



# *Group Supplier Code of Conduct*



# Group Supplier Code of Conduct

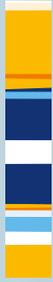
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## In this document:

'Group' means British American Tobacco p.l.c. (BAT) and all its subsidiaries, including Reynolds American Inc. (RAI) and its subsidiaries.

'Group company' means any subsidiary company in the BAT Group.

'SoBC' means the Group Standards of Business Conduct available at [www.bat.com/sobc](http://www.bat.com/sobc) and/or local versions of the SoBC adopted by a Group company and available on their local website.



## FOREWORD

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*“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, August 2018





## INTRODUCTION

Our Standards of Business Conduct (SoBC) express the high standards of business integrity that we require from Group companies and employees worldwide. This Group Supplier Code of Conduct (the 'Code') 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 the BAT Group and any Group company (collectively 'the Group'). This requirement is incorporated into our contractual arrangements with suppliers.

In addition, suppliers should:

- Take steps to ensure that all their employees and contractors (including permanent, temporary, contract agency workers and migrant workers), suppliers, agents, sub-contractors and other relevant third parties 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, due diligence, training and support.
- Promote adherence to the requirements of this Code and conduct appropriate due diligence within their own supply chain for their own new and existing 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, the Group 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 with the supplier in question.

### Contacting the Group

Any information that suppliers are required to report to the Group under this Code should be communicated to:

- The supplier's usual Group company 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

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

As such, suppliers must:

- Comply with all applicable laws, codes and regulations wherever they operate;
- Promptly notify the Group of any significant criminal or civil legal actions brought against them; and
- Promptly notify the Group 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

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We are 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 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 contractors (including permanent, temporary, contract agency workers and migrant workers), we expect suppliers (at a minimum) to:

- **Provide equal opportunities** to, and fair treatment of, all workers.
- **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.
- **Provide fair wages and benefits**, which comply at least with applicable minimum wage legislation and other applicable wage and working time laws or collective bargaining agreements.
- **Ensure operations are free from child labour**. Specifically, following the guidelines of the International Labour Organization 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);
  - The minimum age for work should not be below the legal age for finishing compulsory schooling and, in any case, not less than the age of 15;
  - Where local law permits, children between the ages of 13 and 15 years old may do light work, provided it does not hinder their education or vocational training, or include any activity which could be harmful to their health or development (for example, handling mechanical equipment or agro-chemicals). We also recognise training or work experience schemes approved by a competent authority as an exception.
- **Ensure operations are free from exploitation of labour**. Specifically, ensuring their operations are free from slavery, servitude and forced, compulsory, 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.
- **Ensure responsible sourcing of 'conflict minerals'**, including cobalt, gold, tantalum, tin and tungsten (and the ores from which they originate) originating from conflict-affected and high-risk areas that could directly or indirectly finance or benefit armed groups or human rights abuses. Where products or materials supplied to the Group contain such minerals, suppliers should work to exercise appropriate due diligence and perform a reasonable country of origin inquiry, including requiring its suppliers to engage in similar due diligence.



## ENVIRONMENTAL SUSTAINABILITY

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We are committed to pursuing best practice in environmental management and reducing the impacts of the Group 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 the Group relating to their environmental performance;
- Integrate environmental considerations into their product design and/or provision of services; and
- Provide the Group (where requested) with reasonable assistance as we seek to reduce the environmental impacts of our products and services.

## RESPONSIBLE MARKETING

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We are committed to responsible marketing of all our products to adult consumers aged 18 or over. Our marketing is governed by global principles and standards available at [www.bat.com/imp](http://www.bat.com/imp) or the relevant local Group company website.

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

- Group 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, Group marketing principles.

## BUSINESS INTEGRITY

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### 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 the Group;
- Disclose to the Group if any Group employee may have any interest of any kind in their business or any economic ties with them; and
- Inform the Group 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 how it is being managed.

These provisions are not intended to prevent suppliers dealing with Group 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 any person to their or the Group's advantage;
- Never solicit, accept, agree to accept or receive any gift, payment or other advantage from any person (directly or indirectly) as a reward or inducement for improper conduct or which influences, or gives the impression that it is intended to influence, decisions of the Group;
- Never make facilitation payments (directly or indirectly) with regard to Group business, other than where it is strictly necessary to protect the health, safety or liberty of any employee and/or contractor; and
- Maintain effective controls to ensure that improper payments are not offered, made, solicited or received by third parties performing services for or on their or the Group'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 small payments made to smooth or speed up performance by a low-level official of a routine action to which the payer is already entitled. They are illegal in most countries. In some, such as the UK, it is a crime for their nationals to make facilitation payments abroad.

## 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 the Group's policy on entertainment and gifts, as set out in the SoBC, when doing business with Group companies and employees;
- The exchange of entertainment and gifts is prohibited during any tender or competitive bidding process involving the Group; and
- Suppliers must not, directly or indirectly, seek to influence a public official on the Group's behalf by providing any entertainment or gift (or other personal advantage) to them or any person, such as a public official's family member, friend or associate. Gifts to public officials of more than token value will rarely be appropriate.



## Sanctions

Suppliers should ensure they conduct their business in compliance with all lawful international sanctions regimes, and that they do not engage with any sanctioned parties.

As such, suppliers must:

- Be aware of, and fully comply with, all lawful sanctions regimes affecting their business; and
- Implement effective internal controls to minimise the risk of breaching sanctions, and provide training and support to ensure their employees understand them and implement them effectively, particularly where their work involves international financial transfers or cross-border supply or purchase of products, technologies or services.

### What are sanctions?

Sanctions, trade embargos, export control or other trade restrictions are political trade tools, imposed by individual countries or supra-national bodies, such as 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.

Some sanctions regimes apply to US persons (wherever located), to the use of US currency for payments and to exports/re-exports of US-origin products and products with US-origin content (whether or not the entity handling them is a US person).

Breaching sanctions carries serious penalties, including fines, loss of export licences and imprisonment.

## Tax evasion

Suppliers must ensure they comply with all applicable tax laws and regulations in the countries where they operate and be open and transparent with the tax authorities. Under no circumstances should suppliers engage in deliberate illegal tax evasion or facilitate such evasion on behalf of others.

As such, suppliers must put in place effective controls to minimise the risk of tax evasion or its facilitation, and provide appropriate training, support and whistleblowing procedures to ensure their employees understand and implement them effectively and can report any concerns.

## Illicit trade

The fight against the illicit trade in our products is an important priority for the Group. 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 unlawful trade in our products;
- 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 customers, suppliers or individuals suspected of involvement in illicit trade.
- Collaborate with authorities in any official investigation of illicit trade in an active and constructive way.

### Types of illicit products

**Counterfeit or fake:** Unauthorised copies of branded products that have been manufactured without the knowledge or permission of the trademark 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

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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 contractors, 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 the Group;
- 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; and
- Report any suspected or actual breaches of the requirements of this Code to the Group as soon as they become aware of them via the contact details on page ( or, alternatively, via the Group’s confidential, independently managed external *Speak Up* channels available 24 hours a day in local languages at:
  - Website: [www.bat.com/speakup](http://www.bat.com/speakup)
  - Tel: (800) 461-9330. If dialling internationally, you can choose your location from the list provided at [www.bat.com/speakup](http://www.bat.com/speakup) for the international number assigned to your country.

## COMPLIANCE MONITORING

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We reserve the right to verify new and existing suppliers’ compliance with the requirements of this Code through internal and/or external assessment and audit mechanisms.

As such, suppliers must:

- Provide all reasonable cooperation with any verification activity linked to this Code (whether carried out by the Group or by third parties engaged by the Group), including ensuring relevant documentation and data is held for as long as required by the Group and/or relevant laws and the granting of independent access to relevant personnel, sites, documentation and data. Such cooperation shall only be discussed and agreed to by the Group and the Supplier, to ensure that it is performed within working hours and that reasonable notice is given in advance.
  - 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 the Group to try to identify mutually acceptable mechanisms for its safe and legitimate disclosure.