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Dear Ms Balbin, Ms Mullally, Ms Karska, Mr Fakhri, Ms Mofokeng, Ms Lawlor, Ms Achiume, Mr Obokata and Ms Upreti,

Ref.: AL OTH 41/2022

Response to Joint Communication from Special Procedures of 5 July 2022

Thank you for your letter dated 5 July 2022 addressed to our Chief Executive, regarding Malawi. I am responding in my capacity as Head of Environment, Social and Governance for the British American Tobacco Group ("BAT").

BAT takes the topics that you have raised in your letter extremely seriously and welcomes the focus of the United Nations ("UN") Office of the High Commissioner for Human Rights on this matter.

As a global business, BAT has a long-standing and strong commitment to respecting fundamental human rights, as affirmed by the Universal Declaration of Human Rights. This includes alignment of our policies and practices with the International Labour Organisation ("ILO") Principles, and always seeking to conduct 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, including across our supply chains globally.

BAT's Sustainability Agenda¹ makes it clear that protecting human rights is a priority for delivering a positive social impact. We also focus on other important environmental, social and governance ("ESG") topics that are closely linked to human rights, including climate change, farmer livelihoods, health and safety, people and culture, and business ethics.

We recognise that there are inherent challenges in agriculture around the world, such as large numbers of temporary workers, high levels of rural poverty and the use of family labour in small-scale farming. Such multifaceted issues make agricultural supply chains, including our tobacco supply chain, particularly vulnerable to human rights risks.

Tackling child and forced labour in agricultural supply chains is a challenge for everyone involved in global agricultural supply chains. We recognise the leverage we have and the

¹ https://www.bat.com/group/sites/uk_9d9kcy.nsf/vwPagesWebLive/DO9DCFJG

role we play, together with our suppliers, other market participants, Governments and intergovernmental and non-governmental organisations in addressing these issues.

We have a zero-tolerance approach to forced labour and, in 2020 we set ourselves the ambition of eliminating child labour and forced labour in our tobacco supply chain by 2025. The ways in which we are working towards that ambition are through the programmes and policies as set out in the sections below.

In this letter, we provide you with detail on our approach to respecting human rights across our supply chain, which address the various requests for observations in your letter. This includes an overview of relevant BAT-specific policies, procedures and programmes, and the industry-wide Sustainable Tobacco Programme ("STP"). Many of these apply on a global basis, including to Malawi. We also provide you with information on our leaf supply chain and initiatives in Malawi specifically. The framework described below is as at the date of this letter, but we also strive for continuous improvement. Before receiving your letter, we had commenced work with a specialist human rights consultancy to update our operational standards, which in due course will be supported by a comprehensively updated toolkit and training.

Enclosed with this letter are a number of appendices to evidence the policies, programmes and procedures outlined within it. I also enclose a copy of our Human Rights Report 2020, a report dedicated to our human rights strategy, which was the first of its kind in our industry (enclosure 1), our most recent Modern Slavery Statement (enclosure 2), and our most recent ESG Report (enclosure 3), all of which provide greater detail on our work to protect human rights in our supply chain.

1. An overview of our approach to human rights

Our human rights strategy, which we apply in all countries from which we source tobacco leaf including Malawi, is aligned to the United Nations Guiding Principles for Business and Human Rights ("UNGPs"). This includes following a defined process to identify our most important and salient human rights impacts, for which:

- **We engage:** to understand the views of, and impacts upon, our key stakeholders and rights-holders across our value chain, including extensive engagement with rights-holders in tobacco-growing communities as part of our programme of Human Rights Impact Assessments;
- **We research:** to understand our place in the big picture and identify emerging risks, trends and best practice; and
- **We prioritise:** to focus on the issues of greatest importance to our stakeholders and rights-holders.

Full details of this process and the salient human rights impacts we have identified can be found on pages 14-15 of our Human Rights Report 2020 (enclosure 1).

We work to keep ourselves – and our supply chain – aligned and accountable through strong policies, due diligence, assessment and remediation programmes. Recognising that having policies in place is not enough, we take a holistic approach to addressing

human rights risks in our tobacco supply chain. Key to our strategy are (among other things):

- **Addressing root causes:** We recognise that rural poverty is a root cause of child and forced labour and are committed to working to enable profitable farms and sustainable living incomes for all farmers in our tobacco supply chain.
- **Building trusted relationships:** We work with suppliers that we trust, building long-term relationships with suppliers who support the farmers that they source from so that they can identify and remediate human rights issues.
- **Remediation:** We recognise that human rights issues are often complex and multi-faceted, and their effective resolution may require lengthy dialogue and cooperation with multiple stakeholders to achieve lasting solutions – rather than short-term confrontation or immediate curtailing of supply agreements potentially only shifting issues elsewhere.

2. Our Standards of Business Conduct and Supplier Code of Conduct

Our Standards of Business Conduct (“SoBC”) (enclosure 4) comprise our core global policies for a number of areas, including human rights, and set out the high standards we are committed to upholding globally including in Malawi. The SoBC is mandatory to all employees and the subsidiaries we control (contractors are invited to act consistently/apply similar standards). They detail our support for the UNGPs and the ILO Declaration on Fundamental Principles and Rights at Work, and specifically state that BAT is committed to ensuring our operations are free from slavery, servitude and forced, compulsory, bonded, involuntary, trafficked or unlawful migrant labour; and that BAT seeks to ensure that the welfare, health and safety of children are paramount at all times.

Our Supplier Code of Conduct (“SCoC”) (enclosure 5) complements our SoBC by defining for our suppliers the minimum standards expected of all suppliers to BAT – including on human rights. In our SCoC, it is made clear to all BAT’s suppliers that child labour, modern slavery and exploitation of labour will not be tolerated. The SCoC is incorporated into our contractual arrangements with our suppliers.

In 2021, we conducted a detailed review of our policies, as is our standard practice periodically. The latest version of the SoBC and SCoC enclosed to this letter took effect in January 2022.

We encourage anyone working for, or with, BAT to raise concerns or grievances through our Speak Up channels which are available 24 hours a day online, by text or telephone and which are managed by independent teams to ensure confidentiality and effective, impartial review.

In relation to human rights, our SCoC makes clear that 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 and that this includes (but is not limited to) their own workers and people working for their suppliers. In accordance with the UNGPs, the SCoC provides that suppliers should (among other things):

- 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;
- Ensure operations are free from child labour, modern slavery and exploitation of labour;
- Comply with all applicable working time laws and other applicable laws or collective bargaining agreements, including taking account of any legally mandated maximum working hours requirements; and
- Have effective grievance or equivalent procedures in place to enable their workers, in confidence and without fear of reprisal, to ask questions, raise concerns and report suspected or actual breaches.

3. Leaf Supplier Manual and Sustainable Tobacco Programme

Our Leaf Supplier Manual (“LSM”) is shared on an annual basis with the leaf suppliers we do business with globally including in Malawi and sets out the detailed standards we expect all our leaf operations and third-party suppliers to adhere to, including participation in the industry’s STP (enclosure 6) and compliance with our SoBC.

The STP is a due diligence initiative set up in 2016 in collaboration with other industry participants. It has been designed to bring together best practice from across the industry and drive continuous, cross-industry improvement in relation to the sustainability of tobacco supply chains. It also reinforces a commitment to the requirement under Principle 17 of the UNGPs to carry out human rights due diligence appropriate to the nature and context of tobacco supply chains.

To further evolve and enhance it, the STP has recently undergone a detailed review. This included engagement with suppliers and other stakeholders, as well as reviews of external standards and emerging issues. The updated STP took effect from 2021 and is aligned with the UN Sustainable Development Goals (“SDGs”). It is externally managed by the STP Secretariat, and it is mandatory for all suppliers of tobacco leaf to BAT.

The STP involves an annual, comprehensive self-assessment by suppliers against priority themes, including human rights criteria that encompass prevention of child and forced labour, good health and safety practices, and provision of a living income to farmers. The self-assessment is against defined industry guidance with specific goals and indicators to measure performance and track progress. In addition, the STP involves a review of risk assessments and action plans by the external STP Secretariat.

As part of the STP, a risk-based approach is applied. Those suppliers that are identified as of higher risk, using risk indices such as that of Verisk Maplecroft or suppliers’ own self-assessments, are prioritised for on-site, in-depth third-party assessments. Results of the self-assessments and on-site reviews form the foundation for a dialogue for improvement, as necessary, between the supplier, BAT and other relevant stakeholders. This may result in the creation of action plans to progress towards improved impacts, particularly if any issues of a serious nature are identified. The due diligence cycle is subsequently repeated, and action plans are reviewed as part of the process, to support continued improvement.

In relation to human rights impacts, our LSM provides that our suppliers must meet certain minimum standards in relation to STP criteria, including:

- 100% of farmers must be formally and systematically monitored by their direct customer;
- In relation to child labour, 100% of farmers must be compliant with ILO Standards and local laws and 100% of farmers must be systematically monitored and trained on child labour prevention by their direct customer;
- In relation to forced labour, 100% of farmers must be compliant with ILO Standards and local laws, which are monitored by their direct customer; and
- Farmers and farm workers are required to have effective grievance or equivalent procedures in place to enable workers, in confidence and without fear of reprisal, to ask questions, raise concerns and/or report suspected or actual breaches of the SCoC or SoBC.

4. Farmer livelihoods

Rural poverty is a root cause of issues such as child and forced labour as well as poor safety and environmental standards. If farmers have sustainable living incomes, farming is more attractive to the next generation. This brings obvious benefits for our business, which relies on agriculture being sustainable. Importantly, sustainable living incomes also reduce the risk of exploitation, including child and forced labour, and helps encourage improved adherence to safety and environmental standards.

As such, we are committed to working to enable profitable farms and sustainable living incomes for all farmers in our tobacco supply chain whether in Malawi or any other country we source from.

As noted above, our SCoC, which is incorporated into our contractual arrangements, defines the minimum standards that we expect of our suppliers. The SCoC states that suppliers should provide fair wages and benefits and specifies that, at a minimum, these must comply with applicable minimum wage legislation and other applicable laws or collective bargaining agreements.

Further, the industry's STP includes a wide range of farmer income and livelihoods criteria that our suppliers are expected to adhere to.

The Board of Directors of British American Tobacco p.l.c. has oversight of our ESG & Sustainability strategy. We have a clearly defined framework to ensure Board-level oversight and management of our Sustainability Agenda and ESG priority areas across BAT. This provides a flexible channel for the structured flow of information, management and oversight of ESG matters from local business units up to Board level.

Our Framework for Community Investment sets out BAT's strategy for supporting local communities, aligned to the SDGs, with selected activities reported in our annual ESG Report. Our Audit Committee reviews Community Investment performance annually.

5. Health and safety

We recognise that some types of farm work are potentially hazardous, including the use of tools and crop protection agents (“CPAs”) such as pesticides. In addition, harvesting tobacco can put workers at risk of green tobacco sickness (“GTS”) from handling wet green tobacco leaves. These risks can be effectively managed and minimised through the use of appropriate working practices / procedures, including the use of personal protective equipment (“PPE”) such as overalls and gloves when handling wet green tobacco leaves, for example.

Our SCoC defines the minimum standards we expect from all suppliers including in Malawi in relation to health and safety. In particular, our SCoC provides that suppliers should:

- Provide and maintain safe and healthy working conditions, including:
 - adopting procedures to identify and address occupational health and safety hazards and associated risks, and implement safe working practices,
 - providing (where relevant) appropriate PPE to prevent occupational injuries or illnesses,
 - implementing (where relevant) appropriate control measures to ensure the safe handling, storage, transfer and disposal of substances hazardous to health or the environment,
 - providing appropriate and regular training and communications so that workers are aware of the health and safety risks and procedures relevant to their work, and
 - where accommodation is provided, ensure it is clean, safe and meets basic standards for acceptable living conditions and the needs of the workers;
- Follow the guidelines of the ILO that any work which is considered hazardous or likely to harm the health, safety or morals of children should not be done by anyone under the age of 18 (or 16 under strict conditions).

Further, in relation to health and safety, our LSM provides that our suppliers must meet certain minimum standards in relation to STP criteria, including:

- In relation to GTS, 100% of farmers must be trained, communicated to on best practices and supplied with proper PPE for all workers involved in tobacco harvest; and
- In relation to the handling and use of CPAs, 100% of farmers must be trained, communicated to on best practices and supplied with proper PPE for all workers involved in agrochemical handling and application.

6. Our leaf supply chain in Malawi

All BAT-purchased tobacco leaf grown in Malawi is sourced from independent third-party leaf buyers. No BAT subsidiary owns or operates any tobacco farms in Malawi or purchases Malawian tobacco leaf directly from farmers or at auction. In particular, BAT's Malawian subsidiary – British American Tobacco (Malawi) Limited – is responsible for the marketing and distribution of BAT brand products within Malawi and is not involved in the purchase of tobacco leaf.

BAT buys approximately 400,000 metric tonnes of packed tobacco leaf (i.e. tobacco that has been dried and processed) every year from around the world. For the past three growing seasons (2019-2021), BAT has purchased less than 1% of its total leaf volumes from Malawi; in 2021, only 0.04% of its volumes were sourced from Malawi.

BAT has purchased this processed Malawian leaf from either Alliance One International (Malawi) or Limbe Leaf Tobacco Company, which are subsidiaries of multinational groups headquartered in the United States (Pyxus International, Inc. ("Pyxus") and Universal Corporation ("Universal") respectively), who process and sell tobacco leaves to a range of customers, including BAT and other major international cigarette manufacturers.

BAT buys tobacco from companies in the Pyxus and Universal groups not just in Malawi but in several other places around the world. They are trusted suppliers who have their own social compliance programmes, policies and procedures designed to tackle human rights risks in their supply chains. In addition, both Alliance One International (Malawi) and Limbe Leaf Tobacco Company have signed up to our SCoC and our LSM, and they participate in the industry-wide STP.

We would also note, as you do in your letter, the US Customs and Border Protection ("CBP") undertook a rigorous evaluation of the risks of forced and child labour by our suppliers in Malawi. After imposing a Withhold Release Order ("WRO") in 2019 on tobacco produced in Malawi and products containing tobacco produced in Malawi, the CBP modified that WRO in 2020 to allow imports of Malawian tobacco from both Alliance One International (Malawi) and Limbe Leaf Tobacco Company. In each case, the CBP explained that its decision to allow imports of Malawian tobacco from those two companies was based on a rigorous evaluation of their social compliance programmes and efforts to identify and minimise the risks of forced and child labour from their supply chains. The CBP was satisfied that evidence had been identified from those evaluations that showed that the tobacco they export is not produced or harvested using forced or child labour.²

Additionally, in 2000 BAT was a founding board member of the Eliminating Child Labour in Tobacco Growing ("ECLT") Foundation. ECLT has programmes around the world. In Malawi over the past three years, the ECLT has supported over 26,000 children and 15,000 adults in accessing schools, learning about child labour and safe agricultural practices, and improving nutrition; alongside supporting farmers to better earn and save money. Working with project partners, ECLT's programmes in Malawi aim to tackle the root

² <https://www.cbp.gov/newsroom/national-media-release/cbp-modifies-withhold-release-order-imports-tobacco-malawi>;
<https://www.cbp.gov/newsroom/national-media-release/cbp-modifies-withhold-release-order-tobacco-imports-limbe-leaf>.

causes of child labour to bring sustainable and long-lasting change to children and families in rural areas.

7. Concluding remarks

We trust that the information in this letter is helpful and demonstrates that BAT is committed to respecting human rights and has appropriate policies, procedures and practices in place in light of the vital role we play, together with our suppliers, other market participants, governments and intergovernmental and non-governmental organisations, in tackling child and forced labour in tobacco supply chains.

As set out in this letter, we have robust processes and policies in place to identify and tackle human rights risks, including the use of child and forced labour. These processes and policies are in place globally, including in Malawi, and we seek to continuously improve them, and to make further progress on these important issues.

As noted above, BAT sourced only 0.04% of its total global tobacco leaf volumes from Malawi in 2021, and this was from reputable suppliers who the CPB have recently concluded do not export tobacco that is produced or harvested using forced or child labour. We nonetheless recognise the role we play, together with our suppliers, other market participants, the Malawian Government and intergovernmental and non-governmental organisations, in addressing the risks of child and forced labour in Malawi as in other markets.

We take issues such as respecting human rights in our tobacco leaf supply chain extremely seriously. Having produced our first Social Report in 2001 and been listed in the Dow Jones Sustainability Indices for 20 years in a row since that year, our recognised processes and policies are continually reviewed and progressed in line with developing best practices in our journey as a responsible business. We welcome continued dialogue with all our stakeholders on these important issues.

Further information on our approach to respecting human rights is available at www.bat.com.

Yours sincerely,



Edward Butt
Head of Environment, Social & Governance

Appendix 1

List of Enclosures

1. Human Rights Report 2020
2. Modern Slavery Statement 2021
3. ESG Report 2021
4. Standards of Business Conduct 2022
5. Supplier Code of Conduct 2022
6. Section of Leaf Supplier Manual 2022 relating to the STP