

## BAT South Africa confirms retrenchment process

### Ballooning illicit tobacco trade forces company into restructuring process

**Cape Town, 13 January 2023** — British American Tobacco South Africa (“BAT South Africa”) has begun a consultative process with staff in line with Section 189 (1) of the Labour Relations Act around a restructuring of the business.

The company has embarked on this process given further losses in cigarette volumes in South Africa. It is expected that around 200 company jobs may be affected by the proposed restructure.

BAT South Africa’s cigarette volume loss is almost entirely as a result of the continued impact of the growth in illicit cigarette trade in South Africa, and the unconstitutional ban on cigarette sales implemented during the national Covid-19 lockdown in 2020, says a company spokesperson.

“The 2020 tobacco sales ban resulted in an explosion of growth for the illicit market. This has continued even after the ban on tobacco sales was lifted.

“In 2019, BAT South Africa permanently employed around 1,800 highly qualified staff across its South African operations. Since 2020, we have been forced to retrench more than 30% of our workforce.”

Over the same period, the company has lost around 40% of its cigarette sales as the illicit market accelerates. BAT South Africa estimates (based on independent studies) that the **illicit cigarette trade accounts for up to 70% of South Africa’s total cigarette market**. “This illegal trade has severely impacted the sustainability of the legal tobacco industry and is a source of funds for criminal organisations in South Africa.”

### Enforcement and new policies are critical to eliminating illicit trade

While BAT South Africa applauds recent efforts by the South African Revenue Service (SARS) and law enforcement agencies to clamp down on the illicit cigarette market, it also calls for even stronger action, given that the current approach has not stopped the growth of illicit cigarettes.

“SARS has issued important new policies, but now it is time to audit manufacturer policy compliance. To support law enforcement agencies and increase their effectiveness, as well as help consumers differentiate between illicit and legal market offers, a Minimum Retail Price Policy is required.”

“The illicit trade robs South Africa of billions of Rands in much-needed tax revenue, and the impact of this is now clearly being seen on legitimate businesses, their operations, and, unfortunately, the livelihoods of those in their value chains. Legitimate businesses cannot operate competitively if the country’s laws are not enforced.”

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