver</td>
<td>3 years</td>
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<tr>
<td>70%–84%</td>
<td>Bronze</td>
<td>2 years</td>
</tr>
<tr>
<td>&lt;70%</td>
<td>Not approved</td>
<td>3–6 months</td>
</tr>
</tbody>
</table>

New supplier approved

High-risk supplier

Corrective action plans for all issues identified, verified by Intertek
Better together – helping suppliers improve

Many of our suppliers are smaller businesses operating in developing countries where standards, such as for human rights and health and safety, are not as well developed. That does not mean, however, that we can walk away if issues are found. That approach would help no one and we see disqualification and blacklisting as a last resort. By working together, allowing suppliers to benefit from our resources and experience, we can increase awareness and capacity, and help our suppliers to change their practices and achieve continuous improvement.

Following the Intertek audit, we work collaboratively with suppliers to help them implement corrective actions for all issues identified. This includes providing specialist support and advice from our BAT experts and senior managers – anything from help to develop a human rights policy and implement grievance mechanisms to technical guidance and training on health and safety best practice.

We track suppliers’ progress against the corrective action plans centrally. For moderate issues, Intertek verifies they have been completed through a desktop review for which the supplier provides evidence. For all serious issues, suppliers are re-audited within 3–6 months.

Supplier audits in 2019

Audits conducted by Intertek

- 94 suppliers in 31 countries, including:
  - 65 tier 1 product materials suppliers
  - 20 tier 2 product materials suppliers
  - 9 indirect goods and services suppliers

Audit findings

- Most risks identified as ‘moderate’, relating to hours and wages, poor record-keeping, and health and safety procedures.
- 11 suppliers had issues categorised as ‘major’ relating to preventing worker interviews, excessive working hours, wages below the legal minimum, fire and emergency preparedness, lack of required permits or licences, poor record-keeping and, in one case, retention of workers’ original documents.

Actions taken

- 71% of corrective actions were fully completed and verified by Intertek.
- Suppliers that required a follow-up audit improved their overall scores by an average of 73%.
- 71% of corrective actions were fully completed and verified by year end (% breakdown of the type of non-compliance incidents identified in Intertek audits)

Supplier audit findings 2019

- Health and safety: 43%
- Wages and hours: 37%
- Management systems: 11%
- Labour standards: 7%
- Environment: 2%

CASE STUDY

Supporting our suppliers during the COVID-19 pandemic

Our suppliers around the world have been impacted by the COVID-19 pandemic in different ways, depending on the circumstances in their country or region.

Throughout the crisis, we have maintained a fast, two-way feed of information with our suppliers. This contact has helped us respond together to the ever-changing situation and ensure our businesses can operate effectively, while protecting the safety and wellbeing of our people.

We have helped suppliers struggling with cash flow issues by ensuring that, where needed, they are paid earlier than existing payment terms require.

To ensure human rights standards are upheld, we have worked with our audit partner, Intertek, to implement alternatives for when on-site audits have not been possible during travel and lockdown restrictions. Such alternatives included self-assessment questionnaires and ‘virtual audits’, where the supplier is provided with a camera unit, enabling Intertek to ‘walk’ round the facility and ask all the audit questions and review evidence.
New category products: new supply chain risks

New category products are core to our business strategy and purpose of building A Better Tomorrow by reducing the health impact of our business.

Understanding and managing the risks

Our supply chain for our New Category business can have many layers of suppliers between the raw materials and the final product. This complexity can increase risks for both the security of supply and human rights. So we are focused on mapping our supply chain and building relationships with critical lower-tier suppliers.

All our tier 1 New Category suppliers are subject to our supply chain due diligence programme, including human rights risk assessments and independent audits of workplace conditions. Since 2018, this has included tier 2 suppliers too.

Conflict minerals

Having suppliers in the electronics industry means that we also need to monitor closely for the origin of conflict minerals. But the mines from which the minerals are originally sourced, and the smelters and refiners that process them, are many layers away from BAT.

Our commitment to responsible mineral sourcing is outlined in our Supplier Code of Conduct. In 2019, we implemented new due diligence procedures, aligned to the OECD's internationally recognised guidelines for responsible mineral supply chains. We report on our findings annually in our Conflict Minerals Report.

In our first year of monitoring for conflict minerals, we were pleased by the strong level of engagement from our suppliers.

What are conflict minerals?

Under EU and US regulation, conflict minerals include tantalum, tin, tungsten and gold (collectively known as ‘3TG’) and the ores from which they originate. These minerals, commonly found in consumer electronics, are at risk of being mined in conditions of armed conflict and human rights abuses, particularly in the African Great Lakes region.

CASE STUDY

Positive support that brings positive results

Where possible, we always look to make a positive difference in how our suppliers operate. We try to help them to take corrective action as the best way to protect people and raise standards.

In 2019, an initial audit of a new supplier in China for producing accessories for our new category products identified that they were not meeting our standards in some areas. This meant we could not start working with them until the issues were all resolved.

We were strongly encouraged by the positive attitude and enthusiasm from the supplier and supported them in implementing corrective actions.

As a result, we were able to start working with this supplier. This made sound business sense for both our organisations, while also helping to improve the working conditions for the supplier’s workers.

“We received support that allowed us to understand the gaps and quickly put in place an action plan to resolve them. On the revisit, we achieved one of the highest scores of any BAT supplier in 2019. While we are extremely proud of this, we know this is a continuous improvement process and we will make sure we sustain our ongoing focus.”

Supplier factory manager in China
Empowered

Our people

Every day, thousands of employees and contractors come together to make our products, our business and our future better.

We are committed to providing a fair and inclusive workplace where all our people can flourish and thrive.

In 2019:
- **53,000+** employees
- **45** factories
- **200+** markets where our brands are sold

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- 36 Equality, inclusivity and safety: making a place for everyone
- 40 Listening and acting: how collective responsibility enables human rights at BAT
Our ethos for building A Better Tomorrow

Our ethos guides the behaviours of our people across the Group and plays a key role in delivering our strategy and respecting human rights.

Launched in early 2020, our ethos is an evolution of our Guiding Principles and was developed with significant input from our employees.

Our ethos is the thread that must run through everything we do.

It empowers our people, fosters a vibrant and rewarding workplace and promotes sustainable long-term value. In this way, it will play a key role in delivering our purpose to build A Better Tomorrow.

Our ongoing commitment to fostering a diverse and inclusive culture at BAT is underpinned by our ethos, which encourages our employees to be Bold, Fast, Empowered, Responsible and Diverse.

Hae In Kim, Director, Talent, Culture & Inclusion

We are BOLD
- Dream big – with innovative ideas.
- Make tough decisions quickly and proudly stand accountable for them.
- Resilient and fearless to compete.

We are FAST
- Speed matters. Set clear direction and move fast.
- Keep it simple. Focus on outcomes.
- Learn quickly and share learnings.

We are EMPOWERED
- Set the context for our teams and trust their expertise.
- Challenge each other. Once in agreement, we commit collectively.
- Collaborate and hold each other accountable to deliver.

We are RESPONSIBLE
- Take action to reduce the health impact of our business.
- Ensure the best quality products for our consumers, the best place to work for our people and the best results for shareholders.
- Act with integrity, never compromising our standards and ethics.

We are DIVERSE
- Value different perspectives.
- Build on each other’s ideas, knowledge and experiences.
- Challenge ourselves to be open-minded, recognising unconscious bias.
Equality, inclusivity and safety: making a place for everyone

Our business is only as good as the people behind it. Through their talent and commitment, they are bringing our purpose to life. In return, we are building a vibrant and inclusive workplace and ensuring equality and safety for all.

Ethical and inclusive recruitment

Our commitment to fairness and inclusivity is embedded throughout the recruitment process, helping to ensure equal access to opportunities at BAT. Right from the beginning of an employee’s journey with BAT, we manage the process directly, rather than through agencies.

The hiring process is managed by our in-house Global Business Services, that works to global Group-wide standards.

Our inclusive recruitment process

Step 1
Online application
- We use a global online recruitment platform for all applications.
- Candidates undergo an initial online assessment managed by an independent provider.

Step 2
CV screening and video interview
- Unbiased CV screening with factors such as ethnicity, age and gender excluded.
- Video interview with standardised questions and time frame to give all candidates an equal chance.

Step 3
Face-to-face assessment and interview
- Every candidate is assessed twice, by different BAT managers, and the scores are then calibrated.
- Interviews are conducted according to clear guidelines for fairness and inclusivity.

Step 4
Hiring and contracting
- Final decision to hire made by least two BAT managers against clear criteria.
- Robust pre-employment checks and easy-to-understand contracts.

Fair work – fair pay

Our commitment to reasonable working hours and fair, clear and competitive pay and benefits are enshrined in our long-standing Employment Principles.

In line with good equal pay practice, we have transparent and clearly defined pay scales for all roles across the Group worldwide. This approach ensures pay, bonuses and benefits are consistently applied and not influenced by factors such as gender or ethnicity.

We do recognise that we have a gender pay gap, which refers to the percentage difference between the average pay for men and women and is not to be confused with equal pay for equal work. This situation is not uncommon for a company of our age and size, where there are traditionally more men than women in senior roles. We are strongly committed to addressing this imbalance, details of which can be found in our annual Gender Pay Report.
Stronger together – enabling a world of difference

We are proud to be a diverse global company and, as our ethos shows, diversity is one of our core values. As we evolve as a business with our new corporate purpose and strategy, diversity becomes even more critical to our success. By harnessing diverse perspectives and ways of thinking we are far better placed to understand and meet the preferences of adult consumers in our diverse markets.

We first launched our diversity and inclusion strategy in 2012 focused on ensuring our employees can flourish regardless of their gender, ethnicity, culture or other differences. Over that time, we have implemented a range of initiatives under our key strategic pillars to drive ownership and accountability, build diverse talent pools and create enablers – all underpinned by an inclusive culture.

Our Women in Leadership programme, participation in the INSEAD business school’s programme, and range of mentoring and coaching opportunities support the development of our future female leaders. Affinity networks around the Group provide women and diverse groups with opportunities to connect, engage and share experiences, including our Women in BAT UK and our B United LGBT+ communities. These networks have adapted to the challenges of COVID-19, such as with virtual Pride celebrations and other events. At a time of heightened focus on mental wellbeing, our networks have had an even more important role to play in keeping our people connected and supporting one another.

40% target for women in senior teams by 2025

Our Parents@BAT programme provides a range of benefits and flexible working opportunities for new parents working across the Group. Our IGNITE returner programme is helping experienced professionals who have taken career breaks get back into the workplace. Dedicated ‘Diversity Champions’ also help to drive action plans and initiatives throughout the organisation.

As a result, we have made great strides in increasing female representation across all management levels, including more than doubling representation at senior levels from 11% in 2012 to 23% in 2019. Having had an all-male Management Board for many years, we were pleased in 2019 to welcome two female Directors to lead our Digital & Information and Talent, Culture & Inclusion functions.

While we are proud of what we have achieved so far, we know we can always do more. As we evolve as a business, our focus on diversity and inclusion becomes even more critical. So we have set bold, new ambitions for 2025 to:

- Increase the proportion of women in senior teams to 40% and women in management to 45%;
- Achieve a 50% spread of distinct nationalities within regional and functional leadership teams; and
- Double the number of cross-industry hires in senior teams to 20%.

CASE STUDY

Empowering women in STEM

We are transforming BAT to build A Better Tomorrow by reducing the health impact of our business. To do that, we need fresh, diverse thinking in science and innovation. That is why, in 2019, we launched our Women in STEM (science, technology, engineering and maths) initiative.

We are working with external partners, as well as developing our own internal learning to attract, develop and retain more women in our R&D, Operations and Digital & Information functions. In the UK we are members of the multi-stakeholder group WISE. In 2020, we became official signatories to the WISE 10 step-framework, and made a commitment to taking action to increase the number of women in STEM.

We marked the International Day of Women and Girls in Science 2020 by celebrating the achievements of our female scientists and shining a spotlight on their world-class research. Our pioneering women were showcased in a national Women in STEM campaign in 2020.

Our Women in Science video won a platinum award in the long-form video category at the 2020 dotCOMM Awards. Watch our video here.
Black Lives Matter

In response to the protests of 2020, our Chief Executive reminded all Group employees that BAT will not tolerate discrimination in any shape or form, reaffirming his confidence in the strength of standing together.

In the US, we conducted a listening session with our African-American Employee Resource Group and held town hall sessions where employees shared their views and experiences related to racial injustice. Our US business has also pledged US$3 million over the next three years to organisations and groups that combat racism and inequality.

Across the Group, our ‘Strength from Diversity’ training also continues to help our managers understand unconscious, conscious and organisational bias. These sessions are also providing practical ways in which they can foster inclusive working environments. In late 2020, we developed a new e-learning module on unconscious bias for new hires and new managers.

SIGNATORIES TO THE RACE AT WORK CHARTER

We became signatories to the UK Race at Work Charter in 2020 for supporting equality and race in the workplace.
Safe spaces
We are committed to employee wellbeing and our goal is zero accidents across the Group. To achieve this ambition, we have comprehensive Group-wide health and safety programmes, aligned to international standards, details of which can be found in our ESG Report.

The COVID-19 pandemic has made this work more important than ever and we are doing all we can to keep our people safe and support their wellbeing through such unprecedented times. We are making sure all our employees are aware of the extensive wellbeing support available to them, including online medical consultations and counselling services. We have also implemented ‘COVID-19-secure’ workplace measures for employees who are unable to work remotely, and those in countries where restrictions are not in place. These measures include regular cleaning and sanitising of the workplace, temperature checkpoints, one-way systems and signage to ensure social distancing.

Supporting communities
Our people are very much part of the communities where we operate and we are playing our part to support them too, deploying our strong capabilities in science, engineering and logistics.

We have helped manufacture hand sanitisers and PPE in Bangladesh, Indonesia, South Korea and the US. In Brazil and Kenya, we have used our vast distribution networks to help get PPE, sanitisers and other essential items to front-line workers and vulnerable people. In Brazil and the UK, we have loaned specialist equipment for COVID-19 testing. Across the Group, we have also donated to many funds around the world supporting local efforts.

As the COVID-19 situation evolves, the type of support our people need, and those in the communities where we operate, will undoubtedly change. We will adapt and evolve, responding to the ever-changing needs this crisis creates.

CASE STUDY
Vaccine development
Science is at the core of everything we do, as we aim to build A Better Tomorrow by reducing the health impact of our business. Within our US business, Kentucky BioProcessing, we have expertise in plant-based research. We have been investigating potentially more efficient methods for developing, growing and extracting the active ingredients for biopharmaceuticals and vaccines using tobacco plants.

Vaccine development is challenging and complex work, but we believe our tobacco plant technology platform has real potential and possible advantages over existing approaches. The most advanced programme currently in development is a quadrivalent influenza vaccine that recently completed a Phase I clinical study.

Our COVID-19 vaccine candidate has been submitted to the US Food and Drug Administration for review, and we hope to progress into clinical trials before the end of 2020. Given the scale of the pandemic, there is widespread consensus that a number of vaccines will be needed to tackle COVID-19, and should BAT be successful it would make its COVID-19 vaccines available on a not-for-profit basis.

"We continue to learn more about this virus every day, and remain committed to working with governments and other stakeholders to help win the war against COVID-19."

Dr David O’Reilly, Director, Scientific Research
Listening and acting: how collective responsibility enables human rights at BAT

Our values and behaviours must be understood and upheld collectively by everyone across the business. We are taking concrete steps to engage, train and listen to our people, and acting on what they tell us.

Embedding human rights

Our Standards of Business Conduct (SoBC) comprise our core global policies and express the high standards of integrity we are committed to upholding. This includes our policies on workplace and human rights and ‘Speak Up’, as well as for other key issues such as bribery and corruption, data privacy and information security. Ensuring our employees can easily access and understand our SoBC policies is fundamental to ensuring effective implementation and compliance.

To further increase employees’ awareness, understanding and accessibility, we launched our SoBC app in 2019, which provides easy access to SoBC policies in 14 languages. The app also includes related procedures and guidance, as well as access to our global ‘Speak Up’ channels.

We are empowering our employees to play their part in respecting human rights and sustaining a culture of integrity in everything we do.

Jerry Abelman, Director, Legal & External Affairs

100% of employees complete our SoBC training and compliance sign-off every year

Every year, all our employees undergo SoBC training as part of our annual compliance sign-off campaign. This training includes online e-learning and, for employees without easy online access, face-to-face training sessions. For 2020, we developed new SoBC training materials with examples of different human rights scenarios our employees may face in their daily work, covering topics such as discrimination, modern slavery and freedom of association.

Safe places to ‘Speak Up’

Our SoBC makes it clear that anyone working for – or with – the Group should speak up if they have a concern about actual or suspected wrongdoing. We will always listen to these concerns, even if the person is mistaken. BAT does not tolerate victimisation or reprisals of any kind against anyone raising a concern – such conduct is itself a breach of the SoBC and is a serious disciplinary matter.

People can speak up in various ways, including talking directly to Human Resources. And we have externally managed global ‘Speak Up’ channels available 24 hours a day online, by text or telephone. The channels can be used anonymously and are available in multiple languages.

We have worked hard to ensure ‘Speak Up’ is seen as a trusted tool by our people. So we were pleased that in our 2019 ‘Your Voice’ global employee survey, 79% of employees strongly agreed they felt able to report concerns about actual or suspected wrongdoing at work without fear of reprisal – 8% higher than the FMCG comparator norm.
A close watch on compliance

Every year, all our employees and business entities must formally confirm that they have complied with the SoBC. Individuals must complete our annual SoBC sign-off, in which they reaffirm their commitment and adherence to the SoBC and declare or redeclare any personal conflicts of interest. Our business entities complete an annual assessment against our key audit controls in which they confirm that their area of business, or market, has adequate procedures in place to support SoBC compliance.

In addition, we have a defined process to identify and carefully monitor BAT operations in countries with a higher risk for human rights issues. This process includes an annual risk assessment of all countries worldwide, using Verisk Maplecroft’s human rights indices (such as its Modern Slavery Index). Our businesses in each high-risk country identified then complete a human rights assessment, confirming compliance with Group policies, standards and controls, and providing details of measures in place to enhance human rights management. The process is reviewed by our Board Audit Committee at each stage, including details of action plans for any areas of improvement identified.

Open engagement

We have a range of engagement channels to hear the views of employees across the Group. Every two years, we conduct our ‘Your Voice’ survey – in 2019, 90% of all employees worldwide took part. The results demonstrate a high level of employment engagement, with an 82% score – 7% higher than our FMCG comparator group. Our results are also significantly ahead of our FMCG comparator group in the categories of corporate responsibility, diversity and inclusion, and talent development.

Other engagement channels include works councils, meetings with the European Employee Council, town hall sessions, global, functional and regional webcasts, and live Q&A sessions with senior leaders. Freedom of association and collective bargaining are also enshrined in our SoBC. In 2019, 40% of our employees were reported to be represented by an independent trade union or a collective bargaining agreement.

CASE STUDY

Diligence at every level

In 2020, we introduced new, enhanced due diligence procedures for mergers, acquisitions and corporate ventures, including specific human rights criteria. Our extensive resources and experience mean we can help businesses we invest in, but do not control, to apply similar standards to BAT’s within their own organisations.

We requested detailed information from the company about its due diligence and risk mitigation efforts, and we examined the results of a recent independent audit conducted at the factory.

We were reassured the audit was aligned to international standards and included inspections of working conditions and workers’ housing. We are now supporting the company in developing and implementing new policies, including those relating to human rights.

Every year, our Main Board reviews consolidated feedback from these engagement channels to understand and consider the views of our workforce in decision-making. Directors also engage directly with employees during market or site visits, or at events, such as when supporting our diversity initiatives.

82% Employee Engagement score in our ‘Your Voice’ survey 2019
Society is ever changing. To keep pace, our approach to human rights must continue to evolve too.

By listening, learning and leading, we hope to make and inspire progress, in our business and beyond.

“By constantly focusing on the issues of rights-holders and by working together with our stakeholders across our business and supply chain, we can deliver A Better Tomorrow for all.”

Kingsley Wheaton, Chief Marketing Officer
The road ahead: continuing to build A Better Tomorrow

We have come a long way – and we are not stopping. Together we can accelerate progress and build A Better Tomorrow for all our stakeholders.

Our tobacco supply chain
We will continue to take a holistic approach to enhancing livelihoods and tackling human rights risks and their root causes in our tobacco supply chain.
We will keep strengthening our due diligence and remediation processes. We will conduct further human rights impact assessments (HRIAs), including resuming our assessments in Mexico and Zimbabwe as soon as it is safe to do so. We will also report on the findings of our HRIA in Mozambique in our next ESG Report.
We will continue to support our farmers, enhancing their livelihoods, protecting their rights and wellbeing, and working in partnership to drive positive change.

Beyond the tobacco supply chain
We will continue to work together with our suppliers to help raise the bar and improve standards.
We will continue to conduct human rights risk assessments on all our suppliers every year, with independent audits for those with the highest risks. We will also use our resources and experience to increase awareness and capacity and help our suppliers achieve continuous improvement.
As our New Category business grows, we will continue to monitor and address risks associated with consumer electronics. We will look deeper into the lower tiers of the supply chain and work together to ensure responsible mineral sourcing.

Our people
We will continue to build a supportive and inclusive culture that treats everyone equally, while embracing our differences.
We will work towards our diversity targets, including increasing the proportion of women in senior teams to 40% and women in management to 45% by 2025.
We will continue to embed human rights and conduct our business with honesty, integrity and transparency. We are also always working to protect the health, safety and wellbeing of people – through the COVID-19 pandemic and beyond – as well as striving for zero accidents Group-wide.

Our ambitions are for zero child labour and zero forced labour in our tobacco supply chain by 2025
Our goal is for 100% of non-tobacco suppliers to be covered by our supply chain due diligence programme every year
Our ambition is for 100% adherence to our Standards of Business Conduct