



**BRITISH AMERICAN  
TOBACCO**

# Our Philosophy for Supplier Partnerships



## Group Strategy and the Supply Chain

British American Tobacco has enjoyed long term relationships with many loyal and committed suppliers who are integral to our business. But our business is changing rapidly as we seek greater competitive advantage through efficiency gains and innovation, in our products and how we work, whilst addressing new regulatory requirements and expectations from commercial, social and political stakeholders. We are anchoring Group Strategy around growth, productivity, responsibility and a winning organisation, in order to achieve leadership of the global tobacco industry. Better supply chain relations and performance are essential if we are to achieve this.

We are taking a more strategic and global approach to our supply chain, and intend to reduce the complexity of our business, and promote continual improvement in efficiency, quality, business practice and innovation among supply partners.

This warrants a clear statement about our philosophy for the management of our supply chain. This draws upon the Group's Statement of Business Principles, which should be read in tandem with this, and other Group policies, along with our supply chain management tools, such as BEST (Business Enabler Survey Tool), SQP (Supplier Quality Partnership) and the SRTTP (Social Responsibility in Tobacco Production) programme – all of which now reflect global policies.

British American Tobacco's primary role is to build long term shareholder value by meeting consumers' preferences for high quality tobacco products. We cannot do this without a high-performance supply chain.

Supply chain management is not just about procurement; it has to be about how we can increase value in the supply chain. We know that we can do more to work with supply partners to identify and manage common problems and to exploit opportunities for mutual gain.

## Our supply partnership philosophy

Our supply partnership philosophy is based primarily on our Statement of Business Principles, of which there are three: Good Corporate Conduct, Responsible Product Stewardship, and Mutual Benefit, each explained in more detail by a series of Core Beliefs. The following Core Belief under Mutual Benefit anchors our supply chain philosophy:

**“We believe that suppliers and other business partners should have the opportunity to benefit from their relationship with us.”**

What this means in practice is that supply partners should expect the following from their relationship with us:

- Open and transparent communication;
- Shared responsibility to solve problems rapidly in the supply chain, working together to minimise and manage business risk and improve business practices;
- A joint approach to pursuing improvements in the supply chain, through education, training and the sharing of good practice;
- Group companies will uphold British American Tobacco policies and will encourage, and, where appropriate, help supply partners to embrace them.

Supply partners should also be aware of our policies and principles. This is particularly important as we are committed to being a responsible company in an industry often seen as controversial. This means that we – and our supply partners – need to uphold and demonstrate high standards of integrity, accountability and business practice. What follows is a brief introduction to the relevant policies and principles.

## Corporate Social Responsibility

British American Tobacco is committed to Corporate Social Responsibility (CSR). This means that along with our commercial responsibilities we must also address the expectations of stakeholders in society. This helps us continue building a sustainable tobacco business, and one in which our business partners can share.

**“We believe that high standards of corporate social responsibility should be promoted within the tobacco industry.”**

We believe that, as a responsible business, we should do more than ensure that we exhibit best practice in the workplace; we should also use our influence to raise standards, secure product integrity and spread best practice in our supply chain and in the tobacco industry overall. We hope that our supply chain partners will assist us in this regard.

## Supply partners and employment issues

Our Employment Principles apply primarily to Group employees, but one section is devoted to our business partners. The Principles have been rolled out across the Group and we hope that supply partners will embrace the Principles in their entirety.

### Valued business partners

Whilst we are not responsible for standards of employment practice throughout our supply chain, we seek to influence our business partners to avoid:

- The employment of children particularly in any industrial process, or agricultural process which uses chemicals (other than in genuine apprenticeships);
- The selling of cigarettes to minors;
- The use of forced or illegal immigrant labour;
- Working conditions which do not meet BAT standards on health, safety or hygiene;
- The denial of access to, or unfair application of, a transparent grievance procedure;
- Any form of unlawful discrimination, harassment, abuse or bullying.

Whilst each partner organisation has the responsibility to manage its employment practice in accordance with its own business standards, values and local legislative framework, we will work with them to embrace these Principles.

We will not tolerate any supply partner who has not made any attempt to address our policies and principles on employment or who has not taken steps to avoid the issues outlined above.

## Supply partners and human rights

A commitment to human rights is a key core belief underpinning the Principle of Good Corporate Conduct.

**“We believe that universally recognised fundamental human rights should be respected.”**

Supply partners should also respect universally recognised human rights, in part by embracing the Employment Principles, which embody the key international covenants and conventions relating to human rights and the workplace. Suppliers should also comply with national laws and regulations relating to employment and human rights more generally. Supply partners should aspire to the highest international standards of corporate conduct and we are committed to encouraging this.

## Supply partners and the environment

A clear commitment to the environment also underpins the Principle of Good Corporate Conduct.

**“We believe in world-class standards of environmental performance.”**

We continue to enhance our own rigorous and transparent environmental management systems to reduce the negative environmental impacts of our operations, while taking environmental considerations into account in designing new products. We believe we should work together with the rest of the industry, business partners and suppliers to address the environmental impacts associated with tobacco production.

Our supply partners should be aware that:

- We take environmental performance into account when selecting and reviewing suppliers;
- We expect high standards of environmental management from our supply chain and business partners;
- We will work with our immediate suppliers and principal business partners to help them reduce any negative environmental impacts associated with their products and operations.

### Further information

Details of our supply chain tools and standards can be found at

[www.bat.com](http://www.bat.com)