



What ESG means at BAT

IR & ESG Teams

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Important information



Forward-looking Statements (continued)

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Revision

For presentation purposes within this presentation, all prior periods have been revised to be consistent with the current reporting structure. All of the information in this presentation is in respect to continuing operations, revised for the fully retrospective adoption of IFRS 15.

We are building **A Better Tomorrow**



OUR PURPOSE:
**“TO REDUCE THE HEALTH IMPACT
OF OUR BUSINESS”**

Reducing the health impact of our business



1. COMMITTING TO PROVIDING **ADULT CONSUMERS** WITH A WIDE RANGE OF ENJOYABLE AND **LESS RISKY PRODUCTS**

2. CONTINUING TO BE CLEAR THAT COMBUSTIBLE **CIGARETTES** POSE SERIOUS **HEALTH RISKS**, AND

3. THE ONLY WAY TO AVOID THESE RISKS IS **NOT TO START OR TO QUIT**

4. ENCOURAGING THOSE WHO OTHERWISE CONTINUE TO SMOKE, **TO SWITCH COMPLETELY** TO SCIENTIFICALLY-SUBSTANTIATED, **REDUCED-RISK ALTERNATIVES**

5. TRACKING AND **SHARING PROGRESS** OF OUR TRANSFORMATION

Our Purpose drives our growth strategy



Creating value for all stakeholders

Our ESG Agenda



“ CREATING **SHARED VALUE** FOR OUR STAKEHOLDERS ISN'T JUST THE RIGHT THING TO DO, IT MAKES SOUND **BUSINESS SENSE** AND IS **CENTRAL TO** OUR STRATEGY TO DELIVER **A BETTER TOMORROW** ”

Jack Bowles, CEO

Driven by clear priorities

H

Reducing the **HEALTH** impact of our business



CONSUMER CHOICE



WORLD-CLASS SCIENCE



STANDARDS & REGULATION

E

Excellence in
ENVIRONMENTAL
management



- Climate change
- Water and waste
- Sustainable agriculture
- Circular economy

S

Delivering a positive
SOCIAL impact



- Human rights
- Farmer livelihoods
- Health and safety
- People and culture

G





Robust corporate
GOVERNANCE



- Business ethics
- Responsible marketing
- Regulation and policy engagement

ACCELERATING, MEASURING, REPORTING

With stretching targets

H  Reducing the HEALTH impact of our business	<ul style="list-style-type: none">• 50 million consumers of our non-combustible products by 2030¹• £5 billion in New Category revenues by 2025¹
E  Excellence in ENVIRONMENTAL management	<ul style="list-style-type: none">• Carbon neutral by 2030²• Reduce water withdrawn by 35% by 2025³• Eliminate use of unsustainable wood sources by our contracted farmers• 100% of plastic packaging reusable, recyclable or compostable by 2025¹
S  Delivering a positive SOCIAL impact	<ul style="list-style-type: none">• 100% suppliers subject to human rights supply chain due diligence⁴• Enhance farmer livelihoods such as by increasing yields and productivity• Zero accidents group-wide¹• Increase women to 45% of management, and 40% in senior teams by 2025¹
G  Robust corporate GOVERNANCE	<ul style="list-style-type: none">• 100% adherence to our Standards of Business Conduct¹• 100% adherence to our Youth Action Prevention Guidelines¹• SoBC Lobbying and Engagement Policy

Building on strong ESG foundations



2000-2005
ESTABLISHING

2006-2010
DEVELOPING

2011-2015
EMBEDDING

2016-2019
GROWING

2020
ACCELERATING

BRITISH AMERICAN TOBACCO
SOCIAL REPORT 2001/2002



S RTP
Social
Responsibility
in Tobacco
Production



OUR SUSTAINABILITY AGENDA	
Harm reduction	We will strive to bring commercially viable, consumer acceptable reduced-risk products to market.
Marketplace	We will take a lead in upholding high standards of corporate conduct within our marketplace.
Environment	We will actively address the impacts of our business on the natural environment.
Supply chain	We will work for positive social, environmental and economic impacts in our supply chain.
People and culture	We will work to ensure we have the right people and culture to meet our goals.



↓50%
CO₂e by
2030

**External
Scientific
Panel**



Supply chain
sustainability strategy

**Diversity & Inclusion
strategy**



Thrive
SUSTAINABLE AGRICULTURE
AND FARMER LIVELIHOODS



Reducing the **HEALTH** impact of our business

E
Excellence in
ENVIRONMENTAL
management

S
Delivering a positive
SOCIAL impact

G
Robust corporate
GOVERNANCE

**STRETCHING
NEW TARGETS**

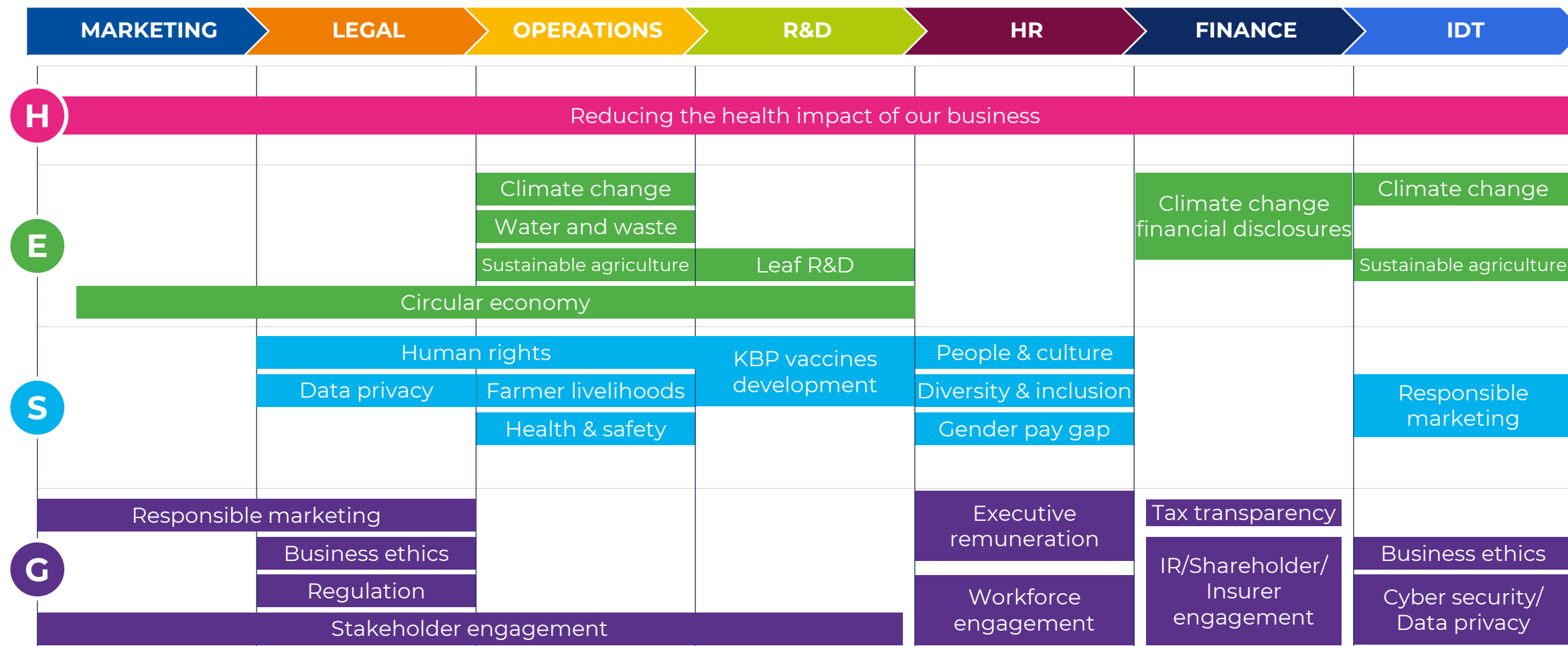
Increasing our
consumers of non-
combustible products
to 50 million by 2030

Achieving carbon
neutrality by 2030
and accelerating our
existing environmental
targets to 2025

Eliminating
unnecessary single-
use plastic and making
all plastic packaging
recyclable by 2025

Named in Dow Jones Sustainability Indices for 19 consecutive years
In 2020 once again the only tobacco company in prestigious DJSI World Index

With ESG fully integrated in the business





We are making good progress: reducing the **health** impact of our business

2019



CONSUMER CHOICE

- 50 million consumers of our non-combustible products by 2030¹
- £5 billion in New Category revenue by 2025¹

11 million consumers
New Category revenue
+37% to £1.3 billion²



WORLD-CLASS SCIENCE

- Research and publish the relative risks of our new category products to smoking
- Invite independent scrutiny of our Science

59 peer reviewed papers on
New Categories to date
32 scientific conferences and
meetings presentations



STANDARD & REGULATION

- Follow strict standards for product safety
- Advocate for industry-wide standards and regulation

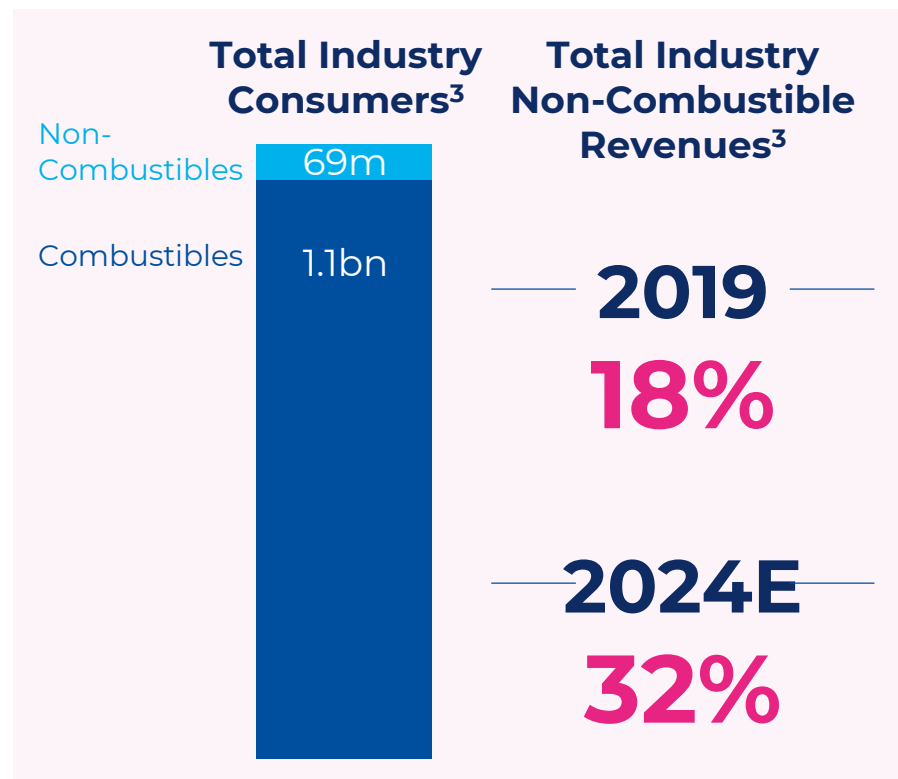
We contribute to the
development of international
standards



Case Study: Reducing our health impact through a unique multi-category approach



- We can **lower our health footprint** while generating **rapid growth** by transitioning combustible consumers from both our own and our peer brands
- Our **multi-category portfolio is vital** as consumer preferences and regulations vary between, and even within, countries
- We have **invested heavily** in developing the **capabilities to accelerate our growth** in the NCs



“

WHILE WE'RE PROUD OF HOW MUCH WE'VE ALREADY ACHIEVED, **WE NEED TO ACCELERATE PROGRESS** TO GENERATE A GREATER PROPORTION OF OUR REVENUES FROM PRODUCTS OTHER THAN CIGARETTES, THEREBY **REDUCING THE HEALTH IMPACT OF OUR BUSINESS**

Jack Bowles, CEO

”

Powered by profits and capabilities from combustibles



We are making good progress: excellence in environmental management



		2017	2019	
	CLIMATE CHANGE	Carbon neutral operations by 2030 ¹		
		864 (‘000 tonnes)	782	(- 9.5%)
	WATER & WASTE	Reduce water withdrawn -35% by 2025 ²		
		5.19 (mn cubic metres)	4.51	(- 13.1%)
	SUSTAINABLE AGRICULTURE	100% use of sustainable wood sources for curing ³		
		99%	99%	✓
	CIRCULAR ECONOMY	100% of plastic packaging to be reusable, recyclable or compostable by 2025 ³		
		Trialling take-back schemes for new category products in 5 markets		

1 CO2 neutral for Operations (Scope 1&2). 2 From 2017 baseline. 3 Internal target



Case Study: Helping the planet and generating competitive advantage with our Circular Economy strategy



A cross functional team, led by the Management Board, will drive our circular economy strategy through all categories

Reducing Waste Today

- Following trials, we plan to implement **take-back schemes** for all our New Category devices by 2021
- We plan to **remove all unnecessary plastic** from Vuse packaging by the end of 2021
- We've removed silicon caps from our Vype e-liquid pods, **saving the equivalent of c.1,000 tonnes of CO2 per year²**



Ambitious Goals for 2025¹

- **Eliminate unnecessary single-use plastic packaging**
- **100% of plastic packaging to be reusable, recyclable or compostable**
- **30% average recycled content across all plastic packaging**



We are making good progress: delivering a positive **social** impact



		2017	2019	
	HUMAN RIGHTS	100% of suppliers subject to human rights supply chain due diligence ¹		
		46%	100%	✓
	FARMER LIVELIHOODS	Enhance farmer livelihoods such as by increasing yields and productivity		
		N/A	12–20% increase in tobacco crop yields	
	HEALTH & SAFETY	Zero accidents group-wide ²		
		284	194	(- 32%)
	PEOPLE & CULTURE	Significantly increase female representation in senior management ²		
		21%	23%	(+2pp)



Case Study: Increasing yields, cutting poverty & child labour and securing our leaf supply by supporting our farmers



Boosting farmers' profits

Developing new tobacco seed varieties that offer **greater yields (12-20%)¹** and **resistance to diseases**



New efficient technology

Helping our farmers use **technology** to increase **efficiency and productivity** e.g. automated curing barns that use **30% less fuel** and **50% less labour¹**



Farm business management training

Over **2,700 training sessions¹** held in 2019 with more than **76,000 attendances** covering topics such as **human rights**, and **farm business management**



Crop diversification

Educating and supporting our farmers to **diversify** into crops such as **vegetables, maize and soy**, to **enhance food security** and provide **additional income**



We are making good progress: robust corporate governance

		2017	2019	
	BUSINESS ETHICS	100% adherence to our Standards of Business Conduct ¹		2017: 100% (employee training) 2019: 100% ✓
	RESPONSIBLE MARKETING	100% adherence to our Youth Action Prevention Guidelines ¹		2017: N/A (markets aligned) 2019: 100% ✓
	REGULATION & POLICY ENGAGEMENT	Adherence to SoBC Lobbying and Engagement Policy		Principles for Engagement incorporated into a new Lobbying and Engagement Policy in our SoBC
	DISCLOSURE FRAMEWORKS	<ul style="list-style-type: none"> Working to map our disclosures to all main frameworks Fully align our disclosures with the TCFD by 2022¹ 		2017: GRI ✓ 2019: SASB ✓, GRI ✓, WEF ✓



Case Study: Ensuring consumers have access to less risky products with adequate regulation

We actively advocate for regulation that:



Recognise relative risk and specific attributes

Given the reduced-risk potential, these products should be regulated differently and separately from traditional combustible tobacco products.



Requires product quality and safety standards

Consumer and regulators should be confident that products placed on the market meet appropriate criteria for quality, safety and intended use.



Defines clear processes for science-based claims

With the objective to inform about the potential benefits, clear processes should be defined for product claims substantiation.



Demands responsible marketing and distribution

Regulation should provide sufficient marketing and distribution freedoms to facilitate smokers to switch but aimed at adult consumers only.



Considers appropriate fiscal policies

If and where fiscal policies are applied, they should be commensurate with the relative risk profile of each specific product.



Ensures that Laws are enforceable

We support regulation that is enforceable for the regulator, industry and consumers, avoiding the proliferation of illicit trade.



- ✓ We believe **regulation is critical** to generate **sustainable new category growth**
- ✓ We actively advocate for regulation that ensures product quality and safety standards, responsible marketing and fiscal policies commensurate with the relative risk profile
- ✓ All the while **preventing underage access**, supporting minimum age legislations and applying our own Marketing principles

50 MILLION*

NON-COMBUSTIBLE PRODUCT
CONSUMERS BY

2030



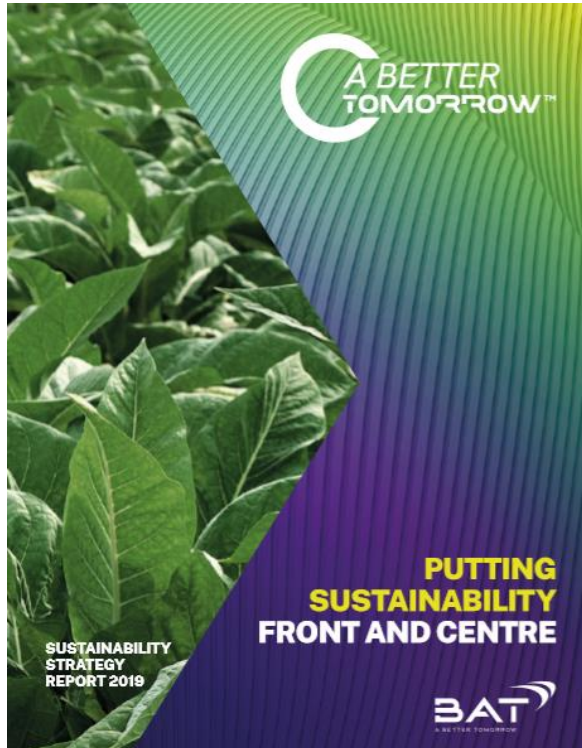
**CARBON
NEUTRAL***

BY

2030

**“ TO REDUCE THE HEALTH IMPACT ”
OF OUR BUSINESS**

More information



Available at: <https://www.bat.com/reporting>

GET IN TOUCH

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