

Swedwatch's response to BAT statement on report 'Smokescreens in the supply chain'

30 June 2016

In this document, Swedwatch addresses British American Tobacco (BAT) response to the report "Smokescreens in the supply chain" which was made available to BAT in its entirety prior to publication. The full letter from BAT is dated 28 June 2016 and is available for review on the Swedwatch website.

1. Summary from BAT letter regarding information-sharing:

BAT states that it takes its responsibilities in relation to its supply chain extremely seriously, and in light of the seriousness of the report findings, the company reiterates its request to Swedwatch for details of the individual farms in question in order to establish whether they fall within BAT's supply chain. If they do, BAT will investigate further and take remedial action.

Swedwatch comment:

The findings from Swedwatch's report - especially those based on interviews with community leaders, government officers and experts who have deep knowledge of the conditions in the areas and the impacts from tobacco cultivation – illustrate that issues are not isolated incidences, but rather occur across the three surveyed areas in Bangladesh.

In recognition of the heightened risk associated with criticism of large corporations and their practices, Swedwatch protects the anonymity of local interview respondents and therefore cannot share details of specific farms with BAT.

It is Swedwatch's expectation that BAT, based on the findings in the report and BAT's assertion regarding own investigation and remedial action, may conduct international good practice impact assessments and consultations with local stakeholders and vulnerable groups in each area of operation. These measures will provide BAT with a comprehensive picture of impacts from their operations and do not rely on the availability of detailed data on the farms belonging to interviewees in the study.

2. Summary from BAT letter regarding positive impacts of its business operations Bangladesh:

BAT states that there are inherent social and environmental risks in any agricultural supply chain, and that the only way to completely avoid these is to cease farming any crops. The company adds that it is their belief, backed up by independent studies, that in general, the presence of BAT and its CSR projects has a positive socio-economic impact in the Bangladesh regions where it operates.

Swedwatch comment:

Swedwatch's study results indicate that tobacco farming for BATB sometimes generates good income for some farmers during some seasons. Many well-off farmers, especially those who own their own land, are able to carry the investment costs without taking out extensive loans and stand a greater chance of making a profit.

However, the main focus of Swedwatch's research was to explore BAT's due diligence process and to compare the company's contract farming model with international good practice. Therefore, the report explores in detail how tobacco companies can identify and prevent negative impacts on poorer farmers, hired labourers and vulnerable groups such as children, women and indigenous

people in their operation areas. The field study in Bangladesh shows that in the tobacco cultivation areas, the stakeholders who gain the largest income from tobacco farming are local money lenders and land leasers, while for example women and children make the least income from their tobacco work and at the same time suffer negative impacts on their health and well-being.

In the report, Swedwatch refers to international good practice standards for contract farming and for responsible agricultural supply chains. These contain details and guidance on how companies can work with farmers and communities and manage their impacts in the supply chain in a responsible way.

The 'scope and limitations' section of the report outlines that in 2015 BAT only implemented three smaller Corporate Social Responsibility (CSR) or community development projects across Bangladesh. Swedwatch states clearly that instead of discussing the limited benefits from these projects, Swedwatch has focused its analysis how BAT's business model may contribute to BATB registered farmers' income and contract conditions.

3. Summary from BAT letter regarding commission studies:

BAT states that Swedwatch's dismissal of the findings from the company's commissioned studies, in spite of the fact that they have been conducted by highly respected organisations and in one case including an expert panel with academics from well-known universities, is entirely inappropriate.

Swedwatch comment:

BAT provided Swedwatch with four BAT-commissioned company studies – one with a global focus, and three draft format studies describing conditions in Bangladesh. Throughout *Smokescreens in the supply chain* Swedwatch refers to and quotes results from these studies. However, the BAT studies do not explore issues from the same angle as Swedwatch. For example, BAT underlines in its own study findings that the incidence of *paid* child labour is all but nonexistent, and merely 2% of children help their families with tobacco cultivation during school hours. The Swedwatch study found that the bigger issue in the study areas was the widespread incidence of *unpaid* child labour – both as regards farmers' and labourers' children, and that child labour is detrimental to children's wellbeing.

As a general observation from Swedwatch, the shared commissioned studies do not consistently apply international good practice for impact assessments. For example, sustainability impact assessment practice of an open, complete 'scoping', used to ensure that all issues and perspectives are considered, and then to determine which impacts are likely to be significant and should become the main focus of the assessment, is not complete. The study method has not included comprehensive consultation with affected stakeholders and vulnerable groups in line with international good practice criteria as expressed for example in the UN Guiding Principles on Business and Human Rights (UNGPs).

4. Summary from BAT letter regarding environmental impacts:

BAT states that Swedwatch's allegations of unsustainable outtake of fuel wood for curing of tobacco leaves are unfounded, and based on speculative opinions from e.g. local journalists.

Swedwatch comment:

The findings on outtake of fuel wood for tobacco curing from natural forests are based on:

1. Interviews with BATB contracted farmers in Bandarban;
2. Swedwatch's direct observation of a large kiln belonging to a BATB contracted farmer inside a natural forest area in Chakoria;
3. An interview with a Chittagong region journalist with deep insights into agriculture and rural development in Bandarban and Chakoria.

5. Summary from BAT letter regarding relevance of study to other tobacco companies:

BAT expresses concern that the report conclusions are presented as being relevant only to BAT, while approximately 1/3 of the people interviewed are people categorized as "persons farming tobacco for the local market or providing services to farmers".

Swedwatch comment:

Swedwatch's conclusions and recommendations are relevant to all tobacco companies operating under similar conditions to those prevailing in BAT's tobacco cultivation areas in Bangladesh. Being a multinational company with sustainability policies referring to international norms and conventions, BAT has the potential to instigate positive change and raise the bar for sustainability work in the whole tobacco sector in Bangladesh.

The category of interviewed persons referred to as "persons farming tobacco for the local market or providing services to farmers" consists of farmers producing for other tobacco companies; farmers selling their produce independently in the local market without an agriculture production agreement with a purchasing company; and finally service providers such as pesticide shop owners and money lenders who have both BATB farmers and other farmers as their customers.

6. Summary from BAT letter regarding land conflicts:

BAT states that Swedwatch ascribes macro-level issues directly to BAT without any evidence at all, as in the case of unresolved land conflicts despite stating that "None of the interviewees in Swedwatch's Bandarban survey provided information on any unresolved land conflicts in BATB's tobacco cultivation operation during the growing season 2015-2016."

Swedwatch comment:

According to literature (Adnan and Dastidar, 2011, and Barkat et al, 2010.) Bandarban has a high incidence of undocumented and unresolved land conflicts, many which date back years or decades. In Smokescreens in the supply chain, Swedwatch elaborates that through its omission to investigate the occurrence of land conflicts in its area of operation in Bandarban, there is a risk that BATB is engaged in tobacco cultivation on conflicted land.

According to a Chittagong Hill Tracts lawyer consulted by Swedwatch, it is likely that many disputed incidences of tobacco farming on indigenous peoples' land in the district exist, but that these have not been documented, and therefore rightful indigenous land owners are not able to bring these cases to mediation and to pursue compensation.

7. Summary from BAT letter regarding contracts:

BAT states that Swedwatch's criticisms of BAT contracts with farmers in Bangladesh appear to be primarily derived from one former field officer in the Chittagong region and a local journalist. The allegation that contract farmers have ever been provided "blank pieces of paper as contracts" is simply untrue. BAT further states that farmers are both literate and well accustomed with the formal proceedings of business relations and non would be comfortable without having a formal contract with the company for such partnerships. The company explains that BATB utilises a farmer contract growing system in all its cultivation and all contracts are translated into Bangla language.

Swedwatch comment:

The findings that BATB farmers are not being given copies of their contracts with BATB and that some have signed blank sheets of paper as contracts are based on the following interviews during the period July 2015 – April 2016:

1. Interviews with BATB contracted farmers in Bandarban.
2. An interview with Farida Akhter – director of the NGO UBINIG, and active in field research with BATB farmers across Bangladesh for many years.
3. Interviews with one current and one former BATB officer.
4. An interview with a Chittagong region journalist.

On 24 May 2016, a former BATB officer informed Swedwatch that starting from 22 May 2016, for the first time in 25 years, BATB has provided a number of farmers in Bandarban with a written contract which clearly states prices and purchase volumes in the Bangla language. According to this interviewee, the company has told farmers that the contracts will be valid for the coming season 2016-2017, and assured farmers that copies of the signed contracts will be provided as soon as possible.

An additional contract related report finding, which BAT does not comment on, is the uncontrolled subcontracting of production by BATB contract farmers in Lalmonirhat which leads to exploitation in a second layer of the company's supply chain. This is a strong finding supported by government officers, a respected international organisation, and interviews with local farmers.