

# Modern Slavery Statement

2022

# Welcome from our Chief Executive

At BAT, we have a long-standing commitment to respect fundamental human rights, as affirmed by the Universal Declaration of Human Rights. We are committed to always conducting our operations in a way that respects the human rights of our employees, the people we work with and the communities in which we operate.

## Welcome to our Latest Modern Slavery Statement

This is BAT's seventh statement published in accordance with the UK Modern Slavery Act 2015. It sets out the steps we have taken to prevent modern slavery during the year ended 31 December 2022.

The latest estimates by the International Labour Organization (ILO)<sup>1</sup> state that 50 million people are victims of modern slavery and, of these, 27.6 million people are in forced labour, with 23.6 million being forced to work under threat or coercion in the private economy.

We recognise that, like all businesses, we run the risk of being exposed to modern slavery either within our own operations or those of our extended supply chain. That is why we are fully committed to making continuous progress through our actions.

Environmental, social and governance (ESG) matters have long been core to our business and our transformation. Delivering our ESG priorities is key to achieving our ambition to build A Better Tomorrow™ for all our stakeholders.

In 2022, we were among the first companies globally to conduct and disclose results from a Double Materiality Assessment (DMA). Such an approach looks not only at how our business impacts ESG issues but also how ESG-related matters impact our business.

The results of the DMA, in consultation with employees and third parties, further confirmed that the protection of human rights remains a key focus for BAT.

Our progress against our social commitments throughout 2022 included:

- Updating a range of human rights-related policies. We understand the importance of having robust policies and due diligence processes in place, which help us identify and address root causes of human rights issues;
- Strengthening our Supplier Due Diligence (SDD) programme in partnership with independent, external auditors;
- Completing a cumulative 10 human rights impact assessments (HRIAs) in eight tobacco-sourcing countries, engaging over 5,200 rights-holders; and
- Enhancing our data collection so that we are able to report based on farmers who supplied tobacco specifically to BAT, rather than our suppliers' total farmer base.

In parallel, we continue to aim for our tobacco supply chain to be free of child labour and forced labour by 2025.

By tackling difficult issues, we can push ourselves, and others, to continue to change and to create A Better Tomorrow™ for all.

## Double Materiality

Completed our first Double Materiality Assessment, which confirmed the importance of human rights in our Sustainability Agenda

## Policy Update

We worked to update a range of human rights-related policies, which will be rolled-out during 2023

## Strengthened

We strengthened our Supplier Due Diligence (SDD) programme in partnership with independent external auditors Intertek and EcoVadis

## Completed

10 Human Rights Impact Assessments (HRIAs) in eight tobacco-growing countries, engaging more than 5,200 rights-holders



**By tackling difficult issues, we can push ourselves, and others, to continue to change and to create A Better Tomorrow™ for all.**

**Jack Bowles**  
Chief Executive



**Note:**

1. Global Estimates of Modern Slavery: Forced Labour and Forced Marriage International Labour Organization (ILO), Walk Free, and International Organization for Migration (IOM), Geneva, 2022

# 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 Commitment

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 issues arising in either our own operations or those of our extended supply chain.

In 2022, 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 Double Materiality Assessment in our [2022 Combined Annual and ESG Report](#).

## Our Business Structure

Our Group headquarters is based in the UK and we have subsidiary operations around the world, employing more than 50,000 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 British American Tobacco p.l.c. is collectively responsible to our shareholders for the long-term 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 of more than 50,000 Group employees worldwide across more than 170 markets.

The Audit Committee is underpinned by our Regional Audit and Corporate Social Responsibility 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 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.

# 50,000+

Group employees worldwide across more than 170 markets

The Chief Growth Officer has overall responsibility for the delivery of the Group Sustainability Agenda, supported by the Chief Sustainability Officer and the sustainability subject-matter experts across the Group.

The appointment of our first Chief Sustainability Officer reflects a step change in our approach to sustainability, placing it as a priority for the organisation.

Together, our governance framework provides a channel for the appropriate 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 [2022 Combined Annual and ESG Report](#).

## Our Business and Supply Chain Continued

### Our Supply Chain

Alongside our traditional cigarette products, our portfolio includes non-combustible products. 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 risks and impacts, including agriculture for our tobacco supply chain, and manufacturing and electronics for our New Category supply chain.

We assess suppliers' inherent risk exposure against Verisk Maplecroft human rights indices and conduct independent audits on the highest-risk suppliers. For more information, see page 10.

### Tobacco supply chain

The majority of our tobacco is sourced by BAT Group's own Leaf Operations through direct contracts with over 81,000 farmers. The remainder is from third-party suppliers that, in turn, contract with more than 194,000 farmers. With respect to tobacco sourced from India, while this is purchased over an auction floor, the supplier offers traceability and monitoring of the farmer base in line with our requirements.

The vast majority of farms in our tobacco supply chain are smallholder family farms of just two hectares on average. Our directly 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.

This long-term sourcing model provides our directly contracted farmers and those contracted to our 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.

**81,000+**  
directly contracted farmers supplying  
the majority of our annual  
tobacco purchases

### Other materials, goods and services

Beyond tobacco, we source product materials like paper and filters for cigarettes.

For our New Category products, we have a growing supply chain in consumer electronics and e-liquids.

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

### Spotlight: Source



#### Tobacco

Subject to the industry's Sustainable Tobacco Programme, supported by farm-level monitoring and, in selected countries, human rights impact assessments

#### Total tobacco sourced

**63%**

BAT Group's own Leaf Operations, by volume, contracting 81,000+ farmers

**37%**

third parties sourcing, by volume, from 194,000+ farmers



#### Other materials, goods and services

Subject to human rights risk assessments and independent audits by Intertek for those with the highest risks

#### Direct product materials

**1,500+**

tier 1 suppliers

#### Indirect goods and services

**30,000+**

suppliers of logistics

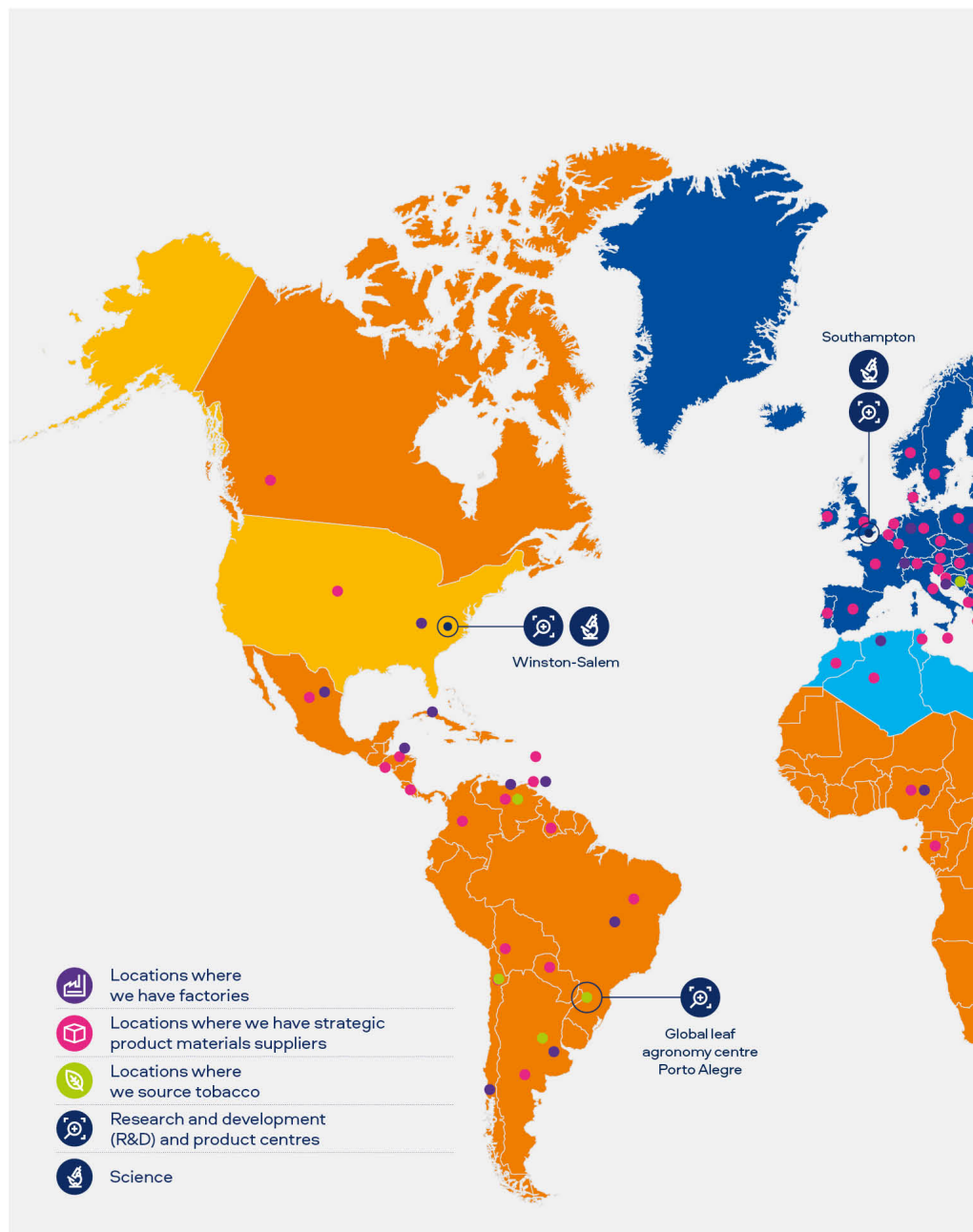
## Our Business and Supply Chain Continued

To build A Better Tomorrow™, our marketplace analysis delivers insights regarding consumer trends and segmentation. This facilitates our geographic brand prioritisation across our regions and markets.

To achieve a step change in New Categories, we are creating the Enterprise of the Future – building new capabilities around the world focused on science, innovation and digital information.

Consumer preferences and technology are evolving rapidly, and we are staying ahead of the curve with our digital hubs, the creation of innovation hubs and further development of our world-class R&D laboratories. We are also leveraging the expertise of our external partners and are looking forward to exciting results from our venturing initiative, Btomorrow Ventures.

The map below provides a graphic illustration of our supply chain and operations.



## Our Business and Supply Chain Continued

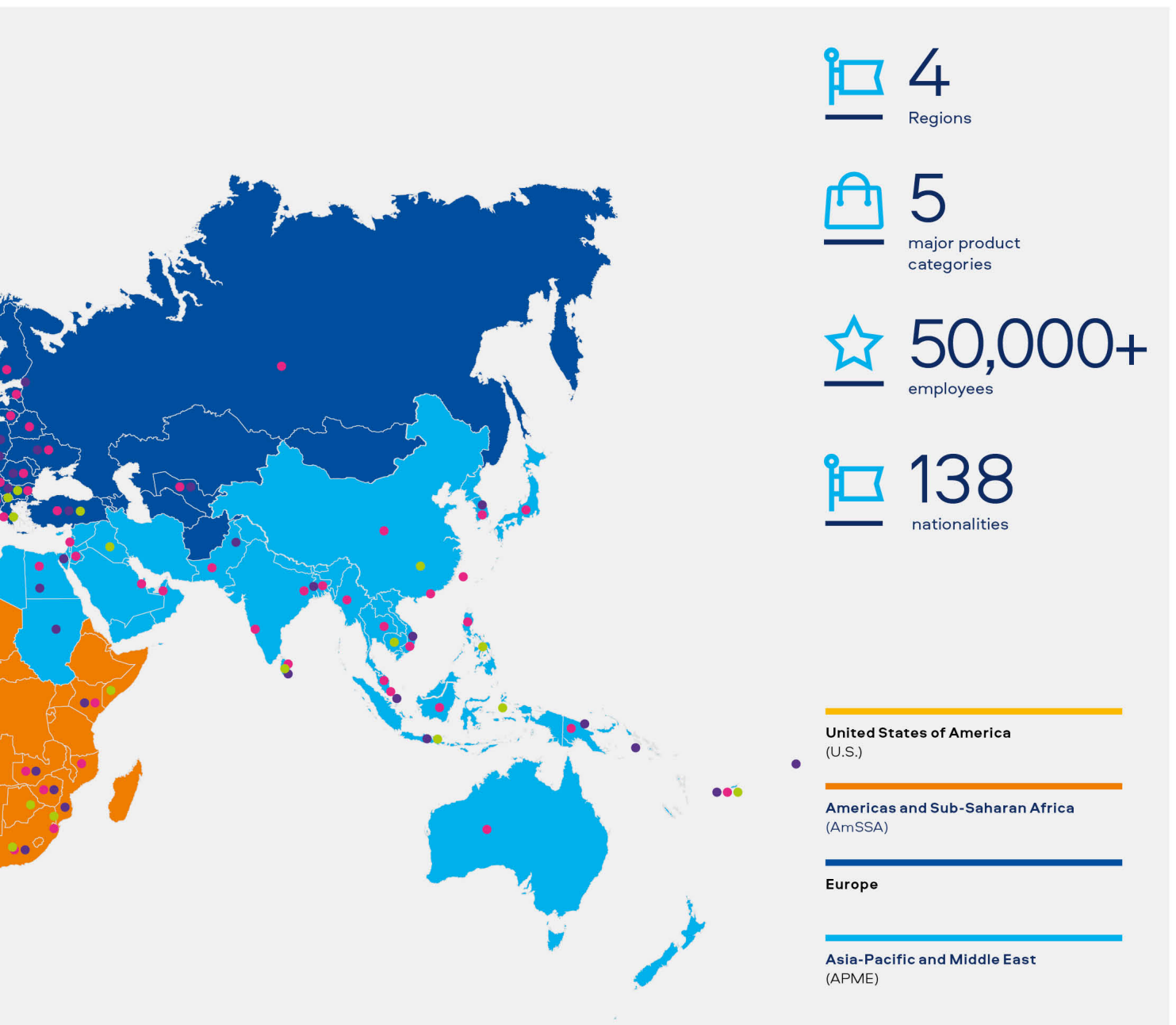
### BAT-owned manufacturing facilities<sup>2</sup>

	United States	APME	AmSSA	Europe	Total
Fully integrated manufacturing	1	17	14	9	41
Other processing sites (including leaf threshing and Other Tobacco Products)	1	5	5	5	16
Sites manufacturing other products (including Snus, Modern Oral and Liquids)	3	—	—	4	7
Research and development facilities	3	2	3	1	9
<b>Total</b>	<b>8</b>	<b>24</b>	<b>22</b>	<b>19</b>	<b>73</b>

**Notes:**

2. As of 31 December 2022.

\*\*Russia will remain in the list of the key markets until the transfer of the Russian business is complete. For more information, see page 4 of our 2022 Combined Annual and ESG Report.



# Policy Commitments

**We have clear policies, principles and standards in place to address human rights and modern slavery issues, which all Group companies are expected to adopt and implement.**

## Our Commitments, Policies, Standards and Controls

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

- Our employees;
- The people we work with; and
- The communities in which we operate across our supply chain and business operations.

Our human rights strategy and policies are aligned with the UN Guiding Principles on Human Rights (UNGPs).

We have clear policies and principles in place for human rights and modern slavery issues. These are signed and endorsed at Board level, for adoption and implementation by all BAT Group companies worldwide.

### Standards of Business Conduct (SoBC)

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.

# 100%

of our Group employees confirmed compliance with SoBC

## Our SoBC modern slavery commitments

We aim 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, they will be used strictly in accordance with the law.

Our SoBC mandates that, 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.

### Supplier Code of Conduct

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 15 languages and is communicated to all suppliers through our onboarding processes.

We regularly review our SoBC and Supplier Code to ensure they remain best practice. The most recent SoBC update was released in January 2022.

### Standards and controls

We have clear 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; and
- Our Leaf Suppliers Manual outlines 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.

In 2022, we worked to update a range of human rights-related policies relevant to our tobacco supply chain, which include operational procedures for the prevention of child labour and forced labour and our health and safety standards for tobacco farms. These policies are in the process of being approved and will be rolled out across the business over the course of 2023.

# 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 the assessment, research and the insights developed from operating around the world, we have identified that the greatest human rights-related 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 12.3% of all incidents of forced labour and over 70% of all child labour globally. 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, countries<sup>3</sup>.

Beyond the tobacco supply chain, our product materials suppliers operate in the manufacturing sector, which the ILO estimates accounts for 18.7% of forced labour<sup>4</sup> and 11.9% of global child labour<sup>4</sup>, with the majority of cases documented in lower-income countries.

The key forced labour risks identified in the manufacturing sector 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 workers<sup>4</sup>.

For our suppliers of indirect goods and services, human rights risks depend on the sector and country of operation. For example, according to the ILO, 10% of forced labour<sup>3</sup> and 17.2% of child labour<sup>3</sup> 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 10.

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 levels of corruption, criminality or unrest are high.

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 10.

## Responding to Human Rights Allegations

We take allegations relating to human rights extremely seriously and seek to openly engage with the relevant stakeholders and respond appropriately to the issues raised.

If we receive reports of unethical behaviour, we take appropriate steps to investigate, address any issues identified, and report on the progress and outcomes, as appropriate.



Find further details of our response to human rights allegations can be found on [bat.com](https://www.bat.com)

## Comparative risk levels across our business and operations



Tobacco leaf supply chain



Non-tobacco supply chain



BAT operations



### Notes:

3. ILO (2022). Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, ILO, Geneva, 2017.

4. 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. License: CC BY 4.0.



## Assessing and Managing Risk Continued

### Enhancing Farmer Livelihoods

We recognise that we have a vital role to play in promoting a positive social impact across our supply chain.

We work with our directly contracted farmers in enhancing their livelihoods and food security. Our community programmes help to build long-term resilience for rural communities.

Rural poverty is one of the primary root causes of human rights issues in agriculture. 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 is why enhancing farmer livelihoods is such an important priority area of our Sustainability Agenda.

### Helping Farmers to Thrive

Our Thrive programme, an in-house system to collect data across aspects of farmers' livelihoods, is based on the internationally recognised 'Five Capitals' framework. These are: 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 Five Capitals, against which our BAT Group's own Leaf Operations and strategic suppliers complete annual assessments. The insights inform our strategy, and action plans.

In 2022, we developed a new web-based platform for Thrive-related data – Thrive Digital – where suppliers complete their annual submissions. This is an interactive tool integrated with data analytics dashboards.

In addition, we have continued to work to improve traceability and, since 2022, we have been able to improve the granularity of our reporting to farmers who supplied tobacco to BAT for the majority of our Thrive<sup>5</sup> farmer base, rather than our third-party suppliers' total farm base. This helped us to reduce and remediate incidents.

Our Extension Services of expert field technicians play a crucial role in improving human rights management across our directly contracted farmer base. 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.

### Giving Farmers a Voice

We recognise the importance of fair and effective grievance mechanism for farmers and farm workers. That is why 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 2022 showed:

- 99.3% of farmers and farm labourers, who are part of Thrive, reported having access to at least one type of grievance mechanism;
- 100% of grievances raised by Thrive farmers and/or workers were reported as resolved; and
- Regular meetings with farmers/workers or their representatives were reported as the most widely available grievance mechanism. Others used included meetings with unions, local NGO/ government-led mechanisms, and telephone hotlines.

Given how important these grievance mechanisms 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.

### Farmer Living Income Analysis 2022 – Promoting a Positive Impact

In 2022, we reviewed our living income methodology in partnership with an expert consultancy. We are processing the data and analysing different yield ranges for the total farm net income in the Group's own Leaf Operations.

The total farm net income will be compared with global standard benchmarks on living income, and we will be working to create and implement tailored improvement plans with the view to bringing more positive impact and return to the farmers.

**89,000 +**

Number of people engaged via farm business management training delivered by BAT Group's own Leaf Operations and strategic third party suppliers

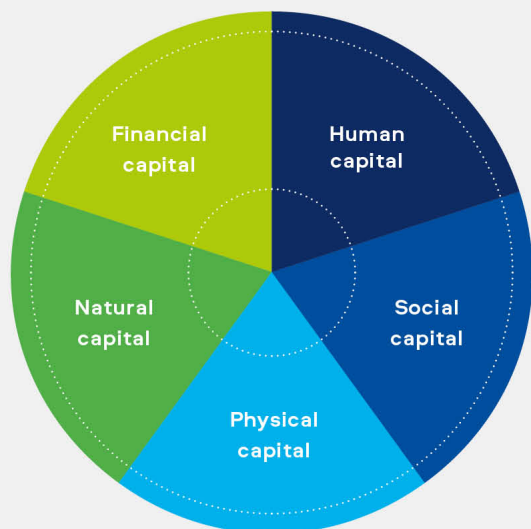
**29,000+**

Number of people engaged at women's empowerment training

**92.8%**

of our directly contracted farmers and those supplying to our strategic third party suppliers reported to grow other crops for food or as additional sources of income

### THRIVE – Five Capitals of success



**Skills, knowledge and human rights**, including capacity building, developing the next generation of farmers, health and safety, and eliminating child and forced labour

**Resources and safety nets for self-sufficiency and resilience**, including networks, grievance mechanisms and women's empowerment

**Technology to enhance growing practices and basic infrastructure to live and work**, including clean water and sanitation, energy, housing and healthcare

**Climate change resilience and the natural resources upon which farming and landscapes rely**, including soil, water, biodiversity and forests

**Profitable farms and sustainable living incomes**, as well as crop diversification and food security

**Note:**

5. Our annual Thrive assessment covers our directly contracted farmers and those of our strategic third party suppliers, representing over 80% of the tobacco purchased by volume in 2022.

## 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 and also to help to mitigate the risks of human rights for our employees worldwide.

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 and only recruitment through vetted vendors is permitted.

### 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. This includes employees, contractors, contingent workers, business partners, customers, suppliers and their workers.

We always listen to these concerns. 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, via ongoing training and communication to help our people see Speak Up as a trusted channel.

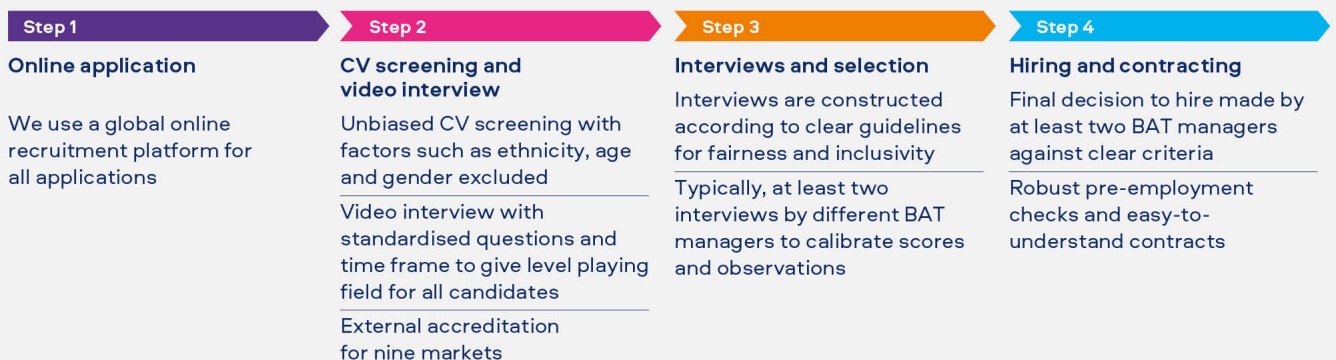
### Investigating and Remediating Workplace Breaches

Our SoBC set out how allegations of wrongdoing or SoBC breaches should be investigated and dealt with fairly and objectively.

In 2022, we received 117 reports of alleged SoBC breaches relating to our Respect in the Workplace and Human Rights Policies.

Upon investigation, actual breaches were found to have occurred in 33 cases – related to Respect in the Workplace issues – and appropriate actions were taken, including disciplinary actions that resulted in eight people leaving BAT. In 40 cases, no evidence of wrongdoing was found, and the remaining cases were still under investigation at the end of the year.

### How we manage and minimise risks in our recruitment process



# 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, and impacts.

## Respecting Human Rights in our Tobacco Supply Chain

Due to inherent challenges in global agricultural supply chains, tobacco may be vulnerable to human rights and modern slavery-related risks. This includes temporary workers' rights, rural poverty and the use of family labour on small family farms. It is estimated by the ILO that 70% of child labour incidents globally occur in agriculture<sup>6</sup>.

Human rights issues can be complex and we know that the situation on the ground can be nuanced. Effective 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.

The majority of our tobacco (63% by volume) is sourced by BAT Group's own Leaf Operations through contracts with over 81,000 farmers, who receive on-the-ground support from our Extension Services of expert field technicians in all crop stages. Because we source the majority of the tobacco we use from our directly contracted farmers, this help us to create positive relationships.

Our Field Technicians visit our directly 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.

### Using our digital platform to protect human rights

Our Farmer Sustainability Management (FSM) system is a digital platform that Field Technicians use to record data.

Field technicians work with our contracted farmers, recording data in the FSM app at each individual farm visit. More than 30% of the criteria are specific to human rights, including interviews with farm workers 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 as appropriate.

To help tackle the challenges of modern slavery and forced labour, we continuously monitor our directly contracted farmers. Our third-party suppliers are expected to do the same and are asked to report their farm monitoring findings, including prompt actions, in our Thrive system.

In 2022, 100% of the BAT-contracted farmers and those of strategic third-party suppliers were monitored for human rights. These due diligence processes identified that one of our strategic third-party suppliers reported six forced labour-related non-compliances. These varied in nature and included unfair pay deductions, pay-related agreements not being met, workers being asked to work while sick, and verbal intimidation. All incidents were immediately investigated and remediated by our supplier, as part of their formal due diligence process, by the end of the growing season.

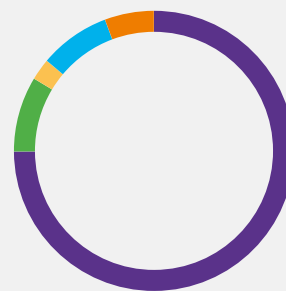
### Playing our part in the Sustainable Tobacco Programme

All of our leaf suppliers are expected to participate in the industry's Sustainable Tobacco Programme (STP). This involves an annual self-assessment against priority themes – such as Human Rights, Farmers Livelihoods, Crop Management, Natural Habitats-Forests-Biodiversity, Soil, Water and Climate Change. Suppliers are assessed against Verisk Maplecroft's risk indices, including for human rights.

Industry guidance is defined for each theme, together with specific goals and indicators to measure impact and track progress.

As a part of the STP, those suppliers with a higher risk profile are prioritised for in-depth, on-site reviews conducted by an independent third party. Based on this process, during 2022, the STP programme piloted 10 in-depth assessments (IDAs) in four countries (Argentina, Brazil, North Macedonia and Mozambique), covering six Leaf suppliers which BAT sourced from. Specifically, suppliers in Brazil and Mozambique were assessed against human rights. In 2023, the STP is planning to expand this on-site review to an additional 22 suppliers in six countries.

## Thrive reported prompt actions 2022<sup>7</sup>



Types of non-compliance incidents reported in Thrive	% breakdown
Handling, use and storage of agrochemicals	74.92
Not following PPE guidance for harvesting	8.71
Recycling or disposal of farm waste	2.50
Controls for preventing child labour	8.18
Others	5.69

## Zero

Aiming for our tobacco supply chain to be free of child labour and forced labour by 2025.

### Notes:

6. 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. License: CC BY 4.0.

7. Our annual Thrive assessment covers our directly contracted farmers and those of our strategic third party suppliers, representing over 80% of the tobacco purchased by volume in 2022.

## Due Diligence Continued

### Reporting and resolving incidents of child labour

We know that eliminating child labour is a challenging and complex issue.

Our Operational Standard on Child Labour is mandatory for BAT Group's own Leaf Operations and is used as a guidance across our third-party leaf suppliers.

In 2022, a total of 942 incidents (2021: 1,790) of child labour\* were reported on 0.38% of farms (2021: 0.70%) in our annual Thrive assessment covering our directly contracted farmers and those contracted by our strategic third party suppliers. The majority of these cases related to under-18-year-olds working on tasks such as watering seedbeds, harvesting and stitching tobacco.

Of these, 100% were reported as resolved during the growing season.

The 2022, 47% reduction in child labour incidents reported was supported by: ongoing implementation of child labour mitigation programmes, farmer training, and stakeholder engagement amongst our directly contracted farmers and those contracted by our strategic third party suppliers. In addition, we have continued to work to improve traceability and, since 2022, we have been able to improve the granularity of our reporting to farmers who supplied tobacco to BAT for the majority of our Thrive farmer base, rather than our third-party suppliers' total farm base. We recognise the complexity of child labour and that monitoring cannot take place on every farm every day of the growing season, so incidents may be hidden or under-reported.

We believe that tracking recurring non-compliance is essential to address root causes. That is why we monitor the recurrence of child labour cases and our remediation plans often involve local community support. In 2022, for over 90% of farmers who identified child labour cases, this was the first incidence of non-compliance reported. When recurring non-compliance is identified the farmer's contract is not renewed for the next growing season.



Find out more about our Group strategy, business model, structure and governance in our [2022 Combined Annual and ESG Report](#).

### Our human rights impact assessment programme

Human rights impact assessments (HRIAs) are a best practice approach to identifying, assessing and responding to actual and potential human rights impacts – these complement our ongoing STP assessment and regular farm monitoring. Each year, we commission assessments for a selection of tobacco-sourcing countries, conducted by independent human rights experts.

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

By the end of 2022, 10 HRIAs had been completed in eight of our tobacco sourcing countries, namely: Bangladesh, India, Indonesia, Mozambique, Pakistan, Turkey, Zimbabwe and North Macedonia. Collectively, these assessments have engaged more than 5,200 rights-holders in tobacco-growing communities.

Where the HRIA identifies potential and actual human rights impacts, a detailed remediation 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 use insights and learnings from each assessment to further strengthen our efforts to identify, prevent and mitigate human rights risks in our tobacco sourcing countries.

# 5,200+

rights-holders engaged via our HRIAs to date

### Respecting human rights in our Product Materials Supply Chain

Beyond the tobacco supply chain, labour factors are considered before we even start working with a new product materials supplier.

Prior to approval, suppliers must undergo an independent due diligence audit, performed by our partner Intertek and aligned to ILO standards. This due diligence covers forced labour, child labour, wages and hours, health and safety, environment and management systems. We expect suppliers to achieve a score of 70% to qualify.

Existing suppliers are externally audited using a risk-based approach. Each year we conduct a 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.

We have extended the labour audits to include lower tier product materials suppliers in business-critical areas for packaging materials and New Category products (i.e batteries, nicotine), and to high-risk suppliers of indirect goods and services, such as machinery and point of sale materials (POSM) suppliers.

In 2022, we partnered with external provider EcoVadis to expand our due diligence programme. This means that direct materials suppliers identified as high risk continue to be audited by Intertek, while all suppliers outside Intertek's scope are assessed through EcoVadis.

We track suppliers' progress against the corrective action plans centrally. We have zero tolerance to serious issues, which, when identified through the audit process, are promptly remediated and validated by an independent auditor.

All other issues, identified either via Intertek or EcoVadis, are completed either by revisits (Intertek) or through a desktop review (Intertek and EcoVadis), for which the supplier provides evidence.

#### Note:

\* Refer to the 'BAT Reporting Criteria' for a full description of key terms and definitions: [bat.com/reporting](https://bat.com/reporting)

## Due Diligence Continued

### Supplier audits and findings

In 2022, 354 social assessments of suppliers located in 55 countries were conducted through our appointed third parties, Intertek and EcoVadis. This comprised:

- 314 tier 1 product materials suppliers;
- 12 lower tier product materials suppliers; and
- 28 indirect goods and services suppliers.

Of all the issues identified, 82% were classified as 'moderate', relating to issues such as hours and wages, poor record-keeping and health and safety procedures.

18% were classified as 'major' and related to excessive working hours, wages below the legal minimum, inadequate fire and emergency preparedness, lack of required permits or licences and poor record-keeping.

The 'major' non-compliance issues identified in these audits and actions comprised:

- Labour standards/Human Rights 86%
- Environmental issues 14%.

73% of corrective actions identified were completed and verified by year-end 2022, with the remainder on track to close by the end of Q2 2023. By the end of 2025, we are aiming for all our product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle.

By the end of 2022, this had been achieved for 36.6% of suppliers in those categories.

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 13% by the end of 2022.

# 100%

product materials suppliers assessed for human rights risks every year

### Product materials supply chain due diligence procedure



## 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 update 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 in our own operations

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 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 2022, our operations in 28<sup>8</sup> countries were identified as high risk and underwent the assessment and Board level review.



**Note:**

8. These included Burkina Faso, Cameroon, Colombia, Côte d'Ivoire, DR Congo, Honduras, Kenya, Mali, Mozambique, Niger, Nigeria, Tanzania, Uganda, Venezuela, Zimbabwe, Bangladesh, China, Egypt, Indonesia, Iraq, Lebanon, Pakistan, Papua New Guinea, Saudi Arabia, Sudan, Belarus, Russia and Turkey.

# Training and capacity building

## Delivering Human Rights Training to Farmers and Their Communities

The Group's own Leaf Operations and strategic third-party suppliers provide human rights training and awareness programmes for farmers and community members, with a focus on child labour, forced labour and workers' rights. In 2022, over 348,000 attendees were reported to have received this training and we also provided refresher training about Prompt Action procedures and governance to the Group's own Leaf Technicians.

## Our Suppliers

Some 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 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.

## 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.

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 includes scenarios covering issues of discrimination and modern slavery in work situations.

In 2022, 100% of Group company employees completed the SoBC training and sign-off. This included over 26,000 employees who completed the annual SoBC sign-off and e-learning through our online SoBC portal.



# 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.

## Next Steps

In 2022, we have maintained our efforts to respect human rights and tackle human rights risks with a particular focus on farmers' monitoring and training, governance, policies and procedures. Our progress includes:

- Improving access to grievance mechanisms;
- Increasing the coverage of our human rights impact assessments (HRIAs); and
- Expanding our due diligence programme by partnering with EcoVadis.

In 2023, we will continue to focus on the following activities:

- Revising our Supplier Code to incorporate best practices;
- Increasing our focus on remediation plans and supplier capability build; and
- Progressing our 'Living Income' analysis.


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 2022 performance

**100%**

percentage of employees that completed annual SoBC self-assessment.


**2021: 100%**

 Find out more on [page 14](#)

**10**

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

**2021: 6**

 Find out more on [page 11](#)

**354**

independent supplier labour audits conducted.

**2021: 142**

 Find out more on [page 12](#)

**73%**

of supplier corrective actions verified as completed by Intertek by year-end, balance to be completed Q1 2023.

**2021: 64%**

 Find out more on [page 12](#)

**36,000+**

cumulative downloads of our SoBC app


**2021: 27,000**

 Find out more on [page 9](#)

**5,200+**

rights-holders engaged via our HRIAs to date

**2021: 1,300**

 Find out more on [page 11](#)

**100%**

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


**2021: 100%**

 Find out more on [page 11](#)

**348,000+**

attendances at human rights training delivered by BAT Group's own Leaf Operations and strategic third-party leaf suppliers.

**2021: 350,817**

 Find out more on [page 14](#)



# Approval by BAT Group Subsidiaries

This statement has been approved by the Board of Directors, and signed by a designated director, of each relevant BAT Group subsidiary company.

Approval by BAT Group Subsidiaries		
Company	Director Name	Signature
British American Shared Services (GSD) Limited		DocuSigned by: Pawel Podziejewski A57DD0917871411...
British American Tobacco (GLP) Limited		DocuSigned by: Suman F. Taty C98C11B7A542479...
British-American Tobacco (Holdings) Limited		DocuSigned by: Zafar Khan A9DBEE4617D440...
British American Tobacco (Investments) Limited		DocuSigned by: Zafar Khan A9DBEE4617D440...
British American Tobacco Exports Limited		DocuSigned by: ELEM ROMANUK C2A9B0FF9DF8436...
British American Tobacco Services Limited		DocuSigned by: [Signature] E3320C8CB953417...
British American Tobacco Taiwan Logistics Limited		DocuSigned by: [Signature] E3320C8CB953417...
British American Tobacco UK Limited		DocuSigned by: Maini Morrison 83F516F08176480...
Nicoventures Trading Limited		DocuSigned by: Zafar Khan A9DBEE4617D440...

# Further information

## About This Statement

This is our seventh 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 2022, 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' 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.

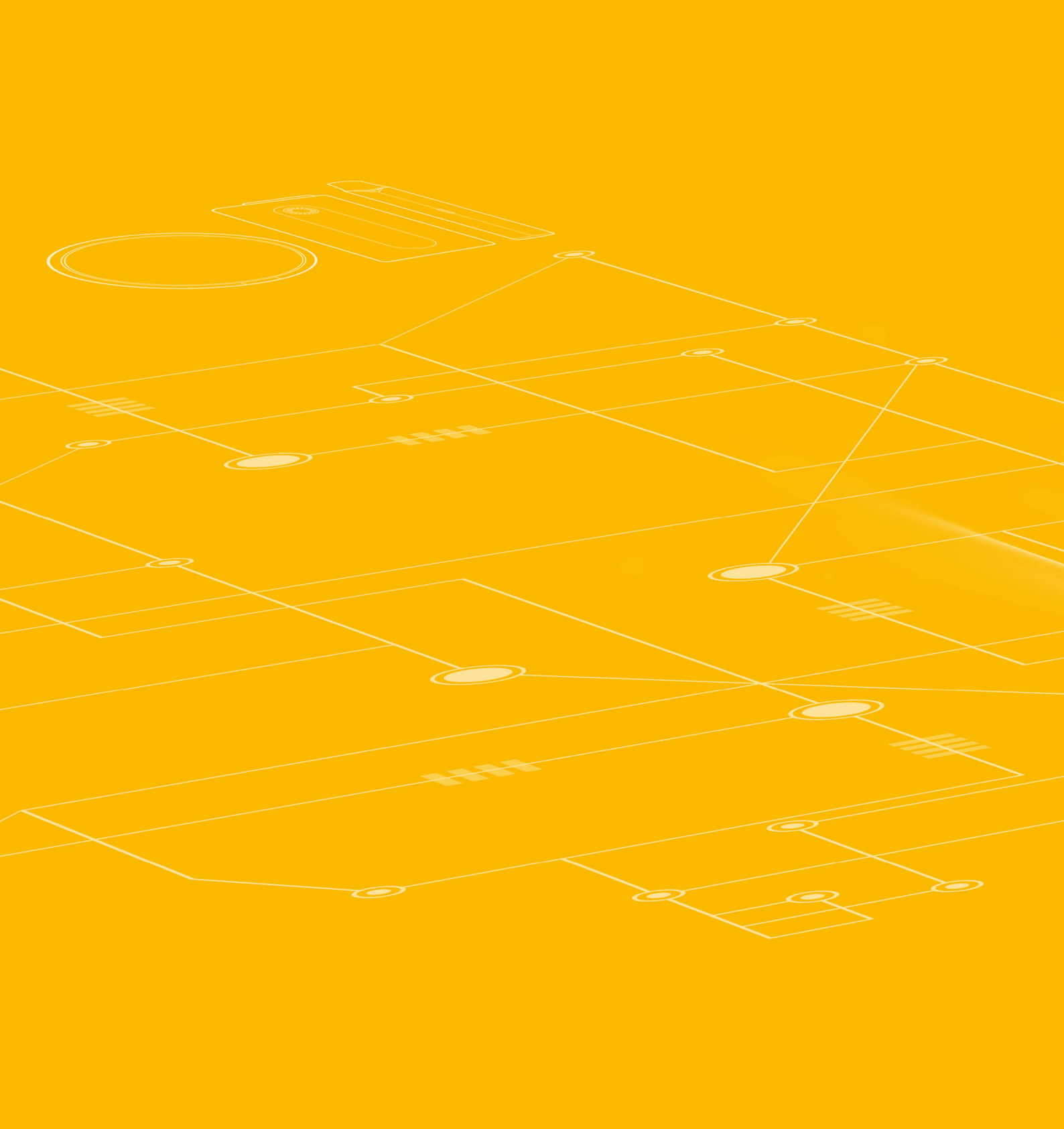
The forward-looking statements reflect knowledge and information available at the date of preparation of these materials, and the Group undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned 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>

## Our Suite of Corporate Publications

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



-  For downloads and access to our entire reporting suite, for this and prior years, visit [www.bat.com/reporting](http://www.bat.com/reporting)
-  Our '**2022 Combined Annual and ESG Report**' contains full details on our Sustainability and ESG reporting, performance and highlights for the year.
-  See our '**2022 Reporting Criteria**', for more detail on all key definitions and terms used in this report, and our wider Sustainability and ESG performance for the year.



## 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](http://www.bat.com/reporting)



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