

CELEBRATING

120
YEARS

1902 - 2022



Modern Slavery Statement

2021

Welcome from our Chief Executive



Dear Stakeholder,

Welcome to our latest Modern Slavery Statement.

At BAT, we are leading with purpose and transforming our business. We have a clear purpose: to build A Better Tomorrow™ by reducing the health impact of our business. And, in so doing, create multi-stakeholder value.

That's why we are transforming: creating new products, backed by science, that provide adult smokers with enjoyable, less risky alternatives¹. The BAT of tomorrow will be a high-growth, consumer goods company: global, consumer-centric, multi-category, with sustainability at its core.

Environmental, social and governance (ESG) is the heart of our business and 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 much over the last 20 years and we continue to push ourselves further. This is enshrined in our Standards of Business Conduct and is a priority area under the social pillar of our Sustainability Agenda.

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

“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.”

Over the last year, we've seen the global impacts of COVID-19 putting human rights and modern slavery into even sharper focus. At COP26, the most significant climate conference since the Paris Agreement in 2015, there was increasing recognition of the link between the climate crisis, poverty and human rights.

At BAT, we understand the importance of having robust human rights policies and due diligence in place, and focusing on a long-term holistic approach to identifying and addressing the root causes.

For example, our tobacco supply chain, like all agriculture, is vulnerable to human rights issues. Yet our direct relationships with contracted farmers enable us to take an approach that emphasises working with families and communities to find sustainable solutions. Central to this is our work to enhance farmer livelihoods.

By tackling difficult issues, we can push ourselves, and others, to continue to change and to create a future where there truly can be A Better Tomorrow™ for all.

Jack Bowles
Chief Executive

2021 highlights

Policy Update

We updated our Standards of Business Conduct and Supplier Code of Conduct with strengthened human rights policy commitments.

Comprehensive

Working with a specialist human rights consultancy to develop comprehensive modern slavery training and communications for employees in our legal and supply chain functions for roll-out in 2022.

Specialist

Working with a specialist human rights consultancy to update our operational standard on child labour prevention to cover wider human rights issues, including forced labour.

Completed

Human rights impact assessments in three tobacco-growing countries, engaging more than 1,300 rights-holders.

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.

Our Business and Supply Chain

BAT is a leading consumer goods company: global, consumer-centric and multi-category. Our purpose is clear: to build 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.

We continue to be clear that combustible cigarettes pose serious health risks, and the only way to avoid these risks is not to start smoking or to quit. We encourage those who would otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk alternatives².

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 with whom we work and the communities in which we operate is long-standing. We recognise that, like all businesses, there is a risk of modern slavery issues³ arising in either our own operations or those of our extended supply chain.

In 2021, 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 [2021 ESG Report](#).

52,000+

Group employees worldwide across more than 175 markets

Our Business Structure

Our Group headquarters is based in the UK and we have subsidiary operations around the world, employing more than 52,000 people. Our employees work in a range of roles and environments, including office-based management, manufacturing and operations, trade marketing and distribution, and research and development.

The Board of Directors of BAT is collectively responsible to our shareholders for the long-term sustainable success of the Group 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 [2021 Annual Report](#).



² 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.
³ 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.

Modern Slavery Statement Continued

Our Supply Chain Structure

Alongside our traditional cigarette products, our broad portfolio includes New Category and non-combustible products with reduced risks⁴. 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.

75,000+

contracted farmers supplying the majority of our annual tobacco purchases

Tobacco supply chain

The majority of our tobacco is sourced by our own BAT leaf operations through direct contracts with over 75,000 farmers. The remainder is from third-party suppliers that, in turn, contract with more than 250,000 farmers. We also purchase some tobacco 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.

Other materials, good and services

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).

 See our **2021 ESG Report** for a world map with locations of our key suppliers, contracted farmers and Group factories.



⁴ 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.

Policy Commitments

We work to keep ourselves 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 (Supplier 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 Supplier Code and carry out appropriate due diligence within their own supply chain for their new and existing suppliers (including farmers where relevant). The Supplier Code is available in local language versions and is communicated to suppliers through our onboarding processes.

We regularly review our SoBC and Supplier Code to ensure they remain at the forefront of best practice. The most recent review took place in 2021. It included independent benchmarking against peer companies, external legal reviews in the UK and US, and drew on extensive insights from investor ratings and indices.

The updated versions were approved by our Board in 2021. The revised versions took effect from January 2022, supported by a global roll-out to all Group companies and employees.

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 requirements for PPE provision, training and monitoring in our tobacco supply chain.

SPOTLIGHT

Our SoBC Modern Slavery Commitments

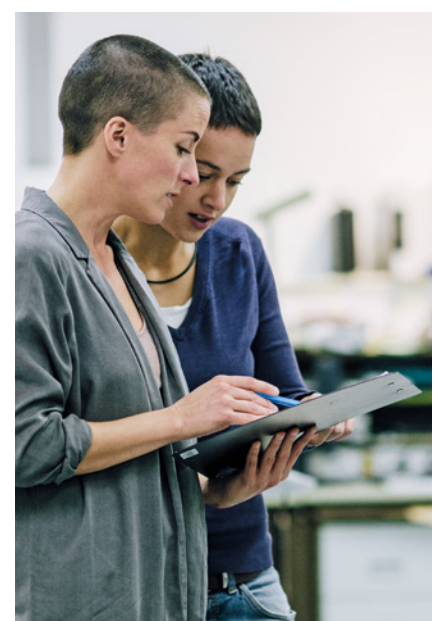
We are aiming to ensure our operations are free from slavery, servitude and forced, compulsory, bonded, involuntary, trafficked or unlawful migrant labour.

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, assess and respond to human rights risks, impacts and abuses.

Tobacco Supply Chain

Human rights issues can be complex and we know that the situation on the ground can be nuanced. Remediation requires cooperation and dialogue, rather than confrontation.

This complexity is why our approach emphasises working with families and communities to find sustainable solutions, while respecting local context and the challenges of operating small, family-run farms.

This is where our direct connection to our contracted farmers enables us to have a real impact. The majority of our tobacco is sourced by our own leaf operations through contracts with over 75,000 farmers, who receive on-the-ground support from our Extension Services of expert field technicians.

Our field technicians visit our contracted farmers approximately once a month during the growing season. This includes conducting interviews with farmers and workers, as well as undertaking detailed observations to check conditions and practices on the farms against our standards.

Crucial to this is our Farmer Sustainability Management (FSM) system – a digital platform that enables a consistent approach to farm monitoring and overall sustainability management.

Field technicians work with our contracted 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 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. Data is tracked and analysed centrally to ensure senior oversight and drive management action.

To help tackle the challenges of modern slavery and forced labour, we continuously monitor our contracted farmers and our third-party suppliers are expected to do the same. In 2021 99.9% of the BAT-contracted farmers and those of strategic third-party suppliers were monitored and no cases of forced labour were identified.

One third-party supplier identified some labour-related issues; these concerned changes to the terms of workers' contracts which our supplier's field technicians were able to successfully resolve through mediation between the farmers and workers. Ongoing training and engagement programmes also continue to enhance awareness of labour rights among farmers and workers.

In addition, our leaf operations identified two 'prompt action' incidents relating to water access near the working place and standards for safe accommodation. These were recorded and tracked in our FSM system and fully resolved.

Resolution of such incidents typically involves a remediation plan that considers the individual circumstances. For example, our field technicians might act as mediators between the farmer and the relevant workers to reach agreement on, or the farmer might take specific actions to improve standards on the farm. The prompt actions are recorded in FSM and verified by field technicians in follow-up visits to the farm.

Sustainable Tobacco Programme

All of our leaf operations and third-party suppliers are expected to participate in the industry's Sustainable Tobacco Programme (STP). This involves an annual self-assessment against priority themes.

Industry guidance is defined for each theme, with specific goals and indicators to measure impact and track progress. These cover a broad range of human rights issues, including child labour and modern slavery.

Suppliers are assessed against Verisk Maplecroft's risk indices, including its Modern Slavery Index. Based on this, as well as the supplier's self-assessment, those with a higher risk are prioritised for in depth on-site reviews, conducted by an independent third party. In-depth reviews will be completed on our leaf operation and third-party suppliers in Brazil, and on our third-party supplier in Argentina in 2022.

 Details of reported child labour incidents can be found in our 2021 ESG Report.



Due Diligence Continued

Human rights impact assessments

Human rights impact assessments (HRIAs) are a best practice approach to identifying, assessing and responding to actual and potential human rights impacts. Each year we commission assessments for tobacco-sourcing countries, conducted by independent human rights experts.

The countries are selected 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.

HRIAs are extensive undertakings, often lasting several months. Particular care is also taken to engage the most vulnerable people, such as women, youth and the elderly. By the end of 2021, HRIAs had been completed in six of our tobacco sourcing countries, covering nine suppliers – India and Indonesia in 2019, Mozambique in 2020, and Macedonia, Turkey and Zimbabwe in 2021. Collectively, these assessments have engaged over 2,200 rights-holders in tobacco-growing communities.

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, Mozambique and Turkey were in collaboration with the wider industry.

A number of priority themes were identified that have the potential to impact human rights and which would benefit from cross-industry collaboration, particularly around child labour. For example, in Turkey, the assessment involved six different tobacco suppliers across three regions in the country where tobacco is grown. Following the assessment, the suppliers have collectively developed and agreed action plans focused on eliminating child labour in their supply chain by 2025.

1,300+

rights-holders engaged
for our HRIAs in Macedonia,
Turkey and Zimbabwe in 2021



They are also working to enhance health and safety standards, focused on education around the importance of using PPE when harvesting to prevent green tobacco sickness.

As illustrated in the example above, where the HRIA identifies human rights impacts, a detailed action plan is developed and agreed between the participating companies and suppliers. We work to ensure that implementation and progress against the plans is closely monitored. We also leverage the valuable insights and learnings from each assessment to further strengthen our efforts to identify, prevent and mitigate human rights risks in our supply chain.

 [Find further details of our HRIAs in our 2021 ESG Report.](#)

Product Materials Supply Chain

Beyond the tobacco supply chain, labour factors are considered before we even start working with a new product materials supplier. This includes mandatory scoring criteria as part of the selection process.

Once selected, suppliers must undergo an independent audit performed by our partner Intertek. This covers 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.

We maintain a rigorous focus on human rights 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 and the goods or services they provide. Suppliers identified as high risk are prioritised for audits.

We have extended the labour audits to include lower tier product materials suppliers in business-critical areas for packaging materials and New Category products, and to high-risk suppliers of indirect goods and services, such as facilities management.

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.

Due Diligence Continued

Supplier audits and findings

In 2021, 142 audits were conducted by Intertek on suppliers in 38 countries⁵, including:

- 114 tier 1 product materials suppliers;
- 14 lower tier product materials suppliers; and
- 14 indirect goods and services suppliers.

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 15 self-assessment questionnaires, with detailed evidence reviews and verification by Intertek, as well as 20 ‘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 Intertek audits, we were able to accept the findings of equivalent audits for 16 suppliers under the Sedex Members Ethical Trade Audit (SMETA) methodology.

Of all the issues identified, 88% were classified by Intertek as ‘moderate’, relating to issues such as hours and wages, poor record-keeping and health and safety procedures. In total, 31 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, 64% of corrective actions were fully completed and verified by Intertek – in desktop reviews for the moderate issues and 29 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 2022.

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 22%.

100%

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

Product materials supply chain due diligence procedure

New suppliers



Existing suppliers



Corrective action plans for all issues identified, verified by Intertek

Supplier status Gold	Supplier status Silver	Supplier status Bronze	Supplier status Not approved
Audit score =>95%	Audit score >85%	Audit score >70%	Audit score <70%
Re-audit cycle 3 years	Re-audit cycle 2 years	Re-audit cycle 1 year	Re-audit cycle 3-6 months
27% of our suppliers achieved this status	37% of our suppliers achieved this status	19% of our suppliers achieved this status	17% of our suppliers achieved this status

⁵ Argentina, Austria, Bangladesh, Brazil, Bulgaria, Canada, China, El Salvador, Finland, France, Germany, Hungary, India, Indonesia, Italy, Jordan, Kenya, Malaysia, Mexico, Netherlands, Nigeria, Pakistan, Pap. New Guinea, Philippines, Poland, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, UK, USA, Vietnam.

Due Diligence Continued

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 there are high levels of corruption, criminality or unrest.

As such, in addition to procedures and controls adopted by Group companies, we have a process to identify and carefully monitor BAT operations in high-risk countries. This process includes an annual risk assessment of all countries with Group companies present, using Verisk Maplecroft's human rights indices (including its Modern Slavery Index).

The process is reviewed by the Audit Committee of our Board including action plans for areas for improvement identified.

In 2021, our operations in 26 countries⁶ were identified as high risk and underwent the assessment and Board level review.

Investigating and remediating

Our Standards of Business Conduct (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.

In 2021 we received a report, investigated under our SoBC processes, concerning allegations of modern slavery and child labour identified by labour authorities on two farms in Brazil, from which one of our third-party suppliers sources tobacco.

The third-party supplier fully cooperated with the investigation carried out by Brazilian authorities across its farms. No issue was identified across the other farms from which the supplier sources tobacco. In order to seek to prevent further human rights issues, the supplier agreed to reinforce its existing standards and procedures to, for example, strengthen its training of field staff and contracted farmers.

 Full details of all reported SoBC allegations can be found in our **2021 ESG Report**.



⁶ Bangladesh, Belarus, Burkina Faso, Cambodia, Cameroon, China, Colombia, Democratic Republic of Congo, Egypt, Indonesia, Iraq, Kenya, Lebanon, Mali, Mozambique, Myanmar, Niger, Nigeria, Pakistan, Papua New Guinea, Russia, Saudi Arabia, Sudan, Tanzania, Turkey 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 labour⁷ and over 70% of all child labour globally⁸. 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, countries⁷.

Beyond the tobacco supply chain, our product materials suppliers operate in the manufacturing sector, which the ILO estimates accounts for 15% of forced labour⁷ and 11.9% of global child labour⁸, with the majority of cases documented in lower-income countries.

The key forced labour risks identified in manufacturing 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 workers⁷.

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 labour⁷ and 17.2% of child labour⁸ are estimated to be in low-skilled service sectors.

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

Level of Modern Slavery Risks for Our Business and Supply Chains



⁷ ILO (2017). Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, ILO, Geneva, 2017.

⁸ ILO (2021). International Labour Office and United Nations Children’s Fund, Child Labour: Global estimates 2020, trends and the road forward, ILO and UNICEF, New York, 2021

Assessing and Managing Risk Continued

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.

If farmers have sustainable living incomes, farming is more attractive to the next generation. It also reduces the risks of exploitation, as well as child and forced labour, and helps encourage improved adherence to safety and environmental standards. That's why enhancing farmer livelihoods is such an important priority area of our Sustainability Agenda.

Our *Thrive* farmer livelihoods programme is based on the internationally recognised 'Five Capitals' framework. To be sustainable, farming communities must be 'in credit' across five types of 'capital': financial, natural, physical, human and social. Strength in all five enables farmers and rural communities to prosper.

We have defined indicators to measure progress against each of the Capitals, against which our leaf operations and strategic suppliers complete annual assessments. The insights inform our strategy, and help to develop focused, local, action plans.

Our Extension Services of expert field technicians play a crucial role in this. They 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 working with the farmers to develop their skills, promote better yields and build their resilience. Our suppliers provide similar support services for their contracted farmers.

In 2021, we updated our approach and analysis of sustainable living incomes. This considers wider aspects, including costs for maintaining a decent standard of living based on international benchmarks, as well as local factors. Over the next year we will continue our detailed analysis of living income for our contracted farmers. Insights will be used to further accelerate our commitment and actions to enable prosperous livelihoods for all farmers in our tobacco supply chain.

Giving Farmers a Voice

If a farmer or farm labourer has a grievance, there must be a way to air and resolve it. We track access to grievance mechanisms for our contracted farmers and those supplying our strategic third-party suppliers as part of our *Thrive* assessments, which in 2021 showed:

- 100% of farmers, as well as 99.9% of farm labourers, who are part of *Thrive* 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 ones and unions, local NGO/government-led mechanisms and telephone hotlines; and
- 100% of grievances raised by *Thrive* farmers and/or 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 contracted farmers and labourers to raise human-rights-related issues.

Assessing and Managing Risk Continued

Ethical Recruitment for Group Employees

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 are heavily involved in the recruitment process and manage most vacancies in-house. The hiring process is managed by our in-house Global Business Services, which works to global Group-wide standards. All prospective employees undergo rigorous pre-employment checks covering ID checks, 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. Where recruitment agencies are involved, these undergo rigorous checks in line with our SoBC and only recruitment through vetted vendors is permitted.

An independent assessment by a specialist human rights consultancy 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.

99.9%

of monitored farmers in our supply chain⁹ reported as having access to least one type of grievance mechanism

SPOTLIGHT

Safe Spaces to ‘Speak Up’

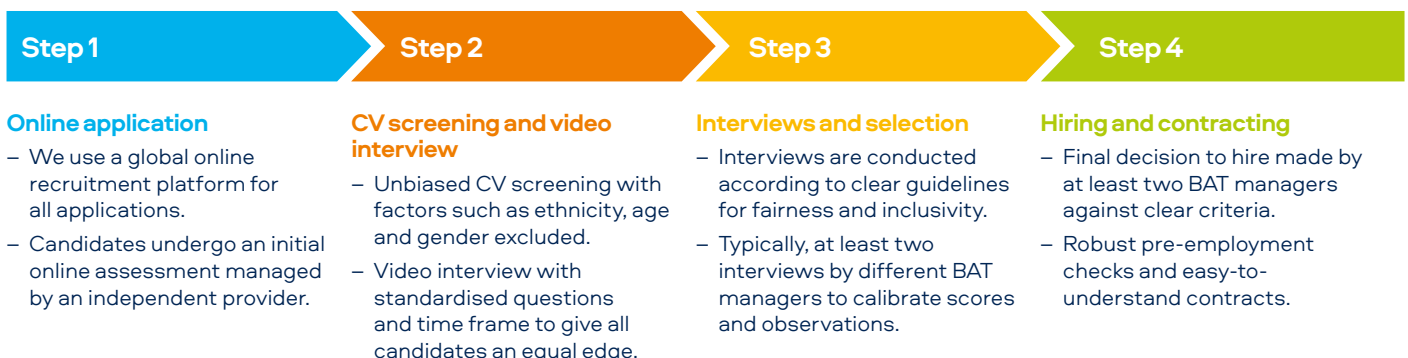
Our SoBC makes it clear that anyone working for – or with – the Group should speak up if they have a concern about actual or suspected wrongdoing. We will always listen to these concerns, even if it transpires the person is mistaken. BAT does not tolerate victimisation or reprisals of any kind against 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 senior management, 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 2021 ‘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 – 1% higher than the FMCG comparator norm.

Our inclusive recruitment process

Right from the beginning of an employee’s journey with BAT, our commitment to fairness and inclusivity is embedded throughout the recruitment process, helping to ensure equal access to opportunities at BAT.



9 In 2021, 99.9% of farms contracted to BAT and our strategic third-party suppliers were reported as being monitored for access to grievance mechanisms.

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 strategic third-party suppliers provide human rights training for farmers and community members. The training is designed to raise awareness and increase understanding of human rights, and is tailored to the local context and the challenges of operating small, family-run farms.

In 2021, it was reported via our *Thrive* assessments¹⁰ that there were over 350,000 attendances at this training. The number of people engaged include farmers who are reached via several trainings in the year, as well as farm labourers and local community members.

This includes training provided by field technicians during farm visits, organised group training, field days and demonstrations, and training delivered remotely by digital or other channels (particularly during the COVID-19 pandemic to maintain social distancing).

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.

In addition, we continue to actively engage with our suppliers on human rights, as part of our wider Sustainability Agenda. For example, in 2021, we held our Sustainability Supplier Summit, attended by more than 250 of our top suppliers across all categories of spend. It included live Q&A sessions from our leadership team, an external keynote address and roundtable discussions between suppliers on a range of topics including delivering a positive social impact.

Our People

Ensuring our employees can easily access and understand our SoBC policies is fundamental to establishing effective implementation and compliance.

Our SoBC app helps to increase accessibility by providing easy access to policies, procedures and guidance, and our global 'Speak Up' channels in 14 languages. From 2022, the app also incorporates our Supplier Code of Conduct in 15 languages. To date, our SoBC app has been downloaded over 27,000 times, and this number continues to grow.

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. It covers examples of different human rights scenarios our employees may face in their daily work, such as discrimination, modern slavery and freedom of association.

In 2021, 100% of Group company employees completed the SoBC training and sign-off in one of the available formats. This included over 24,000 employees who completed the annual SoBC sign-off and e-learning through our online SoBC portal.

In addition, we launched our SoBC e-induction for all new joiners in management roles in 2021. This includes training, which focuses on respect in workplace and human rights in our operations. 3,700 people completed the e-induction training in 2021.

We are also working with a specialist human rights consultancy to develop comprehensive modern slavery training and communications targeted at front-line employees in our legal and supply chain functions. This includes detailed information on different types of modern slavery and how they can manifest, how to spot indicators and early warning signs that someone may be a victim of modern slavery, and guidelines on how to conduct worker interviews to gain an accurate account from their perspective, using open questions.

This training will be rolled-out alongside our new modern slavery standard in 2022.

350,000+

attendances at farmer human rights training in 2021

100%

employees completed the 2021 SoBC training and sign-off in one of the available formats

27,000+

downloads of our SoBC app

¹⁰ Our *Thrive* assessments cover all BAT-contracted farmers and farmers supplying our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2021. As tobacco-growing seasons vary around the world, data is based on the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year.

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 opposite. 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, following an independent, expert-led review of our human rights policies and practices for our tobacco supply chain in 2020, we developed a long-term work plan for accelerating progress towards our 2025 ambitions.

We are currently working with a specialist human rights consultancy to update our operational standard on child labour prevention to cover wider human rights issues including forced labour. It will be supported by comprehensive toolkit, guidance and training for our field technicians to be rolled-out in 2022.

Our 2021 performance

100%

percentage of employees that completed annual SoBC self-assessment, with focus on modern slavery and human rights.

2020: 0

 Find out more on page 8.

6

cumulative number of human rights impact assessments completed, aligned with the UN Guiding Principles.

2020: 3

 Find out more on page 6.

142

independent supplier labour audits conducted.

2020: 93

 Find out more on page 7.

64%

of supplier corrective actions verified as completed by Intertek by year-end, balance to be completed Q1 2022.

2020: 67%

 Find out more on page 7.

26

high-risk Group companies that underwent enhanced human rights monitoring and Board level review.

2020: 24

 Find out more on page 8.

100%

of employees who completed our annual compliance sign-off and training for our SoBC.


2020: 100%

 Find out more on page 12.

100%

of product materials suppliers assessed for human rights risks against Verisk Maplecroft indices, including its Modern Slavery Index.

2020: 100%

 Find out more on page 7.

100%

of Group companies assessed for human rights risks against Verisk Maplecroft indices, including its Modern Slavery Index.


2020: 100%

 Find out more on page 8.

350,00+

attendances at human rights training delivered by our leaf operations and strategic third-party leaf suppliers.

2020: 393,038

 Find out more on page 12.

Measuring Effectiveness and Next Steps Continued

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.

Our 2025 ambitions

 <h4>Forced labour</h4> <p>Aim for zero child labour and zero forced labour in our tobacco supply chain by 2025.</p>	 <h4>Sustainable income</h4> <p>We are committed to working to enable prosperous livelihoods for all farmers in our tobacco supply chain.</p>	 <h4>Labour audits</h4> <p>100% of our direct product materials suppliers and high-risk indirect services suppliers to have undergone at least one independent labour audit within a three-year cycle by 2025.</p>
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Progress Against Commitments in our 2020 Statement

Commitment	2021 performance
Conduct a formal review of our SoBC and Supplier Code of Conduct to identify any opportunities for strengthening our policy commitments.	 Completed see page 4 for details
Develop a comprehensive roll-out and training plan for implementing our new modern slavery operational standard.	 In progress see page 12 for details
Conduct human rights impact assessments, aligned to the UN Guiding Principles, in two more tobacco-growing countries.	 Completed see page 6 for details

Further Information

About This Statement

This is our sixth 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 2021, 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 the following Group subsidiary companies that are subject to the requirement of the UK Modern Slavery Act 2015: British American Shared Services (GSD), British American Tobacco (GLP) Limited, British-American Tobacco (Holdings) Limited, British American Tobacco (Investments) Limited, British American Tobacco Exports Limited, British American Tobacco Taiwan Logistics Limited, British American Tobacco UK Limited, British American Tobacco Services 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 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 Group 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>.


Further Information Continued

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.

 Find out more about our [2021 Annual Report](#).



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.

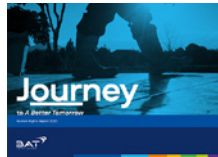
 Find out more about our [2021 ESG Report](#).



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.

 Find out more about our [Human Rights Report](#).



Diversity and Inclusion Report

Provides details of our Group-wide diversity and inclusion strategy, as well as our statutory gender pay gap reporting for our UK employees. In 2021, the report also included, for the first time, gender and pay equity data for an additional eight countries, as well as UK ethnicity pay gap data.

 Find out more about our [Diversity and Inclusion Report](#).

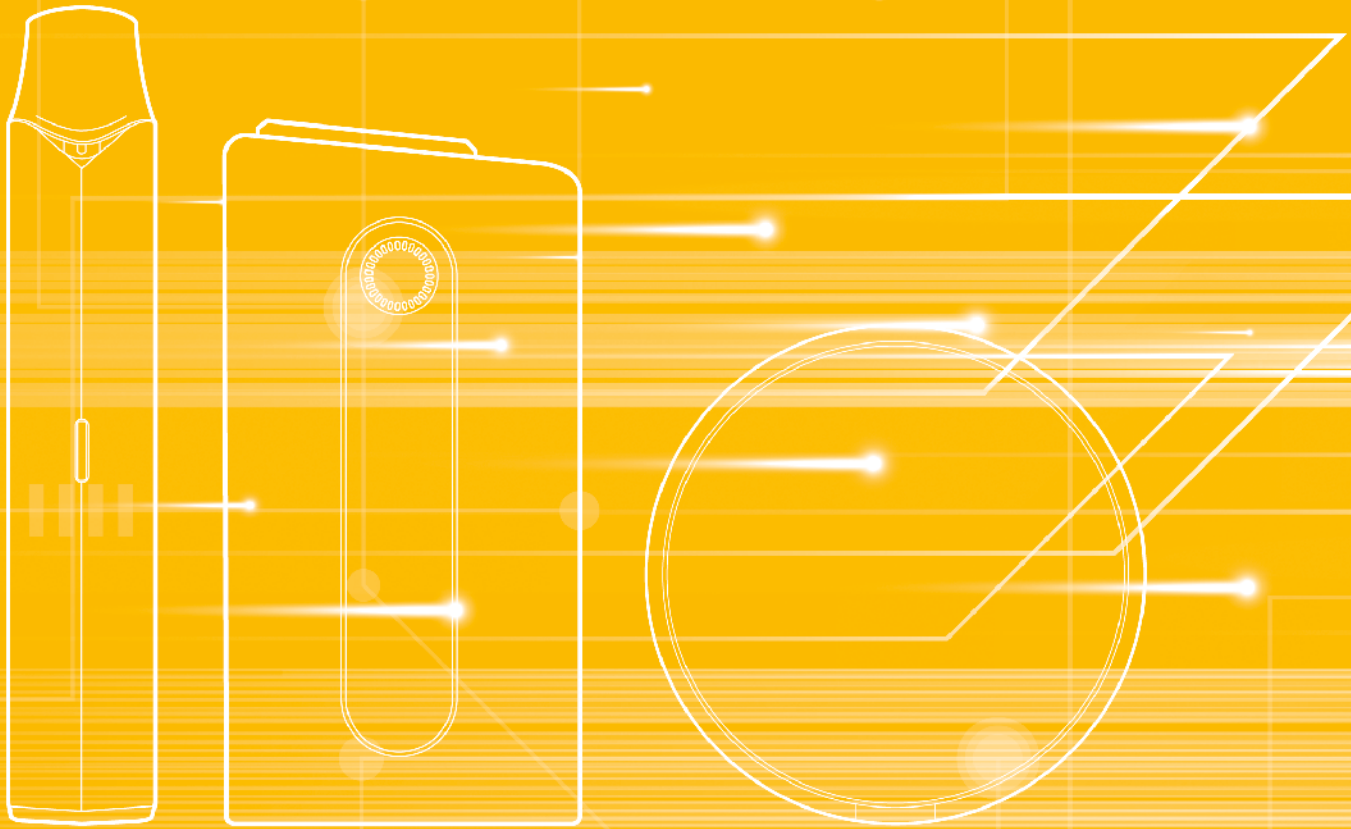


Science and Innovation Report

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

 Find out more about our [Science and Innovation Report](#).





Go online

Explore the story of our year

Featuring downloadable versions of this report, along with our sustainability summary report and other content – all accessible on desktop, tablet and mobile.

www.bat.com/reporting



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