

Modern Slavery Statement

2020

A Message From Jack Bowles, Chief Executive

“At the centre of our strategy is our bold new purpose to reduce the health impact of our business.”

“I believe our purpose-led strategy has put us in a better position to support our people and partners around the world.”

“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.”

“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.”

This statement has been approved by the Board of Directors of BAT p.l.c. and the Board of Directors of all relevant Group subsidiary companies listed on page 15.

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.

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, reaching £5 billion in 2025. Today, our non-combustible products are available in over 50 markets. We have increased consumers of non-combustible brands by 3 million, reaching 13.5 million by the end of 2020.

Environmental, social and governance (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 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 of 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.



“Delivering our ESG priorities, including the protection of human rights, is key to achieving our ambition to build A Better Tomorrow for all our stakeholders.”

The global impacts of COVID-19 mean that human rights and modern slavery 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.

Protecting human rights is a clear priority for us and we are proud of what we have achieved over the last 20 years. We have robust policies in place outlining our commitments to ensuring our operations are free from exploitation of labour or modern slavery, underpinned by comprehensive due diligence, monitoring and remediation programmes.

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, March 2021

Key Achievements in 2020

- **Announced our bold ambitions** for zero child labour and zero forced labour in our tobacco supply chain by 2025;
- **Published our first dedicated Human Rights Report**, aligned to the UN Guiding Principles Reporting Framework;
- **Completed human rights impact assessments (HRIAs)** in tobacco-growing communities in India, Indonesia and Mozambique; and
- **Worked with the Slave-Free Alliance** to develop a new modern slavery operational standard to support our policy commitments.

Our Business and Supply Chain

BAT is a leading multi-category consumer goods business committed to building A Better Tomorrow™ for all our stakeholders.

Our Strategy and Purpose


At the centre of our Group strategy is our bold purpose to reduce the health impact of our business by providing adult consumers with a wide range of enjoyable and less risky products¹.

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

Our Sustainability Agenda is integral to our Group strategy. 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, the people we work with and the communities in which we operate is long-standing. We recognise that, like all businesses, we run the risk of being exposed to modern slavery², within either our own operations or those of our extended supply chain.

In 2020, we continued to build upon, and strengthen, our approach to tackling this global issue within the context of our broader Group-wide human rights strategy.

 Find out more about our human rights strategy in our [2020 Human Rights Report](#).


Our Business Structure

Our Group headquarters is based in the UK and we have subsidiary operations around the world, employing over 55,000 people. Our employees work in a range of roles and environments, including managerial office based, manufacturing and operations, trade marketing and distribution, and research and development.

The Board of Directors of BAT p.l.c. ('the Company') is collectively responsible for the long-term sustainable success of the Company and for the Group's strategic direction, purpose, values and governance. It provides the leadership necessary for the Group to meet its business objectives within a robust framework of internal controls. The Board is supported by the Audit Committee, which monitors performance, risks and adherence to our standards, including for human rights.

The Audit Committee is underpinned by our Regional Audit and CSR Committee framework, with committees for each of the three Group regions, for the US business, and for locally listed Group entities and specific markets where considered appropriate. Our Management Board, chaired by our Chief Executive, is responsible for overseeing the implementation of Group strategy and policies set by the Board, and for creating the framework for Group subsidiaries' day-to-day operations.

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 and modern slavery, at all levels of the Group, from our local business units to Board level.

 Find out more about our Group strategy, business model, structure and governance in our [2020 Annual Report](#).

55,000+

Group employees worldwide across more than **180** markets



1 Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive. Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

2 Modern slavery encompasses slavery, servitude and forced or compulsory labour and human trafficking, as defined in UK Government guidance, 'Transparency in supply chains: a practical guide', Annex A, pages 17-19, UK Home Office.

Our Supply Chain Structure

Alongside our traditional cigarette products, our broad portfolio includes New Category and non-combustible products with potentially reduced risks. These include vapour products, tobacco heating products and modern oral nicotine pouches, as well as traditional oral products such as snus and moist snuff.

As such, our supply chain touches several industries with important human rights impacts, including agriculture for our tobacco supply chain, and manufacturing and electronics for our non-tobacco and New Category supply chain.

Tobacco supply chain

The majority of our tobacco is sourced by our own BAT leaf operations through direct contracts with over 84,000 farmers. The remainder is from third-party suppliers that, in turn, contract with an estimated 250,000 farmers. We also purchase a small amount from India, where the tobacco is bought over an auction floor.

The vast majority of tobacco farms in our supply chain are smallholder family farms of just two hectares on average. Our contracted farmers benefit from the work of our global leaf agronomy research and receive support from our Extension Services of expert field technicians. Beyond the

farmers with whom we contract directly, we have long-term strategic partnerships with many of our third-party suppliers, and they provide their contracted farmers with similar support services.

This long-term sourcing model provides our contracted farmers and strategic suppliers with stability and security, enabling them to invest for the future, as well as securing a sustainable, efficient and reliable supply chain for our business.

It is our policy that all of our leaf operations and suppliers participate in the Sustainable Tobacco Programme (STP) and conduct farm monitoring (see [page 5](#)).

Beyond the tobacco supply chain

Beyond tobacco, we source product materials like paper and filters for cigarettes, and for our New Category products, we have a growing supply chain in consumer electronics and e-liquids.

We also have a vast number of suppliers of indirect goods and services that are not related to our products, such as for IT services and facilities management.

We assess suppliers' inherent risk exposure against [Verisk Maplecroft](#) human rights indices, and conduct independent audits on the highest-risk suppliers (see [page 7](#)).

84,000+

directly contracted farmers supplying the majority of our annual tobacco purchases

See our [2020 ESG Report](#) for a world map with locations of our key suppliers, contracted farmers and Group factories.

Our Supply Chain Structure

TOBACCO

Subject to the industry-wide **Sustainable Tobacco Programme** and **farm-level monitoring** (see [page 5](#)), complemented by **human rights impact assessments** in selected countries (see [page 6](#))



BAT leaf operations
61% of tobacco volumes



Third-party suppliers
39% of tobacco volumes



84,000+ farmers



250,000+ farmers

BEYOND TOBACCO

Subject to **human rights risk assessments** and **independent audits** by Intertek for those with the highest risks (see [page 7](#))



Direct product materials
1,500+ suppliers of filters, paper, adhesives, vapour devices, e-liquids etc.



Indirect goods and services
30,000+ suppliers of logistics, marketing, IT, facilities management etc.



Strategic tier 2
Batteries, packaging etc.

Policy Commitments

We work to keep ourselves – and our supply chain – aligned and accountable through robust policies and standards, which in turn are aligned with leading global frameworks.

Our Policies

We have a number of policies and principles in place that are relevant to human rights and modern slavery, including the core documents described below. These are signed and endorsed at Board level and apply to all BAT Group companies worldwide.

The high standards of integrity we are committed to upholding are enshrined in our Standards of Business Conduct (SoBC), comprising our core global policies. These include our Workplace and Human Rights policies, detailing our support for the UN Guiding Principles and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

Our Supplier Code of Conduct ('the Code') complements the SoBC by defining the minimum standards expected of our suppliers, including for human rights, and is incorporated into our contractual arrangements. It specifically requires all suppliers to any BAT Group company to ensure their operations are free from child labour and from forced, bonded, involuntary, trafficked or unlawful migrant labour.

Our suppliers are also expected to promote adherence to the requirements of the Code and carry out appropriate due diligence within their own supply chain for their new and existing suppliers (including farmers where relevant). The Code is available in local language versions and is communicated to suppliers through our onboarding processes.

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

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

Standards and Controls

We have a number of standards, procedures and controls in place to support the effective implementation of our policy commitments. Examples include:

- Our **SoBC Assurance Procedure**, which defines how allegations and reports of SoBC breaches should be investigated and remediated fairly and objectively;
- Our **Employment Principles**, which set out a common approach for good employment practices and workplace human rights across the Group; and
- Our **operational standards on child labour prevention and personal protective equipment (PPE) in tobacco farming**, which provide guidance and procedures for applying our SoBC child labour commitments and mandatory requirements for PPE provision, training and monitoring in our tobacco supply chain.

Modern slavery operational standard

In 2020, we worked with experts from the Slave-Free Alliance (SFA) to develop a new operational standard for tackling modern slavery. The SFA is a multi-stakeholder initiative, owned by the anti-slavery charity Hope for Justice, that we have been a member of since 2018.

An in-depth gap analysis of our approach to tackling modern slavery, conducted by the SFA in 2019, recognised the robustness of our policies and procedures in helping to substantially mitigate the risks of modern slavery. Opportunities to strengthen our approach were also identified, including the need for an operational standard to help our employees apply our policy commitments more effectively.

As such, the new standard is designed to provide our people with:

- Clarity on our approach to tackling modern slavery within our business and supply chain;
- A greater understanding of the different forms of modern slavery and how it could manifest in our supply chain and business operations;
- Clear roles and responsibilities for our front-line staff who may come into contact with potential victims of modern slavery, such as field technicians or procurement managers;
- Practical tools that front-line staff can use when working in areas with potentially greater risks of modern slavery; and
- A guide to effective and proportionate grievance and remediation procedures.

We are developing a comprehensive roll-out and training plan for implementing the standard later in 2021.

Our SoBC Modern Slavery Commitments

We are committed to ensuring our operations are free from slavery, servitude and forced, compulsory, bonded, involuntary, trafficked or unlawful migrant labour.

Our SoBC mandates that Group companies, and any employment agencies, labour brokers or third parties they retain to act on our behalf, will not require workers to:

- Pay recruitment fees, take out loans or pay unreasonable service charges or deposits as a condition of employment; and/or
- Surrender identity papers, passports or permits as a condition of employment.

Where national law or employment procedures require use of identity papers, we will use them strictly in accordance with the law. If identity papers are ever retained or stored for reasons of security or safekeeping, this will only be done with the informed and written consent of the worker, which should be genuine, and with unlimited access for the worker to retrieve them, at all times, without any constraints.

Due Diligence

Our due diligence processes help us to monitor the effectiveness of, and compliance with, our policy commitments, as well as to identify, prevent and mitigate human rights risks, impacts and abuses.

Tobacco Supply Chain

The Sustainable Tobacco Programme (STP) includes industry-wide 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 that suppliers complete a self-assessment against each year, including child and forced labour, health and safety, and income, working hours and benefits. In addition to the self-assessments, an independent third party conducts on-site reviews. In the first three-year cycle, ending 2018, these on-site reviews were completed for 100% of our leaf operations and suppliers.

The programme has recently undergone a detailed review to evolve and improve it. This has included engagement with suppliers and other relevant stakeholders, as well as reviews of external standards and emerging issues. The updated STP has taken effect from 2021, aligned with the [UN Sustainable Development Goals](#) and with a stronger focus on impact, risk and continual improvement.

Farm monitoring

We conduct farm monitoring of our 84,000+ directly contracted farmers, and our third-party suppliers are responsible for monitoring their contracted farmers.

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, this is an important way of checking conditions to ensure our standards are adhered to.

Crucial to this is our 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 by enabling 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 91% of our contracted farmers.

Field technicians work with our contracted farmers, recording data in the FSM system at each individual farm visit. Around 25% of the criteria are specific to human rights, including interviews with farm labourers and monitoring for child and forced labour. There are unannounced visits, and FSM 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.

Our strategic third-party suppliers report human rights non-compliances identified in their farm monitoring via our annual *Thrive* assessments ([see page 10](#)).

While no incidents of modern slavery were identified, in 2020, one third-party supplier reported identifying five incidents of forced-labour-related non-compliances. In one case a farm labourer reported being forced to undertake tasks they had not agreed to, one case related to unfair deductions from a labourer's wages and a further three cases related to withholding of agreed benefits. All incidents were immediately investigated and resolved by our supplier as part of their formal due diligence procedures.

In addition, our leaf operations identified 25 'prompt action' incidents regarding farm labourers' rights, which were recorded and tracked in our FSM system. These primarily related to working hours, benefits and leave, and standards for safe working conditions and accommodation, and 100% were resolved.

 [Details of reported child labour incidents can be found in our 2020 ESG Report.](#)

 [Find details of our response to external allegations at bat.com/humanrights/respond.](https://bat.com/humanrights/respond)

100%

of our leaf operations and suppliers assessed against human rights criteria in the Sustainable Tobacco Programme

91%

of our contracted farmers digitally monitored via our Farmer Sustainability Management system



Human rights impact assessments

Human rights impact assessments (HRIAs) complement STP assessments and farm monitoring. They follow a defined process for identifying, assessing and responding to actual and potential human rights impacts, including the root causes and how they manifest. Our HRIAs are aligned with the UN Guiding Principles and conducted by independent experts from human rights consultancy [twentyfifty ltd.](#)

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 and Indonesia in 2019 and in Mozambique in 2020. In recognition of the fact that cross-industry action is needed to effectively address human rights issues in the tobacco supply chain, the assessments in India and Mozambique were performed in collaboration with the wider industry. Two additional assessments in Mexico and Zimbabwe were delayed due to COVID-19 – the Zimbabwe assessment has now resumed and Mexico will recommence when it is safe to do so.

The countries are selected based on a range of factors, including the level of human rights risk exposure, the importance to our sourcing strategy and the significance of tobacco growing in the country.

While the assessments identified a range of human rights issues that are important to individual rights-holders, no incidents of modern slavery were found. However, some issues that have the potential to increase modern slavery risks were identified:

- In **Indonesia**, where we contract with farmers directly, it was found that some of our contracted farmers may have had informal arrangements with independent farmers to grow tobacco. This is a normal way of working in Indonesia but reduces our visibility of where our tobacco leaf is grown. Our local business immediately addressed the issue and all tobacco farmers were brought under direct contracts in 2020.
- In **India**, where we source tobacco through an independent associate company³, issues relating to the impact of inflation and cost of living on farmers' incomes were found. We already work with suppliers on income analysis and diversification, and our associate has developed an action plan to further address these complex and systemic issues in a more impactful way.
- In **Mozambique**, we source tobacco through a third-party supplier. A small number of migrant workers were observed in a subcontracted arrangement where they took charge of a piece of land, grew tobacco and sold it to a farmer contracted by our supplier, reducing visibility of this part of the supply chain. Our supplier has developed a comprehensive action plan to address the issues identified in the assessment, including targeted monitoring and training of subcontracted farmers and a plan to bring them under direct contracts. The action plan is complemented by our supplier's ongoing efforts to enhance livelihoods, empower rural women and build community resilience.

Further details of HRIA findings for India and Indonesia can be found in our [2020 Human Rights Report](#), and for Mozambique in our [2020 ESG Report](#).

900+

rights-holders engaged for our HRIAs in India, Indonesia and Mozambique

“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 ltd



³ BAT's minority, non-controlling interest in the company is 29.42%.

Beyond the Tobacco Supply Chain

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

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 (including the Modern Slavery Index), we assess suppliers' inherent risk exposure based on their 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 next be assessed. 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% and 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. Since 2018, tier 2 product materials suppliers in business-critical areas for packaging materials and New Category products have been subject to Intertek audits too. We also

100%

product materials suppliers assessed for human rights and modern slavery risks every year

have a vast number of suppliers of indirect goods and services that are not related to our products – we have been expanding the Intertek audit to those in higher-risk categories, including production machinery and point-of-sale marketing materials since 2018 and facilities management since 2019.

Following the Intertek audit, we work collaboratively with suppliers to help them implement corrective actions for all issues identified. 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 three to six months.

Supplier audits and findings

In 2020, 93 audits were conducted by Intertek on suppliers in 17 countries⁴, including:

- 54 tier 1 product materials suppliers;
- 34 tier 2 product materials suppliers;
- Two tier 3 product materials suppliers; and
- Three indirect goods and services suppliers.

We are particularly pleased to have achieved this number of audits for 2020, compared to 94 audits in 2019, despite restrictions in many countries due to COVID-19. For example, nearly 50% of the audits were in China and were completed in the second half of the year after restrictions in the country had eased.

In the small number of cases where on-site audits were not possible due to COVID-19 restrictions, we worked with Intertek to implement alternatives to help ensure standards were still upheld. This included nine self-assessment questionnaires, with detailed evidence reviews and verification by Intertek, as well as three 'virtual audits' of product materials suppliers. The latter involved providing the supplier with a camera unit, enabling Intertek to 'walk round' the facility asking all the audit questions and reviewing evidence. In addition to the 93 Intertek audits, we were able to accept the findings of equivalent audits for 11 suppliers under the Sedex Members Ethical Trade Audit (SMETA) methodology.

Of all the issues identified, 87% were classified by Intertek as 'moderate', relating to issues such as hours and wages, poor record-keeping and health and safety procedures. In total, 40 suppliers had issues categorised as 'major', relating to excessive working hours, wages below the legal minimum, fire and emergency preparedness, lack of required permits or licences and poor record-keeping.

Despite delays due to COVID-19 restrictions, we are pleased that, by year-end, 67% of corrective actions were fully completed and verified by Intertek – in desktop reviews for the moderate issues and 13 on-site follow-up audits for the major issues. All outstanding actions are in progress and will be verified by Intertek in the first quarter of 2021.

We are strongly encouraged by the high level of supplier engagement and willingness to work together to improve performance and raise standards. On average, suppliers that required a follow-up audit improved their overall scores by 51%.

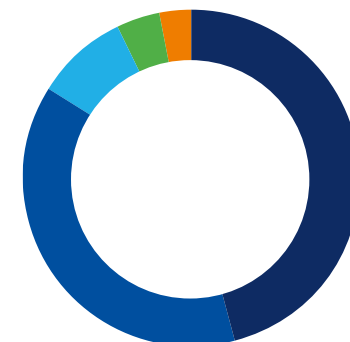
 Further details of our supply chain due diligence procedure can be found in our [2020 Human Rights Report](#).

Supplier audit findings 2020

67%

of corrective actions were fully completed and verified by year-end

(% breakdown of the type of non-compliance incidents identified in Intertek audits)



Health and safety	46%
Wages and hours	38%
Management systems	9%
Environment	4%
Labour standards	3%

⁴ Bangladesh, China, Denmark, Germany, India, Indonesia, Italy, Kenya, Malaysia, Netherlands, Pakistan, Poland, Russia, Taiwan, UK, US and Vietnam.

Group Companies

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 re-declare 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.

The audit controls also require human rights risk assessments and risk-mitigation action plans to exist in high-risk countries where we operate, and for processes to be in place to demonstrate that human rights are managed effectively in the workplace and supply chain.

Human rights due diligence

We recognise that circumstances in some countries present a higher risk for human rights issues, such as where regulation or enforcement is weak, or where there are high levels of corruption, criminality or unrest. So, in addition to Group-wide procedures and controls, we have a defined process in place to identify and carefully monitor BAT operations in high-risk countries.

This includes an annual risk assessment of all countries where Group companies are present, using Verisk Maplecroft's human rights indices (including its Modern Slavery Index). Our businesses in each high-risk country identified must 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 outcomes of this process are reviewed by our Board Audit Committee at each stage, including details of action plans for any areas for improvement identified. In 2020, our operations in 24 countries⁵ were identified as high risk and underwent the assessment and Board reviews.

Investigating and remediating

Our SoBC Assurance Procedure sets out in detail how allegations of wrongdoing or breaches of the SoBC should be investigated and dealt with fairly and objectively. Details of all reported allegations are monitored throughout the year by our Regional Audit and CSR Committees, and quarterly by the Board Audit Committee.

In 2020, no issues relating to modern slavery were identified through our due diligence for BAT operations in high-risk countries. There were also no incidents of improper business conduct relating specifically to modern slavery identified through our 'Speak Up' channels and grievance procedures.

 Full details of all reported SoBC allegations can be found in our [2020 ESG Report](#).



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.

A good example of this can be seen when we applied the new due diligence procedure for a potential minority investment in 2020. A 'red flag' was triggered relating to the company's

use of factories in China for contract manufacturing – a high-risk sector for human rights and modern slavery issues.

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 with international standards and included inspections of working conditions and workers' housing. We subsequently supported the company in developing and implementing new policies, including those relating to human rights.

⁵ Bangladesh, Burkina Faso, Cameroon, China, Colombia, Democratic Republic of Congo, Egypt, Indonesia, Iran, Iraq, Lebanon, Mali, Mozambique, Myanmar, Niger, Nigeria, Pakistan, Papua New Guinea, Russia, Saudi Arabia, Sudan, Turkey, Uzbekistan and Venezuela.

Assessing and Managing Risk

We assess the nature and extent of exposure to modern slavery risks in our business and supply chains, and take a long-term and collaborative approach to mitigating the risks and tackling the root causes.

Understanding the Risks

Based on careful assessment, research and the insights developed from our long history of operating in the tobacco industry around the world, we have identified that the greatest modern slavery risks are in our tobacco supply chain. These risks relate to the nature of the agricultural sector, which is characterised by large numbers of temporary workers, use of family labour in small-scale farming and high levels of rural poverty.

For example, the ILO estimates that the agricultural sector accounts for 11% of all incidents of forced labour⁶ and over 70%

of all child labour globally⁷. Debt bondage can also be a particular concern if farmers borrow money to invest in growing a crop but do not have a guaranteed buyer or price, leaving them vulnerable to getting trapped in a cycle of debt. The ILO states that these risks are evident in wealthier, as well as poorer, countries⁶.

Beyond the tobacco supply chain, our product materials suppliers operate in the manufacturing sector, which the ILO estimates accounts for 15% of forced labour⁶ and 11.9% of global child labour⁷, with the majority of cases documented in lower-income countries. The key forced labour risks identified by the ILO relate to

excessive working hours and production targets, payment of high recruitment fees, illegal retention of passports and, in some cases, illegal imprisonment and beatings of workers⁶.

For our suppliers of indirect goods and services, the risks of modern slavery depend on the sector and country of operation. For example, 10% of forced labour⁶ and 17.2% of child labour⁷ are estimated to be in low-skilled service sectors, whereas the risks in professional services are likely to be lower. As such, our due diligence procedures include annual risk assessments based on the type of supplier and country of operation, as described on [page 7](#).

For Group companies, our policies and procedures help to substantially mitigate the risks of modern slavery. But we recognise that circumstances in some countries present a higher risk for human rights issues, such as where regulation or enforcement are

weak or there are high levels of corruption, criminality or unrest. As such, annual risk assessments to identify BAT operations in high-risk countries are a key part of our due diligence procedures, as described on [page 8](#).

“We take a long-term and collaborative approach to mitigating human rights risks and tackling the root causes. By taking action today, we can help drive change and secure the long-term sustainability of farming communities.”

Zafar Khan
Director, Operations

100%

of our product materials suppliers and Group companies assessed for human rights and modern slavery risks every year against independent indices



⁶ ILO (2017a). 'Global Estimates of Modern Slavery: Forced Labour and Forced Marriage', ILO, Geneva.

⁷ ILO (2017b). 'Global Estimates of Child Labour: Results and trends, 2012-2016', ILO, Geneva.



CASE STUDY

Mitigating COVID-19 Risks for Farmers

The global COVID-19 pandemic has highlighted the vulnerability of some tobacco-growing communities to both the virus and its long-term economic implications. There are fears this could increase poverty and lead to greater risks of child and forced labour. That is why keeping contracted farms operating and trading floors open through the crisis has been 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 more than 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 and secure their incomes.

In addition, we have distributed thousands of items of PPE, sanitation kits, food and other essential items to our farmers and their communities. The pandemic has also brought issues like access to clean water and healthcare into sharper focus – our community programmes have long focused on these issues and, where needed, we have stepped up our efforts during the crisis. For example, our mobile doctor units have been providing much-needed healthcare services for remote farming communities in Pakistan since 1985. In 2020, five additional units were introduced, nearly doubling coverage to more than 150,000 people.

Enhancing Farmer Livelihoods

Rural poverty is one of the primary root causes of human rights issues in agriculture and so enhancing farmer livelihoods is central to our tobacco supply chain strategy. In this way, 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.

We introduce our contracted farmers to sustainable farming practices and technologies – developed by our global leaf agronomy research – that help increase crop yields and farm efficiency and productivity. A powerful example is our hybrid tobacco seed varieties, which offer greater yields and higher quality, helping to boost farmers' profits. In 2020, over 50% of tobacco grown by our contracted farmers was from these varieties, boosting their yields by up to 20%. In Brazil, the support and technologies provided to our farmers over the last 10 years have led to a 40% increase in yields.

The services our field technicians provide range from agreeing contracts to support, training and technical assistance throughout the growing season. Our third-party suppliers provide similar support services for their contracted farmers.

34,000+

farmers reached in Bangladesh with our COVID-19 communications and support

We measure progress against our livelihood objectives via our *Thrive* programme and use the insights to tailor our approach to local circumstances. *Thrive* is based on the 'Five Capitals' livelihood framework, which 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. We review performance each year for our leaf operations and strategic third-party suppliers representing over 220,000 farmers and more than 80% of our tobacco volumes in 2020.

 Find out more about *Thrive* and how we are enhancing farmer livelihoods in our [2020 ESG Report](#).

 **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 handwashing units.** 

Jared Kwatenge
Tobacco farmer, Malakisi, Kenya

Giving Farmers 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* assessments⁸, which in 2020 showed:

- 100% of farmers, as well as 98% of farm labourers, reported having access to at least one type of grievance mechanism;
- Regular meetings with farmers/ workers or their representatives were reported as the most widely available grievance mechanism, followed by farmer associations and unions, 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.

COVID-19 Supplier Support

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 has helped us to 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 help ensure human rights standards are upheld, we worked with Intertek to implement alternatives for when on-site audits were not possible during travel and lockdown restrictions. As detailed on [page 4](#), this involved self-assessment questionnaires and the use of 'virtual audits' where, via a camera link, Intertek was able to remotely survey the facility, asking all the audit questions and reviewing evidence.

Ethical Recruitment

For Group companies, 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, which work to global Group-wide standards. This includes all pre-employment checks covering age verification, right-to-work and other documentation, as well as all employment contracts. These standards apply to all types of employees, including permanent, temporary, part time and full time.

An independent assessment by the [Slave-Free Alliance](#) in 2019 recognised the robustness of this approach in helping to mitigate the risks of child labour, modern slavery and unethical recruitment for our employees worldwide.

Safe Spaces 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 it transpires 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 a designated officer, Human Resources or their line manager. We also 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 most recent '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.



100%

of farmers in our supply chain reported as having access to at least one type of grievance mechanism

⁸ In 2020, 59% of farms contracted to BAT and our strategic third-party suppliers were reported as being monitored for access to grievance mechanisms. As tobacco-growing seasons vary around the world, we have revised the scope of our *Thrive* reporting for 2020 to be based on data available for the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year. We will continue to use this methodology for future reporting.

Training and Capacity Building

We provide training and capacity building to our people, suppliers and farmers to help raise awareness and understanding of modern slavery risks and help ensure our standards are understood and upheld.

Tobacco Farmers

In our tobacco supply chain, our leaf operations and third-party suppliers run formal training and awareness sessions for farmers and community members throughout the year. These are designed to raise awareness and increase understanding of human rights, and are tailored to the local context and the challenges of operating small, family-run farms.

In 2020, it was reported via our *Thrive* assessments⁹ that over 38,000 human rights training sessions were held, with more than 390,000 attendances. The participants included farmers, who may attend several sessions in the year, as well as farm labourers and local community members. We are pleased to have reached more participants compared to 2019, despite COVID-19 restrictions, through delivering more training sessions to fewer people in accordance with social distancing measures.

Our Suppliers

Many of our product materials 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 in Intertek audits. That approach would help no one and we see disqualification 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 continual improvement.

Working with suppliers to help them correct any issues identified and close gaps is an important part of capacity building. This can include providing specialist support and advice from our BAT experts and senior managers – anything from helping to develop a human rights policy and implement grievance mechanisms to technical guidance and training on health and safety best practice.

Our People

Ensuring our employees can easily access and understand our SoBC policies is fundamental to establishing 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. To date, our SoBC app has been downloaded over 16,500 times, and this number continues to grow.

390,000+
attendances at 38,000+
human rights farmer
training sessions

100%

employees completed
the 2020 SoBC training
and sign-off in one of the
available formats

Every year, all our employees undergo SoBC training as part of our annual compliance sign-off campaign. This training includes online e-learning and offline training for employees without easy online access. 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.

Our employees without online access were given various options to complete their SoBC training and sign-off to ensure that everyone could do so safely in light of the COVID-19 pandemic preventing the usual face-to-face gatherings in many of our markets. This included a new training booklet and content accessible through our SoBC app, with tailored examples and scenarios for specific roles, including factory workers and field technicians.

As a result, 100% of Group company employees completed the 2020 SoBC training and sign-off in one of the available formats. This included over 26,000 employees who completed the annual SoBC sign-off and e-learning through our online SoBC portal.



⁹ As tobacco-growing seasons vary around the world, we have revised the scope of our *Thrive* reporting for 2020 to be based on data available for the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year. We will continue to use this methodology for future reporting.

Measuring Effectiveness and Next Steps

We are committed to measuring the effectiveness of, and continually working to further strengthen and enhance, our approach to tackling modern slavery.

Measuring Effectiveness

We assess our approach against the key performance indicators (KPIs) outlined on the adjacent table. These KPIs, alongside monitoring of strategic plans and emerging risks and best practice, are regularly reviewed at senior level through our governance framework and committees, including by:

- The Board Audit Committee, comprising independent non-executive directors;
- Regional Audit and CSR Committees;
- The Operations Sustainability Forum, chaired by our Operations Director; and
- The Supply Chain Due Diligence Governance Committee, chaired by our Group Head of Procurement.

We continually work to improve and strengthen our approach to tackling modern slavery, and to respond to changing situations. For example, we recognise the limitations of our farm-monitoring system. We cannot be present on every farm every day of the growing season, so human rights issues may be hidden or under-reported.

In 2020, we commissioned an independent, expert-led review of our human rights policies and practices for our tobacco supply chain. This included a range of recommendations designed to help transform how we address child and forced labour.

In response to the review, we are developing a long-term work plan for accelerating progress towards our ambitions for zero child labour and zero forced labour in our tobacco supply chain by 2025, including:

- Continuing to strengthen our monitoring systems and training for field technicians to help better identify issues and spot early warning signs;
- Further enhancing our efforts to tackle root causes, with a focus on poverty alleviation and women's empowerment; and
- Working to increase local collaboration, dialogue and partnerships to support national action plans.

Our Key Performance Indicators (KPIs)

KPI	2020 performance	2019 performance	More information
Number of substantiated incidents identified that are contrary to our SoBC modern slavery commitments.	0	0	Page 8
Number of high-risk tobacco-sourcing countries with HRIAs completed, aligned with the UN Guiding Principles.	1	2	Page 6
Percentage of product materials suppliers assessed for human rights risks against Verisk Maplecroft indices, including its Modern Slavery Index.	100%	100%	Page 7
Number of independent supplier audits conducted by Intertek.	93	94	Page 7
Percentage of supplier corrective actions verified as completed by Intertek by year-end.	67%	73%	Page 7
Percentage of Group companies assessed for human rights risks against Verisk Maplecroft indices, including its Modern Slavery Index.	100%	100%	Page 8
Number of high-risk Group companies that underwent enhanced human rights monitoring and Board reviews.	24	25	Page 8
Percentage of employees who completed our annual compliance sign-off and training for our SoBC.	100%	100%	Page 12
Number of farmer training sessions (with attendances) on human rights held by our leaf operations and third-party suppliers.	38,239 (393,038)	5,000+ (350,000+)	Page 12

Progress Against Commitments in Our 2019 Statement

Commitment	2020 performance
Continue working with the industry to develop and evolve the Sustainable Tobacco Programme.	Completed – see page 5 for details.
Develop an action plan in response to areas for improvement identified in the Slave-Free Alliance gap analysis.	Completed – see page 4 for details.
Publish our first Conflict Minerals Report.	Completed – see our Conflict Minerals Report .
Publish a Human Rights Focus Report, including details of HRIAs in Indonesia and India.	Completed – see our 2020 Human Rights Report .
Conduct two further HRIAs in Mozambique and Mexico.	We completed the Mozambique assessment (see page 6), but the Mexico assessment was delayed due to COVID-19 – this will resume when it is safe to do so.

Next Steps

We are proud of what we have achieved so far, and recognise, like many other businesses, that we can and must do more.

Building on our strong foundations, and in the context of our overall Sustainability Agenda and ESG priorities, we are committed to accelerating progress.

In 2021 we will:

- Conduct a formal review of our SoBC and Supplier Code of Conduct to identify any opportunities for strengthening our policy commitments;
- Develop a comprehensive roll-out and training plan for implementing our new modern slavery operational standard; and
- Conduct human rights impact assessments, aligned to the UN Guiding Principles, in two more tobacco-growing countries.

Our 2025 ambitions

- Zero child labour and zero forced labour in our tobacco supply chain
- All direct product materials suppliers and high-risk indirect services suppliers to have undergone at least one independent labour audit within a three-year cycle

“To build A Better Tomorrow, we must protect human rights. By listening to rights-holders and working with stakeholders to understand risks and impacts, we can identify their root causes. Then, together, we can build sustainable, long-term solutions.”

Kingsley Wheaton
Chief Marketing Officer



Further Information

About This Statement

This is our fifth statement in accordance with the UK Modern Slavery Act 2015. It sets out the steps taken by British American Tobacco (BAT) p.l.c. and Group companies, during the year ending 31 December 2020, to prevent modern slavery and human trafficking in our business and supply chain.

It has been approved by the Board of Directors of BAT p.l.c. and the Board of Directors of all relevant Group subsidiary companies, including: B.A.T. (U.K. and Export) Limited, B.A.T. Services Limited, BATLaw Limited, British American Shared Services (GSD) Limited, British American Tobacco (GLP) Limited, British-American Tobacco (Holdings) Limited, British American Tobacco (Investments) Limited, British American Tobacco Exports Limited, British American Tobacco Global Travel Retail Limited, British American Tobacco Taiwan Logistics Limited, British American Tobacco UK Limited, and Nicoventures Trading Limited.

References in this statement to 'British American Tobacco', 'BAT', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. and when denoting tobacco business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be.

The material in this statement is not provided for product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold.

Forward-Looking Statements

This statement contains certain forward-looking statements, including "forward-looking" statements made within the meaning of the US Private Securities Litigation Reform Act of 1995. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook," "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Company operates, including the projected future financial and operating impacts of the COVID-19 pandemic.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this report are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of adverse domestic or international legislation and regulation, the inability to develop, commercialise and deliver the Group's New Categories strategy, the impact of significant increases or structural changes in tobacco, nicotine and New Categories-related taxes, changes or differences in domestic or international economic or political conditions, the impact of serious injury, illness or death in the workplace, and adverse decisions by domestic or international regulatory bodies.

The forward-looking statements reflect knowledge and information available at the date of preparation of these materials, and the Company undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements. Additional information concerning these and other factors can be found in BAT's filings with the US Securities and Exchange Commission (SEC), including the Annual Report on Form 20-F and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>.

Our Suite of Corporate Publications

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



Annual Report

Our Annual Report 2020 provides details of our evolved Group strategy, with sustainability at its heart. This includes our clear corporate purpose to build A Better Tomorrow™ by reducing the health impact of our business through offering a greater choice of enjoyable and less risky products.

↓ bat.com/annualreport



ESG Report

Our ESG Report outlines how we are delivering against our purpose and putting sustainability at front and centre of our business. It provides detailed information about our policies, management approach, performance and targets for all our environmental, social and governance (ESG) priorities.

↓ bat.com/sustainabilityreport



Human Rights Report

Our Human Rights report covers how we are raising the bar to address human rights impacts across our global business and supply chain, aligned to UN Guiding Principles Reporting Framework.

↓ bat.com/sustainabilityfocus



Gender Pay Report

We publish our Gender Pay Report each year with our statutory gender pay gap reporting for our UK employees, as well as our commitment to promoting gender diversity and to increase female representation across all senior leadership positions in the Group.

↓ bat.com/genderpayreport



Science and Technology Report

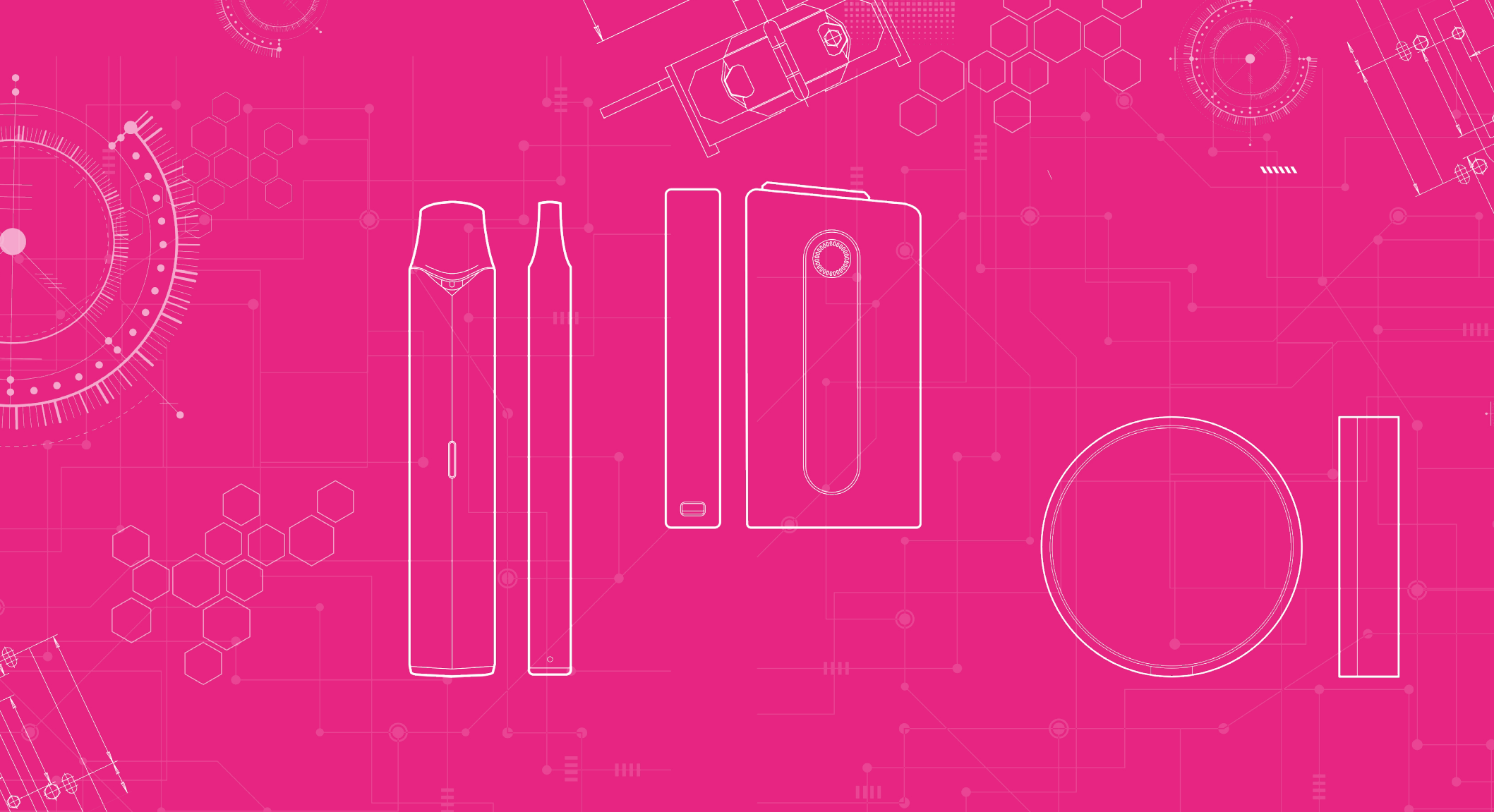
Our Science and Technology Report covers our research into New Category products, as well as exploring our open and transparent approach to science engagement.

↓ bat.com/STRreport

📶 See bat.com/reporting

Photography Disclaimer

The majority of photography in this report was taken prior to the COVID-19 pandemic and so social distancing may not have been observed.



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BAT
A BETTER TOMORROW