

EMPLOYMENT PRINCIPLES

STATEMENT OF EMPLOYMENT PRINCIPLES

Introduction

We, British American Tobacco p.l.c. and our subsidiary companies have developed this statement of Employment Principles and workplace related human rights issues based upon our four Guiding Principles, namely:-

- Strength from Diversity
- Open Minded
- Freedom through Responsibility
- Enterprising Spirit.

The Human Resources Strategic Imperative

British American Tobacco (BAT) is a decentralised Group of Companies and each company has wide freedom of action. However, within that framework it is our aim to apply these Principles in the key areas of employment practice. We expect each Company in the Group to be aware of and understand the Principles and values set out in this statement and to adopt them in a manner and time frame that is appropriate in each case.

In a number of areas we are pleased to say that the Principles reflect current practice. For those where they may not, this is intended to be the next step in supporting improvement and encouraging the development of local policies and procedures. Policies and procedures developed at the market level should be consistent with these Principles, but must also take cognisance of the political, economic, labour law and practice, and cultural context in which each Company operates. In this sense the Principles set out our aspirations and, where these goals are not met or immediately achievable, the will is to move towards the eventual attainment of these goals.

Why do we need these Principles?

Historically BAT has adopted policies that aim to be both:

- Good practice in each local/end market; and
- Consistent with national governments' obligations, requirements and commitments.

In addition, we have always taken seriously the value of our people and their development, ensuring good governance, strengthening the local economy and being a valued member of that wider community. The development of these Principles demonstrates our commitment to good employment practices within our markets, and to our position as an employer of choice.

These Principles are not intended to form a part of individual contracts of employment. Since they are a statement of our intent, they will be subject to review and amendment.

What are we responsible for?

Our primary relationships and influences are with employees at our core operations. Our aim, in these Principles, is to develop goals in the field of employment appropriate to our own situation. We do, however, also recognise our potential to influence business partners in our supply network – and our responsibility to enter into dialogue with those within our sphere of influence. When dealing with such wide-ranging and complex employment-related issues, responsibility is divided amongst different sections of society. National governments have the primary responsibility to raise their own local standards of employment legislation, requirements and compliance.

Consultation Process for Principles Development

In developing our Principles, we have considered international thinking and sought the views of a cross-section of external groups. Internally, we have consulted (where relevant) with our works councils and employee representatives on the best means of integrating the Principles into our corporate culture (where this is not already the case).

OUR EMPLOYMENT PRINCIPLES

1. STRENGTH FROM DIVERSITY

'Actively utilising diversity – of people, cultures, viewpoints, brands, markets and ideas – to create opportunities and strengthen performance.'

BAT is dedicated to providing equal opportunity to each employee. Our employment beliefs and standards mean that we will not discriminate when making decisions on hiring, promotion or retirement on the grounds of the employees' or candidates' race, colour, gender, age, social class, religion, smoking habits, sexual orientation, politics, or disability – subject to the inherent requirements of the role to be performed. A fundamental aim is to ensure a diverse and representative workforce profile through the promotion of employment equality. We shall observe national legislation relative to positive discrimination.

2. OPEN MINDED

'Being an active listener, genuinely considering others' viewpoints and not pre-judging.'

2.1 Openness and Responsiveness

2.1.1 Internal Communications

Employees' sense of belonging to, and trust in, BAT is enhanced by our focus on internal communications, a sense of pride in our brands and being part of a socially respected Group of Companies.

We aim to be open and transparent and to provide regular, reliable and relevant business and industry- related information, through a wide range of internal communication channels to allow access for all employees. Disclosure/ communication policies take into account our obligations to business confidentiality and other competitive concerns. However, subject to this, we actively encourage and promote the free flow of ideas and information between our Operating Companies and their workforce.

2.1.2 Relationships and Partnerships

Worker Representation and Freedom of Association: We respect both freedom of association and freedom of non-association. We acknowledge the right of employees to be represented by local company recognised Trades Unions, or other bona fide representatives, and for these, where appropriate, to consult with the relevant company – within the framework of applicable law, regulations, the prevailing labour relations and practices, and company procedures.

We acknowledge the activities of recognised worker representative bodies such as Trades Unions (where such activities are practised in accordance with national law) and we ensure that they are able to carry out their representative activities within agreed procedures.

3. FREEDOM THROUGH RESPONSIBILITY

'We believe decisions should be pushed down the organisation to the appropriate level, as close to the consumer as possible and that decision takers should accept responsibility for their decisions.'

3.1 Company Responsibilities

3.1.1 Fairness at Work

We seek to encourage a climate of confidence to ensure that employees can air questions and problems arising during the course of their work and aim for quick resolution to the satisfaction of all concerned. To this end, we seek to ensure that our employees know about grievance and disciplinary procedures and how to use them.

Temporary labour is an important element of the overall employment mix and essential to meet the local business requirement and cycles. Where this form of labour is used we will act at all times to conform to local labour laws and practices. BAT companies do not have a policy of engaging in the use of casual labour to avoid an employee receiving company and government benefits.

3.1.2 Dignity at Work

BAT finds all aspects of harassment and bullying unacceptable and we are committed to removing any such actions or attitudes in the workplace.

3.1.3 Restructuring

BAT undertakes restructuring in a responsible manner. Any of our global Operating Companies involved in restructuring will explain the initiatives that make change necessary to its employees and all appropriate groups and bodies, in accordance with local laws and regulations.

We cannot offer a job guarantee for life but compulsory termination of employment is only actioned after a comprehensive review of all the alternatives. Where such situations do occur, we will adopt responsible local approaches and procedures to address each instance, including severance pay and any other such measures as may be appropriate to the situation and location.

3.1.4 Against Exploitation

Child labour: BAT does not condone or employ child labour. We seek to ensure that:

- The welfare, health and safety of children are paramount at all times;
- Practices undertaken by children for the development of vocational skills (e.g. in agricultural employment) do not conflict with or impede their educational development, including school attendance;
- The development of children, their communities and countries is best served through education.

Forced Labour: Bonded or involuntary labour is completely unacceptable, as is the requirement to surrender identity papers or pay deposits as a condition of employment. Where national legislation or employment procedures require the use of identity documents, these will be used strictly in accordance with the local legislation and procedures.

We do not condone exploitation or the unlawful use of immigrant labour.

3.2 Employee's Responsibilities

3.2.1 Standards of Business Conduct

These are an integral part of our corporate governance and are designed to provide a decision-making framework for all employees. Employees are the key upholders of such standards and are expected to comply with them.

3.2.2 Proper Use of Company Systems

BAT Companies deploy many systems to help in the achievement of business goals. In doing so, we entrust the use of these systems and facilities to our employees. It is the responsibility of employees to familiarise themselves with these systems and to adhere to all operational and confidentiality procedures including those concerning personal use of the systems. BAT Companies will provide training in the use of their systems and policy adherence and employees should seek further training if required. The use of these systems will be monitored from time to time to ensure lawful use and purposes in accordance with BAT policy and local legislation.

Employees will be encouraged to make suggestions to improve either the training or the systems themselves.

3.2.3 Performance Responsibility

We expect our employees to make a meaningful and confident contribution to the success of BAT and their own place within it. As such, employees will be held accountable for their performance. We therefore provide employees with clarity on our expectations of them and feedback on their performance. The mechanisms for this will be determined as appropriate at the local level. Where poor performance continues, despite the prior provision of opportunities for improvement, BAT companies will terminate the employment, applying the framework of applicable law and company labour relations procedures.

3.3 Mutual Responsibilities

3.3.1 Environmental Responsibilities

BAT has in place environmental, health and safety management and monitoring systems and strives to achieve annual targets and performance indicators in each of the key areas of environmental management. Both our companies and our employees have an integral part to play in the achievement and maintenance of these standards.

3.3.2 A Constructive Place in the Community

Community contribution: BAT thinks globally but it is a local citizen. As such, we encourage our employees to play an active role both in their local and business communities.

The level and type of support the local company and our employees give is at the discretion of the local company.

Economic contribution: BAT seeks to create opportunities for skills development for employees and communities in markets where we operate. We also aim to work in harmony with the development objectives and initiatives of host governments.

3.3.3 Business Information Security

Business information security is a multifaceted challenge requiring effective co-operation between all parts of the business, our business partners, employees and employee representatives. Our policy embraces all elements of business information security including physical records, electronic data, email, personal data held by the Company, information processes and data management, legal and audit considerations and communications systems (telephones, fax, internet etc.).

Our policy is to maximise the business leverage of our information, ensuring that it is reliable and available to those who need it. It is of paramount importance to ensure that all our employees are fully aware of their personal responsibilities in this regard. We will honour the privacy of workforce data according to the requirements of national legislation and the security and interests of the business.

3.3.4 Personal Development and Learning

We develop and deliver high quality learning and development initiatives appropriate to the needs of the individual Operating Companies and their employees. We aim to foster a sense of pride in working for BAT and to be the employer of choice wherever we operate.

Whilst we put great emphasis and resources in training and opportunities for development, employees are encouraged to take responsibility for their own development.

3.4 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.

BAT minority shareholding interests: We will draw to the attention of the Directors of companies, in which we have a minority interest, the contents of these Principles and, where they do not exist already, encourage them to be adopted.

4. ENTERPRISING SPIRIT

‘The confidence to seek out opportunities for success, to strive for innovation and to accept the considered risk taking that comes with it.’

4.1 Physical and Material Well Being

Elements of this are:

4.1.1 Reasonable Working Hours

It is almost inevitable that in most roles, and at certain times of the year, business needs will dictate more concentrated periods of work than at other times. However, we acknowledge and support the need of employees to balance work and personal interests and will encourage flexibility where possible.

4.1.2 Family Friendly Policies

We encourage our markets to explore and adopt family friendly policies as relevant according to local practice.

4.1.3 Occupational Health and Safety

BAT Companies will all have, and comply with, internal health and safety policies and procedures and national regulations to ensure a safe working environment. We are committed to working with our employees to ensure that health and safety standards are maintained and improved. This process involves the effective application of an environmental, health and safety management and monitoring system.

We work continuously to maximise the physical security of our employees wherever they are employed. We will ensure that our standards and policies are understood and training will be provided so that all employees understand the health, safety and security issues and requirements concerning their job/position.

4.2 Fair, Clear and Competitive Remuneration and Benefits

BAT recognises the need for our remuneration policies to be competitive and they have been designed to ensure a real differentiation amongst individuals and teams within companies, using criteria such as: qualifications, skills, performance, contribution and responsibility.

BAT uses objective instruments in determining the level and seniority of roles within the business by means of a well-defined method of job evaluation, which defines roles, scope and subsequent salary positions and ranges. These are then compared against the local labour market to ensure their competitiveness.

Prevailing market conditions are a key point of reference for establishing remuneration in each Operating Company. BAT will comply with legislation imposing a national minimum wage; however, our strategy will be to ensure that our reward levels are highly competitive within the local area.

We use remuneration and reward as an active tool to build and maintain a high performance, highly motivated culture. Our approach is based on a mix of financial and non-financial, long and short term incentives. Each Operating Company has the opportunity to structure their reward and benefits packages according to local circumstances. All employees are provided with clear information for each pay period, including any and all deductions from their pay.

4.3 Talent, Performance and Equal Opportunity

Where possible we fill vacancies internally, although we will seek out external talent as this provides the opportunity for fresh thinking, new ideas and experiences. Our recruitment strategy is based on retaining and attracting the most suitable people at all levels of the business and this is reflected in our objective approach to recruitment and selection. The approach is based on the inherent requirements of the job (both now and in the foreseeable future), matching the ability and potential of the individual.