



Supplier Code of Conduct



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Foreword	3
Introduction	4
Scope and application	4
Compliance	4
Contacting BAT	4
Legal compliance	5
Respecting human rights	5
Environmental sustainability	6
Responsible marketing	6
Business integrity	6
Conflicts of interest	6
Bribery and corruption	7
Gifts and entertainment	7
Sanctions	7
Illicit trade	8
Reporting concerns	9
Compliance monitoring	9

FOREWORD

“At BAT, we have a long-standing commitment to operating to the highest standards of corporate conduct. Importantly, this approach covers both our own business operations and our wider supply chain.

Worldwide, we work with thousands of suppliers of direct materials (such as tobacco leaf, cigarette packaging and filter materials), indirect materials (such as machinery) and services (such as IT consultancy).

While this Code of Conduct sets out the minimum standards we expect of our suppliers, we also encourage them to strive for continuous improvement within their own operations and supply chains.

We recognise the different circumstances and challenges our suppliers face and believe by working together we can raise standards, drive sustainable practices and create shared value for all.”

Alan Davy, Group Operations Director, March 2016





INTRODUCTION

BAT's Standards of Business Conduct (SoBC) express the high standards of business integrity that we require from our companies and employees worldwide. This Supplier Code of Conduct complements the SoBC by defining the minimum standards we expect our suppliers to adhere to.

This Code supports our continuing commitment to respect human rights and uphold international standards, including the United Nations (UN) Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

Scope and application

All suppliers are expected to meet the requirements of this Code in order to supply goods or services to BAT and any BAT Group company (collectively 'BAT'). This requirement is incorporated into our contractual arrangements with suppliers.

In addition, suppliers should:

- Take steps to ensure that all their employees and contract workers understand and adhere to the requirements of this Code, including (where appropriate in terms of the nature of supplier and the goods or services provided) maintaining adequate policies, procedures, training and support.
- Promote adherence to the requirements of this Code within their own supply chain by making it available to their own new and existing sub-suppliers (including farmers where relevant).

Compliance

We recognise that certain suppliers will face legitimate challenges in immediately meeting every facet of this Code. As our ultimate goal is to drive the continuous improvement of standards within our supply chain, we are committed to working with such suppliers over time to help them achieve adherence with the requirements of this Code.

In the event of a non-compliance with any of the requirements of this Code, BAT reserves the right to require the supplier in question to:

- Demonstrate material progress towards compliance with the requirement(s) in question within a defined and reasonable time period; and/or
- Bring itself into full compliance with the requirement(s) in question within a defined and reasonable time period.

In the event of serious, material and/or persistent non-compliance, or where suppliers otherwise demonstrate inadequate commitment, persistent inaction or a lack of improvement, we reserve the right to terminate the business relationship (and any contracts associated with it) with the supplier in question.

Contacting BAT

Any information that suppliers are required to report to BAT under this Code, should be communicated to:

- The supplier's usual BAT contact/contract manager; or
- The BAT Group Head of Procurement by email (procurement@bat.com), phone (+44 (0)207 845 1000), or by writing to them at
British American Tobacco p.l.c.
Globe House, 4 Temple Place
London WC2R 2PG, United Kingdom.



LEGAL COMPLIANCE

We expect our suppliers to comply with all relevant laws and regulations, and to act in an ethical manner.

As such, suppliers must:

- Comply with all applicable laws and regulations wherever they operate.
- Promptly notify BAT of any criminal or civil legal actions brought against them.
- Promptly notify BAT of any fines or administrative sanctions brought against them which relate in any way to the requirements set out in this Code.

RESPECTING HUMAN RIGHTS

BAT is committed to applying the UN Guiding Principles on Business and Human Rights and, by extension, respecting human rights in our own operations and our supply chain.

As such, we expect our suppliers to conduct their operations in a way that respects the fundamental human rights of others, as affirmed by the Universal Declaration of Human Rights. This includes (but is not limited to) their own workers and people working for their sub-suppliers.

Suppliers should seek to identify potential and actual adverse human rights impacts related to their activities and business relationships. They should take appropriate steps to ensure their operations do not contribute to human rights abuses and to remedy any adverse impacts directly caused, or contributed to, by their activities or business relationships.

For their own employees and contract workers, we expect suppliers (at a minimum) to:

- **Provide equal opportunities** to, and fair treatment of, all workers including migrant labour.
- **Work to eliminate any form of harassment and bullying** within the workplace, whether it is of a sexual, verbal, non-verbal or physical nature.
- **Provide a safe working environment**, adopt procedures to identify and address workplace health and safety risks, implement safe working practices, and provide (where relevant) appropriate personal protective equipment to prevent occupational injuries or illnesses.
- **Ensure operations are free from child labour**. Specifically, not employing anyone under the age of 18 in any work that is considered hazardous, or anyone under the age of 15 (or below the legal age for finishing compulsory schooling – whichever is higher) in any capacity. In the case of child labour in farming, certain exceptions apply – as detailed in the box below.
- **Ensure operations are free from exploitation of labour**. Specifically, ensuring their operations are free from forced, bonded, involuntary, trafficked or unlawful migrant labour.
- **Ensure the right to freedom of association**. Specifically, ensuring all workers are able (subject to applicable laws) to exercise their right to freedom of association and collective bargaining, including the right to be represented by recognised trade unions or other bona fide representatives.

Child labour in farming

The reality of rural agricultural life in many parts of the world means certain kinds of work can play a formative, cultural, social and familial role for children.

Where local law permits, we consider it acceptable for children of between 13 and 15 years of age to help on their family's farm provided it is light work, does not hinder their education or vocational training and does not involve any activity which could be harmful to their health or development (for example, handling mechanical equipment or agro-chemicals).



ENVIRONMENTAL SUSTAINABILITY

We are committed to pursuing best practice in environmental management and reducing the impacts of our business on the natural environment both in our own operations and in our wider supply chain.

As such, we expect suppliers to:

- Identify, understand and actively work towards minimising their impacts on the natural environment. Where relevant, these include (but are not limited to) impacts relating to their emissions to air, water and land, use of materials, natural resource consumption and waste management practices.
- Where practicable, manage, monitor and (where requested) provide available information to BAT relating to their environmental performance.
- Integrate environmental considerations into their product design and/or provision of services.
- Provide BAT (where requested) with reasonable assistance as we seek to reduce the environmental impacts of our products and services.

RESPONSIBLE MARKETING

We are committed to responsible marketing of all our products to adult consumers aged 18 or over. Our marketing is governed by BAT principles and standards appropriate to the product category, including International Marketing Principles for tobacco products, Vapour Products Marketing Principles and Snus Marketing Standards. These are available at www.bat.com/principles.

As such, we expect our suppliers, agents and third-parties to comply with:

- The relevant BAT marketing principles as a minimum standard where they are stricter than local laws; or
- Local laws or other local marketing codes where they are stricter than, or override, BAT marketing principles.

BUSINESS INTEGRITY

Conflicts of interest

Suppliers are required to avoid conflicts of interest in their business dealings and to operate with full transparency with respect to any circumstances where a conflict does, or may, arise.

As such, suppliers must:

- Avoid situations where their personal and/or commercial interests, or the interests of their officers or employees may, or may appear to, conflict with the interests of BAT.
- Disclose to BAT if any BAT employee may have any interest of any kind in their business or any economic ties with them.
- Inform BAT of any situation that is, or may be seen as, an actual or potential conflict of interest as soon as the conflict arises, and to disclose to BAT how it is being managed.

These provisions are not intended to prevent suppliers dealing with BAT's competitors where it is legitimate and appropriate for them to do so.



Bribery and corruption

It is unacceptable for any supplier (or their employees and agents) to be involved or implicated in corrupt practices.

As such, suppliers must:

- Never offer, promise or give any gift, payment or other benefit to any person (directly or indirectly), to induce or reward improper conduct or illegitimately influence any decision by a public official to their or BAT's advantage.
- Never solicit, accept or receive any gift, payment or other benefit from any person (directly or indirectly) as a reward or inducement for improper conduct.
- Never make facilitation payments directly or indirectly with regard to BAT business, other than where it is strictly necessary to protect the health, safety or liberty of any employee and/or contract worker.
- Maintain effective controls to ensure that improper payments are not offered, made, solicited or received by third parties on their or BAT's behalf.

'Improper conduct' means performing (or not performing) a business activity or public function in breach of an expectation that it will be performed in good faith, impartially or in line with a duty of trust.

'Facilitation payments' are payments made to smooth or speed up performance by an official of a routine action to which the payer is already entitled.

Gifts and entertainment

Offering and accepting business entertainment or gifts is perfectly acceptable when what is given is modest, reasonable, appropriate and lawful. However, suppliers must not offer or accept business entertainment where to do so would constitute, or would be perceived as constituting, corrupt activity.

As such:

- Suppliers are expected to respect BAT's policy on entertainment and gifts when doing business with BAT companies and employees.
- The exchange of entertainment and gifts is prohibited during any tender or competitive bidding process involving BAT.
- Suppliers must not, through the provision of any gifts or hospitality, seek to influence any public official on BAT's behalf by providing any advantage either to that official or to any person at his or her request or with his or her assent or acquiescence.

Sanctions

Suppliers should ensure they conduct their business in compliance with all lawful international sanctions regimes.

As such, suppliers must:

- Fully comply with all lawful sanctions regimes affecting their business.
- Implement effective internal controls to minimise the risk of any non-compliance with relevant sanction regimes, including training and support for their employees and contract workers.

What are sanctions?

Sanctions, trade embargos, export control or other trade restrictions are political trade tools, mainly put in place by the US, the United Nations and the European Union, with the aim of changing the behaviour of the target country's regimes, individuals or groups in a direction which will improve the situation in that country.



Illicit trade

The fight against the illicit trade in tobacco is an important priority for BAT. So it is vital that our suppliers have no direct or indirect involvement in, or support for, illicit trade in our products.

As such, suppliers must:

- Not knowingly engage in or support illicit trade.
- Implement effective controls to prevent illicit trade, including:
 - Measures to ensure supply to market reflects legitimate demand; and
 - Procedures for, where relevant, investigating, suspending and terminating dealings with individuals suspected of involvement in illicit trade.
- Collaborate with any official investigations into illicit trade in an active and constructive way.

Types of illicit tobacco products

Counterfeit or fake: Unauthorised copies of branded products that have been manufactured without the knowledge or permission of the trade mark owner and using cheap unregulated materials.

Local tax evaded: Products which are manufactured and sold in the same country, but are not declared to the authorities, so excise tax is not paid. These products are manufactured in either legitimate or illegal factories.

Smuggled: Products (either genuine or counterfeit) which are moved from one country to another without payment of taxes or duties, or in breach of laws prohibiting their import or export.



REPORTING CONCERNS

Suppliers are expected to support the identification, investigation, addressing and reporting of suspected or actual breaches of the requirements of this Code.

As such, suppliers must:

- Have effective procedures in place to enable their employees and contract workers, in confidence and without fear of reprisal, to ask questions, raise concerns and/or report suspected or actual breaches of the requirements of this Code – either to the supplier itself or directly to BAT.
- Promptly investigate any credible concerns about suspected or actual breaches of the requirements of this Code and take appropriate action to avoid any potential breaches taking place, and/or minimise the impact of, and stop, any actual breaches.
- Report any suspected or actual breaches of the requirements of this Code to BAT as soon as they become aware of them via the contact details on page 4.

COMPLIANCE MONITORING

BAT reserves the right to verify new and existing suppliers' compliance to the requirements of this Code through internal and/or external assessment mechanisms.

As such, suppliers must:

- Provide all reasonable cooperation with any verification activity linked to this Code (whether carried out by BAT or by third parties engaged by BAT), including the granting of independent access to relevant personnel, sites, documentation and data.
 - This is notwithstanding legitimate restrictions applicable to commercially sensitive and/or confidential information – in such cases (and where such information is believed to be of material relevance to verification activity), suppliers should work with BAT to try to identify mutually acceptable mechanisms for its safe and legitimate disclosure.