

RESPONDING TO ALLEGATIONS OF HUMAN RIGHTS ABUSES IN THE BANGLADESH TOBACCO SUPPLY CHAIN



BRITISH AMERICAN
TOBACCO

THE TOBACCO SUPPLY CHAIN

Tobacco leaf is the most essential part of cigarettes, so the farmers who grow it are absolutely crucial to the success of our business.

We do not own tobacco farms or directly employ farmers – we source from over 90,000 directly contracted farmers, as well as third-party suppliers, mainly in developing countries in Africa, Asia and Latin America.

At BAT, we have a long and proud history of working directly with farmers around the world and advancing agricultural practices. This benefits our farmers by giving them the resources and support they need to be successful, as well as helping to secure our long-term supply of tobacco leaf and ensure the integrity and quality of our products to satisfy our consumers.

Agricultural supply chains are particularly vulnerable to a range of challenges, including climate change and water scarcity, increasing demand for land and natural resources, rural poverty, social inequality, child labour and ageing farmer populations. Tobacco is no exception.

The only way to completely avoid these risks is not to farm any crop, which is clearly not a viable option. Instead, our approach is to consider what production systems and support are best placed to mitigate these inherent risks. It is in this context we focus our efforts around agronomy support, due diligence and monitoring. Over the many years we have been working with farmers we believe we have developed a comprehensive and robust approach to mitigate the potential social and environmental risks and to ensure farmers' livelihoods are enhanced, human rights protected and local landscapes preserved in each of the areas we source tobacco from. In fact, we invest more than £60 million each year in supporting these contracted farmers.

OUR TOBACCO LEAF SUPPLY CHAIN

We buy more than **400,000 TONNES** of tobacco each year from first-tier suppliers, which include:



– BAT-owned companies, which directly contract and support over 90,000 farmers



– Third-party suppliers, which contract their own farmers

– We also purchase a small amount of tobacco sourced from auction floors

THE DIFFERENT TYPES OF FARMS WE SOURCE FROM



59% are one hectare or less

– Unmechanised and no hired labour
– Grow food crops for their own consumption and for sale in local markets



11% are between 1.1 and four hectares

– Some mechanisation and hired labour
– Grow other crops, such as wheat and maize for commercial sale



30% are over four hectares

– Fully mechanised and use hired labour
– Grow multiple crops for commercial sale, including cotton and soy bean

Over **£60 MILLION** invested each year in farmer support



Extension services

– Our contracted farmers receive on-the-ground support and advice from over 1,000 expert field technicians worldwide
– This covers areas such as improving productivity, preserving soil, water and forests, crop rotation, and tackling child labour



Training and capacity building

– Through farmer clubs, field days, workshops and manuals for our farmers and their communities



Community projects and partnerships

– More than 60 projects and partnerships in 19 countries. Focused on long-term objectives such as eliminating child labour, developing the next generation of farmers and women's empowerment



Global leaf research centre

– Developing comprehensive agri-support packages for our farmers, including new seed varieties and sustainable technologies



MANAGING RISKS IN THE TOBACCO SUPPLY CHAIN



AGRONOMY SUPPORT

We have more than 1,000 BAT leaf technicians around the world that are an important source of advice and support for farmers, helping them to run successful, profitable and high-yielding farms. This covers areas such as improving productivity, preserving soil, water and forests, crop rotation, and tackling child labour.



DUE DILIGENCE

We conduct due diligence on our tobacco leaf supply chain through the Sustainable Tobacco Programme (STP), which assesses and monitors suppliers' performance in meeting industry-wide standards. The programme assesses first-tier suppliers we buy tobacco leaf from, some of which are BAT-owned companies. It checks if they have the appropriate systems, governance and procedures in place to ensure high environmental and human rights standards on the farms they source from, and provide the best quality tobacco leaf.

The programme is aligned to important external standards, such as those of the International Labour Organisation (ILO), and includes strengthened processes and more frequent on-site reviews. Suppliers complete a comprehensive annual self-assessment covering 178 different criteria under the key areas of crop, environment, people and facilities. They must also show that they have good governance underpinning all four areas and are required to assess, identify and mitigate any significant risks that may affect their ability to meet the criteria.



MONITORING

As well as the self-assessments, independent on-site reviews are carried out every three years, including in-depth analyses of suppliers' policies, processes and practices, and visits to the tobacco farms they source from.

We use the results of the self-assessments and on-site reviews to work collaboratively with suppliers to drive corrective action and improvements. In the event of any serious and/or persistent issues, or where suppliers fail to demonstrate a willingness to improve performance, we reserve the right to terminate the business relationship.

ALLEGATIONS OF HUMAN RIGHTS ABUSES IN THE TOBACCO SUPPLY CHAIN

While we do our utmost to ensure high standards, there have been incidents where it has been alleged we failed to protect the human rights of people in our supply chain, including a report published by the Swedish NGO Swedwatch in 2016 on alleged abuses in our leaf growing operations in Bangladesh.

We take such allegations extremely seriously and openly engaged with Swedwatch prior to the reports being published, providing detailed responses to the issues raised and, where possible, also providing supporting evidence, including independent studies, where we felt allegations were unfounded.

We immediately conducted our own internal review in Bangladesh and remained of the view that the report as a whole was not representative of the reality on the ground. However, we recognise the serious nature of the allegations and so also commissioned an independent assessment of the human rights-related impacts of tobacco growing in the country.

INDEPENDENT REVIEW

We commissioned DNV GL, a respected international consultancy specialising in sustainability and human rights issues, to conduct a review of the leaf growing practices of our business in Bangladesh and against the allegations posed within the Swedwatch report.

DNV GL used a risk-based approach to select farms in Bangladesh to be visited by a team of auditors.

The risk-based approach was informed by BAT Bangladesh's knowledge of high-risk areas and included a review of existing management system documents at the head office (Dhaka) and regional offices, from the STP Register and at the farm level. This approach, which coupled on-site visits with an examination of management systems, was used to identify any systemic issues in management systems and overall approach. The farm selection was made by DNV GL on the day of the actual visit to ensure that they had the maximum opportunity to observe the farm as it normally operated. Most visits took place without prior warning to the farmers.

The following statement from DNV GL outlines the methodology and findings from the review.

SUBJECT: INDEPENDENT ASSESSMENT OF HUMAN RIGHTS RISKS AT BAT TOBACCO GROWING FARMS IN BANGLADESH



DNV GL Business Assurance Services UK Ltd (DNV GL) was engaged by British American Tobacco p.l.c. (BAT) to conduct an independent assessment of human rights risks at farms in Bangladesh that supply BAT Bangladesh (BATB) with tobacco leaf. This work was commissioned in response to allegations made by the NGO Swedwatch in June 2016 relating to BAT's operations in Bangladesh.

The objective of our work was to assess the extent to which BATB management arrangements for the control of human risks are being implemented at farms in Bangladesh that supply BATB, and to check for evidence against the 10 impact areas identified by Swedwatch (as detailed on pages 89–91 of their report entitled *Smokescreens in the supply chain: The impacts of the tobacco industry on human rights and the environment in Bangladesh*, June 2016).

WORK PERFORMED

Our work comprised visiting 17 farms that source to BATB between 19 February and 6 March 2017 by two assessors from DNV GL.

Our activities included:

- Interviewing BATB employees, leaf technicians, farmers and farm labourers;
- Reviewing BATB management arrangements and observing practices against two approved checklists to consistently evaluate BATB's human rights performance; and
- A specific review of BATB's risk and controls operational system, and the verbatim comments from BATB contracted farmers and labourers. This also included documentary and record reviews of information at BATB Dhaka office, BATB area offices, BAT policies and farm-level documentation.

DNV GL used the following key reference points to undertake the evaluation:

- 10 impacts referenced in the Swedwatch report (as detailed on pages 89–91 of their report entitled *Smokescreens in the Supply Chain*, June 2016);
- Sustainable Tobacco Programme (STP) Guidelines established by the sector;
- UK Modern Slavery Act 2015; and
- SA8000 International Certification Framework.

FARM ASSESSMENT APPROACH

DNV GL was given complete access to farmers and labourers with support from BATB representatives. The visits to farms were conducted as five announced and 12 unannounced.

Our assessments were undertaken by assessors from DNV GL, one from the UK and one from India, who jointly conducted all interviews and documentary reviews. The DNV GL assessor from India was fluent in the local Bangla language. However, in certain areas of the Chittagong Hill Tracts (CHT), the area leaf technician was used as a translator to ensure that the local indigenous language was clearly understood.

SITE SELECTION

A risk-based approach was used for selection of five sites informed by local BATB knowledge of high-risk areas. DNV GL and BATB agreed that farmers at these five sites should be informed the night before to ensure availability. The remaining 12 sites were selected by DNV GL based on size and location, and were conducted as unannounced.

DNV GL interviewed 52 people and had access to BATB leaf team senior management. The interview results were anonymous and those with leaf technicians, farmers and labourers were held in private away from BATB employees.

Farmers and labourers were interviewed at their farm or farm house, except for Bandarban where the interviews took place at the Bandarban Depot. This was due to the safety risks in CHT.



Area	NUMBER OF PEOPLE INTERVIEWED						Total for area	Other senior managers
	Farmers	Labourers	Field leaf technicians	Field officers	Other officers (regional leaf managers)			
Bandarban	2	2	1	2		7	1	
Lama	3	2	1			6		
Chakaria	3	3	1		1	8		
Naikonchari	3	4	1			8		
Rangpur Sadar	3	4	3	2	1	13	1	
Lalmonirhat	3	4	1			8		
Grand total	17	19	8	4	2	50	2	

52

OUR FINDINGS

Overall, on the basis of the work we performed and the farms visited, nothing came to our attention to suggest that BATB management arrangements for the control of human risks are not being implemented at the farms we visited in Bangladesh that supply BATB. We identified some opportunities for improvement and some issues where further investigation is recommended. Our specific findings against the 10 impact areas identified in the Swedwatch report are provided in Appendix A.

On the basis of our sample and evidence reviewed, we did not observe any evidence of the existence of child labour at the BATB registered farms we visited. We found that controls are in place to reduce the risk of the use of child labour at the BATB registered farms we visited. Child labour is endemic in Bangladesh, and as such should be an area for continued focus by BATB. We did not observe any evidence of forced labour in the sample of farms we visited. However, DNV GL observed less mature management controls in this area and BATB should consider how to strengthen its management arrangements in this area, in line with the obligations under the UK Modern Slavery Act 2015.

A list of findings can be found on the following pages.



APPENDIX A: HUMAN RIGHTS ALLEGATIONS IDENTIFIED IN THE SWEDWATCH REPORT (PAGES 64–65) AND DNV GL FINDINGS


KEY  **DNV GL FINDINGS – NO EVIDENCE FOUND TO SUPPORT ADVERSE IMPACT**

 **DNV GL FINDINGS – EVIDENCE FOUND TO SUPPORT ADVERSE IMPACT**


 **OPPORTUNITY TO IMPROVE CONTROLS**

 **BAT RESPONSE AND ACTIONS**

Adverse impact 1a – BATB farmers suffer economic losses and over-indebtedness


 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest that farmers are over-indebted because of their relationship with BATB. The economic sustainability of individual farmers is influenced by many factors. During our interviews with farmers they did not specifically identify the cause of any losses as being directly linked to the contracts or trading conditions imposed by BATB.

Adverse impact 1b – BATB farmers' bonded labour

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest the presence of forced labour.


We observed less mature management controls in this area and BATB should consider how to strengthen its management arrangements, in line with the obligations under the UK Modern Slavery Act 2015.

Adverse impact 2 – Child labour, impacts on BATB farmers' children's health, wellbeing and schooling

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest the presence of child labour at the BATB registered farms.


We found that controls are in place to reduce the risk of the use of child labour at the BATB registered farms we visited. Child labour is endemic in Bangladesh, and as such should be an area for continued focus by BATB.

Adverse impact 3 – Impacts on BATB farmers' and spouses' health


 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest impacts on farmers' and spouses' health.

We recommend further specific health and safety risk assessment and associated training at farm level. See Appendix B.


Adverse impact 4 – Impacts on BATB farming households' food security and nutrition

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest that the farmers were impoverished or malnourished due to their income from tobacco farming. Tobacco production took place alongside other production and in rotation with other crops.

Adverse impact 5 – Exploitation of tenant farmers through BATB farmers' subcontracting of production

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest subcontracting of production to tenant farmers.


Adverse impact 6 – Basic labour rights: BATB farmers work without contracts

 Whilst we established, on the basis of the work performed, that all farmers we visited have a contract with BATB, we found that these farmers do not have written contracts with the labourers they in turn hire to work on their crops.

Local records are not kept by farmers on the labourers that work on BATB registered tobacco farms. Agricultural labour use is highly casualised and verbal agreements take place every day.


We recommend that BATB should maintain records of labourers employed.

Adverse impact 7 – Child labour, impacts on BATB labourers' children's health, wellbeing and schooling

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest child labour at the tobacco farms we visited operated by BATB. At the farms we visited during our work, it was not possible to verify records of workers' ages. Our assessment was based on interviews with farmers and labourers.


We found that controls are in place to reduce the risk of the use of child labour at the BATB registered farms we visited. Child labour is endemic in Bangladesh, and as such should be an area for continued focus by BATB.

Adverse impact 8 – Impacts on BATB farmers' labourers' health

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest that labourers or farmers were not aware of the PPE practices. However, we observed that full risk assessments were not always undertaken at farm level.


We recommend further specific health and safety risk assessment and associated training at farm level. See Appendix B.

Adverse impact 9 – Deforestation and forest degradation

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest the BATB wilfully fails to stop the sourcing of fuel wood from natural forests.

Further investigations are recommended to better determine the scale of any perceived issues, and possible improvements to BATB management controls.

Adverse impact 10 – Potential impact on indigenous land rights

 On the basis of the work we performed and the farms visited, nothing came to our attention to suggest that BATB had investigated the land conflicts in the Bandarban area under cultivation, or that BATB were complicit in exacerbating or causing land disputes.

Further investigation would be required to better understand the underlying issues.

APPENDIX B: ADDITIONAL OBSERVATIONS BY DNV GL AND BAT ACTIONS TO ADDRESS THEM

Although DNV GL found no evidence to support the allegations that BATB caused the adverse impacts outlined on the previous page, DNV GL observed a number of opportunities to improve existing controls to further reduce the risk of human rights abuses, particularly for farm labourers further down the supply chain who do not have a direct relationship with BATB. These observations, alongside BAT's actions to address them, are outlined below.


KEY  **DNV GL FINDINGS – NO EVIDENCE FOUND TO SUPPORT ADVERSE IMPACT**


 **DNV GL FINDINGS – EVIDENCE FOUND TO SUPPORT ADVERSE IMPACT**

 **OPPORTUNITY TO IMPROVE CONTROLS**

 **BAT RESPONSE AND ACTIONS**

There is no current way of knowing how many labourers work on BATB registered tobacco farms.



 The labour use is highly casualised and verbal agreements take place every day. At the farms we visited during our work, it was not possible to check records of workers' ages. Our assessment was therefore based on interviews with farmers and workers. BATB are reliant on the farmers' knowledge and implementation of BATB's minimum age requirements.


 DNV GL established that all farmers contracted to BAT have a contract. Those farmers in turn, hire some casual labour to work on tobacco farms; DNV GL established that these farm labourers do not have contracts. This is a reflection of how the informal economy operates in Bangladesh with workers being hired 1–2 days at a time, depending on requirements.

We recognise that contracts are not a requirement of Bangladesh law and that the nature of the agricultural workforce in Bangladesh presents challenges to addressing this issue – one over which we have limited direct control.

However, we are developing a labour deployment register for farmers to capture required details – for example, basic records about their labourers – including daily payments to labourers by named person.

There is gender pay discrimination practised across the entire sample.


  There is gender pay discrimination practised across the entire sample of farm labourers, with female workers earning less than male workers per day. We established that while farmers were aware that women were being paid a lower rate, they believed this was justified as women were only undertaking 'light work'. However, our research established that all workers, regardless of gender, were carrying out the same tasks.


 The rates of pay received by labourers is not something that BAT dictates as part of its contracting with farmers. We also recognise that any gender pay discrepancy is the result of a complex cultural situation that cannot be tackled by one business alone. However, we do understand that we can play a role in ensuring that for crops that we purchase, everybody is paid a fair and equal wage for work carried out on a tobacco farm.

As a result of the findings of this study we will:


- Work with the rest of the tobacco industry in Bangladesh to better categorise 'light' and 'heavy work';
- Work with farmers and labourers to raise awareness of the categories; and
- Encourage farmers to pay labourers according to job category, rather than gender.

STP Register is not used correctly by all leaf technicians.

 Whilst the STP Register has been designed bespoke for BATB, and is used by all leaf technicians, there was a flaw in the check box methodology which resulted in leaf technicians answering the social issue questions incorrectly (e.g. discrimination).


 We are grateful to DNV GL for highlighting this issue and as a result we are in the process of identifying an expert organisation to train leaf technicians on social assessment techniques on how to recognise and engage communities on human rights issues.

The registration contract does not include a minimum age for workers.

 On the basis of the work performed, we found no evidence of child labour in the farms we visited and controls were in place to prevent and detect child labour, including the contractual obligations of the farmer, farmer training and regular visits by leaf technicians. There was also a system in place of unannounced audits to farms by BATB personnel (other than leaf technicians).

Interviews demonstrated that farmers had a good knowledge of the minimum age of workers and the expectations of BATB.


However, the registration contract does not include an explicit minimum age for workers. It does refer to the STP which is explicit on minimum ages but the farmer does not have direct access to the STP.


 We were pleased the DNV GL research confirmed the findings of our own internal review in that there is currently no evidence to support the use of child labour on the tobacco farms we source from in Bangladesh. However, we recognise that not having this as an explicit clause in the registration contract is an omission on our part.

As a result we will:


- Include specific reference to 18 as the minimum age in the registration contract;
- Reiterate this requirement to all farmers; and
- Continue to deregister any farmers who breach this condition.


Some health and safety weaknesses were found in FCV areas.

 We found some health and safety weaknesses in Flue Cured Virginia (FCV) areas, such as an isolated incident of contaminated briquettes used for burning in furnaces and flue chimneys facing towards villages at incorrect angles.

 We will undertake a number of actions to ensure these issues are addressed, including an improved process to segregate plastics from wastes used for briquettes and standardisation of the exhaust pipes for curing barns.

Health and safety assessments at farm level are not conducted properly.

 Risk assessments were in the top-level plan for the STP programme, but H&S assessments at farm level are not conducted. This was illustrated by examples such as inadequate firefighting equipment; the quality of drinking water available to labourers; and the risk assessment/policy on pregnant workers not being undertaken (the verbal understanding is that this is not permitted).

 We recognise that low awareness of health and safety issues in rural communities is a critical issue and want to do all we can to ensure the application of our Group-wide standards. As a result of these findings we will conduct our own risk assessment of the issue and develop an action plan to be implemented as appropriate.

LIMITATIONS OF OUR WORK

We visited 17 out of approximately 34,000 farms supplying BATB in Bangladesh. DNV GL was accompanied and introduced to the farm employees by BATB representatives, and in some locations, was accompanied by armed service personnel where this was a requirement under BATB health and safety policies.

Local records are not kept by farmers on labourers that work on BATB registered tobacco farms. Agricultural labour use is highly casualised and verbal agreements take place every day. At the BATB farms we visited during our work, it was not possible to check records of workers' ages. Our assessment was therefore based on interviews with farmers and workers.

This statement represents our independent opinion based on the evidence and observations made through the work, and the possibility cannot be excluded that other evidence exists that was not seen during the work. DNV GL's work is based on the assumption that the information provided to us by BATB as part of our assessment has been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assessment Statement.

DNV GL's established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability professionals.

For and on behalf of:

DNV GL Business Assurance Services UK Limited

31st May 2017

RESPONSE FROM BAT

Although we recognise that DNV GL's sample size covered only a small proportion of farms supplying BATB, we are pleased that the outputs from the review were aligned with the outcomes of our own investigations and that DNV GL found no evidence to support the allegations in the Swedwatch report. Equally, we are grateful that the review highlighted some procedural and control issues that can further help us manage human rights risks in-country. As displayed alongside the DNV GL recommendations, BAT Bangladesh has already implemented a number of initiatives that will strengthen our approach, particularly around preventing child labour, bonded labour and gender discrimination.

We remain committed to continually improving our approach to human rights management across all our operations and are actively implementing our obligations under the UN Guiding Principles for Business and Human Rights. In particular, the roll out of 'Thrive', our new Sustainable Agriculture and Farmer Livelihoods programme, will build on our existing agronomy support and STP programmes to further enhance our ability to prevent human rights abuses occurring in the tobacco supply chain, as well as supporting the farming communities we operate within to prosper.

We will continue to report publicly on our progress in enhancing farmer livelihoods and managing human rights issues across the full scope of our business. Please see www.bat.com/sustainability for further information on our approach to sustainability, our annual sustainability reports, performance data and periodic focus reports on each pillar of our Group-wide sustainability agenda.



**BRITISH AMERICAN
TOBACCO**