



# Delivering Multi-Stakeholder Value through The Enterprise of the Future

Deutsche Bank Conference June 2021

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Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's New Categories strategy; the impact of market size reduction and consumer down-trading; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; the impact of significant increases or structural changes in tobacco, nicotine and New Categories related taxes; translational and transactional foreign exchange rate exposure; changes or differences in domestic or international economic or political conditions; the ability to maintain credit ratings and to fund the business under the current capital structure; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group.

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# Important information



## **Forward-looking Statements (continued)**

Additional information concerning these and other factors can be found in BAT's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>, and BAT's Annual Reports, which may be obtained free of charge from the British American Tobacco website [www.bat.com](http://www.bat.com).

## **No Profit or Earnings Per Share Forecasts**

No statement in this presentation is intended to be a profit forecast and no statement in this presentation should be interpreted to mean that earnings per share of BAT for the current or future financial years would necessarily match or exceed the historical published earnings per share of BAT.

## **Additional information**

Our vapour product Vuse (including Alto and Vibe), and certain products including Grizzly, Granit, Camel Snus, Velo and Kodiak, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

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# Transforming to Create Value for All Stakeholders



**Kingsley Wheaton** | Chief Marketing Officer

**Dr David O'Reilly** | Director of Scientific Research

**Jennie Galbraith** | Head of ESG

# Building A Better Tomorrow™



**Committed to transforming and reducing our health impact**

**1**



**Multi-Category – the greatest potential to reduce harm and create value**

**2**



**Building strong consumer-led global brands with purpose**

**3**



**World-Class science substantiates our reduced risk portfolio\***

**4**



**Building on strong ESG foundations to create shared value for all stakeholders**

**5**



1

**Committed to  
transforming and reducing  
our health impact**

# Committed to Building A Better Tomorrow™



## Our Purpose

**To *reduce* the  
*health impact*  
of our business**



## Our Commitment

**To provide *adult consumers* with a wide  
range of enjoyable and  
*less risky products***

**To encourage *smokers* to  
*switch completely* to  
scientifically-substantiated  
*reduced-risk alternatives\****



# Harm Reduction and ESG central to our Strategy



Creating value for all our stakeholders



50 million consumers of non-combustible\* products by 2030



£5bn New Category Revenue by 2025



Carbon neutral by 2030\*\*



Eliminate unnecessary single-use plastic & all plastic packaging recyclable^ by 2025\*\*



# Delivering Our Purpose is Transforming BAT



**From**

**To**

**Cigarettes**

**Multi-category CPG  
Nicotine & Beyond\***

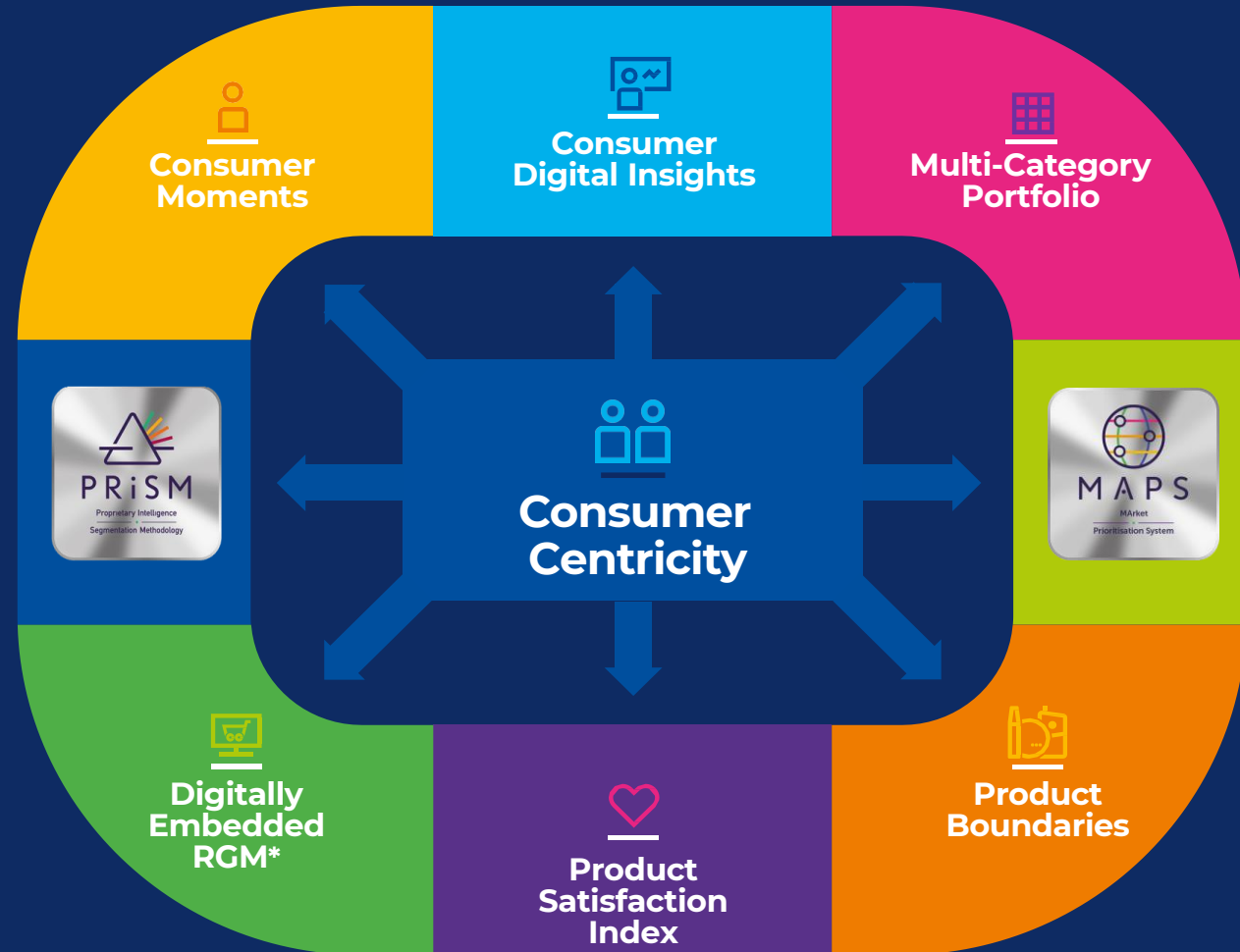
**Declining Volume  
Growing Value**

**Growing Volume  
& Value**



# A Strategy that Starts with the Consumer

## A Unique Consumer-Centric Multi-Category model



# Clear Ambitions for each New Category Brand

## Vapour



***Global leader\****  
***with a clear  
pathway to  
profitability***

## THP



***Fastest growing***  
***THP brand\*\****  
***powered by  
innovation***

## Modern Oral



***Global leader\*\****  
***leveraging  
our superior  
products***

\* Value share basis. \*\* Volume share basis.

Vuse brand represents c. 80% of FY20 vapour revenue. Continue to migrate remaining Vype brands during 2021. Velo brand represents over 50% of FY20 Modern Oral markets. Continue to migrate remaining EPOK, LYFT brands during 2021.

# Confident in Delivering Shared Stakeholder & Shareholder Value



**Growth and Transformation Towards A Better Tomorrow™**

2

# Multi-Category – the greatest potential to reduce harm and create value

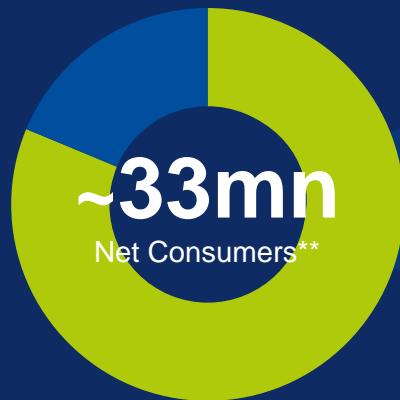
# Strategic Rationale for Multi-Category Approach



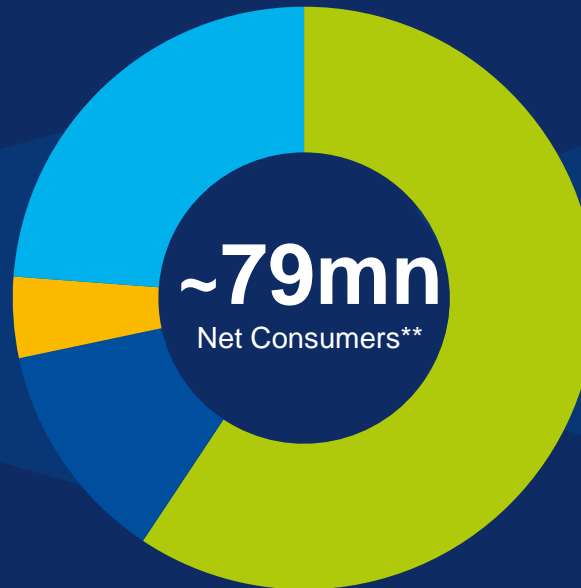
**Maximises Ability to Switch Smokers, Reduce Harm and Create Value**

# A Large, Growing Multi-Category Opportunity

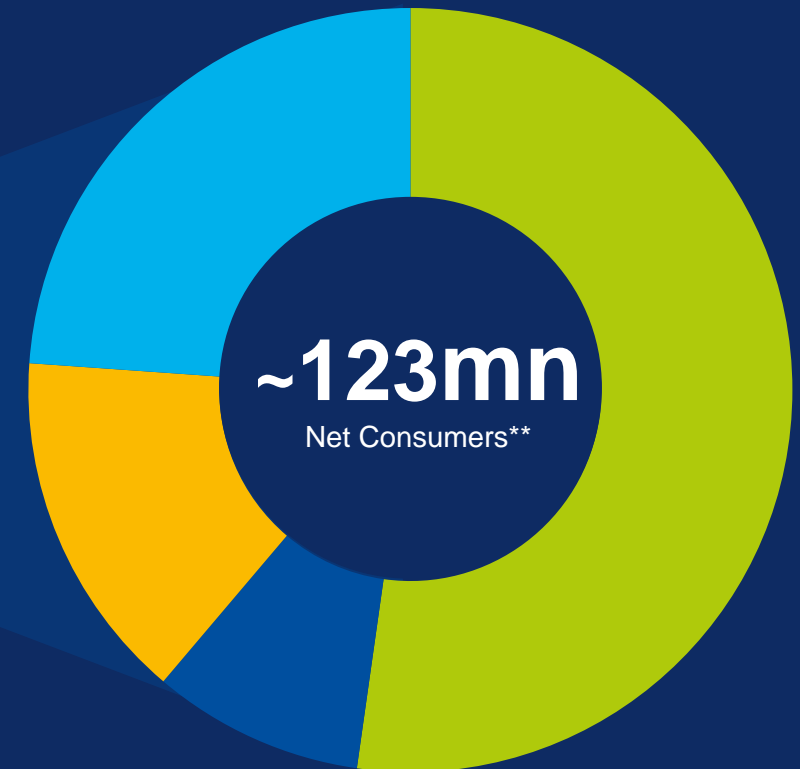
2015



2020



2025\*



VAPOUR ■ TRAD ORAL ■ THP ■ MODERN ORAL ■

~£4bn Industry revenue

~£16bn Industry revenue

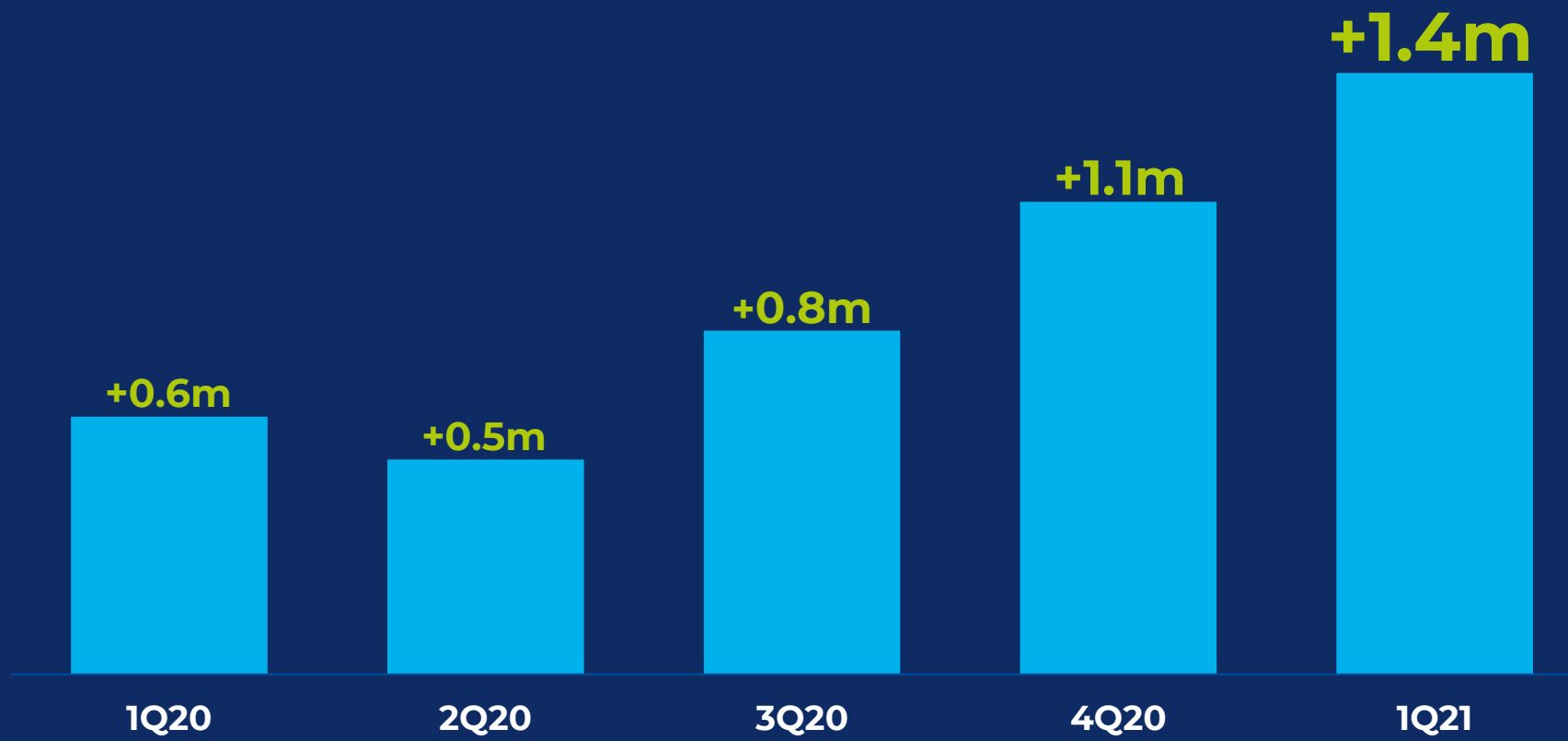
~£29bn Industry revenue

\* 2025 estimate based on internal estimates. Industry Incidence Study & BAT internal estimates, excluding India and China. 2015 BAT revenue pre-RAI acquisition in 2017. \*\*Total Non-Combustibles Net Consumers excludes-Poly users. Poly-usage across non-combustible products. \*\*\* Non-Combustible consumer definition. See Appendix A2.



# Our Multi-Category Strategy is Accelerating our Tobacco Consumer Acquisition

**+3.8m Non-Combustible\* Consumers over last 4 Quarters**



**Growth in Non-Combustible\* Consumers**

**14.9m**  
Consumers of  
Non-Combustibles\*  
Q1 2021

**50m**  
Consumers of  
Non-Combustibles\*  
by 2030

# In Pioneer New Category Markets Progress is Accelerating

**c.15%**  
**of our Developed Market\* Revenue**



**63%**



**42%**



**28%**



**27%**



**13%**

**Non-Combustible products revenue %**

**Our Transformation is Well Underway**

3

# Building strong consumer-led global brands with purpose





# Leveraging our Insights, Strengths & Capabilities to Encourage Smokers to Switch



**3 Key  
Consumer  
Motivations**  
drive **75%**  
of the decision  
to switch from  
Cigarettes

Satisfaction



Multi-Category Portfolio

Reduced Risk\*



Science & R&D

Image & Identity



Global Brands



# Driving Strong Share Growth across all New Categories



YTD Apr

YTD vs.  
FY 20



29.8%

+4.9pp



74.7%

+28.5pp



19.1%

+4.3pp

Vype



43.2%

+11.7pp



59.0%

+9.3pp



YTD Apr

YTD vs.  
FY 20



6.2%

+0.8pp



1.7%

+1.1pp



1.4%

+1.0pp



2.7%

+1.8pp



1.5%

+0.7pp



YTD Apr

YTD vs.  
FY 20



16.9%

+9.3pp



6.7%

+1.8pp



79.5%

+4.1pp



54.9%

+5.1pp



17.2%

+2.0pp

# Building powerful Global Brands



Indexed Brand Power Scores in Top 5 Markets



Indexed Brand Power Scores in Top 5 Markets



Indexed Brand Power Scores in Top 5 Markets



**Brand Power =**



**PURPOSE**  
Makes lives better / adds genuine value



**EXPERIENCE**  
Brand delivers on its product promise



**INNOVATION**  
Leads the way – creative & disruptive



**COMMUNICATION**  
Great ads, cut-through & salience



**LOVE**  
Pride, loyalty & advocacy





# Driving Significant Vuse Growth and Brand Power



## PURPOSE

### Carbon Neutral



### Environment



## INNOVATION

### Superior Products



## COMMUNICATION

### Engagement



## EXPERIENCE

### Activation



## LOVE

### Brand Scale





# glo First to World with THP Induction Heating



**Improved Device Appeal**

**Device Personalization**  
(+50 options / combinations)

**Sensorial Customization**  
(Base & Intense Boost modes)

**½ time to first puff**

glo  
Hyper

**Our best THP product yet**





# Continued International Leadership and Strong US Momentum



## HYPER-LOCAL MARKETING

- Miami Wall scape
- Portland Online Advertising

## DELIVERY IN EVERY CONSUMER MOMENT

- 'On-Demand' Education
- Retail Transformation
- 1:1 Engagement



**USA Brand Awareness at Parity with Market Leader\***



# New Category Growth Driven by Rapid Innovation

2013



Built in < 8 years

2021



Global Brands  
Superior Products  
Retail Experience & Online

2025/30

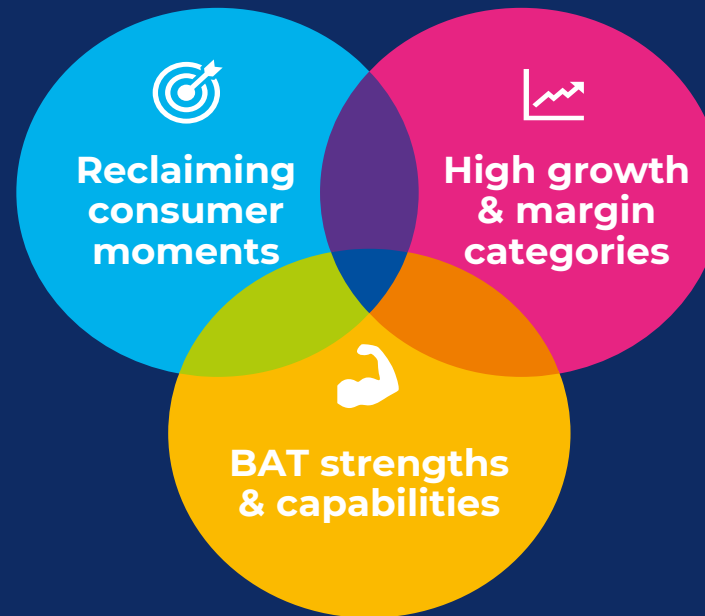
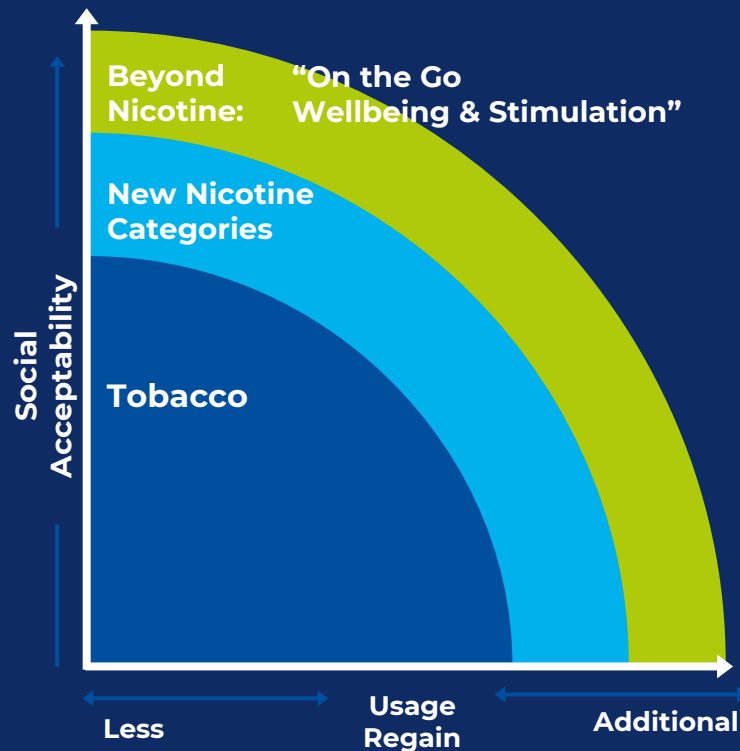


Continued innovation

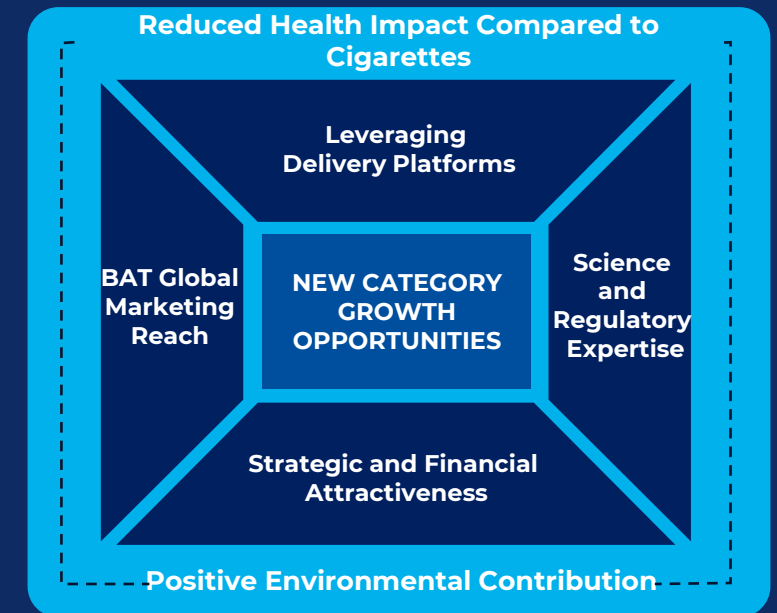
New Categories Revenue **+43%** 3-year CAGR\*



# We are exploring Beyond Nicotine: Leveraging Strengths in “On The Go Wellbeing & Stimulation”



## Clear portfolio expansion boundaries



# Building an Ecosystem Beyond Nicotine

**Btomo>>ow**  
Ventures

**12 investments  
closed to date**

## Target areas:



Health and  
Wellness



Functional  
products – e.g.  
Focus, Energize  
& Relax



Science



Sustainability



Technology



- R&D collaboration
- c. 20% associate investment



## Vuse CBD Test

- UK city pilot underway
- Test and learn

# Confident in Delivering Shared Stakeholder & Shareholder Value



**Growth and Transformation Towards A Better Tomorrow™**



4

# World-Class Science substantiates our reduced risk portfolio\*

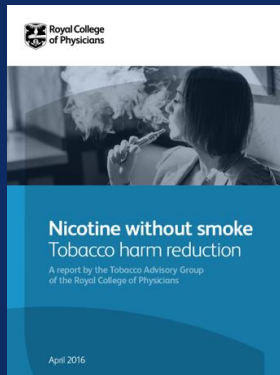


# Most of the Harm from Tobacco is caused by Combustion Not Nicotine



“ It’s the **other chemical compounds** in tobacco, and in the smoke created by setting tobacco on fire, that directly and primarily cause the illness and death, **not the nicotine.** ”

DR. SCOTT GOTTLIEB  
US FDA COMMISSIONER (JULY 2017)

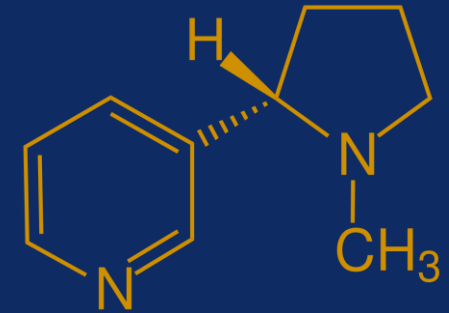


“ **Nicotine is not...a highly hazardous drug.** The main culprit is smoke and, if nicotine could be delivered effectively and acceptably...without smoke, most, if not all, of the harm of smoking could probably be avoided ”

UK ROYAL COLLEGE OF PHYSICIANS  
Nicotine without smoke: Tobacco harm reduction (2016)

# Understanding Nicotine<sup>+</sup>

- Naturally present in tobacco plants
- Extracted and purified to pharmaceutical grade
- Widely studied in clinical trials
- Scientific consensus recognises that nicotine is highly addictive but does not cause cancer<sup>1,2,3</sup>



**“Its effect is to make tobacco addictive rather than to cause cancer directly”**

**WHO<sup>1</sup>**

**“Current evidence does not support that nicotine is a human carcinogen”**

**National Academies of Sciences, Engineering and Medicines<sup>4</sup>**

**“There is insufficient data to conclude that nicotine causes or contributes to cancer in humans”**

**Surgeon General<sup>5</sup>**

# Tobacco Harm Reduction recognised in Policy and Regulation in a number of countries

“The **closer** the risks and exposures from the Reduced Risk Products are **to cessation** ...the more confident a regulator can be in the chances for net **public health benefit**”\*



2001   2007   2012

Science is  
informing Policy  
and Regulation  
globally



Food and Drug  
Administration



Public Health  
England



National institute for  
Public Health & the  
Environment



& others

\*From US Institute of Medicine: Scientific Standards for Studies on Modified Risk Tobacco Products 2012. Other reports highlighted: Clearing the Smoke (nih.gov) 2001 and Evidence-Based Medicine and the Changing Nature of Health Care: 2007 IOM

# Evaluated Using a Multi-Disciplinary Risk Assessment Framework



## Emissions

What is in the vapour/aerosol?



## Exposure

What happens when exposed to these emissions?



## Risk

What is the long-term health risk?

Behavioural  
Sciences

Chemistry

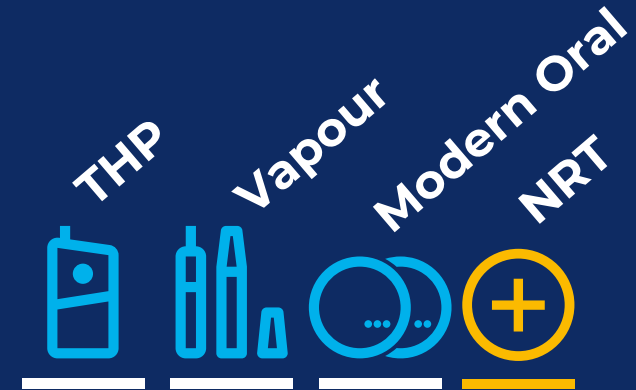
Biological  
Sciences

Clinical  
Studies

Population  
Studies

# A Portfolio of Non-Combustible solutions

## Combustibles



**Most of the Harm from Tobacco is caused by Combustion Not Nicotine\*+**

\*As stated by: Dr. Scott Gottlieb, US FDA Commissioner (July 2017), and UK Royal College of Physicians, Nicotine without smoke: Tobacco harm reduction (2016)

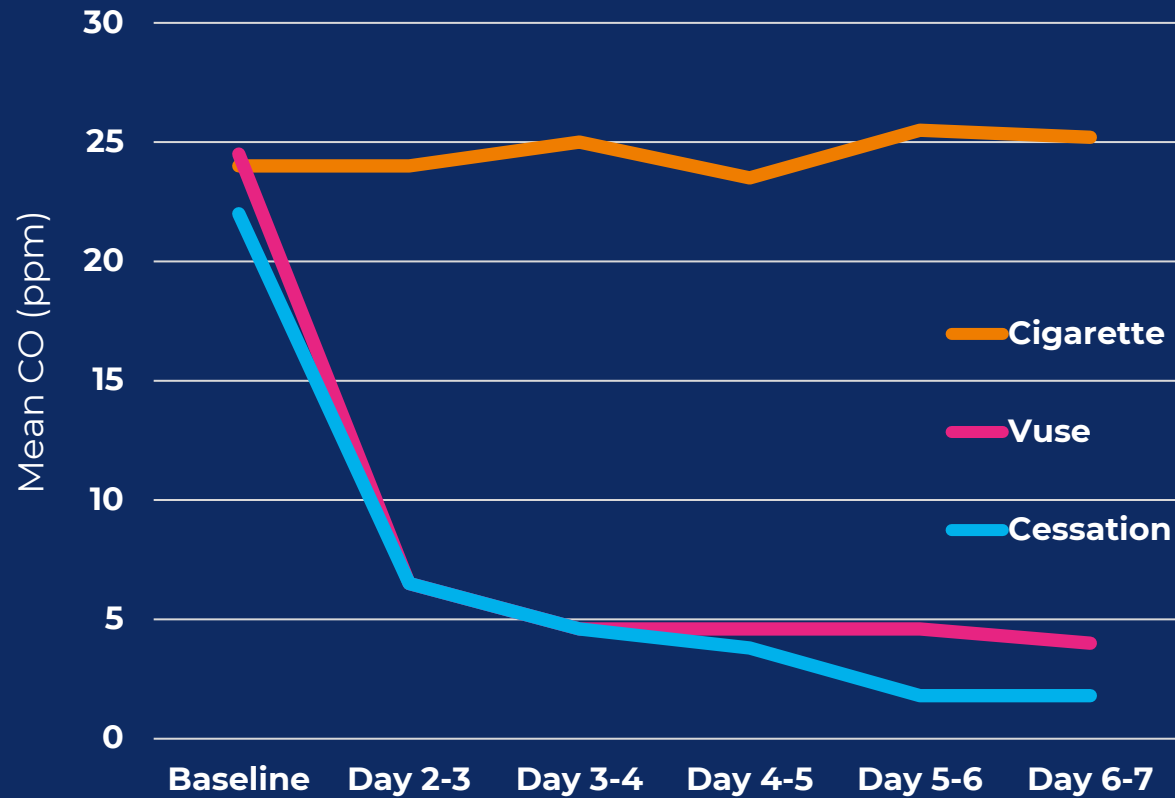
+ Nicotine is an addictive substance. We do not make health claims (express or implied) about our products in the US unless authorized by FDA to do so



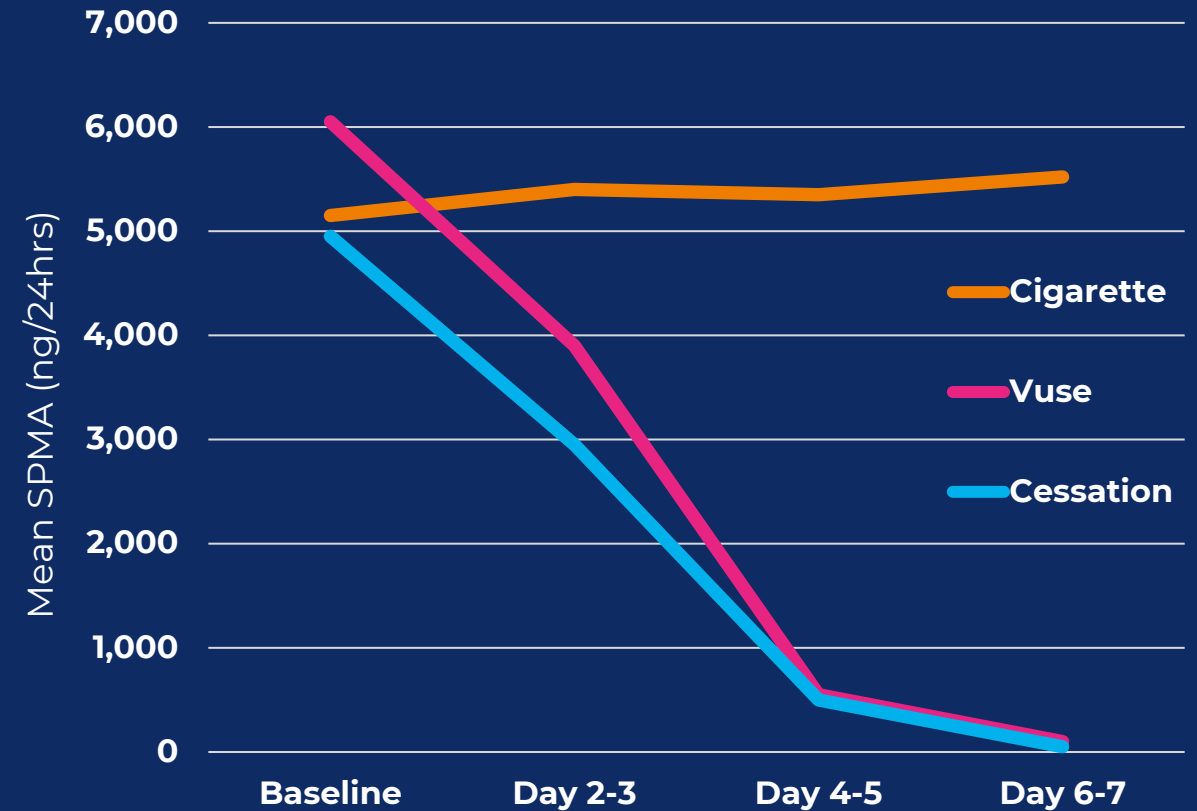
# Reduction in Toxicant Exposure Similar to Cessation\*



## Carbon Monoxide

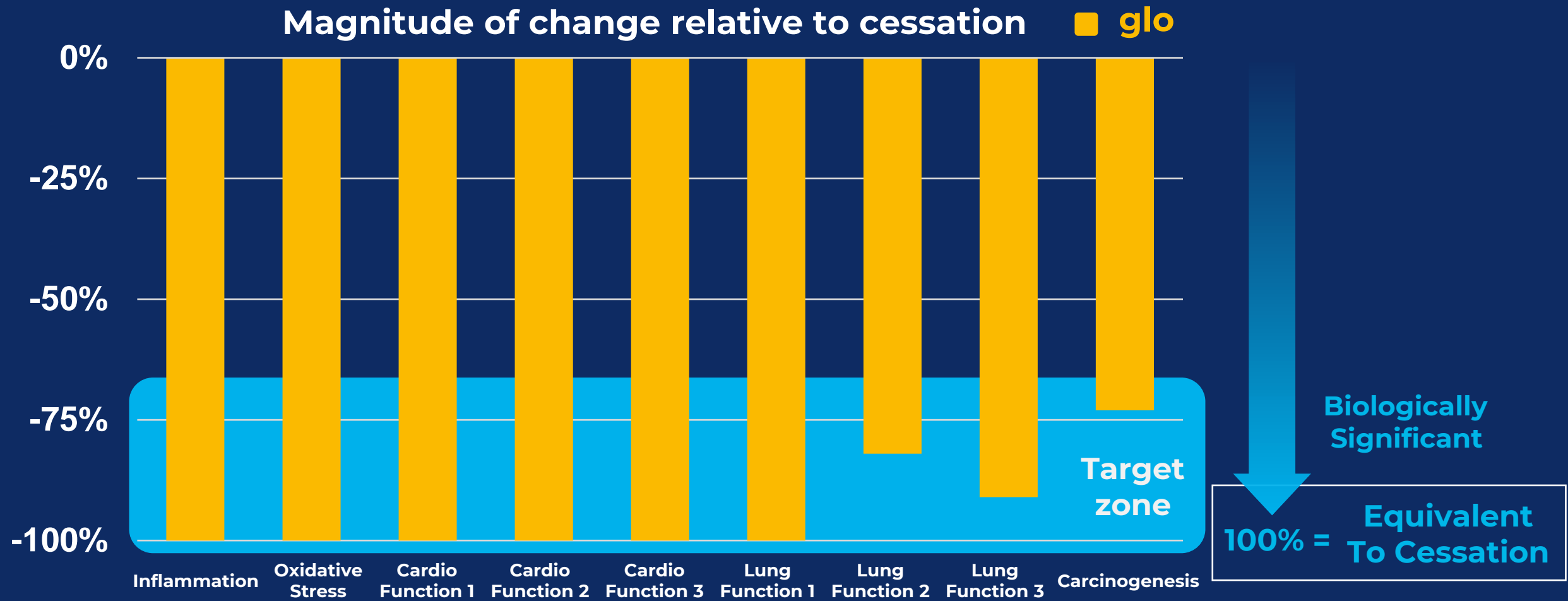


## Benzene





# Biomarker of Potential Harm Responses Similar to Cessation in 90 day study\*







# Velo\* has Toxicant Levels comparable to Cessation Products (NRT) and lower than Snus



**-99%  
Toxicants vs.  
Cigarettes<sup>1</sup>**

**-76%  
Toxicants vs.  
Snus<sup>2</sup>**

**Comparable  
toxicant profile  
to NRT<sup>3</sup>**

1. D.M. Burns et al.; Tob. Control, 17 (2008), pp. 132-141; 2 Approximate reduction. Comparison based on an assessment of smoke from a scientific standard reference cigarette (approximately 9mg tar) and components released during use of a commercial Snus pouch and a Velo pouch, in terms of the average of the 9 harmful components the World Health Organization recommends to reduce in cigarette smoke.

3. Cessation products refer to NRT. Azzopardi D, Liu C, Murphy J. (2021). Chemical characterization of tobacco-free "modern" oral nicotine pouches and their position on the toxicant and risk continuums. Drug and Chemical Toxicology

\* VELO is not risk-free and contains nicotine, an addictive substance. Velo is not a medically licensed cessation device and is not necessarily effective in supporting smoking cessation.

# Extensive Scientific Substantiation support our products as Reduced Risk\*



**Emissions : - 99%<sup>1</sup>**

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**Toxicology : - 99%<sup>1</sup>**

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**Our** data is published in  
**71 peer-reviewed** manuscripts



**Emissions : - 90% to - 95%<sup>2</sup>**

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**Toxicology : - 95%<sup>2</sup>**

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**Our** data is published in  
**65 peer-reviewed** manuscripts



**>30 yrs of studies** shown **Snus**  
is **much less risky** than smoking

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**Toxicology : even less**  
**harmful than Snus<sup>3</sup>**

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We believe **Modern Oral** products  
are **reduced risk** as toxicant levels  
are lower than in snus\*

1. ePod and ePen3 compared to a reference cigarette. 2 Compared to a reference cigarette. 3. Approximate reduction. Comparison based on an assessment of smoke from a scientific standard reference cigarette (approximately 9mg tar) and components released during use of a commercial Snus pouch and a Velo pouch, in terms of the average of the 9 harmful components the World Health Organization recommends to reduce in cigarette smoke.

\*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

# Key External Bodies also Support Reduced Risk\* / Exposure Nature of all Three New Categories

## Vapour



**ASH**  
(Action on Smoking & Health)<sup>1</sup>  
Public health charity

“Compared to tobacco products, electronic cigarettes are significantly safer”



**GOVT. OF CANADA**<sup>2</sup>  
“Switching from tobacco cigarettes to vaping products will reduce a person’s exposure to many toxic and cancer-causing chemicals”



**NEW ZEALAND  
MINISTRY OF HEALTH**<sup>3</sup>  
“Smokers switching to vaping products are highly likely to reduce their health risks and for those around them”

## THP



**FOOD AND DRUG**<sup>4</sup>  
**ADMINISTRATION**

These particular products could help addicted adult smokers transition away from combusted cigarettes and reduce their exposure to harmful chemicals



**NATIONAL INSTITUTE FOR PUBLIC  
HEALTH & THE ENVIRONMENT**  
The use of Heated Tobacco Products is harmful to health, but probably less harmful than smoking tobacco cigarettes



**FEDERAL INSTITUTE FOR RISK  
ASSESSMENT**  
The herein confirmed reductions of relevant toxicants by about 80-99% are substantial

## Modern Oral



**BfR GERMANY**<sup>5</sup>

The herein confirmed reductions of relevant toxicants by about 80-99% are substantial



**FOOD AND DRUG**<sup>6</sup>  
**ADMINISTRATION**

Using Snus instead of cigarettes puts you at a lower risk of mouth cancer, heart disease, lung cancer, stroke, emphysema, and chronic bronchitis.



**US EXPERT**<sup>7</sup>  
SNUS products are much cleaner and less hazardous than cigarettes. Their use could only reduce harm to smokers if they switch entirely to these products

1. ASH Briefing Note. 2. Supporting the Sustained Transition of Smokers of Conventional Cigarettes to Vaping Products - CIHR (cihr-irsc.gc.ca) 2019. 3. Position statement on vaping | Ministry of Health NZ 2020. 4. FDA, 07 July 2020. 5. BfR Preliminary health assessment of nicotine pouches, dated 30 March 2021. 6. [FDA Authorizes Modified Risk Tobacco Products](#) | FDA Oct 2019. 7. Benowitz, N. L. (2011). ‘Smokeless Tobacco as a Nicotine Delivery Device: Harm or Harm Reduction?’ Clinical Pharmacology & Therapeutics 90, no.4: 491–93. doi:10.1038/clpt.2011.191

\* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

# Beyond Nicotine: Industry Leading Safety Science for CBD

✓ *In vitro*  
studies



## CBD Genotoxicity

**CBD considered  
non-genotoxic**

✓ *In vivo*  
studies



## CBD Inhalation Study

**Foundational  
inhalation study  
completed**



## CBD consumption Study

- Completed two x clinical studies of consumption
- Delivered new data and insights on consumer usage

22 MAR VALIDCARE'S CLINICAL STUDY REPORTS  
PRELIMINARY RESULTS OF CBD LIVER SAFETY  
Posted on March 22, 2021 in Press by Scott Hardin

## Liver Damage Study

- Designed to address FDA question
- Showed no difference between oral CBD & non-CBD users in US

# Creating a new, higher standard for recreational consumer products

# Underpinned by World-Class Capabilities in Science and Innovation

**60+**  
Years  
of R&D

**1500**  
R&D  
specialists

**2x**  
R&D  
spend  
since  
2017\*

**114**  
Peer-reviewed  
articles and  
manuscripts  
published in New  
Categories

**12**  
BTVentures  
investments  
adding new  
capabilities

**Accelerating our transformation through attracting new talent from a wide range of industries**

5

# Building on strong ESG foundations to create shared value for all stakeholders

# Creating Shared Value through ESG



**Our  
Sustainability  
Agenda**

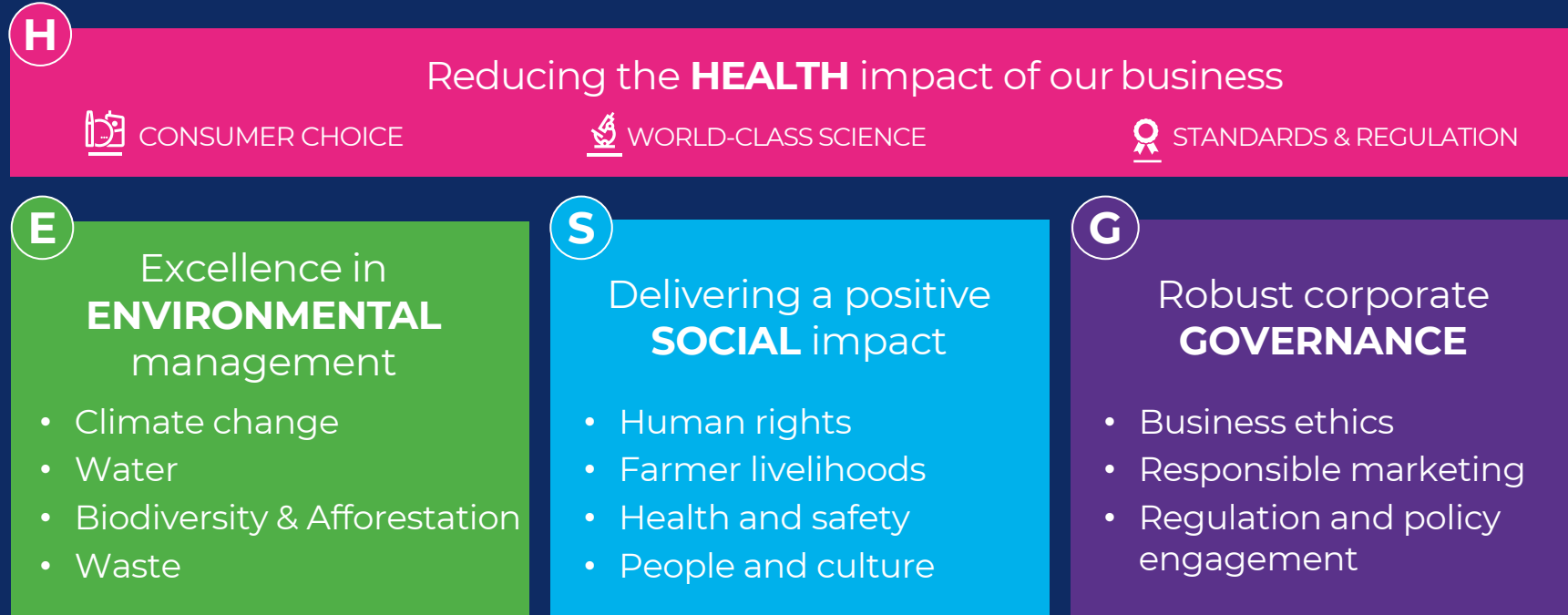


**Deep-dive  
into ESG  
issues**



**How we  
manage  
ESG**

# Harm Reduction is the Cornerstone



## Creating value for all our stakeholders



**50 million consumers of non-combustible\* products by 2030**



**£5bn New Category Revenue by 2025**



**Carbon neutral by 2030\*\***



**Eliminate unnecessary single-use plastic & all plastic packaging recyclable^ by 2025\*\***



# ESG: Strong Progress and Commitment to Transparent Reporting on our Journey

	Target	2020 Progress
<b>E</b>  Excellence in <b>ENVIRONMENTAL</b> management	<ul style="list-style-type: none"> <li>Carbon neutral for Scope 1 &amp; 2 by 2030</li> <li>100% of plastic packaging reusable, recyclable or compostable by 2025</li> </ul>	<ul style="list-style-type: none"> <li><b>-37%</b> vs 2017 baseline</li> <li><b>82%</b> in 2020</li> </ul>
<b>S</b>  Delivering a positive <b>SOCIAL</b> impact	<ul style="list-style-type: none"> <li>Zero child labour and forced labour by 2025*</li> <li>100% suppliers subject to human rights due diligence**</li> </ul>	<ul style="list-style-type: none"> <li><b>99.7%</b> farms monitored for child labour</li> <li>✓</li> </ul>
<b>G</b>  Robust corporate <b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>100% Standards of Business Conduct (SoBC) adherence</li> <li>100% Youth Access Prevention (YAP) Guidelines adherence</li> </ul>	<ul style="list-style-type: none"> <li><b>100%</b> employees completed SoBC training</li> <li><b>100%</b> markets aligned with YAP Guidelines</li> </ul>

\*In our tobacco supply chain; child labour definition based on ILO definition.

\*\* All our product materials and high-risk indirect service suppliers (non-agricultural suppliers) to have undergone at least one independent labour audit within a three-year cycle by 2025

# Deep Dive into Four Key Areas

**Tackling  
climate  
change**

**Eliminating  
child  
labour**

**Robust  
compliance**

**Responsible  
marketing**

# We are Building our Capabilities to ensure we Succeed in Reducing our **Scope 1 & 2** emissions

**1** Reduce emissions



**2** On-site renewables



**3** Renewable energy certificates & Long term power agreements



**4** Carbon offset credits to close gaps

**37%** reduction in scope 1 & 2 emissions v 2017

**8** countries have factories with solar energy generation\*

**All** sites incorporate green power purchases

**Carbon Neutral Scope 1 & 2 by 2030**

# We are Building our Capabilities to ensure we Succeed in Reducing our **Scope 3** emissions

Non-leaf Purchased  
Goods & Services

Leaf  
Purchased

Other Scope 3\*

**Top 30**  
suppliers engaged  
with to improve  
delivery against scope  
3 targets, representing  
over 66% of our direct  
spend



**>30%**  
reduction in fuel use  
with upgraded curing  
barns\*\*

**All**  
new product  
developments include  
life-cycle analysis

**Carbon Neutral Scope 3 by 2050**

\*Other Scope 3 includes capital goods, use and disposal of sold products, end of life treatment, and other categories including transportation, business travel and commuting

\*\*Upgrading curing barns to automated 'loose leaf' models can enable at least a 30% reduction in fuel use. These innovative curing technologies have now been introduced to our contracted farmers in five countries.

# We are Building our Capabilities to ensure we Succeed in **Tackling Child Labour**

## ROBUST MONITORING AND REMEDIATION PROCESS

- 1 Strong Policies**
- 2 Risk Mapping**
- 3 Farm Visits**
- 4 Identification**
- 5 Remediation**
- 6 Follow-up**

**All**  
farmers visited  
monthly<sup>1</sup>

**0.5%**  
incidence<sup>2</sup>

**98.5%**  
incidents  
resolved<sup>3</sup>

Our strategy is aligned to

UNITED NATIONS  
GUIDING PRINCIPLES  
ON **BUSINESS**  
& HUMAN RIGHTS

1. Our field technicians visit our contracted farmers approximately once a month during the growing season.  
2. % of farms with incidents of child labour 3. based on number of child labour incidents identified (proportion reported as resolved)

# We are Building our Capabilities to ensure we Succeed in **Tackling Child Labour**

## LONGER-TERM FOCUS ON ROOT CAUSES



Human rights  
assessments



Training and  
awareness raising



Enhancing  
livelihoods



Partnerships and  
communities

**390,000+**

attendances at human  
rights farmer training

Up to **20%**

yield increase with new  
seed varieties

**‘Leader’**

**9.2/10** score vs.

Industry Average of **5.6**

The Global Child Forum’s  
Overall Children’s Rights Benchmark Score<sup>1</sup>

# We have a Rigorous Approach to responding to reports of Potential **Human Rights** breaches



- Engage to understand and gather information
- Assess facts and develop action plan at highest levels of BAT
- Thorough internal audit or external review
- Review of lessons learnt and in depth evaluation of policies

## 3 strikes policy for farms identified with child labour

- 1** Work with and educate farmers
- 2** Formal written warning
- 3** Cease working with farmer

## Outcomes include:

### **Six contracts ceased**

with farmers in 2020 after three strikes for child labour

### **Independent review**

of supply chain in Bangladesh

### **Unannounced visits**

to farms in Italy and Zimbabwe

### **Human rights impact assessments**

in India, Indonesia and Mozambique with two more planned by end 2021

### **Risk mitigation**

enhanced farmer training & monitoring, worker interviews, community-based programmes etc.



# Continuously Strengthening Our Business Conduct & Compliance

2021/22

## AUDIT, ASSURANCE & HARNESSING DATA

- Data analytics
- Automation & Integration
- 3rd Party life-cycle mgmt.

2020

## DIGITAL, AUTOMATION, 3<sup>RD</sup> PARTY RISKS

- Investigations & case mgmt.
- Incentives, discipline & enforcement
- M&A

2019

## EMBED IN ORGANISATION

- Commitment from middle mgmt.
- 3<sup>rd</sup> Parties focus
- Global Integrity Pledge

2018

## STRENGTHENED COMPLIANCE PROGRAMME

- Risk management
- Anti-Bribery & Corruption focus
- Training & Comms

2017

## BUSINESS CONDUCT & COMPLIANCE TEAM FORMED

- Oversight, autonomy & resources
- Whistleblowing hotline

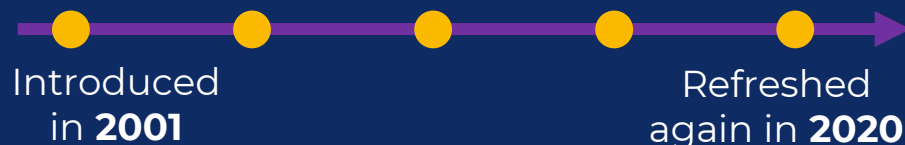
2016

## RENEWED BOARD COMMITMENT

- Policies & Procedures
- Top mgmt. focus

# Responsible Marketing to Adult Tobacco/ Nicotine Consumers

## International Marketing Principles (IMP)



- ✓ Global, even when **stricter** than local laws
- ✓ **All marketing materials** subject to **review** and approval **by internal legal** or against applicable guidance

## Youth Access Prevention (YAP)

- ✓ **Strengthened** YAP approach
- ✓ Mandatory provision of **point-of-sale materials\***
- ✓ Monitored through **internal audit**, and overseen by **Audit Committee**
- ✓ Only partner with **3<sup>rd</sup> parties** where vast majority of **audience** is **adult**

**H1 '21 Vuse Age-  
Verification Pilots**



# 2021: Strong ESG recognition

REFINITIV<sup>™</sup>  **91** /100

 **WDi** **Top 10%**  
Workforce Disclosure Initiative



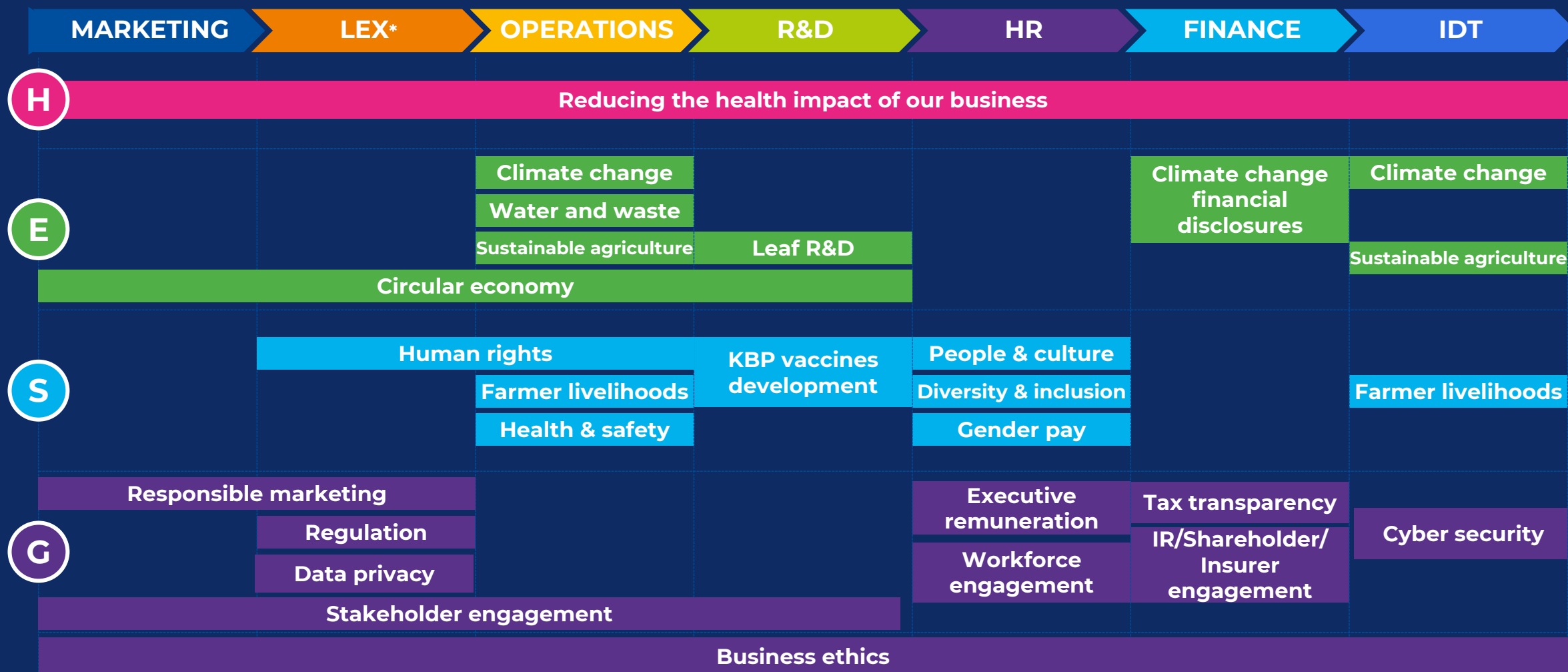
 **SOCIAL QUALITYSCORE**  
HIGHEST RANKED BY ISS ESG

**1**

**Sustainability Award**  
Gold Class 2021  
**S&P Global**



# ESG is Embedded across our Business



**We have a fully costed glide path to meet our targets**

# Strong Pipeline of ESG Focused Innovation



**CARBON NEUTRAL**  
VALIDATED BY VERTIS



**POD  
RETURN**



**'NO PLASTIC'  
PACKAGING**



**DEVICE  
RECYCLING**



**WIDELY  
RECYCLABLE CAN**



# ESG is a Value Add activity

## Value Add



Efficiencies and  
removals will results  
in savings



Brands  
with  
purpose



Employee  
attraction and  
retention

We expect to see efficiencies of scale

Costs are absorbed in existing ways of working

## Costs

# See our ESG Reporting Suite for more information



<https://www.bat.com/sustainability>



# We have put Sustainability Front and Centre with Strong Ambitions



**50 million consumers of non-combustible\* products by 2030**



**£5bn New Category Revenue by 2025**



**Carbon neutral by 2030\*\***



**Eliminate unnecessary single-use plastic & all plastic packaging recyclable^ by 2025\*\***

# Appendix

## **A1: Environmental Targets**

Targets cover: climate change, water and waste, sustainable agriculture. Full details are available from the ESG Report [https://www.bat.com/group/sites/UK\\_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/\\$file/BAT\\_ESG\\_Report\\_2020.pdf](https://www.bat.com/group/sites/UK_9D9KCY.nsf/vwPagesWebLive/DOAWWEKR/$file/BAT_ESG_Report_2020.pdf).

## **A2: Non-Combustible consumers**

The number of consumers of Non-Combustible products is defined as the estimated number of Legal Age (minimum 18 years, US: 21 years) consumers of the Group's Non-Combustible products. In markets where regular consumer tracking is in place, this estimate is obtained from adult consumer tracking studies conducted by third parties (including Kantar). In markets where regular consumer tracking is not in place, the number of consumers of Non-Combustible products is derived from volume sales of consumables and devices in such markets, using consumption patterns obtained from other similar markets with consumer tracking (utilising studies conducted by third parties including Kantar).

The number of Non-Combustible products consumers is used by management to assess the number of consumers regularly using the Group's New Category products as the increase in Non-Combustible products is a key pillar of the Group's ESG Ambition and is integral to the sustainability of our business.

The Group's management believes that this measure is useful to investors given the Group's ESG ambition and alignment to the sustainability of the business with respect to the Non-Combustibles portfolio.

## **A3: Constant currency**

Constant currency-measures are calculated based on a re-translation, at the prior year's exchange rates, of the current year's results of the Group and, where applicable, its segments.

## **A4: Share metrics**

Volume share: The number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total units bought by consumers in the industry, category or other sub-categorisation. Sub-categories include, but are not limited to, the total nicotine category, modern oral, vapour, traditional oral or cigarette. Corporate volume share is the share held by BAT Group/Reynolds (US region).

Value share: The retail sales value of the product sold as a proportion of total retail sales value in that category.