MODERN SLAVERY STATEMENT 2019
OUR BUSINESS AND SUPPLY CHAIN

This statement is published in accordance with the UK Modern Slavery Act 2015. It sets out the steps taken by British American Tobacco (BAT) plc and Group companies¹, during the year ending 31 December 2019, to prevent modern slavery and human trafficking in our business and supply chain.

Our commitment

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

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. Modern slavery encompasses slavery, servitude and forced or compulsory labour and human trafficking, as defined in UK Government guidance².

In 2019, 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.

Our business

BAT is a leading, multi-category consumer goods company. Our ambition is to deliver long-term sustainable growth with a range of innovative and less harmful products that stimulate the senses of new adult generations. In 2019, our Group revenue was £25,877 million, we had 45 cigarette factories in 43 countries and our brands were distributed across over 200 markets.

Our Group headquarters is based in the UK and we have subsidiary operations around the world, employing over 53,000 people. Our employees work in a range of roles and environments, including managerial office-based, manufacturing and operations, trade marketing and distribution, and research and development.

The Board of Directors of BAT plc (the ‘Company’) is collectively responsible to our shareholders for the long-term sustainable success of the Company and for the Group’s strategic direction, purpose, values and governance. It provides the leadership necessary for the Group to meet its business objectives within a robust framework of internal controls.

The Board 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. This 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.

Our Management Board, chaired by our Chief Executive, is responsible for overseeing the implementation of Group strategy and policies set by the Board, and creating the framework for Group subsidiaries’ day-to-day operations.

Find out more about our Group strategy business model, structure and governance in our Annual Report at bat.com/annualreport.

Key achievements in 2019

– Updated our Human Rights Policy to include strengthened human rights and modern slavery provisions;
– Conducted two independent human rights impact assessments in tobacco growing areas in India and Indonesia;
– Published an independent research study into the impacts of tobacco growing and the role it plays in rural livelihoods;
– Continued to extend the scope of our Intertek supplier audits to additional supplier categories;
– Implemented a new due diligence framework for the responsible sourcing of conflict minerals; and
– Underwent an independent gap analysis of our approach to modern slavery with experts from the Slave-Free Alliance.


Find out more about our human rights strategy at bat.com/humanrights.
Our supply chain
Our supply chain consists of two discrete elements, managed by different areas of the business.

Tobacco leaf
Our global Leaf department has centralised management over our tobacco leaf supply chain. The majority (approximately 68%) of our tobacco leaf is sourced by our own BAT leaf operations in 18 countries, which contract directly with over 90,000 farmers. The remaining leaf we buy is sourced through third-party suppliers in 26 countries that, in turn, contract with an estimated 250,000 farmers.

The vast majority of tobacco farms in our supply chain are smallholder family farms of just two hectares on average. In addition, there are a small number of larger, commercial farms in countries such as Mexico, the US and Zimbabwe.

Other materials and goods and services
Managed by our Procurement department, the highest-value strategic area of this part of our supply chain is for direct product materials suppliers. These cover all the materials, other than tobacco leaf, needed for the manufacture of Group products, such as filters, paper and adhesives for cigarettes, or electronic devices and e-liquids for vapour and tobacco heating products.

As well as thousands of materials suppliers that supply BAT companies directly (tier 1), we also have mapped a small number of suppliers of our suppliers (tier 2) in higher-risk, business-critical areas, such as for batteries and packaging materials. We’ve put in place direct contractual relationships with these tier 2 suppliers to better manage risk and ensure security of supply.

In addition, we have a vast number of tier 1 suppliers of indirect goods and services worldwide. These include a wide range of different types of suppliers in different sectors, such as production machinery, logistics, facilities management, professional services, business travel, IT and technology, and marketing materials.

Tobacco leaf

- 400,000+ tonnes of tobacco leaf purchased each year
- Subject to the industry-wide Sustainable Tobacco Programme (see page 4)

- 68% via BAT leaf operations in 18 countries
- 32% via third-party suppliers in 26 countries

- 90,000+ farmers
- 250,000+ farmers

Other materials and goods and services

- 30,000+ suppliers across 150 countries
- Subject to human rights risk assessments and independent on-site audits by Intertek (see page 5)

- Direct product materials
  - Filters, paper, adhesives, vapour devices, e-liquids etc.
- Indirect goods and services
  - Production machinery, logistics, marketing materials, facilities management, travel, IT, professional services etc.

- Strategic, high-risk tier 2 suppliers e.g. batteries and packaging
GROUP POLICIES

We have a number of policies, principles and standards in place relevant to human rights and modern slavery, including the core documents described below, which are signed and endorsed at Board level and apply to all BAT Group companies worldwide. They are publicly available at bat.com/principles.

Standards of Business Conduct

Our Standards of Business Conduct (SoBC) comprise our core global policies that express the high standards of integrity we are committed to upholding. This includes our Human Right Policy outlining our support for the UN Guiding Principles on Business and Human Rights (UNGPs) and detailing our commitments to respect freedom of association and ensure no child labour, exploitation of labour or modern slavery. Specifically, it states “we are committed to ensuring our operations are free from slavery, servitude and forced, compulsory, bonded, involuntary, trafficked or unlawful migrant labour.”

The SoBC applies to all Group companies and employees, including subsidiaries and joint ventures that BAT controls. We ask contractors, secondees, trainees, agents and consultants working with us to act consistently with our SoBC and apply similar standards within their own organisation.

We regularly review the SoBC to ensure our policies remain at the forefront of best practice and, in 2019, made revisions which took effect from 1 January 2020. This included clarifying our commitments to prohibiting the use of recruitment fees or retention of identity papers by any Group company or employment agencies acting on our behalf. In addition, the SoBC Whistleblowing Policy was amended to use ‘Speak up’ terminology (including renaming the policy) to reflect the broad range of issues it covers and the different channels for how these concerns can be raised.

The SoBC is available in 12 languages and awareness and understanding is promoted through regular training and communications.

Compliance procedures

Every year, all of our people 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. Details of all reported incidents are monitored through the year by our Regional Audit and CSR Committees, and quarterly by the Board Audit Committee.

We investigate all suspected incidents and strong action is taken where a breach is identified, including disciplinary action or termination of employment and strengthening of our internal procedures or controls. If any breach is found that may have been criminal, this is referred to the authorities for investigation and could result in prosecution.

Supplier Code of Conduct

Our Supplier Code of Conduct (the Code) defines the minimum standards expected of our suppliers 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.

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

Compliance procedures

We monitor compliance with the requirements of the Code through our due diligence programmes outlined on pages 4–5.

While we always try to support our suppliers in ensuring compliance with the requirements of the Code and improving their performance, if they are unwilling to engage with us or demonstrate no material progress, persistent inaction and a lack of improvement, we reserve the right to terminate the business relationship.

Speak up channels

We encourage anyone working for, or with, the Group to raise concerns or grievances through our Speak up channels. These independently managed channels are available online, by text and telephone hotlines, 24 hours a day, seven days a week and in multiple local languages. They can be used in confidence (and anonymously, if they prefer to do so), without fear of reprisal.

We promote Speak up through regular staff training and communications, and details are communicated to suppliers via our Supplier Code of Conduct.

bat.com/speakup
DUE DILIGENCE

We have assessed the nature and extent of exposure to modern slavery risks in our business and supply chain to inform our approach and ensure we prioritise our efforts in the right areas.

Tobacco leaf supply chain
Due to the nature of the agricultural sector, where there are large numbers of casual and temporary workers, use of family labour in small-scale farming and high levels of rural poverty, our tobacco leaf supply chain is particularly vulnerable to human rights and modern slavery issues.

For example, the International Labour Organization (ILO) estimates that the agricultural sector accounts for 11% of all incidents of forced labour3 and over 70% of all child labour globally4. Debt bondage can also be a particular concern if farmers borrow money to invest in growing a crop but don’t 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, countries5, and so our due diligence procedures apply to all our leaf operations and suppliers, in all countries.

Supplier due diligence
It is our policy that all of our leaf operations and third-party suppliers participate in the Sustainable Tobacco Programme (STP). STP was developed collectively by the tobacco industry in 2015, under the facilitation of the independent supply chain management company AB Sustain. It is an industry-wide programme and is aligned to international standards, such as those of the ILO and the UNGPs. It replaced our previous Social Responsibility in Tobacco Production programme which, from 2000 until 2015, set the standard for all our leaf suppliers worldwide.

STP includes a comprehensive self-assessment that all suppliers complete each year, focused on four key pillars: crop, environment, people and facilities. The people pillar covers a broad range of human rights criteria including child and forced labour, health and safety, fair treatment, freedom of association, income, working hours and benefits. The forced labour criteria, include the prevention of bond, debt and threat, freedom to leave employment, use of financial deposits, withholding of payments, retention of identity documents and valuables, and prison and compulsory labour.

In addition to the annual self-assessments, supplier on-site reviews are conducted by AB Sustain in a three-year cycle. For the first cycle ending 2018, these had been completed on 100% of our leaf operations and suppliers.

Since late 2018, a Steering Committee, formed by industry members including BAT, has been conducting an in-depth review of STP to evolve and improve it. This has included engagement with suppliers and other relevant stakeholders and reviews of external standards and emerging issues.

The development and testing of the updated STP, with a stronger focus on impact, risk and continuous improvement, that will be piloted later in 2020.

During this period of development, in 2019, suppliers continued to complete the annual STP self-assessment, but there were no on-site reviews. As a result, BAT commissioned bespoke human rights impact assessments conducted in tobacco growing areas in Indonesia and India in 2019, with two more planned for 2020 in Mozambique and Mexico. Recognising that cross-industry action is needed to effectively address human rights issues in the tobacco leaf supply chain, the assessments in India and Mozambique are in collaboration with the wider industry.

These assessments help to identify, and provide a deeper understanding of, salient human and labour rights, land and environmental and socio-economic issues, including the root causes and how they manifest. They are aligned to the UNGPs and considerable care is also taken to engage with particularly vulnerable groups in the tobacco-growing communities, such as women, youth and the elderly. The results provide valuable insights into the issues rights-holders face in their communities from their perspective.

We are in the process of analysing the findings from the assessments in Indonesia and India. We will report on the details in a Human Rights Focus Report, to be published later in 2020.

Farm monitoring
Our own leaf operations conduct farm monitoring of our 90,000+ directly contracted farmers, visiting them approximately once a month during the growing season. As well as providing agronomy support, this is an important way of checking conditions to ensure they’re meeting our standards.

Our digital Farmer Sustainability Management (FSM) system, which enables faster, more consistent and accurate reporting, is now used for the monitoring of over 90% of our directly contracted farmers. This includes ‘red flags’ for issues relating to child and forced labour, for which prompt action must be taken to investigate and remediate.

Our third-party suppliers are responsible for monitoring the farmers they source from.
Other materials and goods and services

Our direct product materials suppliers operate in the manufacturing sector, which the ILO estimates accounts for 15% of forced labour and 11.9% of global child labour, with the majority of cases documented in lower-income countries. The key forced labour risks identified by the ILO relate to excessive working hours and production targets, payment of high recruitment fees, illegal retention of passports and, in some cases, illegal imprisonment and beatings of workers.

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 labour and 17.2% of child labour is estimated to be in low-skilled service sectors, whereas the risks in professional services are likely to be lower.

Supplier due diligence

We have an integrated human rights supply chain due diligence programme in place, overseen by a cross-functional governance committee, including the Group Head of Procurement, Heads of Direct, Indirect and New Categories Procurement, Head of Sustainability, Head of Environment, Health and Safety, Head of Trade Compliance and Senior Legal Counsel.

Before any supplier of product materials can even be appointed as a new supplier to BAT, they have to undergo an independent on-site audit, for which they must achieve a minimum score of 70% to be approved. Conducted by the global firm Intertek, the audit is aligned to ILO conventions and covers forced labour, child labour, wages and hours, health and safety, environment and management systems.

Suppliers identified as high-risk in the assessment are prioritised for Intertek audits. Performance in the suppliers’ last audit also informs the frequency – for example, those that have achieved a ‘gold-class’ score of 95% or more have demonstrated they have strong practices and procedures in place to manage and mitigate the inherent human rights risks, and so are re-audited at least every four years. However, those with a ‘bronze class’ score between 70%–84% are re-audited every two years.

If any issues are identified in the audits, we work collaboratively with suppliers to implement corrective actions. These are tracked centrally and Intertek verifies they have been completed either through a desktop review, for moderate issues, or a follow-up audit within 3–6 months for more serious issues.

We continue to take a risk-based approach to further expand our audit programme beyond tier 1 direct suppliers. By the end of 2019, the audits had been successfully expanded to include tier 2 direct materials suppliers in high-risk, business-critical areas, such as for packaging materials and electronic products, and to strategic indirect goods and services suppliers in the higher-risk categories of production machinery, marketing materials and facilities management.

In 2019, a total of 94 supplier audits in 31 countries were conducted by Intertek, including 65 audits of tier 1 materials suppliers, 20 audits of tier 2 materials suppliers and nine audits of indirect goods and services suppliers.

Conflicts minerals

With the growth of our electronic vapour and tobacco heating products, we recognise the human rights risks associated with conflict minerals – the term used to describe some of the raw materials (tin, tantalum, tungsten and gold) used throughout the global electronics industry.

In 2019, we implemented new conflict minerals due diligence procedures, aligned to internationally recognised guidelines by the Organisation for Economic Co-operation and Development (OECD). We will publish details of this in our first Conflict Minerals Report, a separate statutory disclosure to the US Securities and Exchange Commission, later in 2020.

5 ILO (2017a) op. cit.
6 ILO (2017b) op. cit.
7 Bangladesh, Brazil, China, El Salvador, France, Germany, India, Indonesia, Italy, Kenya, Malaysia, Mexico, Netherlands, Nigeria, Pakistan, Philippines, Poland, Portugal, Russia, Singapore, South Africa, South Korea, Sri Lanka, Sweden, Thailand, Turkey, UK, Ukraine, United Arab Emirates, US and Vietnam.
**BAT subsidiary operations**

As detailed on pages 1 and 3, the Group policies and procedures we have in place help to substantially mitigate the risks of modern slavery in our subsidiary operations.

It is also a specific requirement in our key business controls for human rights risk assessments and risk mitigation action plans to be in place 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. All BAT operations are required to report compliance against the controls annually.

**Human rights due diligence**

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

The starting point is an annual risk assessment of all countries worldwide, using Verisk Maplecroft’s human rights indices (including the Modern Slavery Index) to identify BAT operations in countries with higher risks for human rights issues. Our Board Audit Committee reviews the list of high-risk countries identified and also has the opportunity to add further countries to the review, in the event of new developments in human rights or business circumstances.

Following this Board review, the next stage is a requirement for our Legal and External Affairs teams in each high-risk country to conduct an in-depth assessment against key human rights issues, including modern slavery. For each human rights issue, they confirm compliance with Group policies, standards and controls, and provide details of any additional local measures in place to enhance human rights management.

The final stage of the annual cycle is a review of the results of the assessments by our Audit Committee. This includes a dashboard of the compliance status for each country and details of action plans, with defined timescales, for any areas for improvement identified.

In 2019, our operations in 25 countries were identified as high risk and underwent the assessment and Board reviews.

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8 Bangladesh, Cameroon, China, Colombia, Democratic Republic of Congo, Egypt, Eritrea, Indonesia, Iran, Iraq, Lebanon, Mali, Mozambique, Myanmar, Niger, Nigeria, Pakistan, Papua New Guinea, Russia, Saudi Arabia, Sudan, Turkey, Uzbekistan, Venezuela and Zimbabwe.
MANAGING RISK AND REMEDIATION

We are committed to fully investigating and remediating any modern slavery issues identified, and to working collaboratively to raise standards and mitigate longer-term risks and root causes.

Tobacco leaf supply chain
In 2019, ‘red flags’ relating to forced labour were triggered in our FSM system through farm monitoring conducted by our leaf operations in Bangladesh, Kenya, Mexico and Sri Lanka. These were promptly referred to our Legal and External Affairs function to conduct detailed investigations, which included a total of 644 interviews with the farmers and workers flagged in the original farm monitoring.

While no evidence of forced labour was found, some issues were identified relating to procedures and controls for our farm monitoring system and the need for further training for our field technicians. Actions to address these are underway and we continue to track progress and review our approach to identify further areas for improvement.

Extension Services
We recognise that rural poverty is one of the primary root causes of human rights issues in agriculture and so enhancing farmer livelihoods is central to our strategy and the work of our Extension Services. These consist of a global network of expert field technicians who provide on-the-ground support, technical assistance and capacity building for all 90,000+ farmers who we contract with directly. They work with all our contracted farmers to help them optimise the profitability of their farms, such as by providing them with new tobacco seed varieties, developed by our Leaf Science & Research, that increase yields and, therefore, their productivity.

The services our field technicians provide range from agreeing contracts to providing guidance, support and technical assistance throughout the growing season. They also run regular farmer training programmes focused on raising awareness of key issues, including child labour, forced labour and health and safety, and regularly engage and consult with farmers’ associations and collectives.

The field technicians play an active and important role in rural communities, acting as a direct link between our contracted farmers and BAT, building trusted relationships and gaining unique insights into the challenges farmers face. Their regular farm visits mean that, as well as providing agronomy support, they are also able to check conditions on the ground and help provide a further safeguard against forced or bonded labour being used within our tobacco leaf supply chain.

The work of our Extension Services also helps to mitigate key risks. For example, to help mitigate the risks of debt bondage, our contracts with farmers are negotiated each year – guaranteeing to buy their tobacco crop at a fair and agreed price, as well as detailing the support and training they’ll receive from our Extension Services. We also give them the option to access financial advances to pay for crop inputs, such as seeds and fertilisers, which they repay at the end of the season.

In some cases, farmers also choose to take out low-interest loans from us for larger farm investments, such as new equipment or technology, which they repay over a longer time period. This works in the same way as a bank loan, with a clearly defined interest rate and repayment period. In Brazil, for example, 25% of our contracted farmers have chosen to take advantage of these loans for inputs and investments. Since 2011, 99.9% have been fully repaid within the agreed time period.

Our third-party suppliers use a similar extension services model to provide guidance, technical assistance and capacity building for the farmers they contract.

Thrive programme
Our Thrive programme takes a holistic approach to identifying and addressing root causes and longer-term risks for our farmers and their communities. It is based on the internationally recognised ‘five Capitals’ framework, which works on the premise that to be sustainable, farming communities must be ‘in credit’ across five types of ‘Capital’: financial, natural, physical, human and social. Strength in all five creates resilience and enables farmers and rural communities to prosper.

We have defined a set of indicators to measure strength in each Capital, including for our global priorities to increase farmer income, prevent child and forced labour, and protect farmers’ health and safety.

In 2019, over 250,000 farmers were assessed through our Thrive programme, covering over 80% of our total tobacco leaf purchases. We use the results to define priority actions for our leaf operations focused on addressing our global priorities and the locally relevant issues identified.
External allegations

In 2019, The Guardian newspaper in the UK published allegations relating to illegal migrants working in tobacco growing in the Campania region of southern Italy. These included allegations of low wages, child labour, long working hours and health and safety breeches. Approximately 0.05% of the total tobacco leaf we purchased in 2019 was from a third-party supplier in this region.

In response to the allegations, we engaged with the supplier and reviewed detailed evidence of their policies and application of human rights and health and safety standards, including details of audits and unannounced visits, prompt actions and training. While the supplier has documented migrant workers on their contracted farms, we found that practices are in place to ensure that the migrant farm labourers are working legally and that consistent standards for their employment are applied across the contracted farms.

Our supplier is confident that there are no illegal migrant workers employed on contracted farms they source tobacco from in the Campania region. However, given the seriousness of the allegations, they have committed to continued unannounced visits to farms, further expanding their training programme and conducting worker interviews from the next crop season. We continue to monitor the situation closely.

In addition, the law firm Leigh Day sent a pre-action letter to certain BAT Group companies in October 2019, which included allegations concerning child and forced labour on tobacco farms in Malawi. A response was provided in December 2019.

BAT does not contract farmers directly in Malawi – all the tobacco leaf we source from there is currently purchased through two international leaf suppliers that, in turn, contract directly with farmers. These suppliers are subject to our Supplier Code of Conduct and due diligence procedures described on page 4.

Overall, the total amount of leaf we currently purchase from Malawi accounts for less than 1% of the total tobacco we source in a year. The annual tobacco crop in Malawi is around 160 million kilograms, of which we currently buy around three million kilograms – less than the amount purchased by a number of other international tobacco manufacturers.

In 2019, we were pleased to see the resolution of a compliant made in 2016 regarding tobacco growing in the US, which found that BAT had not breached its obligations under the OECD Guidelines for Multinational Enterprises relating to human rights and due diligence. The complaint was made by the IUF union and the Farm Labor Organizing Committee to the UK National Contact Point (UK NCP) for the OECD Guidelines – full details can be found in the UK NCP’s final statement9.

Other materials and goods and services

Of the audits conducted in 2019, the vast majority of issues identified were categorised by Intertek as ‘moderate’, relating to hours and wages, poor record keeping, and health and safety procedures.

In total, 11 suppliers had issues identified that were categorised as ‘major’ by Intertek. These related to preventing worker interviews, excessive working hours, wages below the legal minimum, fire and emergency preparedness, lack of required permits or licenses, poor record keeping and, in one case, retention of workers’ original documents.

By the end of the year, 71% of corrective actions had been fully completed and verified by Intertek, in desktop reviews for the moderate issues and 11 on-site follow-up audits for the major issues. All outstanding actions are in progress and being closely monitored.

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 73%.

BAT subsidiary operations

In 2019, no issues relating to modern slavery were identified through our due diligence for BAT operations in high-risk countries. There were also no incidents of improper business conduct relating specifically to modern slavery, identified through our Speak up channels, whistleblowing and grievance procedures.

Independent research

In 2019, IMC Worldwide, one of the world’s leading international development consultancies published research, commissioned by BAT, into the impacts of tobacco growing on rural communities. This included field research in three contrasting countries – Bangladesh, Brazil and Kenya – involving a total of 257 interviews, as well as a critical review of existing published literature relating to the social and environmental impacts of tobacco growing.

IMC found no evidence of entrapment or indicators of debt bondage among the tobacco farmers interviewed. Farmers reported choosing to grow tobacco due to its high value and reliable income, and movement in and out of tobacco growing did not indicate any picture of entrapment through debt.

Overall, IMC concluded that tobacco growing plays an important and positive role the livelihoods of tobacco farmers and labourers interviewed, and found no evidence to suggest a causal link between tobacco cultivation and poverty.

Details of all reported incidents contrary to our Human Rights Policy can be found on page 32 of our ESG Report at bat.com/sustainabilityreport.

IMC’s research report, including our response to the findings, can be found at bat.com/farmers/research.
TRAINING AND CAPACITY BUILDING

In 2019, over 25,000 employees completed our annual SoBC sign-off and e-learning through the online SoBC portal. Other employees (over 30,000) who do not have easy online access completed the SoBC sign-off in face-to-face sessions that included training.

The 2019 SoBC training focused on raising awareness of the requirements of the SoBC and the responsibilities of all employees to act with integrity and speak up when they think something isn’t right. The e-learning through the SoBC online portal resulted in over 10,800 training hours. For the first time, employees were also asked to make an ‘integrity pledge’ – a positive personal commitment for the year ahead.

In 2019, we also launched a new SoBC app, available in 12 languages, which provides easy access to our SoBC, Speak up channels, procedures and related guidance for anyone, any time and anywhere. We have ambassadors for the app across the Group who work to promote it in their business areas and to help shape how it evolves.

In our tobacco leaf supply chain, our leaf operations and third-party suppliers run formal training and awareness sessions on human rights issues for farmers and community members through the year. In 2019, they reported via our Thrive assessments running over 5,000 training sessions with more than 350,000 attendances, including farmers who attend several sessions in the year.

100% employees completed our annual Standards of Business Conduct training and compliance sign-off procedure

5,000 training sessions for farmers on human rights were held in 2019 by our leaf operations and third-party suppliers

Slave-Free Alliance gap analysis

In 2018, we became members of the Slave-Free Alliance, a multi-stakeholder initiative, owned by the anti-slavery charity Hope for Justice. This enables us to engage with other like-minded companies and gain access to unique resources provided by the Hope for Justice investigators, trainers and other frontline specialists.

As part of our membership, we underwent an in-depth gap analysis of our approach to tackling modern slavery in 2019. Through a self-assessment, followed by interviews with managers from key areas of our business, experts from the Alliance investigated and explored our strengths and potential risks, tested our assumptions and assisted with prioritising where to focus our efforts going forward.

For example, we were pleased to be reassured regarding the robustness of our policies, compliance and recruitment procedures, which help to substantially mitigate risks of modern slavery in our own business operations. Some opportunities for strengthening and enhancing our approach to tackling modern slavery, particularly in our supply chain, were also identified, for which we are now developing a comprehensive action plan.

Find out more about the Slave-Free Alliance at slavefreealliance.org.
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 always aim to go beyond minimum legal requirements. We review our policies and procedures on an ongoing basis to ensure they remain effective and identify opportunities to further enhance and strengthen our approach. This includes regular monitoring by our Board Audit Committee and Regional Audit and CSR Committees, as well as our Operations Sustainability Forum, chaired by our Operations Director, and our Supply Chain Due Diligence Governance Committee.

In 2019, our global ‘Your Voice’ survey was completed by 90% of all our employees and found that 79% strongly agreed they “can report concerns about actual or suspected wrongdoing at work without fear of reprisal”, 8% higher than the benchmark of similar consumer goods companies. This level of confidence is reflected in a 40% increase, compared to 2018, of Speak up contacts made to our SoBC portal. Out of these contacts, the number relating to SoBC allegations and reported to our Audit Committee, represented a 35% increase on 2018 SoBC allegations.

Next steps
Building on our strong foundations, and in the context of our overall Sustainability Agenda, in 2020 we plan to:

- Continue working with the industry to develop and evolve the Sustainable Tobacco Programme;
- Develop an action plan in response to areas for improvement identified in the Slave-Free Alliance gap analysis;
- Publish our first Conflict Minerals Report;
- Publish a Human Rights Focus Report, including details of human rights impact assessments in Indonesia and India; and
- Conduct two further human rights impact assessments in Mozambique and Mexico.

Approval
This statement has been approved by the Board of Directors of BAT plc and the Board of Directors of all relevant Group subsidiary companies listed in footnote 1 on page 1.

Jack Bowles
Chief Executive Officer

Our key performance indicators (KPIs)

<table>
<thead>
<tr>
<th>KPI</th>
<th>2019 Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported incidents and results of investigations into suspected improper conduct contrary to our Standards.</td>
<td>No incidents relating specifically to modern slavery were identified. Details of all types of reported incidents can be found at bat.com/sobc.</td>
</tr>
<tr>
<td>Number, and results, of reviews and audits conducted as part of our due diligence processes for our suppliers and business operations.</td>
<td>See pages 4–6 for details of our due diligence processes, and pages 7–8 for details of the results and actions taken.</td>
</tr>
<tr>
<td>Percentage of issues identified in Intertek audits that have been resolved through corrective action plans.</td>
<td>71% of corrective actions had been fully completed and verified by Intertek by end 2019. See page 8 for details.</td>
</tr>
<tr>
<td>Number of employees who have completed our annual compliance sign-off procedures for our SoBC.</td>
<td>This was completed by 100% of all employees in 2019. See page 9 for details.</td>
</tr>
<tr>
<td>Number of training sessions for tobacco farmers on human rights that have been run by our leaf operations and third-party suppliers.</td>
<td>Over 5,000 sessions with more than 350,000 attendances were held in 2019. See page 9 for details.</td>
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Progress against commitments in our 2018 statement

<table>
<thead>
<tr>
<th>Commitment</th>
<th>2019 Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission an independent human rights impact assessment in one of our tobacco leaf sourcing countries.</td>
<td>✔ Completed – see page 4 for details.</td>
</tr>
<tr>
<td>Review and strengthen our due diligence procedures for other types of higher-risk suppliers of indirect goods and services.</td>
<td>✔ Completed – see page 5 for details.</td>
</tr>
<tr>
<td>Establish a new conflict minerals due diligence procedure for our suppliers for electronic vapour and tobacco heating products.</td>
<td>✔ Completed – see page 5 for details.</td>
</tr>
<tr>
<td>Work with Hope for Justice, as part of our new membership of its Slave-Free Alliance, to conduct an in-depth review of our approach to tackling modern slavery.</td>
<td>✔ Completed – see page 9 for details.</td>
</tr>
<tr>
<td>Publish a Human Rights Focus Report.</td>
<td>✔ In progress – the report will be published later in 2020.</td>
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</tbody>
</table>
References in this statement to 'British American Tobacco', 'BAT', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. and when denoting tobacco business activity refer to British American Tobacco Group operating companies, collectively or individually as the case may be.

The statement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates. It is believed that the expectations reflected in these statements 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.