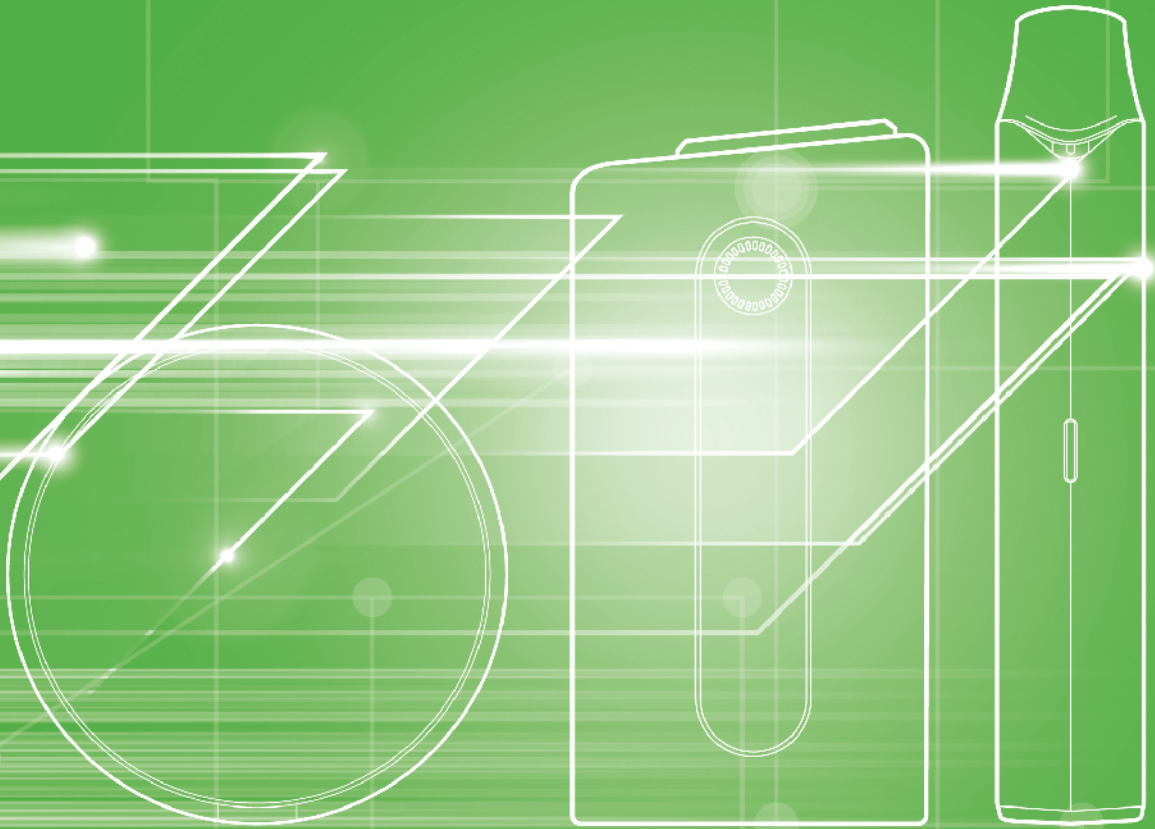


CELEBRATING

120
YEARS

1902 - 2022



Accelerating A Better Tomorrow™

ESG Report 2021

BAT
A BETTER TOMORROW

Welcome to our ESG Report 2021

Introduction and Strategy

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Cautionary statement

This document contains forward-looking statements. For our full cautionary statement please see page 124.

Introduction and Strategy

BAT is a leading consumer goods business: global, consumer-centric and multi-category. Our purpose is clear: to build A Better Tomorrow™ for all our stakeholders by reducing the health impact of our business. This purpose is core to our future sustainability.

Sustainability has been central to our business and ethos for decades. Today, we are accelerating progress across our environmental, social and governance (ESG) priorities to create a sustainable Enterprise of the Future.

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Chief Executive's Review



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ESG Front and Centre



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Value for our Stakeholders



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Chief Executive’s Review

Building A Better Tomorrow™ with sustainability at our core



“Sustainability has been central to our business and ethos for decades. Today, we are building on these strong foundations to accelerate progress towards a sustainable future and create A Better Tomorrow™ for all our stakeholders.”

“We have a clear purpose: To build A Better Tomorrow™ by reducing the health impact of our business. And, in so doing, create multi-stakeholder value.”

“We are transforming: creating new products, backed by science, that provide adult smokers with enjoyable, less risky alternatives**†.”

“The BAT of tomorrow will be a high-growth, consumer goods company: global, consumer-centric, multi-category, with sustainability at its core.”

Dear Stakeholders,

Welcome to our latest ESG Report*.

At BAT, we are leading with purpose and transforming our business. Our purpose is to build A Better Tomorrow™ by reducing the health impact of our business. And, in doing so, create multi-stakeholder value.

That’s why we are transforming: creating new products, backed by science, that provide adult smokers with enjoyable, less risky alternatives**†. The BAT of tomorrow will be a high-growth, consumer goods business: global, consumer-centric, multi-category, with sustainability at its core.

This transformation is backed by clear and measurable targets to:

- Reach £5 billion in New Category revenues by 2025; and
- Increase consumers of our non-combustible products to 50 million by 2030.

We’re making significant progress, with New Category revenue growth increasing by 42% compared to 2020 – reaching a total of £2.1 billion for 2021.

We also added 4.8 million consumers, our highest ever increase, to our non-combustible product consumer base – reaching a total of 18.3 million.

This demonstrates our accelerated transformation driven by our multi-category portfolio, with continued key market share gains in all three New Categories.

Brands with Purpose

Our products are intrinsically linked to our sustainability ambitions and we are bringing our consumers on our journey. In 2021, we achieved:

- Carbon neutral certification for Vuse making it the first ever global carbon neutral vape brand¹;

- 75% of plastic packaging capable of being reusable, recyclable or compostable;
- 13% reduction in total weight of unnecessary single-use plastics used in our packaging; and
- 100% of markets where our vapour and tobacco heating products are sold have take-back schemes for consumers to return devices for responsible disposal.

This is the right thing to do and demonstrates how we are building sustainable brands with purpose.

Better Together for the Environment

As leaders convened for COP26 in 2021, the most significant climate conference since the Paris Agreement in 2015, I felt inspired to see how collaborative solutions really are the best response – the *only* response – to such a serious global issue.

We’re dedicated to doing all we can to play our part.

In 2021, we signed up to the UN-backed Race to Zero campaign², which aims to achieve net zero carbon emissions by 2050. We also became a signatory to Business for Nature’s Call to Action, with its focus on collective action to reverse nature loss.

Our new, industry-first accelerator programme run in partnership with Btomorrow Ventures (BTV), the Group’s corporate venture arm, is another great example of our commitment to driving innovation and collaboration.

Through this programme, we are identifying start-ups and disruptive entrepreneurs to partner with on new technologies and innovative solutions to address common sustainability challenges.

* For our 2021 reporting, we were pleased to appoint KPMG LLP as our new ESG assurance provider, covering an expanded scope of metrics (see full list of metrics subject to KPMG’s limited assurance under ISAE (UK) 3000 and ISAE 3410 on pages 119 and 120).

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Chief Executive's Review

Continued

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

2021

BAT named in the DJSI for the 20th consecutive year

2025

Working towards eliminating unnecessary single-use plastics from our packaging



2030/2050

Working to achieve carbon neutral operations by 2030 (Scopes 1 and 2) and net zero across our value chain by 2050



“Vuse became the first ever global carbon neutral vape brand’... This further demonstrates how we are building sustainable brands with purpose.”

“We were recognised as a sustainability leader for the 20th consecutive year in the Dow Jones Sustainability Indices... Sustainability has been central to our business and ethos for decades – it’s part of our DNA.”

“Business can and must embrace the values of a green economy and continue to accelerate progress towards a sustainable future. By working together, we can all help develop solutions to bring about lasting change and create A Better Tomorrow™ for all.”

Already, we’re seeing some exciting projects come out of the programme that are bringing shared value to both BAT and the start-ups.

Positive Social Impact

Working to deliver a positive social impact is also at the heart of our approach. I am immensely proud of how we continue to create a diverse and inclusive culture for our people.

It meant a lot to me when, in 2021, we became the first company in our industry to be awarded the UK National Equality Standard and the Global Equality Standard. Both are rigorous benchmarks for diversity and inclusion. In addition, we were recognised as a Global Top Employer for the fourth consecutive year, acknowledging our commitment to best-in-class working environments and career opportunities.

We also continued to build upon our approach to farmer livelihoods, working towards delivering on our commitment to enabling prosperous livelihoods for all farmers in our tobacco supply chain.

20 Years of Leading Sustainability

In 2021, we were also recognised as a sustainability leader for the 20th consecutive year in the Dow Jones Sustainability Indices. We were, once again, the only tobacco company included in the prestigious DJSI World Index, representing the top 10% of ESG performers.³

We continue to be recognised in other key investor ratings. These include MCSI’s ESG Rating with a BBB rating⁴ and Sustainalytics with a 26.8 ESG rating⁵.

This recognition demonstrates how sustainability has been central to our business and ethos for decades – it is part of our DNA.

More than twenty years ago, we established our first Group-wide environment, health and safety systems and a programme of independently facilitated social dialogue; as well as being founding members of the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation. This is our 20th ESG Report⁶, demonstrating our serious and ongoing commitment to openness and transparency.

Today, sustainability and ESG continue to be core to our long-term business strategy and ingrained in our identity as a responsible, purpose-led business. We continue to invest significant resources and energy in our Sustainability Agenda.

A Better Tomorrow™

We all have a responsibility to protect our planet, while delivering a positive social impact.

Business can and must embrace the values of a green economy and continue to accelerate progress towards a sustainable future.

By working together, we can help develop solutions to bring about lasting change and create A Better Tomorrow™ for all.

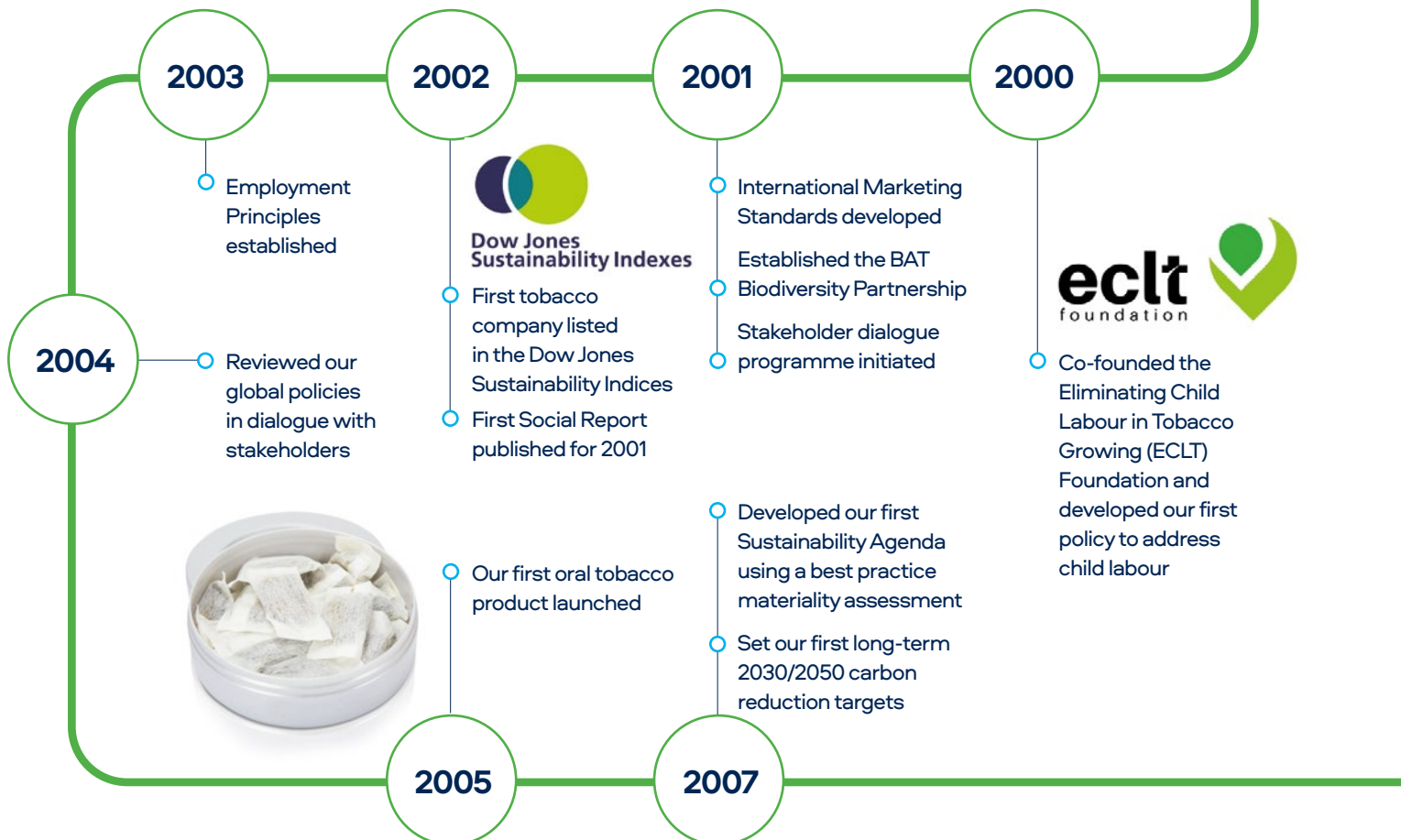


Jack Bowles
Chief Executive

20 years of

Sustainability reporting

2021 was a pivotal year, marking our 20th year in the Dow Jones Sustainability Indices and 20 years since we produced our first Social Report. We've learned a lot along the way. Now we are building on these strong foundations to accelerate progress towards a sustainable future and create A Better Tomorrow™ for all our stakeholders.





Accelerating

Our A Better Tomorrow™ ambitions in numbers

£5 billion in New Category revenues

100% of plastic packaging capable of being reusable, recyclable or compostable and unnecessary single-use plastic removed

Zero child labour ambition for our tobacco supply chain

Carbon Neutral operations (Scope 1 and 2)

50 million non-combustible product consumers

Net Zero value chain

In October 2021, we signed up to the UN-backed Race to Zero global campaign, committing to set science-based targets aiming for net zero value chain emissions by 2050

2025

2030

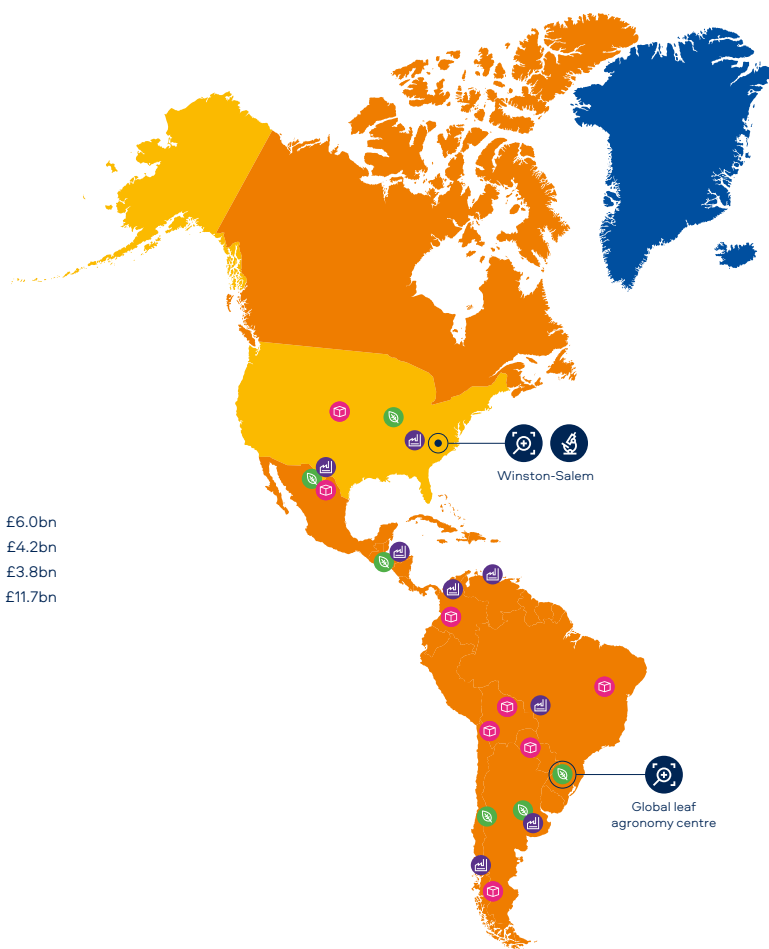
2050

Our Global Business

BAT is a leading consumer goods business: global, consumer-centric, multi-category, with sustainability at our core. We operate in more than 175 markets and our business is divided into four complementary regions, with a balanced presence in both emerging markets and developed markets.

By combining existing and new capabilities, we are radically redefining our organisation. We are creating new products, backed by science, that provide adult smokers with less risky alternatives to smoking*†.

Today, our portfolio includes a range of New Categories, including vapour, tobacco heating and modern oral products. By driving value from our combustibles business – and simplifying our organisation – we will accelerate this ambitious transformation.



Revenue by region



■ ENA	£6.0bn
■ APME	£4.2bn
■ AmSSA	£3.8bn
■ U.S.	£11.7bn

Our employees



	♂ Male	♀ Female
■ ENA	14,504	9,986
■ APME	6,441	2,183
■ AmSSA	11,223	3,398
■ U.S.	3,088	1,317
Total	35,256	16,794

- Locations where we have factories
- Locations where we have strategic product materials suppliers
- Locations where we source tobacco
- Research and development (R&D) and product centres
- Science

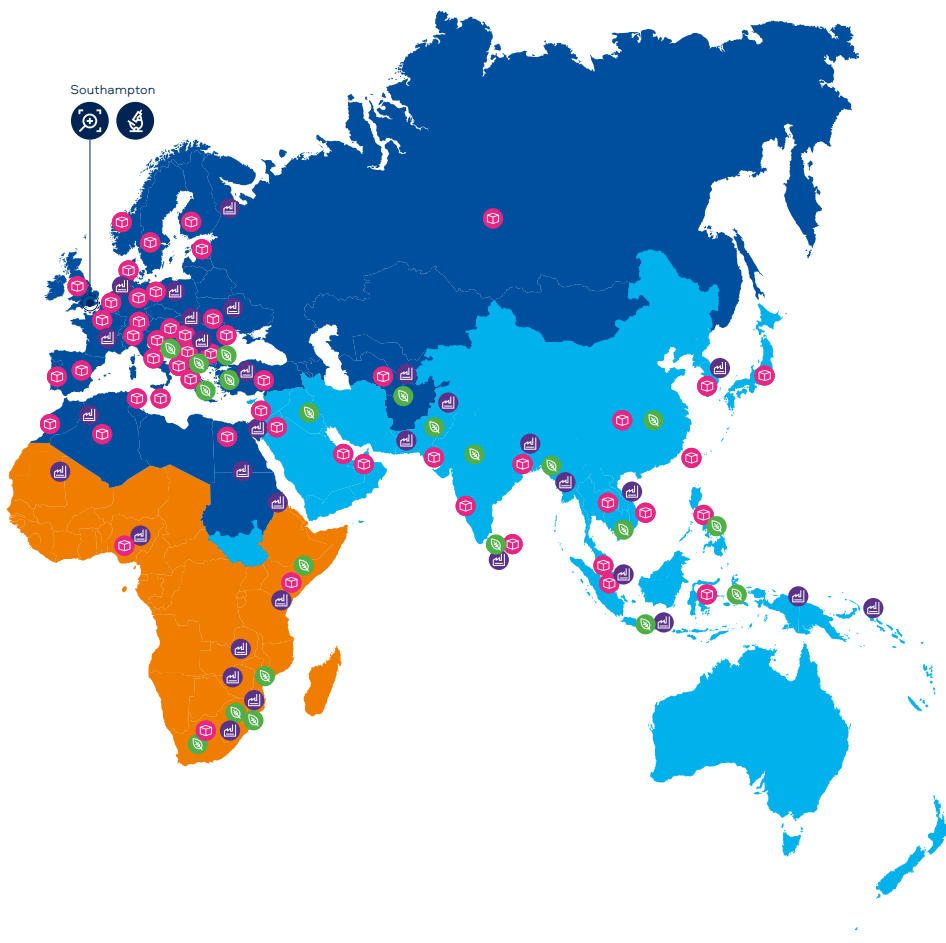
* Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

Our Global Business

Continued

Europe and North Africa	ENA	Asia-Pacific and Middle East	APME
-------------------------	-----	------------------------------	------



175+
markets

150mn
consumers

18mn+
non-combustible
product consumers

1,500+
product materials suppliers

75,000+
farmers contracted through
BAT leaf operations

Map is accurate as at 31 December 2021 and is representative of general geographic regions and does not suggest that the Group operates in each country of every region.

Our manufacturing facilities⁸

Type	U.S.	AmSSA	ENA	APME	Total
Fully integrated cigarette manufacturing	2	15	11	14	42
Green leaf threshing (GLT) tobacco processing sites	1	9	2	6	18
Site manufacturing other tobacco products, snus, modern oral and liquids		3		5	8
R&D facilities and Product Centres	1	3	2	1	7
Total	7	27	20	21	75

We will build A Better Tomorrow™ through a multi-category portfolio of non-combustible products, tailored to meet the preferences of adult consumers.

We are creating brands of the future – brands with purpose with sustainability at their core.

Creating sustainable brands with purpose



Reducing CO₂e via H₂O

Transitioning from air to sea freight, aiming to reach 80% of all shipments by sea in 2022 – which we expect to reduce Vuse's CO₂e emissions by 50%⁹

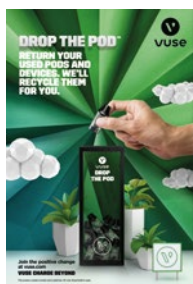
Cut the wrap

Less plastic in our packaging is less waste to landfill. These actions saved approximately 250 tonnes of plastic globally – the equivalent to more than 10 million plastic bottles¹⁰



Sustainable Product Award

In 2021, Vuse won the Sustainable Product Award in the prestigious 2021 SEAL Business Sustainability Awards



Drop the Pod

Take-back scheme implemented in all vapour markets by end of 2021. Further expansion planned for 'Drop the Pod' recycling pilots for e-liquid pods. Drop the Pod roll-out in South Africa showing positive results



Carbon neutral

Certified as the first global carbon neutral vape brand¹¹





Cut 353 tonnes of single-use plastics

By replacing plastic trays with a pulp-based alternative and removing polypropylene device overwrap¹²



Reducing CO₂e

We have reduced over 600 tonnes of materials from our glo heated tobacco starter kits by removing the separate AC adaptor – saving more than 13,200 tonnes of CO₂e emissions¹³

Take-back schemes

For consumers to return old glo devices for responsible disposal in all markets where glo is available



Recyclable can

Cans of Velo products are widely recyclable. We have also moved to a single polymer – polypropylene (PP) – rather than a combination of materials in the majority of our markets¹⁴



Biodegradability

We are looking into the biodegradability of our pouches and initial screening studies show that individual Velo pouch ingredients will biodegrade in certain media

Encouraging smokers to switch



To reduced-risk*† alternatives by including information about our New Categories in 1 billion cigarette packs

Partnering on innovation

We are conducting a pilot with a start-up to test an innovative solution to processing factory waste and cigarette butts from the streets to extract the cellulose acetate

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

**Excludes can stickers and colourants.



Certified

In 2022, we aim to use recycled materials in all of our Velo cans in the UK. These will be composed of around 91% recycled content**. The source of the recycled materials has been certified by the International Sustainability and Carbon Certification Body

Reducing CO₂e via paper

Piloting paper filters for cigarette brands in Austria, Germany and Switzerland, reducing CO₂e by an estimated 35% compared to a standard filter based on an externally conducted life cycle analysis (LCA)

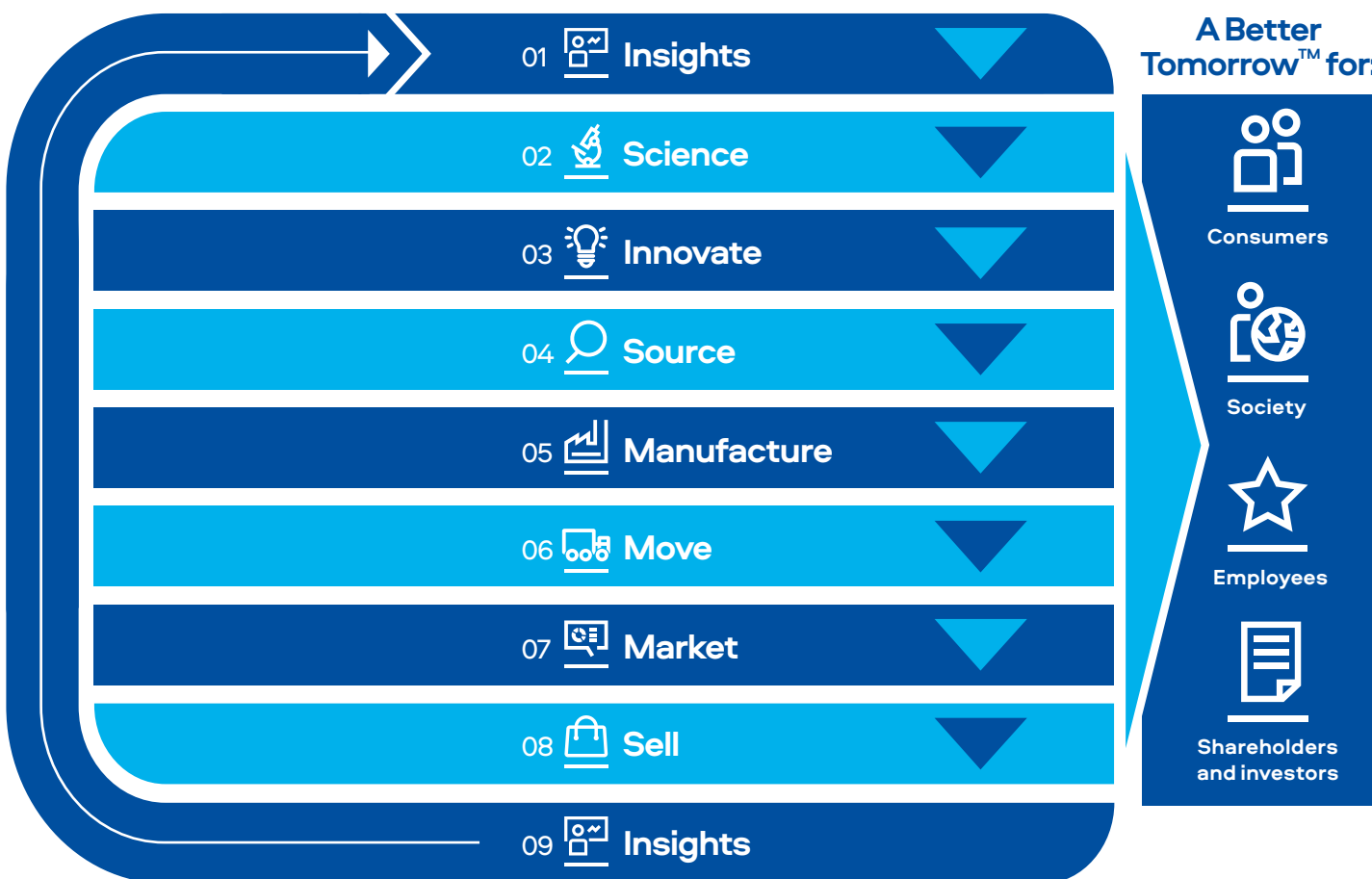
Butt recycling

Consumer awareness anti-litter programmes in five markets

Our Nine-Step Business Model

Our global business understands our diverse consumers, develops products to satisfy their preferences and ultimately distributes them across over 175 markets.

Seven key enablers support us in turning powerful insights into products that provide enjoyment to our consumers, while engagement helps our key stakeholders benefit from our sustainable growth.



SPOTLIGHT: Source



Tobacco

Subject to the industry's Sustainable Tobacco Programme, supported by farm-level monitoring and, in selected countries, human rights impact assessments



Tobacco

58%

BAT leaf operations, contracting 75,000+ farmers



42%

third parties: sourcing from 250,000+ farmers



Other materials, goods and services

Subject to human rights risk assessments and independent audits by Intertek for those with the highest risks



Direct product materials

1,500+

tier 1 suppliers of filters, paper, adhesives, vapour devices, e-liquids, etc.

Strategic lower tier Batteries, packaging, etc.



Indirect goods and services

30,000+

suppliers of logistics, marketing, IT services, facilities management, etc.

Our Nine-Step Business Model Continued

SPOTLIGHT: Innovate

In 2021, we launched a new start-up accelerator programme in partnership with Btomorrow Ventures (BTV) – the Group’s corporate venture arm.

This is an industry-first programme focused on identifying start-ups and disruptive entrepreneurs to collaborate with on new technologies and innovative solutions to address common sustainability challenges.

We work with a specialist third-party to identify potential start-ups – this is then narrowed down to a short-list who are invited to pitch. Successful start-ups are invited to join the programme, where they receive a range of support to help their businesses grow and develop.

We fully fund the testing of their technology or solution by BAT teams in a real-world commercial setting. This programme also provides an opportunity for future investment from BTV.



100%

of participants said they would recommend the programme to other start-ups

Examples of our projects



We are working with SOLshare to test solar powered batteries for e-rickshaws. This will help make the grid greener in Bangladesh and enhance livelihoods of drivers thanks to the longer battery lifetime.



We are working with Imeko to test an innovative solution to processing factory waste and cigarette butts from the streets to extract the cellulose acetate.



We are working with Hace to test a system for identifying the root causes of child labour in tobacco growing using data analytics and artificial intelligence.

“I thought the programme was excellent and well executed. There’s an opportunity to really take advantage of all the information being shared.”

Salma Islam
Head of Projects, Fundraising & Communications at SOLshare

Find out more about our work on **climate change** on pages 39-45 and **farmer livelihoods** on pages 58-62.

Find out more about how we tackle **product waste** on pages 46-49.

Find out more about how we respect **human rights** on pages 63-70.

A Strategy for Building A Better Tomorrow™

In 2021, 12% of Group revenue was from non-combustible products. This was achieved through a multi-category approach which is the very essence of our purpose to build A Better Tomorrow™ – providing adult consumers with a range of enjoyable and less risky*† choices for every mood and moment.

The model below outlines the key components of how we are building A Better Tomorrow™, from our mission to stimulate the senses of adult consumers worldwide and the outcomes this will deliver for stakeholders, to the ethos that guides our decision making.



Our Mission

Stimulating the Senses of New Adult Generations

Today, we see opportunities to capture consumer moments which have, over time, become limited by societal and regulatory shifts, and to satisfy evolving consumer needs and preferences.

Our mission is to anticipate and satisfy this ever-evolving consumer: provide pleasure, reduce risk, increase choice and stimulate the senses of adult consumers worldwide.

Must Wins

High Growth Segments

Driven by our unique and data-driven consumer insight platform (PRISM), we will focus on product categories and consumer segments across our global business that have the best potential for long-term sustainable growth.

Priority Markets

By relying on a rigorous market prioritisation system (MAPS), we will focus the strengths of our unparalleled retail and marketing reach, as well as our regulatory and scientific expertise, on those markets and marketplaces with the greatest opportunities for growth.

How We Win

Inspirational Foresights

Built on our successful history, we have a unique view of the consumer across all of our product categories, which is increasingly driven by powerful data and analytics.

These insights ensure that the development and responsible marketing of our products is fit to satisfy consumer needs.

Remarkable Innovation

As consumer preferences and technology evolve rapidly, we rely on our growing global network of digital hubs, innovation super centres, world-class R&D laboratories, external partnerships and our corporate venturing initiative to stay ahead of the curve.

Powerful Brands

For over a century, we have built trusted and powerful brands that satisfy our consumers and serve as a promise for quality and enjoyment. We will build the brands of the future by focusing on fewer, stronger and global brands across all our product categories, delivered through our deep understanding and segmenting of our consumers.

Connected Organisation

Few companies can claim over 150 million daily consumer interactions, over 11 million retail points of sale and a global network of expert employees around the world. Cultivating an ecosystem that directly connects us with consumers and stakeholders, especially through the power of digital technology, ensures we can build the brands of the future, deliver access to markets and foster innovations that offer sensorial enjoyment and satisfy consumer needs.

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak and Camel Snus, are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

A Strategy for Building A Better Tomorrow™

Continued



“2021 was indeed a pivotal year, with constant currency New Category revenue growth of over 50% combined with our reaching a total of 18.3 million consumers (up 4.8 million) of our non-combustible products. It is clear that our transformation towards A Better Tomorrow™ is accelerating.”

Kingsley Wheaton
Chief Marketing Officer



People and Partnerships

Our highly-motivated people are being empowered through a new ethos that is responsive to constant change, embodies a learning culture and is dedicated to continuous improvement. But we cannot succeed on our own, and our partnerships with farmers, suppliers and customers are also key for ensuring sustainable future growth.

U.S. Focus

The United States comprises nearly half of our global business. It is also the single largest economy in the world, the largest single centre for technology and the key driver of global consumer trends, and is where we have the deep consumer understanding and financial strength to support the delivery of our mission to stimulate consumer senses around the rest of the world.

Our Purpose

By stimulating the senses of new adult generations, our purpose is to create A Better Tomorrow™ for all our stakeholders.

We will create A Better Tomorrow™ for:

Consumers

By responsibly offering enjoyable and stimulating choices for every mood and every moment, today and tomorrow;

Society

By reducing the health impact of our business by offering a range of alternative products, as well as by reducing our environmental and social impacts;

Employees

By creating a dynamic, inspiring and purposeful place to work; and

Shareholders & Investors

By delivering sustainable and superior returns.

Short-Term Deliverables to Fuel A Better Tomorrow™

Simplify the Business

Our ongoing simplification programme, Project Quantum, is expected to realise £1.5 billion of annualised savings through simplification and efficiencies by the end of 2022.

Ensure a Step Change in New Categories Performance

With our unique cross-category consumer understanding, we are clear there is a huge opportunity for our New Categories.

Drive Value From Combustibles

We drive value from Combustibles to fuel our investment in, and transition revenue to, New Categories.

ESG Front and Centre

Our Sustainability Agenda is integral to our Group strategy and purpose to build A Better Tomorrow™. It reflects our commitment to reducing the health impact of our business as our principal focus area. This is underpinned by excellence across environmental, social and governance (ESG) priorities.

Our strategic approach is driven by extensive stakeholder insights. Each year, we commission an independent assessment to identify our most material ESG topics.

Through this robust process, we engage with a wide range of stakeholders to understand what matters most to them, complemented with ongoing risk monitoring, research and benchmarking.

This ensures we keep pace with emerging topics and stakeholder expectations.

Outlined below are the priority areas that form the core of our Sustainability Agenda. These are backed by clear and measurable goals and targets for each area, as detailed in our **ESG Roadmap** on the next page.

 Details of how we identify our focus areas can be found in **Materiality** on pages 106-107.

Our Sustainability Agenda

H

Reducing the **HEALTH** impact of our business



Consumer choice



World-class science



Standards & regulation

E

Excellence in **ENVIRONMENTAL** management



Climate change



Waste



Water



Biodiversity & afforestation

S

Delivering a positive **SOCIAL** impact



Farmer livelihoods



Human rights



Health & safety



People & culture

G

Robust corporate **GOVERNANCE**



Business ethics



Responsible marketing



Regulation & policy engagement

Creating shared value for



Consumers



Society



Employees



Shareholders

Our ESG Roadmap

On track or met target ●
 Acceleration required ◆
 Ongoing focus area ■

Find our full set of targets, goals and metrics on pages 109-116.

Topic	Goals and targets	Metrics	Progress tracking			Status	
			2021	2020	2019		
H Harm reduction	£5 bn by 2025 in New Categories revenues	New Category revenues (£bn)	2.1	1.4	1.3	●	
	50m by 2030 consumers of our non-combustible products	No. of consumers	18.3	13.5	10.5	●	
E Climate change	Net Zero achieve carbon neutral operations (Scope 1 and 2 CO ₂ e emissions) by 2030 and net zero emissions across our value chain by 2050	Scope 1 CO ₂ e emissions (thousand tonnes)	325	342	396	●	
		Scope 2 CO ₂ e (market-based) emissions (thousand tonnes)	170	199	386	●	
		Total Scope 1 & 2 CO ₂ e emissions (thousand tonnes)	495	541	782	●	
		Scope 1 and scope 2 CO ₂ e emissions intensity ratio (tonnes per £m revenue)	19.3	20	30.4	●	
		Scope 3 CO ₂ e emissions (thousand tonnes) including biogenic emissions and biogenic removals [†]	N/A	5,587	6,781	●	
	30% by 2025 of total energy from renewable sources	Total direct energy use (GWh)	2,480	2,568	2,874	●	
		100% by 2030 of electricity sourced for operations sites that is renewable	Renewable energy as a % of total direct energy use	28.6	26.8	10.8	●
		% of electricity sourced for operations sites that is renewable	64.4	61.1	10.7	●	
	Waste	100% by 2025 of operations sites to achieve zero waste to landfill	Waste sent to landfill (thousand tonnes)	11.93	12.73	13.95	●
			% of operations sites reporting zero waste to landfill	35	27	N/A	●
Water	-35% by 2025 of total amount of water withdrawn (vs 2017 baseline)	Total water withdrawn (mn cubic metres m ³)	3.76	4.03	4.51	●	
Biodiversity & afforestation	Net Zero Deforestation by 2025 aiming for net zero deforestation of managed forests in our supply chain and net positive impact on forests in our tobacco supply chain	% of sources of wood used by our contracted farmers for curing fuels that are from sustainable sources	99.9	99.7	99.6	●	
		% paper and pulp volumes that is certified as sustainably sourced [‡]	89	N/A	N/A	●	
S Farmer livelihoods	Livelihoods committed to enabling prosperous livelihoods for all farmers in our tobacco supply chain	% of tobacco farmers reported to grow other crops for food or as additional sources of income	95.6	93.4	92	●	
Human rights	Zero by 2025 aiming for zero child labour in our tobacco supply chain by 2025	% of farms with incidents of child labour identified	0.7**	0.50	0.57	■	
Health & safety	Zero aiming for zero accidents Group-wide each year	Number of work-related accidents (including assaults) resulting in injury, causing absence of one shift or more*	95	114	186	●	
		Lost workday case incident rate*	0.20	0.22	0.27	●	
		Number of serious injuries and fatalities to employees and contractors	31	39	38	●	
People & culture	45% by 2025 increase the proportion of women in management roles to 45%	% of female representation in management roles	39	38	37	●	
G Business ethics	100% aiming for full adherence to our Standards of Business Conduct (SoBC)	Number of established SoBC breaches	99	116	130	●	
Responsible marketing	100% aiming for full adherence to our Youth Access Prevention (YAP) Guidelines	% of markets aligned to the YAP Guidelines***, where our products are sold	100	100	100	●	

† Due to the complexity of consolidating and verifying Scope 3 data from our suppliers and other third-party sources, we report figures one year behind our other metrics.

‡ New metric/target in 2021.

* In 2021, we changed the reporting period for our health and safety data to cover December to November period each year (previously January to December). This is to align with our environmental reporting and to enable more time for the consolidation and verification of our data for reporting. To enable year-on-year comparison, we have re-stated our 2020 data to align with this new reporting period: Number of work-related accidents: 114 (was 131) and Lost Workday Case Incident Rate: 0.22 (was 0.21).

** 100% of cases reported as resolved by end of the growing season.

***Waivers from YAP Guidelines are granted where there is a government ban on point-of-sale materials or YAP retailer engagement cannot be ensured due to practical or cultural limitations.

A BETTER TOMORROW™ for consumers



By responsibly offering a range of enjoyable and less risky*† choices for every mood and moment.

Value created for our consumers:

- A wide choice of superior, stimulating products for every mood and moment.
- Brands they can trust that are manufactured to high quality and safety standards.
- Alternatives to cigarettes that have reduced risks*†.
- Transparent, clear and accurate information, based on robust science, about the comparative risks.
- Responsible marketing that doesn't engage or target youth.



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

† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

A Better Tomorrow™ for Consumers

Continued

We are enabling consumer choice

We prioritise product quality

We market and communicate responsibly

We are building sustainable brands with purpose



Multi-category portfolio of less risky products[†] tailored to meet the evolving preferences of adult consumers

18.3 million

adult consumers who have already chosen our reduced-risk[†] products

1 billion

of our combustible packs with New Category product information to encourage adult smokers to switch to reduced risk[†] alternatives

150 million

daily consumer interactions give us a deep understanding of our consumers and their evolving preferences

136 peer-reviewed papers

published to date on our cutting-edge research into New Category products

High product standards

based on decades of product stewardship experience, that we openly share and hope will become an industry benchmark and a basis for future regulation

1000s of hours of testing

undertaken before our products reach the consumer

Quality

ingredients, including only pharmaceutical-grade nicotine and flavours

Adult only

consumers targeted for all our product marketing, enshrined in our long-standing International Marketing Principles (IMP)

100% compliance

we strive for 100% compliance with our Youth Access Prevention (YAP) guidelines across all markets where our products are available

iCommit training

on applying our IMP and YAP guidelines across digital channels being rolled out to all Group employees

Responsible flavour

descriptors for our e-liquids that don't appeal to youth, or are associated with youth culture

Carbon neutral

Vuse certified as the first carbon neutral global vape brand¹

75% of packaging

across all our product categories is capable of being recycled

13% reduction

in total weight of unnecessary single-use plastics used in our packaging (vs 2020)

100% markets

where our vapour and tobacco heating products are sold with take-back schemes for consumers to return devices for responsible disposal

Recycling

and anti-litter schemes for cigarette butts across 5 markets



“We are creating new products, backed by science, that provide adult smokers with less risky alternatives[†]. We are becoming a business that defines itself, not by the products it sells, but by the consumer needs that it meets.”

Kingsley Wheaton,
Chief Marketing Officer

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

† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

A BETTER TOMORROW™ for society



By reducing our environmental and social impacts.

Value created for society:

- Minimising impacts on the environment, increasing climate change resilience and protecting natural resources.
- Supporting sustainable farmer livelihoods for our farmers and building the resilience of rural communities.
- Raising standards and improving workplace conditions for people in our supply chain.
- Implementing collaborative solutions to complex sustainable development challenges.



A Better Tomorrow™ for Society

Continued

We help protect the environment



Net zero

carbon neutral operations (Scope 1 and 2) by 2030 and net zero across our value chain by 2050

42.7% reduction

in our Scope 1 and 2 CO₂e emissions from our 2017 baseline

Carbon-smart farming

programme focused on reducing emissions from tobacco farming and leveraging the positive effect agriculture could have in removing carbon from the atmosphere

35%

operations sites

achieving zero waste to landfill

We enhance farmer livelihoods



75,000+ farmers

contracted to BAT operations and supported by our expert field technicians helping to develop their skills, promote better yields and build their resilience

20% increase

in farmers' tobacco yields from our quality seed varieties, helping to boost their profits

96% of farmers

contracted to BAT and our strategic third-party suppliers reported to be growing other crops for food or additional sources of income

We respect human rights



2,200+ rights-holders

engaged in tobacco-growing communities in six countries via our human rights impact assessments

350,817

people engaged via human rights training delivered by our leaf operations and strategic third-party suppliers

99.9% of farmers

contracted to BAT and our strategic third-party suppliers reported to have access to at least one type of grievance mechanism

22% of suppliers

of product materials that have undergone an independent labour audit at least once in a three-year cycle

We support communities



£19.0 million

contributed to community investment programmes in 2021

380m trees

distributed via our community-based afforestation programmes in Bangladesh, Brazil, Kenya, Pakistan and Vietnam over the last 40 years

Community

Investment Framework revised in 2021 to align with the UN Sustainable Development Goals

39 projects

in 20 countries focused on women's empowerment, clean water and sanitation, healthcare and wider rural infrastructure



“By taking a long-term, collaborative approach to protecting the environment, enhancing farmer livelihoods, respecting human rights and supporting local communities, we add value to society.”

Zafar Khan,
Operations Director

A BETTER TOMORROW™ for employees



By creating a dynamic,
inspiring and purposeful
place to work.

Value created
for our employees:

- A diverse and inclusive workplace culture that treats everyone equally.
- Opportunities for a rewarding career within a major international business.
- A dynamic, inspiring and safe place to work that values employees' wellbeing and listens to their views.
- Pride in working for an organisation that takes its responsibilities seriously, with the highest standards of ethical behaviour and sustainability.



A Better Tomorrow™ for Employees

Continued

We embrace diversity



Championing inclusion

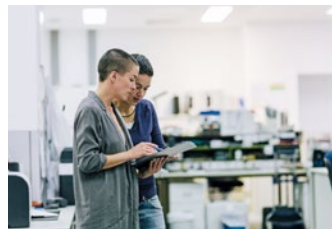
training available for all employees, completed by over 8,000 employees to date

39% women in management roles

141 nationalities across our management employees globally, Race and Ethnicity Allyship Guides for all our employees and signatories of the UK Race at Work Charter

B United global network for our LGBT+ employees and allies

We invest in talent



Be the Change

new employer brand launched in 2021 and revamped our global careers website with round-the-clock support in 14 languages

100% employees in management roles with access to our award-winning digital learning platform, The Grid, providing personalised learning anytime, anywhere

Women in leadership

training, Women in STEM programme and Global Graduate Academy all focused on developing future diverse leaders

72% of new senior management hires bringing new capabilities to drive our business transformation

We provide a safe workplace



19% reduction in total accidents across the Group vs 2020

COVID-19 secure measures across all our sites, including temperature checkpoints, testing and sanitising

Mental health support and wellbeing programmes across the Group and dedicated 'healthy minds champions' in many markets

Driver safety and security programme leading to a steady reduction in attacks, assaults and vehicle-related accidents in recent years, including a 6% reduction in these incidents in 2021 (vs 2020)

We deliver with integrity



Speak Up channels available for anyone to report concerns in confidence

Training and compliance sign-off completed on our Standards of Business Conduct (SoBC) by 100% of our Group company employees every year

SoBC app available in 14 languages with easy access to our SoBC, Supplier Code of Conduct and Speak Up channels

SoBC e-induction for 100% of new joiners in management roles

Updated SoBC and Supplier Code of Conduct in 2021 to remain at the forefront of best practice



“Our ethos at BAT sets a clear direction for us to enable a diverse and inclusive workplace culture. We want our employees to feel valued and proud to have a fulfilling career at BAT.”

Hae In Kim,
Talent, Culture and Inclusion Director

A BETTER TOMORROW™ for shareholders



By delivering sustainable and superior returns.

Value created for shareholders:

- A high-growth, consumer goods company that is global, consumer-centric, multi-category, with sustainability at our core.
- Confidence in our medium-term targets of 3–5% revenue and high single-digit adjusted earnings per share growth.
- Realising £1.5 billion in gross savings over three years (2020–2022) through simplification and efficiencies across the Group.



A Better Tomorrow™ for Shareholders

Continued

We have strong foundations



Founded in 1902
and first listed on the London Stock Exchange in 1912 – a constituent of the FTSE 100 since its creation in 1984

Only truly global
company in our sector with unique global marketing and distribution reach

20 years
in the Dow Jones Sustainability Indices, as well as open and transparent ESG reporting aligned to best practice frameworks

Proven record
of delivering sustainable returns and cash flow to our shareholders

We have a strategy for accelerated growth



Consumer-centric
multi-category strategy focused on being a high-growth, consumer goods business

Driving value
from our combustibles business and simplifying to eliminate cost and improve returns and become a stronger, simpler, more agile organisation

Step change
in New Categories to accelerate growth supported by increased investment

Strong global brands
specifically positioned in each target consumer segment

We are transforming our business



Investing
in New Category products and expanding our portfolio 'beyond nicotine'

12.4% of Group revenues
in non-combustible, reduced-risk products*† – aiming to reach £5 billion in New Category revenues by 2025

Digital
technology and innovation are key to driving our transformation

New capabilities
combined with our existing skills and experience are helping to radically redefine our organisation

57 markets
where our New Category products are available

We are building a sustainable enterprise of the future



Brands with purpose
to satisfy the evolving preferences of adult consumers, with sustainability at their core

Leading innovation
across our portfolio and our supply chain, using data-driven insights and foresights, combined with partnerships with start-ups and disruptive entrepreneurs

Sustainability
front and centre in all that we do, focused on reducing the health impact of our business, underpinned by excellence across our ESG priorities



“We offer a unique investment case – a winning strategy and strong financial returns, while reducing the health and environmental impacts of our business.”

Tadeu Marroco,
Finance and Transformation Director

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

The UN Sustainable Development Goals (SDGs) bring together governments, civil society and the private sector to create a sustainable future. We have mapped our Sustainability Agenda to the eight SDGs that are most relevant for our business and stakeholders. Here, we provide highlights of how we are contributing to these crucial global priorities for 2030.



Strategic



These goals align with our principal focus area to reduce the health impact of our business*†. And with our global efforts to combat climate change, which extends across all aspects of our business.

Priority



These are the goals that align with our ESG priority areas, and where we can make a significant contribution through our global activities.

Localised



These goals align with issues for which a localised response is needed, tailored to the specific circumstances.

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

† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.



Strategic



Link to our Agenda:



Harm reduction



Health & safety

Our portfolio reflects our commitment to reducing the health impact of our business by creating new products, backed by science, that provide adult smokers with less risky alternatives*†.

Our health and safety programmes are aligned to international standards.

Find out more in **Harm Reduction** on pages 28-37 and **Health and Safety** on pages 71-73.



Link to our Agenda:



Climate change



Biodiversity & afforestation (including water)



Waste



Water

We are aiming for carbon neutral operations by 2030 and net zero emissions across our value chain by 2050. We have an integrated strategy to address our climate and environmental impacts across our operations and supply chains.

This includes utilising multiple opportunities: from on-site renewable energy generation and purchasing renewable electricity in our operations; to our work on carbon-smart farming in our tobacco supply chain and protecting biodiversity, forests and natural resources.

Find out more in the **Environment** section on pages 38-56.

Our Contribution to the SDGs

Continued

Priority



Link to our Agenda:



Human rights



Farmer livelihoods

We are aiming to eliminate child labour and forced labour in our tobacco supply chain by 2025. We have strong human rights policies, aligned to international standards, and we conduct regular monitoring of all our contracted farmers. Our expert field technicians help to support our contracted farmers, providing training and capacity building, and enhancing farm productivity and crop yields.

Find out more in **Human Rights** on pages 63-70 and **Farmer Livelihoods** on pages 58-62.



Link to our Agenda:



Waste



Responsible marketing

Circularity – and driving a zero-waste economy – is at the core of our stance to deliver a greener tomorrow.

Additionally, our International Marketing Principles include a requirement for all our product marketing to only be aimed at adult consumers. We also work with our retailers to prevent youth access to our products.

Find out more in **Waste** on pages 46-49 and **Responsible Marketing** on pages 86-88.



Link to our Agenda:



Harm reduction



Waste



Farmer livelihoods

We are unleashing innovation across our portfolio and our supply chain, using data-driven insights and foresights, focused on reducing health and environmental impacts of our business. We're also working with innovative start-ups to develop collaborative solutions to common challenges in technology, science and sustainability.

Find out more in **Harm Reduction** on pages 28-37, **Waste** on pages 46-49 and **Farmer Livelihoods** on pages 58-62.



Link to our Agenda:



Business ethics

The high standards of business integrity we are committed to upholding are enshrined in our Standards of Business Conduct and reflected in our Supplier Code of Conduct.

We are clear to all our employees, suppliers and partners that our ethical conduct standards must not be compromised for the sake of results. They should speak up if they have a concern about any actual or suspected wrongdoing.

Find out more in **Business Ethics** on pages 83-85.

Localised



Link to our Agenda:



Farmer livelihoods



People & culture

Women's empowerment is one of the key focus areas of our *Thrive* farmer livelihoods programme, which is crucial for inclusive and sustainable economic growth in rural communities.

And our Group-wide diversity and inclusion strategy focuses on sustaining a culture where all our people can flourish and thrive, regardless of their differences.

Find out more in **Farmer Livelihoods** on pages 58-62 and **People and Culture** on pages 74-79.



Link to our Agenda:



Water



Biodiversity & afforestation

We have a long and proud history of working directly with our contracted farmers to advance sustainable agriculture practices and protect natural resources. For example, new irrigation techniques are helping our contracted farmers reduce the amount of water they use. And we're committed to net zero deforestation of managed forests in our supply chain by 2025.

Find out more in **Water** on pages 50-52 and **Biodiversity and Afforestation** on pages 53-56.

Awards and Recognition

Our sustainability efforts and commitment to high standards have received notable independent recognition over the years from investor ratings and key awards, including the following in 2021.

Sustainability Ratings

Member of
Dow Jones Sustainability Indices

Powered by the S&P Global CSA

Dow Jones Sustainability Indices (DJSI)

We have achieved inclusion in the indices for 20 consecutive years. In 2021, we were the only company in our industry listed in the prestigious World Index, representing the world's top 10% ESG performers.¹⁵



Sustainalytics

We achieved a score of 26.8 in the most recent Sustainalytics ESG Risk Ratings. This gives investors insights into financially material ESG risks in their portfolios.¹⁷



MSCI

We achieved a 'BBB' rating in the most recent MSCI ESG Ratings. This helps investors identify and understand financially material ESG portfolio risks.¹⁶



A- scores in CDP Climate and Water assessments

In 2021, we achieved A- scores in the CDP Climate and Water assessments. We were honoured to once again be named on the CDP Supplier Engagement Leader Board in 2021. This recognises our actions to engage our suppliers to manage climate risk and reduce carbon emissions in our supply chain.



Vigeo Eiris

We scored 48% (up by 1pp from 2020) in the most recent Vigeo Eiris rating. This evaluates organisations' integration of ESG factors into their strategies, operations and management.



Best-in-class ISS Score

We achieved the highest rating for the ISS Social Disclosures QualityScore. This identifies best-in-class sustainability disclosure practices.



Awards and Recognition

Sustainability Award

Gold Class 2021



Gold Class Sustainability Award

We were once again awarded the highest Gold Class in the S&P Global Sustainability Yearbook 2021.



Global Top Employer

We have been recognised as a Global Top Employer for four consecutive years, acknowledging our commitment to best-in-class working environments and career opportunities.



National and Global Equality Standard

In 2021, we were the first in our industry to achieve UK National Equality Standard and Global Equality Standard accreditation. Both are rigorous benchmarks for diversity and inclusion.



Financial Times Diversity Leaders Report

We were named a Diversity Leader by the Financial Times in 2021. This recognises the top 10% of companies for achieving a diverse and inclusive workforce.



Financial Times Climate Leader

We were named as a 2021 Climate Leader by the Financial Times in an inaugural European ranking. This recognises the top 300 of more than 4,000 companies across Europe.



Sustainable Product Award for Vuse

In 2021, Vuse, our global No. 1 vaping brand, won the Sustainable Product Award in the prestigious 2021 SEAL Business Sustainability Awards. SEAL recognises innovative and impactful products that are 'purpose-built for a sustainable future'.

Our Sustainability Agenda

Our Sustainability Agenda is integral to our Group strategy and purpose to build **A Better Tomorrow™**. It reflects harm reduction as our principal focus area to reduce the health impact of our business.

This is underpinned by excellence across our ESG priorities covering excellence in environmental management, delivering a positive social impact and ensuring robust corporate governance. Details of Group oversight of ESG, our policies and standards, stakeholder engagement and materiality, targets and metrics, and independent assurance can be found in the next chapter.

Quick links

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Reducing the Health Impact of our Business



We have a clear purpose to build A Better Tomorrow™ by reducing the health impact of our business. That’s why we are changing: creating new products, backed by science and industry-leading standards, that provide adult smokers with less risky alternatives*†.



Find our full set of harm reductions targets, goals and metrics on page 109.



Consumer Choice

See page 30.

The issue

Around 100 million adult smokers have already switched to reduced risk tobacco and nicotine products*†. We encourage those who would otherwise continue to smoke, to switch. Smokers are most likely to switch to a product that delivers comparable satisfaction.

Our approach

We are transforming to a multi-category portfolio of non-combustible products, tailored to meet the preferences of adult consumers. We are embracing new technologies and innovation to provide New Category products that deliver greater choice and satisfaction for our consumers.

Our 2021 performance

- 18.3m consumers of our non-combustible products – up by 4.8m vs 2020
- £2.1bn in New Category revenues – up by 42% vs 2020



World-Class Science

See page 31.

World-class science drives product innovation, informs policy development and regulation, and substantiates the quality and safety profile and reduced-risk potential of New Category products. Science also builds consumer trust in switching to less risky alternatives*†.

We use a weight-of-evidence approach using a nine-step risk assessment framework to assess emissions, exposure and risk of our New Category products. Our breadth and depth of expertise guides our research and fuels the relentless innovation that sets us apart as an industry leader.

- Published results from our largest long-term, real-world study of our tobacco heating product, glo.
- Published our 2021 Science & Innovation Report, as well as quarterly science updates covering the latest developments in R&D and tobacco harm reduction research.



Standards and Regulation

See page 32.

Responsible, proportionate, science-backed and evidence-based regulation enables adult consumers to access and enjoy reduced-risk products*† with confidence. At the same time, governments and health bodies can be assured that these products are manufactured to high safety and quality standards.

We follow strict standards for all our products. And we openly share our approach and expertise to contribute to, and advocate for, industry-wide product standards and evidence-based regulation.

- Advocated for proportionate, evidence-based regulation, such as at the Global Tobacco and Nicotine Forum in 2021.

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

Harm Reduction

Continued



Consumer Choice



World-Class Science



Standards and Regulation

Our ambitions

£5 billion

in revenues from New Category products by 2025

50 million

consumers of our non-combustible products by 2030

Stakeholder groups



Consumers



Society



Employees



Shareholders



Interrelated issues



Eliminating waste, see page 46



Human rights, see page 63



Responsible marketing, see page 86



Regulation and policy development, see page 89

Why Harm Reduction Matters

'Tobacco Harm Reduction' is a public health strategy that aims to minimise the harm caused by combustible cigarettes by encouraging adult smokers, who would otherwise continue to smoke, to switch completely to scientifically-substantiated, reduced-risk alternatives[†].

For this to be effective, alternatives are needed that deliver comparable satisfaction in nicotine delivery, use and sensorial aspects. For example, some studies suggest that vapour products are more successful than nicotine replacement therapy in providing a satisfactory alternative to cigarettes^{1,2} despite them not being smoking cessation products nor marketed as such.

Policies and Accountability

Our purpose is to build A Better Tomorrow™ by reducing the health impact of our business. This is at the centre of our Group strategy.

The Board of Directors of the Company ('the Board') is collectively responsible to our shareholders for the long-term sustainable success of the Company and for the Group's strategic direction, purpose, values and governance. It provides the leadership necessary for the Group to meet its business objectives within a robust framework of internal controls.

Our Management Board, chaired by our Chief Executive, is responsible for overseeing the implementation of Group strategy and policies set by the Board, and for creating the framework for Group subsidiaries' day-to-day operations.

Both the Board and Management Board receive regular updates on our progress and performance against our strategy.

Our Shaping Sustainability Programme Board oversees the implementation of the Group's transformation programme and progress against our objectives. It comprises key Management Board Directors and senior leadership, including the Chief Marketing Officer and Directors for New Categories, Scientific Research, Operations and Legal and External Affairs.

[Find details about oversight of ESG and our Group policies and standards on pages 99-103.](#)





Consumer Choice

Enabling Consumer Choice

We know combustible products pose serious health risks. The only way to avoid those risks is to not start – or to quit – smoking. That’s why we are changing: creating new products, backed by science, that provide adult smokers with less risky alternatives*†.

In recent years, New Category alternatives have grown rapidly. At BAT, we are embracing this opportunity.

Today, we have three New Category alternatives – vapour, tobacco heating and modern oral products – about which you can find details on the following pages.

Our non-combustible products are already being used by more than 18.3 million consumers, across 57 markets. Of these, 20 markets are among the top 50 countries with the highest smoking prevalence globally³.

We are committed to expanding to further markets as quickly as we can. We prioritise markets with balanced regulatory frameworks and where there is consumer awareness and demand. Our ‘test and learn’ strategy helps us get the right balance of communication, product and price, while maximising the tobacco harm reduction potential of New Category products.

We are proactively encouraging smokers, who would otherwise continue to smoke, to switch completely to scientifically-substantiated, reduced-risk*† alternatives. For example, in 2021, we included information about our alternative products in one billion packs of combustible products worldwide.

1 billion

packs of combustible products in 2021 included information on our New Category products, to proactively encourage more adult smokers to switch

“As most of the harm caused by smoking arises not from nicotine but from other components of tobacco smoke, the health and life expectancy of today’s smokers could be radically improved by encouraging as many as possible to switch to a smoke-free source of nicotine.”

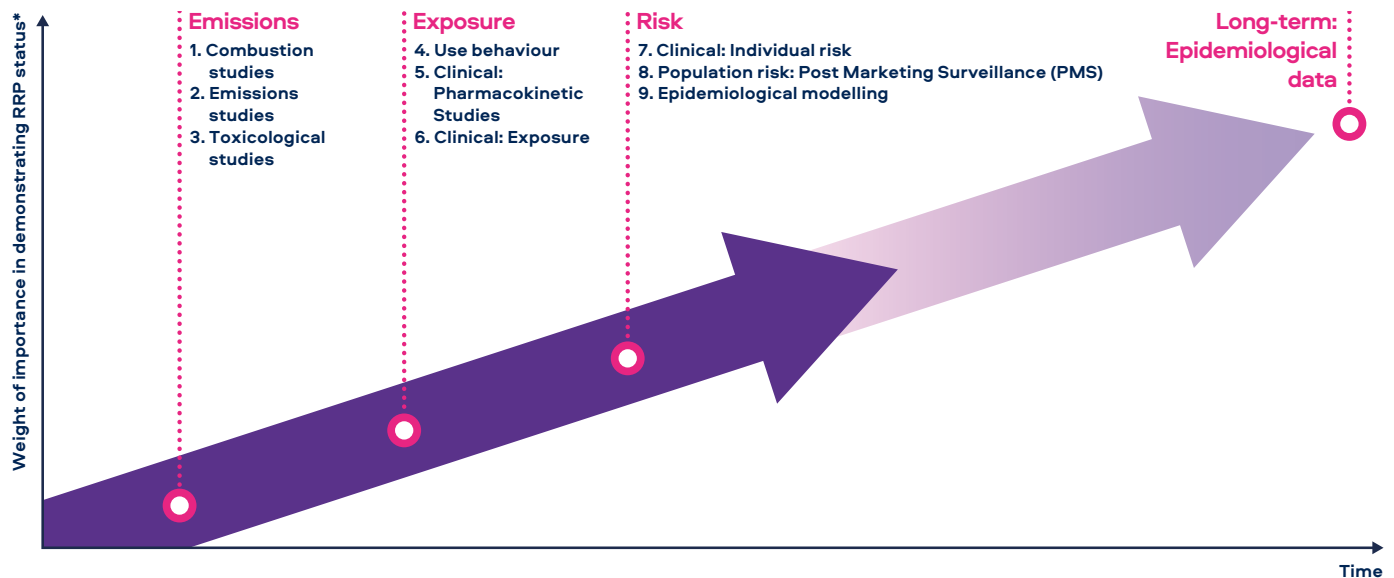
UK Royal College of Physicians⁴

“Our world-class and transparent science means consumers can understand and trust in the performance, quality and harm reduction potential of our products.”

Dr David O’Reilly
BAT Scientific Research Director

Our comprehensive nine-step risk assessment framework

Most non-combustible products remain relatively new to the market and lack the epidemiological data required to establish harm reduction potential over decades of use. So it’s necessary to take a weight-of-evidence approach, based on the emissions, exposure and risk levels of each product. Our rigorous, peer-reviewed, scientific assessment framework follows these nine steps:



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World-Class Science

Cutting-Edge Research

For more than 60 years, research and development has been a critical part of our business. We invest almost £350 million a year in R&D to deliver innovations that satisfy or anticipate consumer preferences. The main focus of our R&D investment is on developing and scientifically-substantiating New Category products to assess their reduced-risk profile*†.

Our products adhere to strict quality and safety standards, undergoing thousands of hours of testing before they reach the consumer. We use a wide range of analytical techniques, specialised laboratory technology and expertise to test our products and ensure they meet high standards. This is supplemented by collaborations with global external researchers.

We follow strict best practice standards for all our scientific research. And, regardless of the results, we submit to high-quality, peer-reviewed journals owned by leading publishers, with well-respected standards.

Our scientists are constantly embracing new technologies, methodologies, and consumer trends to push further at the scientific boundaries. Their robust and peer-reviewed science enables our consumers to have a choice of reduced-risk† products.

Scientific Engagement

Scientific progress is enhanced by sharing data, collaboration and open dialogue. This goes to the heart of our purpose to build A Better Tomorrow™.

As we accelerate our transformation and demonstrate how our New Category products reduce the health impact of our business, we must be open about our science in a clear, engaging and informative way.

We have long recognised the value of exposing our research to robust and rigorous review from the scientific community and other stakeholders. We submit our research to peer-reviewed journals and our scientists present at leading conferences.

We also work to make our science accessible and understandable to a wider audience. We do this via our dedicated website, bat-science.com, which we refreshed in 2021, and with our new Science and Innovation Report, published in June 2021.

In 2021, we also introduced new quarterly science updates to provide the latest information in a concise, engaging way.

Driving Innovation and Collaboration

Fuelled by consumer insights, innovation is a driving force within our business. It enables us to anticipate trends and meet evolving consumer needs.

We do this through our growing global network of digital hubs, innovation super centres and world-class R&D laboratories. Collaboration with external partners and via our corporate venturing initiative also help us to stay ahead of the curve.

For example, working in partnership with Btomorrow Ventures, the Group's corporate venture capital unit, we are focused on identifying partners (including start-ups) with innovative technologies and materials that hold promise for our product pipeline.

This has already led to £27 million invested in portfolio companies in 2020-21, helping to gain early access to cutting-edge technologies for our future product pipeline.

 Find out about our innovative work to develop vaccines using our unique plant-based technology in [Health and Safety](#) on page 73.

Product development and innovation

using scientific advances and new technologies to satisfy evolving consumer needs and preferences.

Product stewardship

to ensure manufacturing to a high level of quality and safety standards based on robust science and toxicological risk assessments.



Scientific evaluation of risk reduction

to support evidence-based regulation and provide consumers with the information they need to make informed decisions.

Collaborative development of product standards

to ensure a consistent approach to product quality and safety standards across the industry and build consumer confidence.

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.



Standards and Regulation

Standards and Regulation

Regulation of New Category products continues to evolve. More comprehensive, evidence-based oversight of this rapidly evolving sector is needed.

Globally, there are regulators passing progressive laws that allow and encourage adult smokers to switch to New Category products, and other regulators who view them more cautiously. As the science and evidence to substantiate the harm reduction potential of these products grows, we expect to see more countries passing progressive regulations, further accelerating New Category product growth.

Key to developing effective policies to accelerate tobacco harm reduction as quickly as possible is a stakeholder-inclusive, whole-of-society dialogue that includes regulators, policymakers, consumers and the industry. Any regulation around New Category products should be based on science, not opinion.

We hold ourselves to high standards and hope these will become an industry benchmark and used as the basis for future regulation. That’s why we share our approach, information and expertise with industry groups, governmental technical advisory committees, standards bodies and other key stakeholders.

For example, our senior leaders and scientists presented at the Global Tobacco and Nicotine Forum in 2021. Our Chief Marketing Officer gave the keynote speech on how we can make a difference to society by embedding and driving tobacco harm reduction.

And, on a panel called ‘Science Driving Policy’, our Scientific Research Director emphasised that, to accelerate tobacco harm reduction, we need more robust scientific data and evidence-based policies.

 Find out about our approach to regulatory engagement in Regulation and Policy Engagement on pages 89-90.

“Responsible, science-backed and well-thought-through regulation is essential to ensuring that adult consumers can enjoy reduced-risk products*† with confidence, while governments and health bodies can be assured that these products are manufactured to high safety and quality standards.”

Kingsley Wheaton
Chief Marketing Officer

How we think New Category products should be regulated



1. An evidence-based approach

allowing robust science to lead to greater consumer choice, quality and confidence.



2. Proportionate regulation

where science-based evidence and risk are understood and differentiated to guide regulatory policy.



3. Freedom to innovate

to ensure products can evolve to meet changing consumer preferences.



4. Engagement, dialogue and communication

to ensure regulators and consumers can make well-informed decisions.



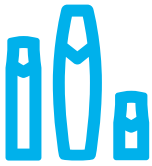
5. Responsible marketing freedoms

that facilitate the acceleration of movement of consumers from combustible to non-combustible products.

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

† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

Our New Categories Portfolio



Vapour Products

Under our flagship global Vuse brand, our vapour products play a major role in providing smokers with a reduced risk*† alternative to cigarettes.

We will continue to invest and innovate to deliver even greater choice and satisfaction for our consumers.

Key highlights

No. 1
global vaping brand by value share⁵

30
markets where our vapour products are available

81
peer-reviewed studies by our scientists published to date on vaping products

80
chemistry tests carried out on our Vuse vapour products

The Scientific Evidence

There is growing consensus among many in the public health community and academia about the role of vapour products as a reduced-risk*† alternative to smoking. This is supported by a wealth of global reviews, studies and reports.

In the UK, for example, the Office for Health Improvement & Disparities (formerly known as Public Health England) has previously issued a series of expert reviews of the latest evidence, concluding: “based on current knowledge, vaping is at least 95% less harmful than smoking”⁶.

According to the UK’s Office for National Statistics, 6.3% of the adult population vape, and smoking levels have dropped to 14.1%, from 23% of the adult population in 2012. This figure represents a significant reduction in the proportion of smokers from 2018, when 14.7% of the adult population smoked, and continues the trend in falling smoking prevalence since 2011. It also means the UK has one of the lowest smoking incidences in Europe⁷.

In 2021, we published a comprehensive review of the scientific evidence for vaping products, their potential health effects, and their role in tobacco harm reduction⁸. This is a summary of more than 300 peer-reviewed scientific papers and other evidence published by around 50 institutions over the past decade.

The review showed that the number of people who incorrectly believe vaping is as harmful or more harmful than smoking conventional cigarettes has risen in the UK, Europe, and the US over the past decade. This is despite a number of scientific reviews published in the same period showing that vaping products present less risk to health than cigarettes*†, so long as they are manufactured in accordance with quality standards.

According to adult population modelling studies cited in the review, a significant reduction in premature deaths could be achieved if current smokers switched exclusively to vaping rather than continuing to smoke cigarettes.

“Based on current knowledge, vaping is at least 95% less harmful than smoking.”

Office for Health Improvement & Disparities (formerly known as Public Health England)⁶

SPOTLIGHT

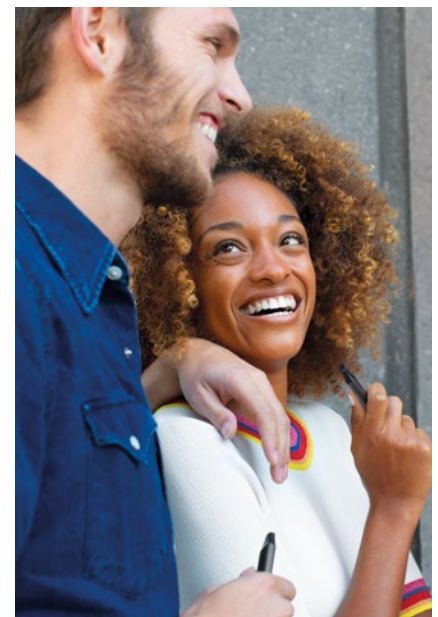
Number one global vaping brand

In July 2021, Vuse achieved global vapour value share leadership with a value share of 32.1%. Revenue was up 56% to £952 million at constant currency.

With vapour being the largest New Category product by revenue and number of consumers in the nicotine sector, achieving global leadership in vaping marks an important milestone in our transformation.

This demonstrates continued strong momentum across our global New Category business.

Find out about Vuse becoming the first carbon neutral global vape brand in **Climate Change** on page 45 and how we are eliminating single-use plastics and supporting consumers with responsible disposal in **Waste** on page 47.



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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

Harm Reduction Continued

Vapour Product Regulation

Regulation of vapour products can vary according to jurisdiction. Yet the importance of robust, evidence-based regulation can be seen with incidents in the US of “e-cigarette or vaping use-associated lung injury” (EVALI). These were investigated by the US Centers for Disease Control and Prevention (CDC) and the US Food and Drug Administration (FDA) which suggested the problem arose due to the effects of illicit e-liquids containing THC (the main psychoactive substance in cannabis) and/or the additive vitamin E acetate⁹. This highlights the potential hazards of e-liquids that contain untested ingredients.

We are fully committed to working in a regulated market, where adult consumers can be confident that marketed vapour products are appropriate for the protection of the public health and underpinned by science. This approach is underscored by the US Food and Drug Administration’s Premarket Tobacco Product Application (PMTA) process.

In September 2021, Vuse Solo received the first of its kind FDA marketing authorisation for vapour products in Original flavour. This confirmed that the marketing of Vuse Solo products is appropriate for the protection of the public health, and underscores years of scientific study and research.

The Vuse Alto PMTA, which was submitted nearly a year after Vuse Solo, shares the same foundational science. We remain confident in the quality of our applications and the impact that this will have on the vapour market for our brands going forward.

Designed with Purpose

The more popular vapour products have become, the more consumer-centric and design-led the new products need to be.

Our commitment to fundamental science and precision engineering helps ensure our vaping products are designed to prevent the common problems seen in many other products – such as dry-wicking, caused by a lack of e-liquid reaching the heater, leading to overheating and an unpleasant aftertaste.

In an effort to make vaping more acceptable to cigarette smokers, our scientists are constantly experimenting to try to replicate the smoking experience, but without the high levels of toxicants created by combustion.

Our application of nicotine salts in Vuse vPro liquids and our continued research into optimisation of those formulations is part of a continued R&D effort to make vaping more acceptable to smokers¹⁰.

Flavour is also a key driver of vapour product satisfaction. We have pioneered the use of biomimetic technology in our e-liquids to replicate aroma profiles, such as of cured tobacco leaf or naturally sourced mint, with the aim of offering our consumers an unrivalled portfolio of authentic, differentiated flavours.

 Find out about our approach to responsible flavours for e-liquids in **Responsible Marketing** on page 87.



SPOTLIGHT

Superior innovations: Vapour Products

Vapour products do not contain tobacco and do not involve combustion. As a result, the vapour contains fewer and lower levels* of the toxicants found in the smoke produced when tobacco is burned.

99%**

Vuse ePod and ePen3 contain around 99%* less toxicants than traditional cigarette smoke

BAT’s Vuse ePen 3 and Vuse ePod vapour products contain around 99%** less toxicants than traditional cigarette smoke. As the longest established category of alternative products, there is a growing body of evidence to support the role of vapour products as reduced-risk* compared to traditional cigarettes.

Our scientific vapour data has been published in more than 80 peer-reviewed manuscripts and adds to the wealth of evidence supporting the category’s role in Tobacco Harm Reduction.

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

**These products are not risk free. This is a comparison between smoke from a 1R6F reference cigarette (approx. 9mg tar) and vapour from the Vuse ePod and ePen 3 in terms of the average of the 9 harmful components the World Health Organization recommends to reduce in cigarette smoke.

Harm Reduction

Continued



Tobacco Heating Products (THPs)

THPs are devices that heat tobacco to generate an aerosol.

Our flagship THP brand, glo, comprises an electronic handheld device that contains a lithium-ion battery which powers a heating chamber.

A specially designed rod containing homogenised tobacco, called a Neostik, is then inserted into the device.

Key highlights

25

markets where our THPs are available

75

peer-reviewed studies by our scientists published to date on the scientific evidence for THPs

90–95%

fewer toxicants in glo aerosol, compared to cigarette smoke¹¹

The Scientific Evidence

By heating tobacco rather than burning, THPs offer a reduced-risk*† alternative compared to smoking for those who switch completely. To date, most THP research has been conducted by industry scientists, but an increasing number of independent reports are broadly aligned with these findings and support the role of THPs as a less risky*† alternative to smoking.

For example, a study commissioned by the UK Department of Health in 2017 found that people using THPs were exposed to around 50–90% less of the “harmful and potentially harmful” compounds compared with conventional cigarettes¹². And, in 2018, Office for Health Improvement & Disparities (formerly known as Public Health England), while highlighting the need for more research, found that “compared with cigarettes, heated tobacco products are likely to expose users and bystanders to lower levels of particulate matter, and harmful and potentially harmful compounds”¹³.

Our commitment to reducing the health impact of our business is helping to deliver ground-breaking scientific advances and supports consumer choice. The results of 329 tests and studies we have conducted have generated evidence that supports our belief that glo is a reduced-risk product compared to continuing to smoke cigarettes*†.

While glo is not risk-free and nicotine is addictive, the aerosol contains considerably fewer and lower levels of certain toxic substances compared to cigarette smoke, and has a significantly reduced impact in various toxicology tests¹⁴.

As more long-term data is needed to support the category, we undertook a year-long clinical study to evaluate the reduced-risk potential of glo. The six-month results were published in a peer-reviewed journal in 2021¹⁵. The data from the study provides the first real-world evidence that people switching from cigarettes to exclusive use of glo can significantly reduce their exposure to certain toxicants and indicators of potential harm related to several smoking-related diseases, compared with continuing to smoke. See the *Spotlight* on the following page for more details.

Designed with Purpose

Our new glo pro, Hyper, and Hyper+ models feature induction heating, enabling devices to reach their operating temperatures of around 240-280°C faster. This makes them more efficient and enjoyable for consumers to use.

The system also requires fewer components susceptible to temperature degradation, enabling the use of a wider range of temperatures, which are still substantially lower than temperatures needed for combustion. This helps to unlock a broader range of sensory experiences.

This more powerful heating system produces a much faster and more precise device, offering consumers more flexibility, while still tightly controlling temperature and avoiding combustion.

Growing Reach and Availability

Today, our glo products are available in 25 markets.

Driven by the innovative glo Hyper model in Japan and across our Europe and North Africa (ENA) region, total consumable volume grew 79% to 19.1 billion sticks in 2021.

Revenue increased 34.5% to £853 million (2020: down 12.9% to £634 million) largely driven by the higher volume, with growth increasing sequentially between the first and second half of 2021.

“Compared with cigarettes, heated tobacco products are likely to expose users and bystanders to lower levels of particulate matter, and harmful and potentially harmful compounds.”

Office for Health Improvement & Disparities (formerly known as Public Health England)¹³

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

Harm Reduction

Continued



SPOTLIGHT

Investing in ground-breaking THP research

Our year-long randomised controlled study examined what impact switching entirely from cigarettes to glo in a real-world setting had on biomarkers of exposure and also of potential harm, which are early indicators of smoking-related disease development in the long term.

Participants were UK-based smokers aged 23 to 55, in good general health, who either did or did not want to quit.

The smokers who did not intend to quit were randomised to either continuing smoking cigarettes or switched to using only glo, while smokers who indicated they wanted to quit smoking received nicotine replacement therapy and access to a cessation counsellor.

A group of “never smokers” was also included to act as a control group.

The data showed that for those who switched completely to glo, exposure to many of the measured indicators of potential harm – such as those associated with cardiovascular or pulmonary disease – were comparable to those who had stopped smoking.

To show a significant favourable change in many of these measures over a 6-month period provides further scientific substantiation of the harm reduction potential of glo.

We are now in the process of analysing further results from the completed study. These will assess whether the reductions in exposure and biomarkers of potential harm are maintained over the duration of the study.

“We designed this study to explore the potential of glo when used by people going about their everyday lives, so the importance of the results we have achieved cannot be underestimated.”

Nathan Gale
BAT Senior Clinical Scientist

Harm Reduction

Continued



Modern Oral Products

Under our Velo brand, our modern oral pouches contain high purity nicotine, water and other high-quality ingredients.

Modern oral products represent an exciting opportunity to offer a device-free alternative to adult smokers.

Key highlights

23
markets where our modern oral products are available

71%
volume growth in modern oral products in 2021

19
peer-reviewed studies by our scientists published to date on the scientific evidence for oral products

The Scientific Evidence

Laboratory chemical studies for our modern oral products show they produce substantially lower levels of toxicants than cigarette smoke and even lower levels than snus¹⁶ — a traditional oral tobacco product which is already regarded as a reduced risk*† alternative to smoking. Toxicology tests assessing the biological effects of our modern oral products on human cells also show they have reduced effects relative to snus and cigarettes¹⁷.

In 2021, we published new peer-reviewed evidence¹⁸, which suggests our modern oral tobacco-free nicotine pouches have a toxicant profile that is comparable to nicotine replacement therapy products (NRT). The pouches were also found to have a toxicant profile that is far lower than snus.

This study compared BAT’s nicotine pouch products to both snus and NRTs. Each was tested for 26 compounds, some of which are known harmful and potentially harmful constituents (HPHCs). For our products, 22 of the 26 compounds tested were below measurable limits. For NRTs, 20-22 of 25 compounds were below measurable limits, whereas snus was found to have 11 of 24 compounds below measurable limits.

On the basis of our evidence and informed by the wealth of independent evidence regarding snus, switching completely to modern oral products can be expected to reduce the risk of smoking-related disease when compared to continued smoking*†. That is why we are investing so much in refining and improving these innovative products. This is part of our commitment to providing adult consumers with a wide range of enjoyable and less risky† alternatives to cigarettes.

“The data from our study shows that compared with cigarette smoking, using modern oral products exclusively could lower daily exposure to 16 of the 18 toxicants measured, while exclusive snus use could lower exposure to 10 of the toxicants.”

Dr Sharon Goodall
Group Head of Modified Risk Tobacco Product Science

Regulation

In the US, as with our Vuse vapour products, we submitted the required Pre-Market Tobacco Product Applications (PMTAs) for our Velo products in 2020.

These applications consist of between 100,000 and 150,000 pages, with results from numerous clinical, non-clinical and behavioural research studies, chemical analyses, and toxicological reviews of individual ingredients.

The Velo PMTAs are currently under review by the FDA. We remain confident in the quality of the applications submitted for our Velo products, which are supported by scientific evidence that continued marketing of our Velo product is appropriate for the protection of public health.

Growing Reach and Availability

Having consolidated our leadership position in modern oral outside the US and expanded the US portfolio with the Dryft acquisition in 2020, 2021 has been a year of further growth in volume and value.


Our growth accelerated in 2021, with volume up 71% to 3.3 billion pouches (2020: up 62%; 1.9 billion pouches). Revenue increased 38.8% to £274 million.

Our pilot launches in emerging markets (including Pakistan and Indonesia) continue to deliver valuable insights as we roll-out in key urban locations.

Traditional Oral Products

We continue to sell a range of traditional oral products in five markets. This includes Swedish-style snus and American moist snuff, available in loose tobacco form or as pre-packed pouches.

In 2021, we generated £1,150 million in revenues, representing 4.4% of total Group revenues, from traditional oral products.

 Find out how our Velo products are now available in a recyclable can in **Waste** on page 47.


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

† Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

Excellence in Environmental Management


E

Securing resources in a climate-resilient supply chain is key to our business strategy. That's why we're driving environmental excellence for a greener tomorrow.

 Find details of how we identify our focus areas in **Materiality** on page 106.



Tackling Climate Change

 See page 39.

Our approach

Climate change is a global issue which requires global solutions. That's why our integrated strategy focuses on building climate resilience across our business and supply chains.

Our goals and ambitions

- Net zero**
- Carbon neutral operations (Scope 1 and 2) by 2030
 - Net zero value chain (Scope 1, 2 and 3) by 2050
 - 100% renewable electricity purchasing in operations sites by 2030

Our 2021 performance

- 42.7% reduction in Scope 1 & 2 emissions*
- 20% reduction in Scope 3 emissions*
- 64.4% of electricity purchased in our operations sites from renewable sources



Eliminating Waste

 See page 46.

Circularity is at the core of our greener tomorrow approach. That means less plastic, less waste and more materials recovery, with products that are designed with sustainability at their core.

By 2025

- Eliminate unnecessary single-use plastic (SUP) in our packaging
- 100% of our plastic packaging capable of being reusable, recyclable or compostable
- 100% of operations sites to send zero waste to landfill

- 13% reduction in weight of unnecessary SUP in our packaging
- 75% of plastic packaging capable of being reusable, recyclable or compostable
- 35% of sites zero waste to landfill



Water Stewardship

 See page 50.

We're using less water by eliminating losses and increasing recycling. We're also helping our contracted farmers find more sustainable irrigation methods, while protecting local access to clean water.

By 2025

- 35% reduction in amount of water withdrawn in our direct operations*
- Increase amount of water recycled in our operations to 30%
- 100% of operations sites to be Alliance for Water Stewardship (AWS) certified

- 27.6% reduction in water withdrawn*
- 16.7% of total water recycled
- 15% operations sites that are AWS certified



Biodiversity & Afforestation

 See page 53.

Working with our contracted farmers, we can protect biodiversity and forest resources. And we aim to use only paper and pulp-based packaging materials that are sustainably certified.

By 2025

- Net zero deforestation of managed forests in our supply chain
- Net positive impact on forests in our tobacco supply chain
- 100% of wood used by our contracted farmers for tobacco curing to be from sustainable sources

- 99.9% of wood used by our contracted farmers for curing from sustainable sources
- 89% of our paper and pulp packaging volumes sourced sustainably

* Against 2017 baseline year.

Excellence in Environmental Management Continued



Tackling Climate Change

Our goals

NET ZERO

carbon neutral operations (Scope 1 and 2) by 2030 and net zero emissions across our value chain by 2050

100%

renewable electricity sourcing in all our operations sites by 2030

Find our full set of environment targets, goals and metrics on pages 110-112.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Water stewardship, see page 50

Eliminating waste, see page 46

Biodiversity and afforestation, see page 53

Human rights, see page 63

Farmer livelihoods, see page 58

Why Climate Change Matters

The Intergovernmental Panel on Climate Change (IPCC) 2021 report states that changes in the earth’s climate are now seen in every region across the globe.

Climate risks are becoming increasingly complex, with potential impacts on crop yields and disruptions to distribution networks and the livelihoods of communities. While some climate change impacts are universal, it’s essential we understand and manage localised risks too. Addressing climate risks and opportunities across our value chain is vital to the sustainability of our business.

Policies and Accountability

Our Environmental Policy is adopted by all our Group companies worldwide. It outlines our commitment to high standards of environmental protection, following the principles of sustainable development and biodiversity.

These commitments are supported by our established Environment, Health and Safety (EHS) management system. Based on international standards, including ISO 14001, it includes detailed guidelines for Group companies on best practice environmental management.

For our suppliers, our Supplier Code of Conduct defines the minimum standards we expect, including specific criteria for environmental sustainability.

Additionally, the industry’s Sustainable Tobacco Programme (STP) includes climate-related measures that our leaf operations and third-party suppliers are expected to adhere to.

In 2021, we conducted a detailed review of our policies to ensure they remain effective and are at the forefront of best practice. This resulted in the incorporation of high-level environmental commitments into our Standards of Business Conduct, plus an updated Supplier Code of Conduct. These were approved by the Board in 2021 and take effect from January 2022.

Find details about oversight of ESG and our Group policies and standards on pages 99-103.

Find our Task-Force for Financial-related Climate Disclosures (TCFD) on pages 63-67 of our 2021 Annual Report.



Excellence in Environmental Management Continued

Our Climate Strategy

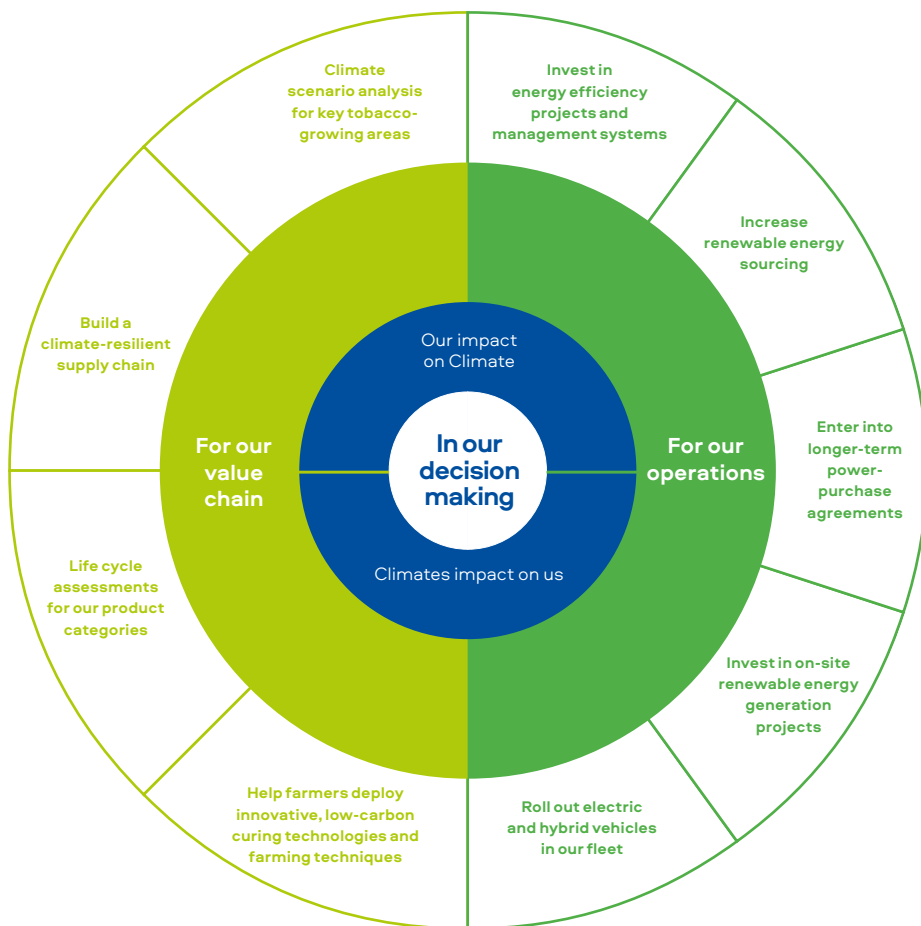
As a business that depends on natural resources, we've been taking an active environmental approach for more than 20 years. Now, we're accelerating our pace.

Our bold ambition for carbon neutral operations by 2030 is supported by a range of targets covering energy, waste, water and biodiversity.

We also recognise the importance of looking beyond the operations we directly control. Especially since value chain emissions (Scope 3 emissions including biogenic emissions and removals) represent around 91% of the Group's total carbon footprint. So we have an even more ambitious target: to be Net Zero across our value chain by 2050.

To deliver this, we have an integrated climate strategy covering both our own business operations and our wider value chain, as seen in the graphic opposite.

For further information on our climate strategy as well as our response to the requirements of the Task-Force for Financial-related Climate Disclosures (TCFD), refer to pages 58-67 of our 2021 Annual Report.



SPOTLIGHT

Race to Zero

Limiting the rise in average global temperature to 1.5°C above pre-industrial levels requires major, widespread action.

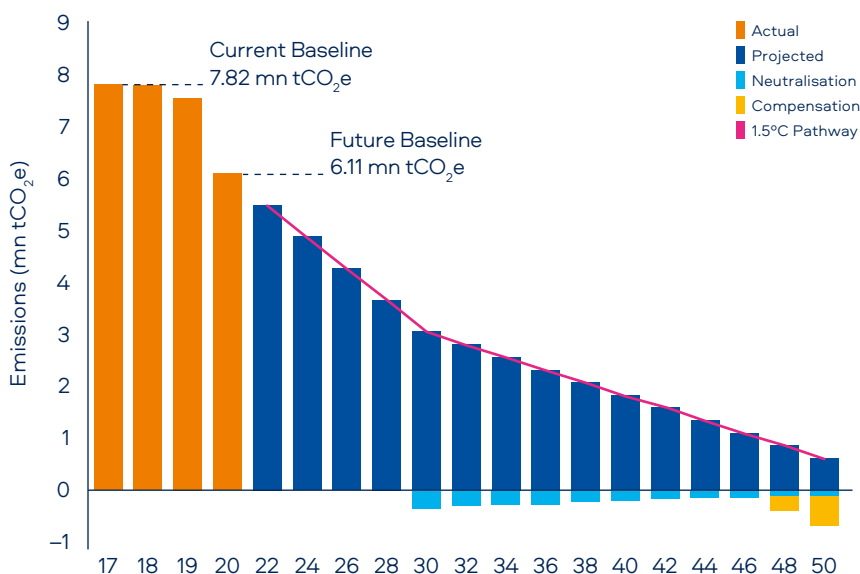
In 2021, we signed up to the UN-backed Race to Zero global campaign¹. This is the largest ever alliance aiming to halve global emissions by 2030 and achieve net zero carbon emissions by 2050.

As part of this, we are committed to realigning our existing carbon neutral targets with the 1.5°C trajectory and to accommodate net-zero criteria and definitions, subject to approval by the Science-Based Targets Initiative (SBTi). Previously, our targets were SBTi approved based on a 2°C trajectory.

By working together with our suppliers, contracted farmers and business partners, we can help develop solutions to bring about lasting change and accelerate progress to net zero and A Better Tomorrow™ for all.

You can see our roadmap for achieving our net zero ambitions opposite.

Our Roadmap to Net Zero



Excellence in Environmental Management Continued

Decarbonising our Business Operations

Following a major step-change in our renewable energy sourcing in 2020, we kept harvesting market opportunities to expand our renewable energy sourcing base while reducing our direct energy consumption by a further 3.4% through further efficiency gains.

As a result, in 2021, we saw a reduction in our Scope 1 and 2 CO₂e emissions of 8.4% compared to 2020.

Transforming our operations sites

Across our operations sites, we use decarbonisation assessments and value stream mapping to analyse and eliminate losses and identify opportunities to reduce CO₂e emissions. These are reinforced by our Climate Change and Energy Standard. Our internal shadow carbon price, introduced in 2020, is now embedded in the Standard. We consider the carbon-intensity implications of investment and purchasing decisions for utilities, fleet and product materials.

In addition, in 2021, we incorporated internal carbon pricing into business plans to ensure the impact on environmental performance and targets is formally considered and quantified. This has supported the prioritisation of sustainability projects such as on site renewable energy generation.

We digitally transform our sites to increase efficiency. Energy-conservation daily management is a key element of our Integrated Work Systems (IWS), a resource management system aimed at eliminating losses. We utilise advanced analytics, machine learning, robotic process automation, remote virtual engineering and smart infrastructure services.

We continue to build on our strong portfolio of low-carbon energy solutions. By the end of 2021, 32 of our operations sites were sourcing 100% renewable electricity.

Meanwhile, 19 sites were generating renewable energy on-site. As of last year, we had on-site solar generation coming online in Pakistan, Indonesia, Germany, and South Korea. In places like South Africa, solar plays an important role in the site's electricity decarbonisation. In 2021, the site generated green electricity equivalent to avoiding 1,840 tCO₂.



Carbon neutral journey

We're immensely proud of expanding the number of carbon neutral sites to 16 in 2021. The journey includes GLTs and Manufacturing sites in U.S. (2), Brazil (2), Argentina, Chile, Switzerland, Jordan, Malaysia, Sri Lanka (2), Hungary, Sweden, and commercial sites in Australia, Sri Lanka, and Switzerland (boundaries: Scopes 1 and 2 for all, except Australia, which followed specific National Climate Active requirements).

Factories in Brazil and Chile, and Switzerland's manufacturing and commercial sites were first awarded PAS2060 certification in 2021, based on their 2020 CO₂e emissions and the remainder of sites, in 2022. The certification process sets out detailed requirements on CO₂e emissions quantification, reduction, and off-setting. Achieving it requires robust decarbonisation plans and a commitment to continue improving.

In Brazil, our Uberlandia factory has seen an impressive 84% reduction in CO₂e emissions since 2017.

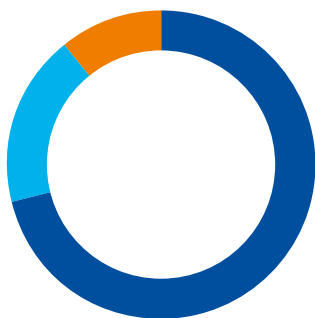
This was achieved through interventions such as enhancing the energy-efficiency of its biomass boiler; installing 'smart' utilities management systems; and purchasing renewable electricity. In Sri Lanka, our Colombo factory expanded on-site solar generation, deployed a robust energy efficiency programme, and purchased green electricity. Overall, an 86% reduction in CO₂e was achieved since 2017.

For both, the residual emissions were offset with high quality removal carbon off-set credits.

“At BAT our corporate purpose places ESG front and centre. Carbon Neutrality in our own sites is a solid step to delivering our goals. It shows we are working smarter with technologies & processes focusing on the path to a greener tomorrow.”

Rodrigo Nunes
BAT Uberlandia Factory Manager, Brazil

Breakdown of our Scope 1 and 2 CO₂e emissions



	% share of Scope 1 and 2 emissions	% reduction in emissions (2021 vs 2017)
Operations sites	75%	44%
Fleet	11%	30%
Commercial sites	14%	42%

Excellence in Environmental Management Continued



We increased the proportion of our total energy coming from renewable sources – which now stands at 28.6%. This includes 64% of total electricity purchased at operations sites from renewable sources. We're committed to achieving 100% by 2030. Together, these measures led to a 42.7% reduction in 2021 (from our 2017 baseline) of CO₂e emissions from our operations sites.

Our journey to greener trade marketing

Our logistics and fleet operations have seen important advances, such as optimising our transport routes to reduce overall journeys and fuel consumption. Meanwhile, telematic systems in vehicles can help alert us to improvements we can make in driver safety and fuel efficiency.

Our trade fleet is transitioning to less CO₂ emitting options by exploring hybrid vehicles, plug-in hybrids, self-charging hybrid, and electric vehicles. We have started to make inroads with hybrid vehicles in Australia, Germany, Turkey, Italy, Mexico, Malaysia, and Sweden. Fleets in 8 countries, including Brazil, use fuels with high biofuel content.

In our commercial sites we focus on sourcing renewable electricity (e.g. green and solar) for our offices and retail sites. By end 2021, 12 sites were sourcing 100% renewable electricity, including our UK head offices and significant sites in Australia, Germany, Turkey and Italy.

Decarbonising our Value Chain

Due to the complexity of consolidating and verifying Scope 3 data from our suppliers and other third-party sources, we report figures one year behind our other metrics.

The 2020 data showed a reduction of 18% compared to 2019. This decrease was driven by reductions in the carbon footprint of some materials utilised including due to a change in emission factors, more precise inputs, due to the higher the number of LCAs (life cycle assessments) conducted for our products and, due to an assessment of BAT's waste footprint in 20 of our top end markets by sales and portfolio diversity.

For more details on the drivers of Scope 3 reductions, refer to our Scope 3 reporting criteria.

Reducing emissions in our tobacco supply chain

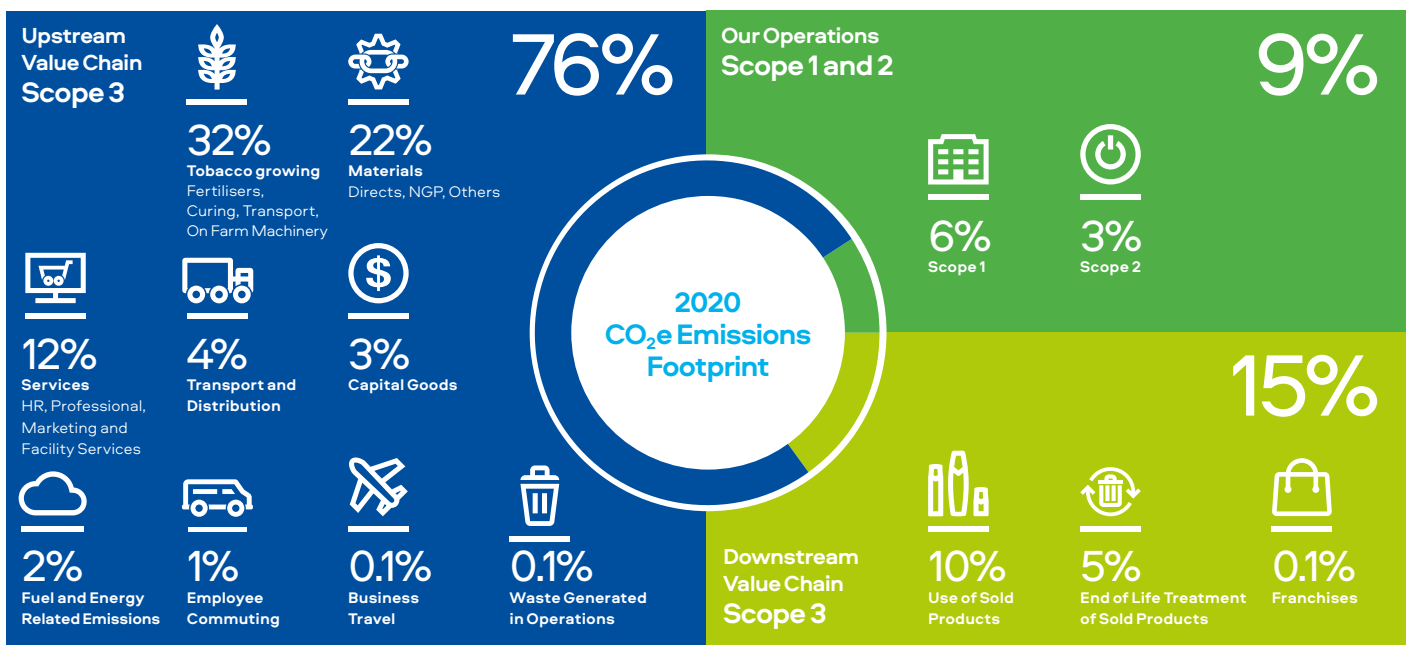
Approximately one third of our Scope 3 CO₂e emissions is in our tobacco supply chain. The majority comes from using fuels to cure tobacco leaves. More than 80% of our annual leaf volumes are cured using renewable fuels and methods, such as sustainable wood, biomass and sun curing. Yet where fuels are used, these produce biogenic emissions – addressing this is a major priority.

We've introduced our contracted farmers to innovative, fuel-efficient curing technologies in four countries, reaching some 33,000 farmers. For example, new types of curing barns, tested by farmers in Brazil and Sri Lanka, enable at least a 30% reduction in fuel use and a 14% reduction in electricity use. And types of barns tested in Bangladesh and Pakistan reduce fuel-use by up to 15%, compared to traditional models. Both operations are aiming for 80% of their contracted farmers to use curing barns adapted with these features by 2025.

We're also focused on eliminating the use of coal as a fuel for curing, which represents less than 10% of the tobacco volumes we purchase.

Find details of how we're working to eliminate deforestation in our supply chain in **Biodiversity and Afforestation** on pages 53-56.

Breakdown of our 2020 CO₂e Emissions Footprint



Excellence in Environmental Management Continued



SPOTLIGHT

Carbon-smart farming

In 2021, we built on our decades of experience in sustainable agriculture, to develop a new carbon-smart farming programme. This takes a strategic approach focused on both reducing emissions from tobacco farming and, crucially, leveraging the positive effect agriculture could have in removing carbon from the atmosphere.

The latter can be achieved by planting trees, as well as through methods like cover crops and conservation tillage that may keep the soil covered and undisturbed, to reduce the possibility of carbon escaping.

As well as storing carbon, these methods may also increase water-retention capacity, improving drainage and making the soil richer and more fertile. This results in increased yields and better-quality crops for farmers helping to boost their profits.

Many of our contracted farmers already use these best practices. The challenge has been to find effective ways to measure impact and quantify the amount of carbon they remove, compared to how much they emit.

So, in 2021, we conducted a detailed analysis to estimate removals resulting from carbon-smart farming best practice, against international methodologies, such as those of the Intergovernmental Panel on Climate Change (IPCC) and Greenhouse Gas (GHG) Protocol.

We are now working in partnership with a specialist consultancy to validate this approach and to monitor, report and verify the results. This will enable us to develop a system that can be easily applied by small farmers. The systems will form the basis of our carbon-smart farming programme, empowering our contracted farmers to incorporate carbon-smart farming into their business model.

It will also provide us with verified data to measure progress against our 2050 ambition and to validate the impact of different carbon-smart strategies. In 2021, 35 of our contracted farmers in Brazil signed-up as the first pilot group for the programme. We will expand the pilot to farmers in Bangladesh, Mexico and Pakistan in 2022. Learnings from the pilots will help in further developing and scaling-up the programme as part of our wider climate strategy.

“To me it is an honour to be one of the first farmers participating in this programme. I’m excited to learn new conservation practices to deploy on my farm. And I think getting to see real data showing the tangible impact this will have in both reducing and removing carbon emissions will be a game-changer and provide new opportunities for income generation.”

Laercio Celestino Adami
 BAT contracted tobacco farmer, Brazil

 Find out about how we're aiming for net positive impact on forests in our tobacco supply chain by 2025 in **Biodiversity and Afforestation** on page 55.

Excellence in Environmental Management Continued

To further assess the best combination of curing technology and fuel type for reducing emissions, in 2021, we started trials in six countries. The results will help us to prioritise investments for driving further emissions reduction.

The work of our global leaf agronomy centre in Brazil is also crucial for providing technological data-driven and science-based carbon-smart solutions. These are then rolled-out to our 75,000+ contracted farmers by our Extension Services of expert field technicians. The centre conducts world-class research – from development and testing in the lab to real-world field trials with farmers – often in partnership with highly respected academic and research institutions. To support this, the centre established a new *Leaf Up* open innovation programme in 2020.

Leaf Up focuses on identifying start-ups to enhance our existing capabilities and develop new technologies and practices that support carbon-smart farming. So far, we've identified seven start-ups with whom we are running proof-of-concepts on cutting-edge innovations, in areas such as longer-term weather forecasting and smart irrigation technology.

Decarbonising our product materials supply chain

Around 59% of our Scope 3 emissions are associated with the product materials we purchase.

Building upon our work in 2020 to raise awareness with suppliers, in 2021 we launched our *A Better Tomorrow™, Together* programme to further embed and accelerate ESG engagement.

Our 30 largest direct product materials suppliers represent 15% of Scope 3 emissions across more than 103 sites and around 70% of our spending for this part of our supply chain. In 2021, they participated in a detailed, one-to-one assessment of their current ESG practices and performance, with a strong focus on CO₂e emissions, as well as waste, water and biodiversity.

The results showed that our suppliers are at varying levels of maturity, with most being in the early stages of their decarbonisation journey. A small number are more advanced, with defined targets and metrics. Our aim is for 70% of product material suppliers by spend to have science-based targets, aligned to our net zero target. Where needed, we are providing support, technical assistance and capacity building to help them achieve this.

We will also look for opportunities for further collaboration. In 2021 we requested 64 of our top product material suppliers to disclose water and climate related matters in the CDP Questionnaires. It is a key part in our supplier collaboration and in 2022 we plan to increase supplier disclosures through the CDP Annual Disclosure Cycle.

We will continue to track progress and regularly monitor key data in 2022. This will enable suppliers to report their CO₂e data and progress against net zero actions and glidepaths. We will also continue to capture relevant information for our other environmental priorities, including waste, water and biodiversity.

To complement this, we began conducting environmental risk assessments and desktop audits on our wider product materials suppliers in 2021. This included designing a new risk assessment, using Verisk Maplecroft's independent environmental indices, to assess the suppliers' risk to issues such as climate change, deforestation and water stress.

We then worked with our global audit provider, Intertek, to pilot a desktop environmental audit on 8 of the highest risk suppliers identified. We have made a commitment for all our high-risk suppliers of product materials to have undergone at least one independent environmental audit within a three-year cycle by 2025.

In Q4 2021, we held a Sustainability Supplier Summit attended by over 250 of our key suppliers to ensure they fully understood the importance of ESG to BAT. It included a live Q&A session presented by our Group Marketing Director, Group Operations Director, Group Head of Operations Sustainability and Group Head of Procurement. This was followed by round table discussions on topics such as Race to Zero, Delivering Social Impact and the Plastics Challenge. We ended the summit by asking our suppliers to pledge their commitment to support the delivery of our ESG targets.

In 2021, we requested 66 of our top product material suppliers to disclose water and climate related matters in the CDP Questionnaires. It is a key part in our supplier collaboration and, in 2022, we plan to increase supplier disclosures through the CDP Annual Disclosure Cycle.

SPOTLIGHT

Creating A Better Tomorrow™, together with suppliers

In 2021, we launched the *A Better Tomorrow™, Together* programme with our supplier base – calling for them to pledge their support and commitment to help enable us to meet our ESG objectives.

The programme highlighted the benefits of collaborative working with BAT, the need for enhanced focus on ESG objectives and the importance of data integrity.

Attended by more than 250 of our top suppliers across all categories of spend, the programme stressed the importance of working in partnership to help deliver A Better Tomorrow™.



Excellence in Environmental Management Continued

Creating sustainable brands

We recognise the importance of linking our sustainability ambitions to our products and bringing our consumers on our journey to net zero. We are building brands with purpose and sustainability at their core.


We have a Group-wide circular economy strategy and have conducted life cycle analysis (LCAs) across our product categories. These assessments have already enabled us to identify key areas to focus on to reduce our Scope 3 CO₂e emissions, including optimising design and moving to sea freight with lower emissions where possible.

We have put our circular economy principles into practice across our products by, for example, switching to recyclable packaging that both reduces waste and helps to save CO₂e emissions.

For example, our Velo modern oral product cans with the recycling symbol are now widely recyclable in all markets where they are sold. We estimate that this will save 1,200 tonnes of CO₂e emissions in 2022.²

We are also working to reduce the carbon footprint of our cigarettes and packaging. For example, we are testing paper filters in pilot studies in Germany and Austria. Externally conducted LCAs indicate that the carbon footprint associated with the paper filter is approximately 35% lower than that of a standard CA filter.

In 2021, we were also proud to announce that our Vuse brand of vaping products was certified as the first global carbon neutral vape brand³. See the *Spotlight* on page 45 for details.

 Find details of how we're working to eliminate deforestation in our supply chain in **Biodiversity and Afforestation** on pages 53-56.

2021 Performance Highlights

Find our full set of environment targets, goals and metrics on pages 110-112.

42.7%
reduction in Scope 1 and 2 CO₂e emissions in 2021 vs 2017 baseline

64.4%
proportion of electricity sourced for operations sites that is renewable

20%
reduction in Scope 3 CO₂e emissions in 2020 vs 2017 baseline

 Find our Task-Force for Financial-related Climate Disclosures (TCFD) on pages 58-67 of our **2021 Annual Report**.

SPOTLIGHT

Vuse: the first global carbon neutral vape brand

In 2021, Vuse became the first global carbon neutral vape brand³.

Vuse's carbon neutrality has been independently validated by Vertis based on product LCA data provided by an independent third party.

This is part of Vuse's overall sustainability programme to reduce CO₂e emissions.

Vuse's decarbonisation plan entails a combination of actions targeted at top emissions contributors such as upstream transportation by reaching 80% of international shipments to be transported by sea by the end of 2022. From this action, emissions are expected to drop by 50%.⁴

Other actions related to changes in product design and specification should also contribute to further reductions (e.g. removal of unnecessary packaging items, replacement of materials with alternatives of lower carbon footprint, etc.).

While Vuse's full decarbonisation is in progress, carbon neutrality is secured via the purchase of high quality carbon offset credits – at present linked to reforestation projects.

As a brand leader, this is the right thing to do. It further demonstrates how we are building a portfolio of global brands with purpose as part of our vision for A Better Tomorrow™.

 Find out about how we're working to eliminate single-use plastic and address post-consumption product waste on page 47.



Excellence in Environmental Management

Continued



Eliminating Waste

Our 2025 goals

100%

of plastic packaging to be capable of being reusable, recyclable or compostable

100%

of operations sites to be zero waste to landfill

Find our full set of environment targets, goals and metrics on pages 110-112.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Climate change, see page 39

Biodiversity and afforestation, see page 53

Why Waste Matters

Discarded plastics and other waste damage the environment. And consumers are increasingly interested in products with a better environmental footprint.

That's why circularity – and driving a zero-waste economy – is at the core of our stance to deliver a greener tomorrow. From being smarter in how our products are designed and disposed of, to using less plastic, creating less waste and recycling more.

Adopting circular economy principles will deliver more sustainable products for our consumers, create more efficient operations and offer our employees opportunities to innovate and reduce our environmental impact on the planet.

Policies and Accountability

Our Environmental Policy is adopted by all our Group companies and outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

Our Environment Policy is supported by our Circular Economy Position Statement. This sets out how we will deliver better products for our consumers, create efficiencies in our operations and innovate to reduce our overall environmental impact. It describes the key principles of what we will do, as well as how we will do this.

For our suppliers, our Supplier Code of Conduct defines the minimum standards we expect, including specific criteria for environmental sustainability.

In addition, the industry's Sustainable Tobacco Programme (STP) includes waste management criteria that our leaf operations and third-party tobacco suppliers are expected to adhere to.

The Board has endorsed all Group environmental targets and receives an update on progress and performance twice a year. The Operations Director has overall responsibility for delivery of the Group's environmental strategy and targets.

Find details about oversight of ESG and our Group policies and standards on pages 99-103.



Excellence in Environmental Management Continued

Our Circular Economy Strategy

Our circular economy strategy is guided by three core principles:

- **Simplify:** Simplifying the design of products and packaging to improve recyclability and to reduce our use of virgin materials and finite resources.
- **Maximise:** Maximising the longevity of our products to improve the experience for our consumers.
- **Recover:** Minimising waste through increased product recovery and recycling.

Transitioning to a circular economy requires innovative approaches. We've mapped our waste footprint intensity across our product categories and value chain.

In 2021, we developed new Circular Economy Guidelines and training on how to apply these principles across different business areas, products and geographies.

1.5 million

e-liquid pods returned in the first eight months of implementing our Drop the Pod scheme in South Africa


Reducing Product-Related Waste

Cross-functional sustainability workstreams exist for all our product categories. This means being smarter in how we design our products and packaging, using less plastic and more recyclable materials as well as post-consumer recycled content, and supporting our consumers with responsible disposal.

Transforming our Vapour Products

We're focused on eliminating unnecessary single-use plastic from our Vuse packaging and products. Having successfully removed the silicone caps from e-liquid pods, in 2021 we replaced all plastic tray packaging with a pulp-based alternate.

We're also making significant progress with our 'Cut the Wrap' programme, which focuses on removing plastic film overwrap from the packs. Less plastic in our packaging is less waste to landfill. These actions have saved approximately 250 tonnes of plastic globally, which is equivalent to more than 10 million plastic bottles.⁵

 Find out about Vuse becoming the first carbon neutral global vape brand in [Climate Change](#) on page 45.

In addition, our take-back schemes offer consumers the opportunity to return Vuse devices for responsible disposal. By the end of 2021, these were implemented in 100% of our 26 vapour markets.

Transforming our Tobacco Heating Products (THPs)

We've removed the polypropylene device overwrap and replaced plastic trays with a pulp-based alternate for our glo devices and starter kits. We've also removed unnecessary plastic from our starter kits, by optimising the design to be more compact and removing the separate AC adaptor.

Together, these initiatives have so far saved over 960 tonnes of material and more than 14,000 tonnes of CO₂e emissions.⁶

We also have take-back schemes for consumers to return glo devices for responsible disposal in 100% of our 21 THP markets.

Transforming our Modern Oral Products

Following the launch in 2020 of our Velo mini products in recyclable packaging, we started extending this in 2021 across our full Velo modern oral product range.

Made of a single polymer – polypropylene (PP) – rather than a combination of materials, the Velo product cans with the recycling symbol are now widely recyclable in all markets where they are sold. This helps to reduce waste and is estimated that this would save 1,200 tonnes CO₂e emissions in 2022 alone and reduce waste at landfill.⁷ We are looking into biodegradability of our pouches and initial screening studies show that individual Velo pouch ingredients will biodegrade in certain media.

In 2022, we aim to use recycled materials in all of our Velo cans in UK. These will be composed of around 91% recycled content*. The source of the recycled materials has been certified by the International Sustainability and Carbon Certification Body.

SPOTLIGHT

Drop the Pod

Our Vuse vapour products use replaceable e-liquid pods that are sold separately to the device.

These are electronic products sometimes containing nicotine and require specialist recycling. So, in 2021, we established a partnership with a leading waste electrical and electronic equipment (WEEE) processing organisation.

This partnership developed a solution that can be deployed by our markets through strategic recycling partners.

This is a major step in delivering a globally consistent, yet local, solution for pod recycling. Potential uses for the recycled pods include making furniture for BAT's own vapour stores and buildings.

We will continue to assess Drop the Pod expansion in 2022 and 2023. We're already seeing positive results in our pilot markets. For example, in the first eight months of Drop the Pod in South Africa, over 1.5 million pods were returned.



* Excludes can stickers and colourants.

Excellence in Environmental Management Continued



SPOTLIGHT

Harnessing the power of innovation to tackle cigarette butt littering

Our research shows that consumer education and awareness-raising initiatives can be effective in addressing cigarette butt littering.

In 2021, we supported these initiatives in 5 countries, and we're continually looking for new, innovative ways to incentivise consumers.

For example, in Denmark in 2021, we partnered with the start-up LitterLotto to incentivise consumers to reduce street litter, particularly cigarette butts. By disposing of rubbish and photographing it via an app, users could win prizes. In just one week, there were over 2,400 downloads, helping to dispose of around 7,000 cigarette butts.

We also conduct extensive research into consumer motivations and barriers to responsible cigarette disposal. We use these insights to tailor our approach for maximum impact. Smokers are more likely to litter if a suitable bin isn't conveniently available. So, many of our initiatives focus on providing clearly-labelled bins and portable ashtrays.

70%

reduction in litter in Italy where street bins were fitted with ashtray containers

Research into our programme in France showed 88% of respondents found pocket ashtrays to be the most effective. In Italy, special street bins were installed with specific ashtray containers. This resulted in 70% less litter within 20 meters of the bins.

Another barrier to responsible disposal is a lack of understanding of the environmental impacts of butt litter. So, all our programmes are accompanied by extensive public-facing campaigns to raise awareness and drive change. Our campaign in Romania in 2021, for example, reached some 13 million people through 205 news and social media stories.

The campaign in Italy included extensive media coverage across 146 local and national media channels. Following this, an overall reduction of 41% in cigarette litter and 30% of other litter was observed across sites reached by the campaign.

13 million

people in Romania reached with our anti-cigarette butt littering campaign via 205 news and social media stories

Transforming cigarettes


We're focused on achieving our 2025 packaging targets through initiatives such as replacing the laminated material in the inner bundle with recyclable paper. This is already the case for approximately 20% of our tobacco packaging.

Cigarette filters contain cellulose acetate, which can be classified as a plastic, for example by the EU Single-Use Plastics (SUP) Directive. Unlike petrochemical-derived plastic products, such as straws, cigarette filters do biodegrade, but not quickly enough to avoid short-term littering problems. For decades, we've worked with our suppliers to explore alternatives, but strict requirements must be met before we can roll any out. These include consumer acceptance, commercial scalability and ensuring that priority toxicant emissions in mainstream smoke do not increase.

From 2021, the packaging of all tobacco products sold in the EU with cellulose acetate filters bears environmental markings, in accordance with the EU SUP Directive. Ahead of the EU SUP Directive requirement for new Extended Producer Responsibility (EPR) schemes to be in place for cigarette filters by 2023, we continue to lead industry collaboration in this area. This includes working with municipal waste-management specialists to define what an EPR model for cigarette filters could look like.

As part of our new initiative, in partnership with Btomorrow Ventures – the Group's corporate venture capital unit – we're identifying start-ups to partner with on new technologies. In 2021, we launched a pilot with one start-up to test an innovative solution to process factory waste and cigarette butts, to extract the cellulose acetate.

 Find out more about our new initiative in our **Business Model** on page 11.

 Find out about how we are piloting paper filters to reduce CO₂e emissions in **Climate Change** on page 45.

Excellence in Environmental Management Continued

Reducing Waste in our Operations

Our ambitious target is for 100% of operations sites to achieve zero waste to landfill by 2025. Despite challenges in some locations with limited recycling and waste management facilities, 35% of our operations sites reached zero waste to landfill by the end 2021, and a further 7% are close to achieving this, recycling at least 95% of total waste generated.

Our Integrated Work Systems (IWS) are crucial in helping to achieve this through optimising our overall performance; minimising machine unplanned downtime, reducing waste, optimising energy and water usage and saving personnel time and effort. Significant benefits have been obtained in the last year ranging from a 5 to 15% reduction in waste to a smaller carbon footprint, 4pp efficiency improvement, lower energy consumption and utility costs, and the saving of 1,000s of working hours.

In 2021, ensuring our reporting is aligned to the new Global Reporting Initiative waste standard, we revised our methodology to no longer include waste to energy as a form of recycling. As a result, our recycling rate for 2021 is 78.9% and we have restated previous years' data to lower figures. To mitigate this, we're looking at ways to divert waste sent for energy recovery that will enable us to repurpose it. We remain committed to our 2025 target to recycle a minimum of 95% of our total waste generated.

Reducing Waste in our Tobacco Supply Chain

Our policy is for all of our tobacco suppliers and contracted farmers to dispose of empty agrochemical containers safely.

For example, in Brazil, we partner with an industry scheme that collects and recycles containers from over 100,000 farms through 1,800 collection points in 395 municipalities across the country. In Bangladesh, we're working with the private and public sector to build incinerators and recycling plants for empty agrochemical containers. In 2021, 1,000 farmers were engaged through the programme. And in Croatia, 100% of our contracted farmers participate in a municipal waste programme for recycling seedling trays and empty agrochemical containers.

In addition, we're helping to reduce waste and by-products from other types of agriculture by using it as an alternative, sustainable fuel for tobacco curing. Examples include jute sticks, rice husk briquettes and other agricultural waste in Bangladesh; candle nut shells in Indonesia; and rice paddy husks in Sri Lanka and Vietnam. In Kenya, more than 3,700 tonnes of sugarcane bagasse briquettes have been used a fuel for tobacco curing since 2016.

2021 Performance Highlights

Find our full set of environmental targets, goals and metrics on pages 110-112

14.1%

reduction in total waste generated (vs 2017 baseline)

35%

of our operations sites achieved zero waste to landfill

78.9%

of our total waste recycled

75%

of plastic packaging capable of being reusable, recyclable or compostable

13%

reduction in total weight of unnecessary single-use plastics used in our packaging (vs 2020)



Find out about how we're working with product materials suppliers on environmental issues in [Climate Change](#) page 44.

SPOTLIGHT

Driving circularity of tobacco waste into organic fertiliser

In Brazil, our green leaf threshing site in Santa Cruz do Sul generates more than 3,000 tonnes of waste each year in the form of tobacco dust.

Recognising the potential benefits this can have for soil nutrition, we partnered with a local environmental organisation to convert this waste into a fertiliser.

Following extensive research and tests, the new fertiliser, called 'Fertileaf', was developed. This was certified as an organic fertiliser by the Ministry of Agriculture in 2018.

Fertileaf is used by farmers across the country on crops including soy, rice, fruit and vegetables. In 2021, more than 2,300 tonnes of Fertileaf was produced from the tobacco waste, demonstrating our circular economy principles in action.



Excellence in Environmental Management

Continued



Water Stewardship

Our 2025 goals

-35%

Reduce the total amount of water withdrawn by 35% (vs 2017 baseline)

100%

of our operations sites to be Alliance for Water Stewardship (AWS) certified

Find our full set of environmental targets, goals and metrics on pages 110-112.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Climate change, see page 39

Biodiversity and afforestation, see page 53

Farmer livelihoods, see page 58

Why Water Matters

It's both our responsibility and good business to use water efficiently – from eliminating loss and leaks to increasing water recycling.

Water management is vital to sustainable farming, especially since agriculture accounts for an average of 70% of freshwater withdrawals globally.⁸ We are helping our contracted farmers to irrigate their crops more sustainably, while protecting access to clean water for local communities.

Policies and Accountability

Our Environmental Policy is adopted by all Group companies and outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

Our Environment Policy is complemented by our Water Security Standard – aligned with CDP's requirements around managing water risk effectively – and Soil and Groundwater Protection Standard. These define the controls and standards required to prevent and protect against spillages and leakages that may contaminate the groundwater or soil.

For our suppliers, our Supplier Code of Conduct (the Code) defines the minimum standards we expect, including specific criteria for environmental sustainability.

For our tobacco suppliers, the Code is complemented by our Leaf Supplier Manual (LSM). The LSM includes requirements around agricultural practices, water protection planning and water extraction for irrigation that we expect our suppliers to follow. In addition, the industry's Sustainable Tobacco Programme includes water management criteria that our leaf operations and third-party suppliers are expected to adhere to.

The Board has endorsed all Group environmental targets and receives an update on progress and performance twice a year. The Operations Director has overall responsibility for delivery of the Group's environmental strategy and targets.

Find details about oversight of ESG and our Group policies and standards on pages 99-103.



Excellence in Environmental Management Continued

Water Stewardship in our Operations

Through our long-standing environmental management systems, we have been steadily decreasing water withdrawal and increasing water recycling rates for several years.

We use water in our factories and green leaf threshing sites, and to a lesser extent in our offices and distribution sites. Although our manufacturing processes are not especially water intensive, we do operate in water-stressed locations around the world. That's why reducing water use is such a high priority for the local environment and the communities we operate within.

We use the World Resources Institutes' (WRI) Aqueduct Water Risk Atlas to identify our sites located in water stress zones. In 2021, 17 of our sites were identified as high risk in 13 countries.⁹ For these sites, there are higher expectations in terms of requirements for water management on site and water-recycling rate as per our Water Security Standard. See the Spotlight below for an example from Chile, where our sites have been identified as being in water stress zones.

Our sites implement a range of initiatives to eliminate water losses and improve water efficiency. For example, our sites in Pakistan, Croatia, South Korea and Turkey have water treatment facilities to enable water used in manufacturing processes to be recycled.

Across the Group, we achieved a 27.6% reduction in water withdrawn in 2021, from our 2017 baseline. We've also increased the amount of water we recycle to 16.7%.

As members of the Alliance for Water Stewardship (AWS), we committed for 100% of our operations sites to be certified against the AWS Standard by 2025. In 2021, 11 of our sites achieved certification and 23 are expected to certify during 2022.

We have delivered training on the AWS Standard for EHS practitioners across our operations sites. And further training is underway to equip key regional teams as specialist assessors to support the Group in meeting the governance and compliance requirements of AWS.

27.6%

reduction in water
withdrawn vs 2017 baseline

SPOTLIGHT

Driving water efficiency in Chile

Chile is a country where water scarcity is fast becoming a major issue, especially in rural areas.

By 2040, it is estimated that Chile will be one of 30 countries in the world with the highest levels of water stress.¹⁰

In this context, we have had a strong focus on driving water efficiency at our two sites in the country – the Casablanca factory in Valparaíso and our green leaf threshing (GLT) site in the O'Higgins Region.

We've introduced a range of initiatives that have delivered a 39% reduction in water use since 2017 and a 35% average increase each year in water recycling. This has included recycling cooling water used in vacuum pumps, decreasing the amount of water used for cleaning equipment and optimising water consumption in manufacturing.

A reverse osmosis plant was also installed in 2020 saving over 700 cubic metres of water each year.

Additionally, an online control system and specialist software monitors water use, helping to identify leaks and where we can make further savings.

We also run awareness campaigns for employees on the importance of saving water and display progress against targets across the sites.

In 2022, both sites will undergo AWS certification. A strategic plan is in place up to 2025 with further initiatives such as recovering steam from manufacturing processes and installing rainwater harvesting systems.

“Water is a precious resource which, with the impacts of climate change, people across the world are increasingly understanding the value of. We are incredibly proud to be playing our part to create A Better Tomorrow™ for our business, employees and the local communities that we're part of.”

Jorge Villalon
BAT Factory Manager,
Chile and Argentina

Excellence in Environmental Management Continued

Water Stewardship in Tobacco Growing

Due to the variety of locations in which we source our tobacco, 31% require irrigation.

Our leaf operations in these areas are actively looking at ways to work with our contracted farmers to reduce water usage. This is particularly important for farmers in water stressed locations, identified using the WRI’s Aqueduct Water Risk Atlas. In 2021 nearly 17% of the Group volume came from these areas. The WRI Risk Atlas is also incorporated in the industry’s Sustainable Tobacco Programme.

Adopting a comprehensive approach – from assessing water risks and any subsequent water deficits from rainfall – is at the centre of how we support our contracted farmers in mitigating these risks.

We monitor water use for irrigating tobacco crops and data is reported through our *Thrive* assessments*. We also monitor best practice soil and water management implementation plans. In 2021, these were in place for 76% of tobacco hectares in our supply chain.


We continue to introduce farmers to planting techniques that can have significant impacts in reducing water usage.

For example, in Brazil, around 90% of our contracted farmers in the country use an innovative method of planting crops in high, wide trapezoidal ridges, particularly on elevated ground. This helps to reduce soil erosion, increase water-retention capacity in the field and prevent waterlogging, especially when combined with crop rotation.

An independent study in 2020 by the Brazilian Agricultural Research Corporation found this method is capable of retaining rainfall surplus for several years in a row.¹¹

Across our leaf operations, we also provide our contracted farmers with information on best practice approaches to mitigate the risks of water pollution from agrochemicals.

 Find out more about our *Thrive* programme in **Farmer Livelihoods** on page 59.

 Find out about our carbon-smart farming programme in **Climate Change** on page 43.

2021 Performance Highlights

Find our full set of environment targets, goals and metrics on pages 110-112

27.6%
reduction in water withdrawn vs 2017 baseline

16.7%
of total water recycled

15%
of sites achieved AWS certification

76%
of tobacco hectares reported to have appropriate best practice soil and water management plans implemented

SPOTLIGHT

A sustainable flow of innovation in water efficiency in farming

Our global leaf agronomy centre in Brazil plays a vital role in researching, developing and customising cutting-edge innovations.

Our Extension Services of expert field technicians will then work to roll these out to our 75,000+ contracted farmers.

Innovative ‘floating’ systems for growing tobacco seedlings, based on hydroponics, use about 85% less water per hectare. They can potentially increase yield by up to 36% compared to traditional systems.

These have been successfully introduced to approximately 17,000 of our contracted farmers in Brazil, Chile, Fiji, Kenya, Mexico and Venezuela. Trials are underway in Bangladesh, Croatia, Pakistan, Sri Lanka, Turkey and Vietnam.

We’ve also developed innovative drip irrigation technology. Successfully introduced to contracted farmers in Brazil, Chile, Croatia, Mexico, Venezuela and Vietnam, trials are taking place in Bangladesh, Pakistan and Uzbekistan.

This cost-effective (compared to sprinkler systems) solution increases water-usage efficiency by up to 90%. It also increases yields by up to 15% and reduces labour requirements by a third.

We’re now partnering with a start-up to explore smart irrigation technology using real-time sensors. This monitors water demand, so only the exact amount is used.

We’re also conducting a comprehensive assessment of a revised water measurement methodology developed by our agronomy centre. Trials are underway in 11 of our leaf operations and we hope the results will demonstrate an improvement in data accuracy.

In 2021, we launched a study in partnership with the University of Sao Paulo, on agro-meteorological zoning of tobacco growing areas. The insights will generate recommendations on the optimal time to grow, using the least amount of water.

“We are using our decades of experience and leveraging partnerships with universities and disruptive entrepreneurs, to apply unique science-based and data-driven solutions to sustainable water management in tobacco-growing.”

Irving Berger
Global Agronomy
Research Manager

* Our *Thrive* assessments cover all BAT-contracted farmers and farmers supplying our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2021. As tobacco-growing seasons vary around the world, data is based on the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year.

Excellence in Environmental Management

Continued



Biodiversity and Afforestation

Our 2025 goals

Net Zero

deforestation of managed forests in our supply chain

Net Positive

impact on forests in our tobacco supply chain

Find our full set of environment targets, goals and metrics on pages 110-112.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Climate change, page 39

Water, page 50

Farmer livelihoods, page 58

Why Biodiversity Matters

Our business relies on natural resources such as timber, clean water and healthy soils. Yet conventional agricultural practices can be resource intensive and may cause deforestation, pollution and environmental degradation.

This is why we continually work with our contracted farmers to develop, advance and implement sustainable agriculture practices. These preserve natural capital, enhance rural livelihoods and help increase farmers’ resilience to climate change.

Policies and Accountability

Our Environmental Policy is adopted by all Group companies. It outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

Our Environment Policy is supported by our Biodiversity Statement. This sets out the principles we follow to manage our biodiversity footprint across our operations. The statement is based on a mitigation hierarchy, which describes the steps to avoid, minimise, restore or offset biodiversity loss, wherever we operate.

For our suppliers, our Supplier Code of Conduct defines the minimum standards we expect, including specific criteria for environmental sustainability. In addition, the industry’s Sustainable Tobacco Programme includes biodiversity and afforestation criteria that our leaf operations and third-party suppliers are expected to adhere to.

The Board has endorsed all Group environmental targets and receives an update on progress and performance twice a year. The Operations Director has overall responsibility for delivery of the Group’s environmental strategy and targets.

Find details about oversight of ESG and our Group policies and standards on pages 99-103.



Excellence in Environmental Management Continued

A Call to Action

We have a long-standing commitment to protecting biodiversity, including the prevention of deforestation and fragmentation of habitats.


Working with conservation NGOs as part of the BAT Biodiversity Partnership (2000-2015) helped us identify our most significant deforestation risk – the use of unsustainable wood fuel for curing tobacco.

In 2021, we signed-up to Business for Nature’s Call to Action. This global coalition unites forward-thinking organisations to amplify calls for collective action.

We’re now aiming for net zero deforestation of managed forests across our tobacco and paper- and pulp-based product supply chains by 2025. This means that for every tree that’s chopped down, we aim for another to be planted by us, or others in our supply chain.

For our paper- and pulp-based product supply chain, we work with suppliers who can demonstrate that material is sourced sustainably. That means certification from the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). For 2021, this is the case for 100% of the paper and pulp volumes we purchase for primary product packaging and 89% for all paper and pulp volumes, including secondary packaging and paper used for our products and marketing materials.

We aim to reach 100% for all paper and pulp volumes by 2025. Certification must also be in place for any new paper or pulp suppliers we appoint.

 Find out about how we’re working with product materials suppliers on environmental issues in [Climate Change](#) on page 44.



SPOTLIGHT

Community-based afforestation programmes

We support 18 afforestation, biodiversity and environmental conservation programmes in 13 countries, as part of our wider community-based initiatives.

Our afforestation efforts in Brazil date back to the 1970s. Over the past 20 years, we’ve distributed nearly 110 million tree saplings, a sustainable source of wood fuel, to our contracted farmers. In 2011, we became part of a multi-stakeholder partnership with the Tobacco Growers’ Association of Brazil, the Brazilian Institute of Environment and the Ministry of the Environment to preserve the Atlantic Forest in the southern tobacco-growing states. The results of monitoring in 2021, showed more than 21,000 hectares of afforestation on our contracted farmers’ land.

In Bangladesh, for over 40 years, we’ve pioneered a tree planting programme called “Bonayan”, a Bengali word meaning hope. It’s Bangladesh’s biggest private sector afforestation programme.

Through Bonayan, BAT has collaborated with environmental and government authorities to distribute over 115 million saplings of medicinal, fruit and timber varieties. The programme also sponsors Afforestation Committees across 18 districts, helping to raise engagement with local communities.

In Pakistan, our afforestation programme has supported the planting of over 129 million trees since its launch in 1981. And, since 2011, we have partnered with the National Rural Support Afforestation Programme, Pakistan’s largest NGO focused on rural community and environmental development.

380m

tree saplings distributed via our afforestation programmes over the last 40 years

Excellence in Environmental Management Continued

The Journey to Net Positive

In our tobacco supply chain, we aim to have a net positive impact on forests by 2025.

Not only will a tree be planted for each one used, but we will strive to plant more trees than are removed.

To achieve this, our leaf operations and third-party suppliers work with tobacco farmers in our supply chain to provide training in forest and biodiversity management. They distribute tree saplings – a sustainable source of fuel for curing – and help farmers switch to locally-available alternative fuels.

In 2021, it was reported through our *Thrive* assessments that there were more than 127,000 people engaged via farmer training. Delivered by our leaf operations and strategic third-party suppliers, this training covered best practice natural resource preservation, forest, biodiversity and soil management.

In Bangladesh, we work with selected contracted farmers to establish 'biodiversity corners' on their land, to conserve rare and endangered native medicinal species. This raises awareness of the importance of biodiversity management in the local community. With over 100 established so far, we're aiming to reach 200 sites by 2030.

Since 2016, our monitoring of our contracted farmers' fuel use for curing has shown at least 99.9% of wood was from sustainable sources.

In addition, 30% of our contracted farmers use alternative, locally available biomass fuels for curing, such as sugarcane bagasse briquettes in Kenya and jute sticks, rice husk briquettes and other agricultural waste in Bangladesh.

We also work to eliminate any potential risk of forests being cleared to create farmland to grow tobacco. Before any expansion of farming on new land, we require all contracted farmers to conduct a detailed environmental and regulatory evaluation. This process should factor in local legislation, the presence of rare or endangered species, the threat of deforestation, and proximity with areas of high biodiversity value.

In 2021, we began a pilot of new satellite monitoring systems of native forests. These tests focus on tracking, preventing and promptly acting against potential deforestation, and quantifies carbon stocks preserved on tobacco farms. We're also exploring technologies to enable us to estimate and map forest biodiversity.

 Find out more about our *Thrive* programme in *Farmer Livelihoods* on page 59.

SPOTLIGHT

Best practice certification

In 2021, we were the first ever tobacco company in Brazil to achieve certification by the Brazilian Ministry of Agriculture for 100% of our tobacco volumes.

The certification involved over 15,000 contracted farmers and covered detailed standards for sustainable agriculture. This included the adoption of best practices for planting techniques, soil conservation, integrated pest management and sustainable water management. Farmers had to demonstrate adherence to social standards too, including for health and safety and human rights.

The certification guarantees the full traceability of the tobacco to farm level and provides verified records of the high social and environmental standards practiced.

In the US, our leaf operation has participated for a number of years in the industry's Good Agriculture Practice (GAP) Connections Certification Programme. In 2021, some 90% of our contracted farmers achieved GAP certification.

“ Sustainable agriculture techniques are routine for us on the farm. So we're incredibly proud to now have this recognised by the certification from the Ministry of Agriculture, guaranteeing our crop with a recognised Quality Stamp. ”

Ismael Bastos Gomes
BAT contracted farmer,
Brazil



Excellence in Environmental Management Continued

Protecting Natural Capital

Reducing use of agrochemicals, avoiding soil erosion and preserving soil fertility are crucial for protecting biodiversity and natural capital.

We introduce our sustainable agriculture best practices to our contracted farmers, appropriate to the growing conditions.

Reducing agrochemical usage

Our policy is that our contracted farmers and third-party suppliers use only approved agrochemicals with the lowest possible toxicity according to the World Health Organization classification. We identify the type and level of agrochemicals used and monitor compliance with our standard to avoid any highly hazardous pesticides (HHPs). Since 2018, we have not identified any use of HHPs by our leaf operations or third-party suppliers.

To reduce overall use of agrochemicals, we work with our contracted farmers to implement integrated pest management and 'biocontrol' techniques. In 2021, biocontrol agents were recommended in nine of our leaf operations, with trials for new products underway in two markets.

For example, in Brazil, 65% of our contracted farmers use some form of biocontrol techniques for insect control. Additionally, an independent study found that the level of active chemicals used per hectare of tobacco in Brazil is 1.01 kilograms – the second lowest among 19 crops analysed.⁹

The importance of soil management

Soil plays a vital role in removing carbon, storing and purifying water, preventing land erosion and supporting habitats.

So, our leaf operations and third-party suppliers provide training for farmers on best practice soil management, or other land-management practices. In 2021, it was reported via our *Thrive* assessments that 76% of tobacco hectares in our supply chain had best practice soil and water management plans in place.

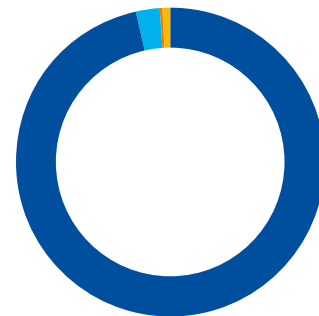
Monocropping (growing the same crop continuously on the same land) is known to deplete soil nutrients. So, crop rotation is recognised as a best practice approach to protecting and enhancing soil health.

We have always encouraged crop diversification. It increases farmers' resilience by preventing reliance on just one crop. It also helps to enhance food security and preserve soil health. In 2021, it was reported through our *Thrive* assessments that 95% of farmers in our supply chain are growing other crops, such as rice, corn, vegetables, wheat, maize and soy.

[Find out more about *Thrive* and crop diversification in Farmer Livelihoods on page 59.](#)

Farm monitoring findings 2021

% breakdown of a total of 9,807 non-compliance incidents reported in 2021 via FSM that required prompt actions to remediate*



Handling, use and storage of agrochemicals	96.5%*
Green tobacco sickness	2.4%*
Other	0.33%*
Controls and preventing child labour	0.77%*

* Figures assured by KPMG.

100%
of non-compliance incidents identified via our farm monitoring system in 2021 were remediated and resolved by the end of the growing season

SPOTLIGHT

Farmer Sustainability Management

We are leveraging the power of technology to enhance and accelerate our connectivity with our contracted farmers and farming communities.

Our Farmer Sustainability Management (FSM) system is a digital platform that supports the work of our field technicians by enabling a consistent approach to farm monitoring and overall sustainability management.

Our field technicians visit our contracted farmers approximately once a month during the growing season, acting as a direct link between the farmers and BAT. Details of each farm visit are recorded in FSM, including any issues identified and details of prompt actions taken to remediate them.

In 2021, the majority of issues recorded in FSM (96.5%) related to the safe handling, use and storage of agrochemicals.

[Find out about how we use FSM for farm monitoring in Human Rights on pages 65-66.](#)

2021 Performance Highlights

Find our full set of environment targets, goals and metrics on pages 110-112

99.9%
of our contracted farmers' wood fuel for curing is from sustainable sources

89%
of paper and pulp volumes certified as sustainable sourced


76%
of tobacco hectares reported to have appropriate best practice soil and water management plans implemented

95.6%
of tobacco farmers in our supply chain growing other crops

Delivering a Positive Social Impact



As one of the world's most international businesses, we have a vital role to play in delivering a positive social impact for our employees and the people across our supply chain.

 Find details of how we identify our focus areas in **Materiality** on page 106.



Farmer Livelihoods

 See page 58.



Human rights

 See page 63.



Health and safety

 See page 71.



People and culture

 See page 74.

Other focus areas

Our approach

We support our contracted farmers in enhancing their livelihoods and food security. Our community programmes help to build long-term resilience for rural communities.

Our goals and ambitions

We are committed to working to enable prosperous livelihoods for all farmers in our tobacco supply chain.

Our 2021 performance

- 75,431 people engaged via training on farm business and women's empowerment.
- 95.6% of farmers in our tobacco supply chain growing other crops.
- £19.0m contributed to community investment programmes.

Our business and supply chain covers several industries that have important human rights considerations. Our approach is aligned to the UN Guiding Principles and focuses on strong policies, due diligence and remediation programmes.

By 2025

- Aim for zero child labour and zero forced labour in our tobacco supply chain.
- 100% of product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle.

- 0.7% of farms monitored in our tobacco supply chain had child labour incidents identified, with 100% reported as resolved by the end of the growing season in 2021.
- 350,817 people engaged via farmer human rights training.
- 22% of product materials and high-risk service suppliers audited in a three-year cycle.

We are committed to providing a safe working environment for all our employees and contractors. We also require farmers in our tobacco supply chain to have access to personal protective equipment (PPE) for agrochemical use and harvesting.

Each year

- Aim for zero accidents Group-wide.
- 100% of farmers and workers with sufficient PPE for agrochemical use and tobacco harvesting.


- 19% reduction in total accidents across the Group.
- 100% of farms reported to have sufficient PPE for agrochemical use and 99.6% for harvesting.
- 342,047 people engaged via farmer health and safety training.

We focus on building an inclusive and supportive culture that attracts, engages and retains diverse and talented people. This develops the next generation of leaders and creates a fulfilling, rewarding and responsible work environment.

By 2025

- Increase the proportion of women in management roles to 45% and on senior leadership teams to 40%.
- Achieve at least 50% spread of distinct nationalities in all key leadership teams.

- 39% proportion of women in management.
- 27% proportion of women on senior leadership teams.
- 92% of leadership teams with at least a 50% spread of distinct nationalities.

 Other key focus areas that we cover in this Report:

 **Anti-illicit trade**, page 80

Delivering a Positive Social Impact

Continued



Farmer Livelihoods

Our ambition

LIVELIHOOD

We are committed to working to enable prosperous livelihoods for all farmers in our tobacco supply chain

Find our full set of social targets, goals and metrics on pages 113-115.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Climate change, see page 38

Human rights, see page 63

Health and safety, see page 71

Why Farmer Livelihoods Matter

Rural poverty is a root cause of issues such as child and forced labour, and poor safety and environmental standards. It can lead to young people leaving rural areas for city jobs. Without a new generation of farmers, agriculture could be under threat. That's a long-term risk for our business.

If farmers have sustainable living incomes, farming is more attractive to the next generation. It also reduces the risks of exploitation, as well as child and forced labour, and helps encourage improved adherence to safety and environmental standards.

Policies and Accountability

Our Supplier Code of Conduct defines the minimum standards expected of our suppliers, including decent wages criteria, and is incorporated into our contractual arrangements.

The industry's Sustainable Tobacco Programme (STP) includes a wide range of farmer income and livelihoods criteria that our leaf operations and third-party suppliers are expected to adhere to. The STP is aligned with the UN Sustainable Development Goals (SDGs) and includes indicators to measure impact and track progress.

This is complemented by our *Thrive* programme, which takes a holistic approach to identifying and addressing the long-term challenges that have an impact on the livelihoods of farmers across our tobacco supply chain.

Thrive applies to all our leaf operations and 75,000+ contracted farmers, as well as farmers contracted to our strategic third-party suppliers, representing more than 80% of our tobacco volumes in 2021.

Our Board receives regular updates on our tobacco supply chain strategy, including progress against our livelihood objectives.

In addition, our Framework for Community Investment sets out the Group strategy for supporting local communities, aligned to the SDGs, and applies to all Group companies worldwide. Our Audit Committee reviews community investment performance once a year.

Find further details about STP in **Human Rights** on page 68.



Delivering a Positive Social Impact Continued

Helping Farmers to Thrive

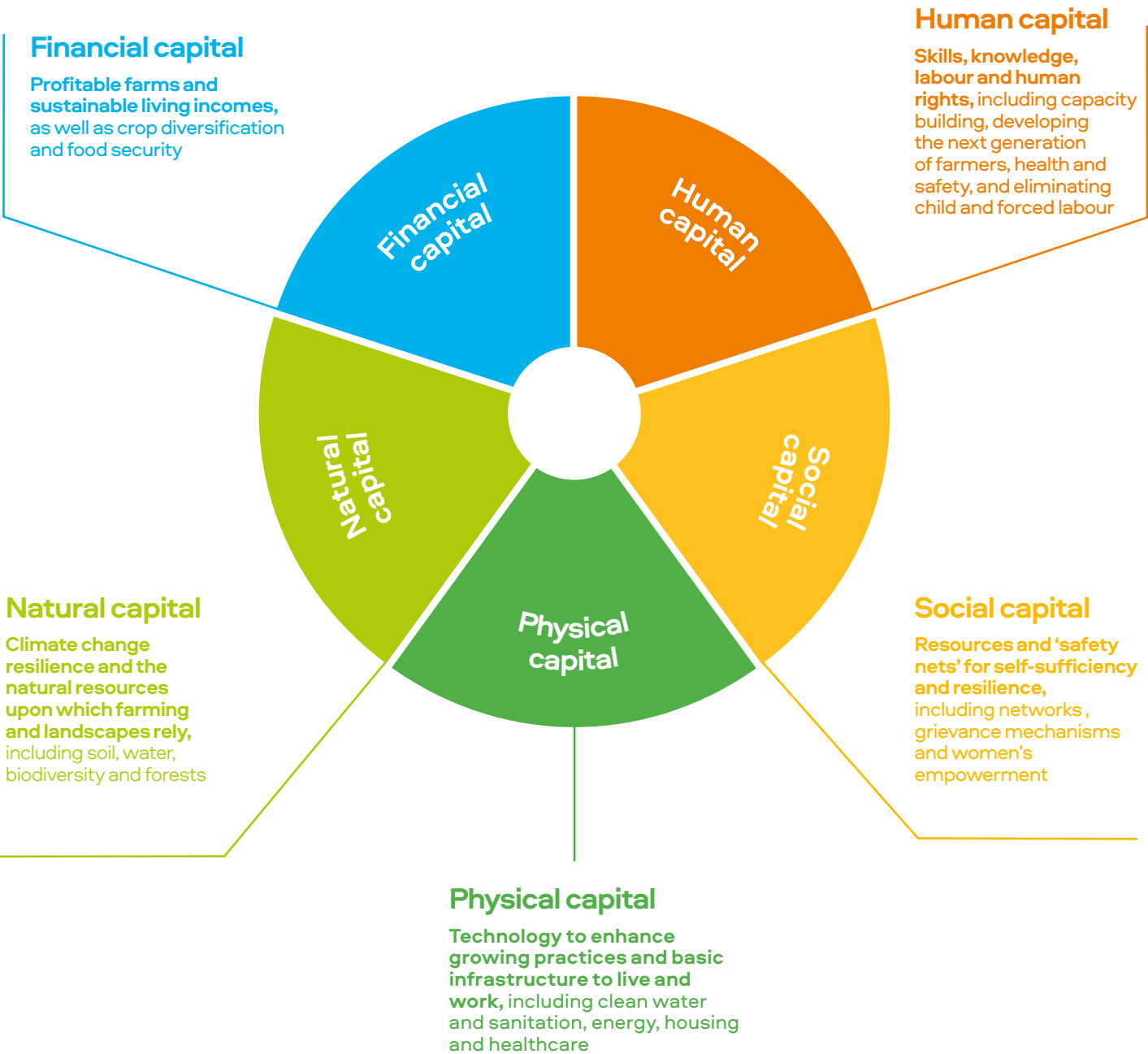
Our *Thrive* programme is based on the internationally recognised 'Five Capitals' framework.

To be sustainable, farming communities must be 'in credit' across five types of 'capital': financial, natural, physical, human and social. Strength in all five enables farmers and rural communities to prosper.

We have defined indicators to measure progress against each of the Capitals, against which our leaf operations and strategic suppliers complete annual assessments. The insights inform our strategy, and help to develop focused, local, action plans.



The 'Five Capitals' farming communities need to thrive



Delivering a Positive Social Impact Continued



Delivering a Positive Social Impact Continued

Supporting Farmers to Boost Incomes

We support our 75,000+ contracted farmers worldwide to help enhance their livelihoods across the *Thrive* Capitals.

Our global agronomy centre in Brazil develops new tobacco varieties that produce higher quality and increase yields by up to 20%. Over 50% of our tobacco volumes are grown from these varieties, helping to boost farmers' profits.


We're also adapting and developing mechanised solutions and curing technologies to help farmers scale up production, reduce manual labour and minimise health and safety risks.

These include soil tilling and fertilising machines and automated harvesters and curing systems. Automated curing barns reduce fuel use by up to 30% and make the curing process 50% less labour-intensive.

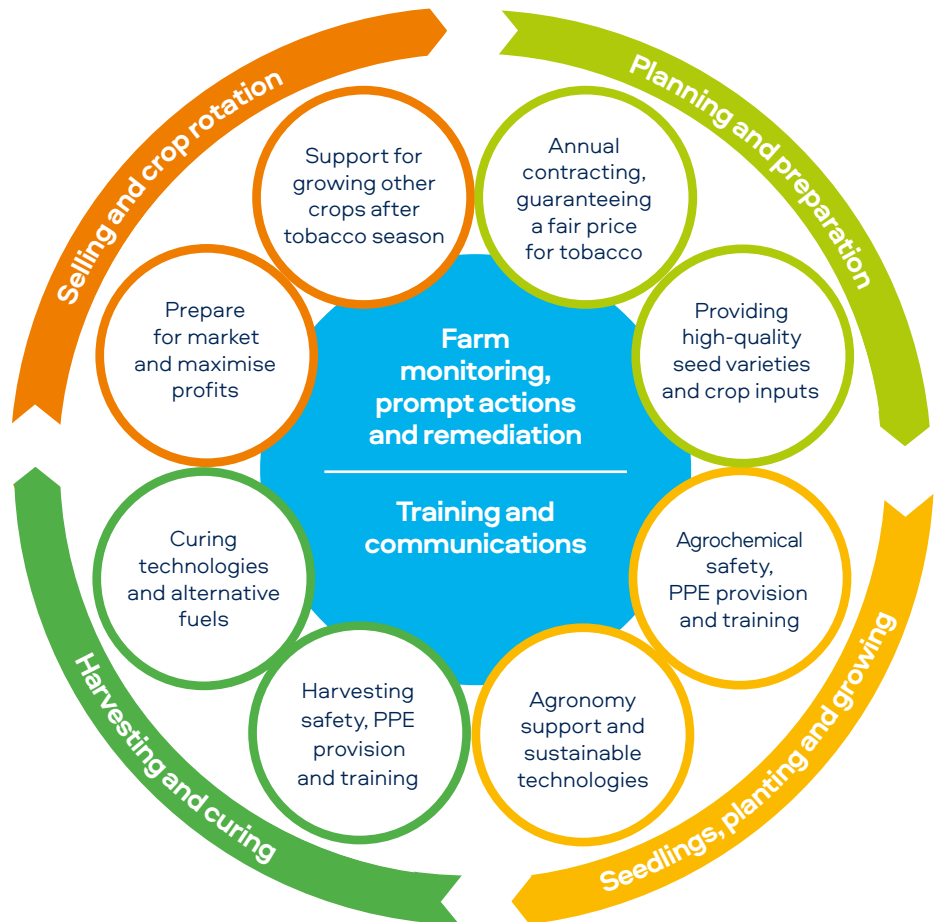
As part of our new *Leaf Up* innovation programme, we're working with a start-up to explore the feasibility of new technology, using artificial intelligence, to predict crop performance. If this proves successful, it could enable farmers to optimise their growing practices and more accurately forecast yields and productivity.

Farm productivity can also be increased through farmer training and capacity building. Our Extension Services of expert field technicians play a crucial role in this. They provide support for our farmers throughout the growing cycle, helping to develop their skills, promote better yields and build their resilience.

Our suppliers provide similar support services for their contracted farmers. It was reported via our *Thrive* assessments that there were 61,780 people engaged via farm business management training delivered in 2021 by our leaf operations and strategic third-party suppliers.

 Find out about our carbon-smart farming programme in *Climate Change* on page 43.

How our Extension Services support our contracted farmers throughout the growing cycle



61,780

people engaged at farm business management training in 2021

75,000+

contracted farmers supported by our Extension Services of expert field technicians

Delivering a Positive Social Impact Continued

Building Community Resilience

As well as providing direct support to our contracted farmers, we support their wider communities in many parts of the world. We do this by partnering with NGOs and other stakeholders.

Across the Group, £19.0 million was reported for community investment programmes in 2021, including £12.6 million in cash spend and a further £6.4 million estimated for in-kind donations.

These programmes cover issues ranging from crop diversification, women's empowerment and rural development to provide access to healthcare, clean water and sanitation.

For example, our mobile doctor units in Pakistan provide much-needed healthcare services for more than 100,000 people in remote tobacco-growing communities. And we have clean water and sanitation programmes in eight countries, including Bangladesh, Kenya, Pakistan, Sri Lanka, Nigeria, Samoa, Solomon Islands and Uzbekistan, benefiting an estimated 317,000 people.

 Find our full set of social targets, goals and metrics on pages 113-115.

Crop diversification

Growing a diverse portfolio of crops alongside, or in rotation with, tobacco is crucial to enhancing farmer livelihoods. It improves food security and increases farmers' resilience by providing additional sources of income. In 2021, 95.6% of our contracted farmers and farmers supplying our strategic third-party suppliers were reported to be growing other crops.

Our leaf operations and strategic third-party suppliers educate and support tobacco farmers on crop diversification, with over 89,630 people engaged via training delivered in 2021.

Our diversification programmes are tailored to local contexts. They include providing free seeds, crop inputs and training. For example, in Kenya, 100% of our contracted farmers grow diversified crop portfolios and, in 2021 alone, we donated more than 2,450 tonnes of maize seeds. This generated an estimated £2 million in additional income for our contracted farmers in Kenya in 2021.

In Brazil, we first launched our diversification programme in 1985. Since 2014, it has been industry-wide under the management of the Brazilian tobacco interstate union. In 2021, the programme enabled an overall 22% increase, against the 2020 crop year, in the amount of land used for cultivating corn, wheat and pastureland after the tobacco harvest. This provided a 47% increase in estimated total revenues for farmers of R\$933 million (approx. £133 million).

In Bangladesh, in 2021, we partnered with Sher-E-Bangla Agricultural University to conduct field trials for growing quinoa, a crop native to Latin America. Cultivation is possible in both drought-prone and saline soils – making it suitable for growing in Bangladesh. It is high in protein, dietary fibre and amino acids, and is a good alternative food source to rice.

Following successful early trials growing quinoa at two university sites, we are working with the University to conduct field trials with our contracted farmers at seven sites. This includes leveraging the experience and resources of our Extension Services to provide farmers with the seeds, training and technical assistance to grow the crop successfully.

“We're very encouraged by the first-year results of our quinoa trials. Once we have proven its success in these locations, we will work on a feasibility plan to scale up the adoption of this crop among our contracted farmers.”

Serajul Mohammed,
BAT Bangladesh, Leaf Sustainability Development Manager

SPOTLIGHT

Empowering rural women

Empowering rural women is recognised by the International Labour Organization as crucial for inclusive and sustainable economic growth. Around 11% of our total Thrive farmer base including our contracted farmers and strategic third parties farmer base are women. Women also play a vital role on family farms.

Our leaf operations and many of our third-party suppliers run rural women's empowerment training. In 2021, 13,651 people were engaged in this training. In 2021, we also delivered six women's empowerment programmes in six countries.

For example, in Chile and Venezuela we provide vocational training for rural women. In Bangladesh, we help women cultivate mushrooms, using

the tobacco-curing barns that sit idle for 10 months after the tobacco season.

In Pakistan, we work with the non-profit National Rural Support Program. We provide training on good agricultural practices, farm health and safety, and prevention of child labour.

“We have benefited immensely from this programme, especially from the information on health and safety, environmental protection, prevention of child labour, and kitchen gardening to support our livelihood.”

Ayesha Bibi
Programme beneficiary,
Pakistan



Delivering a Positive Social Impact

Continued



Human Rights

Our 2025 ambitions

ZERO

child labour and forced labour in our tobacco supply chain

100%

of product materials and high-risk indirect service suppliers to have undergone at least one labour audit within a three-year cycle

Find our full set of social targets, goals and metrics on pages 113-115.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Harm reduction, see page 28

Farmer livelihoods, see page 58

Health and safety, see page 71

People and culture, see page 74

Business ethics, see page 83

Why Human Rights Matter

In building A Better Tomorrow™, we respect the human rights of people across our own operations and our wider supply chain.

Our business and supply chain covers several industries with significant human rights considerations, including agriculture, electronics and manufacturing. The global impacts of COVID-19 mean that human rights issues now require an even sharper focus.

Whatever the product or the process, our principles remain the same. We strive to promote, uphold and respect the human rights of the people involved.

Policies and Accountability

Our Standards of Business Conduct (SoBC) include our Workplace and Human Rights policies, detailing our support for the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work. Our Supplier Code of Conduct (the Code) defines the minimum standards expected of our suppliers, including for human rights, and is incorporated into our contractual arrangements.

To support the effective implementation of our policy commitments, we also have in place:

- **Our Employment Principles**, which set out a common approach for good employment practices and workplace human rights across the Group; and

- **Our operational standard on child labour prevention**, which provides detailed guidance and procedures for our leaf operations in tackling the risk of child labour in our tobacco supply chain.

Our Board is responsible for establishing the Group's policies on human rights. The Board is supported by the Audit Committee, which monitors performance, risks and adherence to our standards. This oversight is underpinned by our Regional Audit and CSR Committees.

Together, our governance framework provides a flexible channel for the structured flow of information, monitoring and oversight of human rights issues, at all levels of the Group from our local business units to the Board level.

Find details about oversight of ESG and our Group policies and standards on pages 99-103.



Delivering a Positive Social Impact

Continued

Our Human Rights Strategy

We have a long-standing commitment to respect fundamental human rights as affirmed by the Universal Declaration of Human Rights.

This commitment includes respecting the rights of our employees, the people we work with and the communities in which we operate across our supply chains and business operations.

Our human rights strategy is aligned to the UN Guiding Principles for Business and Human Rights (UNGPs) and focuses on strong policies, due diligence and remediation programmes, as detailed in the graphic below.

Salient human rights impacts

To identify *how* our business impacts people, we talk to people *who* we impact. This helps guide our strategy and ensures we focus on what matters most to people across our value chain.

To do this, we undertake a defined process, aligned to the UNGPs, for which:

- We engage to understand the views of, and impacts upon, our key stakeholders and rights-holders across our value chain;
- We research to understand our place in the big picture and identify emerging risks, trends and best practice; and
- We prioritise the salient issues of greatest importance to our stakeholders and rights-holders.

Group human rights strategy



 Find details of our saliency assessment and the full list of our salient human rights impacts in our **2020 Human Rights Report**.

Delivering a Positive Social Impact

Continued

Protecting Human Rights in our Tobacco Supply chain

Due to inherent challenges in agriculture, our tobacco supply chain is particularly vulnerable to human rights risks. This includes large numbers of temporary workers, high levels of rural poverty and the use of family labour in small-scale farming. It's estimated that over 70% of all child labour incidents occur in agriculture¹.

Given its high prevalence across all agriculture, we recognise that child labour is a reality in our tobacco supply chain. Tackling child labour is a major challenge for everyone involved in global agricultural supply chains. Nevertheless, we have a bold ambition to eliminate child labour in our tobacco supply chain by 2025.

Supporting farmers and building trusted relationships

Human rights issues can be complex and we know that the situation on the ground can be nuanced. Remediation requires cooperation and dialogue, rather than confrontation.

This complexity is why our approach emphasises working with families and communities to find sustainable solutions, while respecting local context and the challenges of operating small, family-run farms. This is where our direct contracts with farmers enable us to have a real impact. The majority of our tobacco (58%) is sourced by our own leaf operations through contracts with over 75,000 farmers. These contracted farmers receive on-the-ground support from our Extension Services of expert field technicians.

The remainder of our tobacco is sourced from third-party suppliers. We have long-term strategic partnerships with many of our third-party suppliers, and they support the farmers they source from with similar Extension Services. This long-term, integrated sourcing model provides us with visibility over our supply chain and offers our contracted farmers and strategic suppliers stability and security.

Our field technicians visit our contracted farmers approximately once a month during the growing season. They act as a link between the farmers and BAT, building trusted relationships and working with the farmers to develop their skills, promote better yields and maintain standards. As well as providing agronomy support, this is an important way of checking and monitoring the farms.

Crucial to this is our Farmer Sustainability Management (FSM) system – a digital platform that enables a consistent approach to farm monitoring and overall sustainability management. Field technicians work with our contracted farmers, recording data in the FSM app at each individual farm visit. Around 25% of the criteria are specific to human rights, including interviews with farm labourers and monitoring for child and forced labour.

There are unannounced visits, and FSM tracks the prompt actions that are needed to remediate and improve standards. FSM includes 'red flags' for serious issues, such as those relating to child and forced labour. Data is tracked and analysed centrally to ensure senior oversight and drive management action.

A holistic approach to addressing human rights in our tobacco supply chain

Monitoring and remediation

Policy and engagement	Risk mapping	Farm visits	Identification	Remediation	Follow-up
<ul style="list-style-type: none"> – Explain Child Labour Policy – Formalise farmers' commitment – Confirm details of children living on the farm 	<ul style="list-style-type: none"> – Identify stages of crop cycle when risks are higher – Spot-checks and training during high-risk periods 	<ul style="list-style-type: none"> – Visits approx. monthly during growing season – Recorded and tracked via our FSM app 	<ul style="list-style-type: none"> – Any incidents identified recorded in the FSM app – Formally acknowledged by farmer 	<ul style="list-style-type: none"> – Considers individual circumstances – Involves community or school support where possible 	<ul style="list-style-type: none"> – Supporting remediation – Formal warnings and ending the relationship if there are any repeat incidents

Longer term solutions focused on root causes

<p style="color: #0056b3; margin-bottom: 5px;">Human rights impact assessments</p> <p style="font-size: 2em; font-weight: bold; margin-bottom: 10px;">2,200+</p> <p>rights-holders engaged in tobacco-growing communities in six countries</p>	<p style="color: #0056b3; margin-bottom: 5px;">Training and awareness raising</p> <p style="font-size: 2em; font-weight: bold; margin-bottom: 10px;">350k+</p> <p>people reported to be engaged via human rights farmer training in 2021</p>	<p style="color: #0056b3; margin-bottom: 5px;">Enhancing livelihoods</p> <p style="font-size: 2em; font-weight: bold; margin-bottom: 10px;">20%</p> <p>Up to 20% increase in yields from our quality tobacco seed varieties</p>	<p style="color: #0056b3; margin-bottom: 5px;">Partnerships and community programmes</p> <p style="font-size: 2em; font-weight: bold; margin-bottom: 10px;">1 million+</p> <p>children, farmers and families supported by the ECLT Foundation since 2011</p>
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Delivering a Positive Social Impact Continued

Due diligence

In 2021, a total of 1,790 incidents of child labour were identified on 0.7% of our contracted farms and those supplying our strategic third-party suppliers. The majority of the child labour cases related to under-18s working on tasks such as preparing bales, watering and weeding, and harvesting and stitching tobacco.

Of these, 100% were reported as resolved. The remediation plan varies from case to case, considering the individual circumstances. Wherever possible, this plan involves local community or school support. Where there is persistent non-compliance, the farmer's contract is not renewed for the next growing season – this occurred in more than 100 cases in the last two years.

In 2021, 100% of the BAT-contracted farmers and those of strategic third-party suppliers were monitored and no cases of forced labour were identified.

Resolution typically involves a remediation plan that considers the individual circumstances. For example, our field technicians might act as mediators between the farmer and the relevant workers to reach agreement on, for example, revised working hours. Or the farmer might take specific actions to improve standards on the farm. The prompt actions are recorded in our FSM system and verified by field technicians in follow-up visits to the farm.

Ongoing training and engagement programmes also continue to help enhance awareness of labour rights among farmers and workers.


We acknowledge the limitations of our monitoring system. We can't be present on every farm, every day of the growing season, so incidents may be hidden or under-reported. That is why it is important to take a holistic and collaborative approach, and not rely on policies and due diligence alone.

Addressing root causes

We focus on addressing the root causes of child labour, including lack of awareness and rural poverty.

Our leaf operations and strategic third-party suppliers deliver human rights training and communication programmes for farmers and community members. 350,817 people were engaged via this training in 2021.

If farmers have sustainable living incomes, it reduces the risks of exploitation, as well as child and forced labour. That's why enhancing farmer livelihoods is such an important priority area of our Sustainability Agenda and is central to our tobacco supply chain strategy and the work of our Extension Services.

 Find further details in **Farmer Livelihoods** on page 58

Giving farmers a voice

If a farmer or farm labourer has a grievance, it is crucial they have a way to air and resolve it. We track access to grievance mechanisms for our contracted farmers and those supplying our strategic third-party suppliers as part of our *Thrive* assessments, which in 2021 showed:

- 100% of farmers, as well as 99.9% of farm labourers, reported having access to at least one type of grievance mechanism;
- Regular meetings with farmers/ workers or their representatives were reported as the most widely available grievance mechanism, followed by farmer associations and unions, local NGO/government-led mechanisms and telephone hotlines; and
- 100% of grievances raised by farmers and/or workers were reported as resolved.

 Find further details of our multilingual Speak Up channels in **Business Ethics** on page 84.

SPOTLIGHT

Collaborative solutions to tackling child labour

Partnerships and community-based programmes are among the best ways to protect human rights. By bringing together all the relevant stakeholders, we can co-develop solutions to help bring about lasting change.

We support a range of local community-based programmes in collaboration with local stakeholders. These include child labour prevention programmes in Brazil, Kenya and Mexico.


For example, in Argentina, over the last 10 years, we have collaborated with our third-party supplier, Alliance One, and a local NGO, the *Vamos a Andar* Foundation. Safe spaces are provided for children of tobacco workers during school holidays. Community resilience is strengthened with economic and social support, and by providing training for teachers.

We continue to look for innovative solutions to tackle child labour. For example, we are conducting a pilot with a start-up to test a system for identifying root causes using data analytics and artificial intelligence.

We have also worked as part of the industry's Eliminating Child Labour in Tobacco Growing (ECLT) Foundation for 21 years. Since 2011, ECLT has supported over one million children, farmers and families.

“During the pandemic, radio became a great tool to strengthen the learning process. Teachers used it to reach their students and maintain contact during this very complex time.”

Adriana Saccheri
President of the *Vamos a Andar* Foundation, Argentina

 Find out about how we're empowering rural women, enabling access to clean water and sanitation and enhancing food security in **Farmer Livelihoods** on page 62.

Delivering a Positive Social Impact

Continued

Human rights impact assessments

Human rights impact assessments (HRIAs) are a best practice approach to identifying, assessing and responding to actual and potential human rights impacts. Each year we commission assessments for tobacco-sourcing countries, conducted by independent human rights experts.

The countries are selected on a range of factors, including the level of human rights risk exposure, their importance to our sourcing strategy and the significance of tobacco growing in the country.

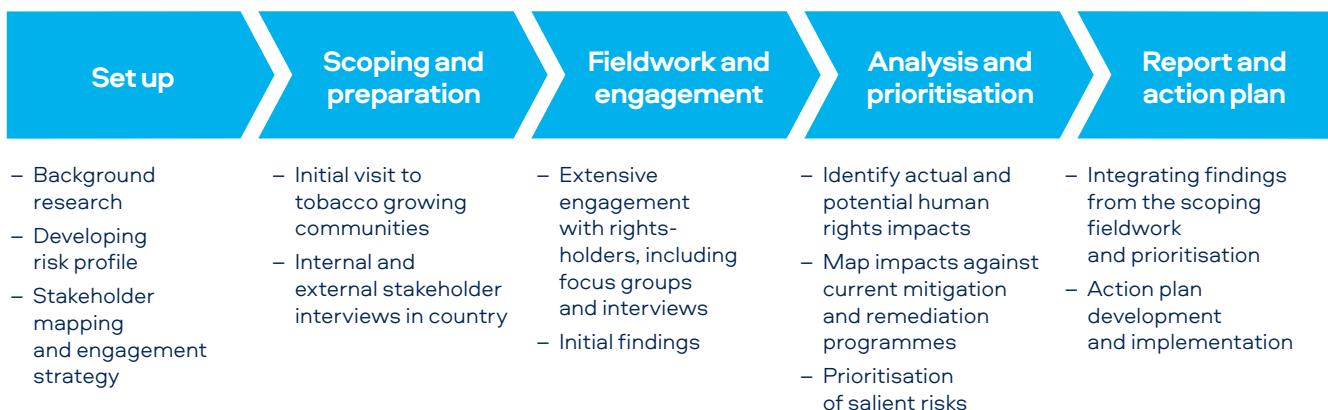
HRIAs often last several months. Particular care is also taken to engage the most vulnerable people, such as women, youth and the elderly.

By the end of 2021, HRIAs were completed in six of our tobacco sourcing countries, covering nine suppliers – India and Indonesia in 2019, Mozambique in 2020, and Macedonia, Turkey and Zimbabwe in 2021. Collectively, these assessments have engaged over 2,200 rights-holders in tobacco-growing communities.

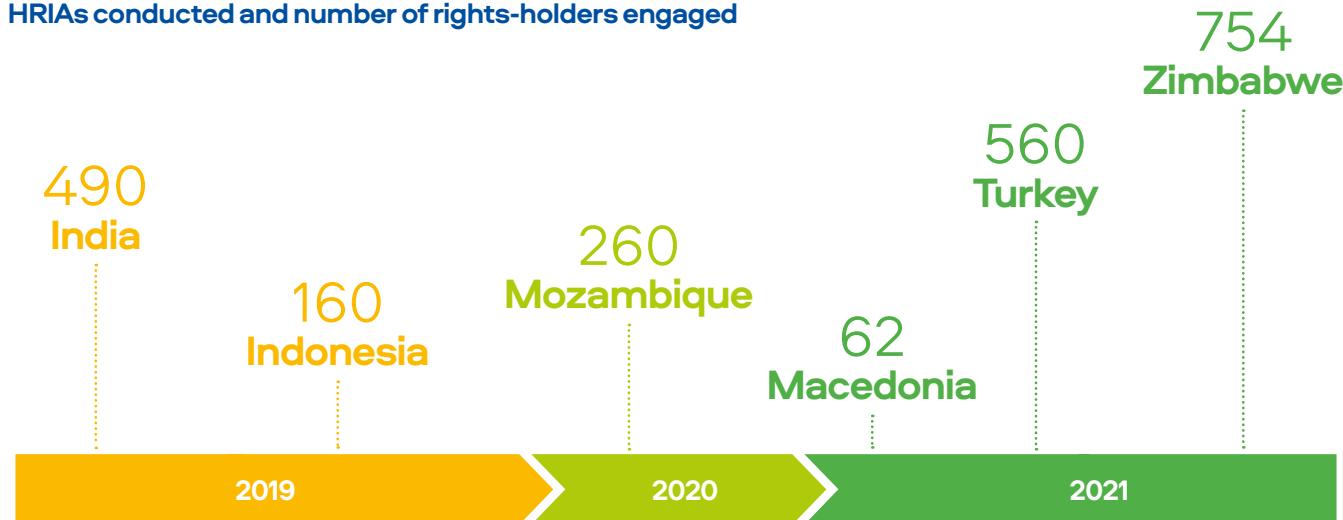
HRIA, aligned to the UN Guiding Principles

The assessments examine:

- Any human rights impacts in the tobacco supply chain, their severity and how widespread they are;
- The major challenges to sustainability and resilience faced by farmers and communities;
- Whether tobacco companies cause, contribute or are linked to the impacts, or if they are specific to the local context;
- Current approaches to addressing the impacts; and
- Additional actions required to promote remediation and improvement.



HRIAs conducted and number of rights-holders engaged




Delivering a Positive Social Impact Continued

In recognition of the fact that cross-industry action is needed to effectively address human rights issues in the tobacco supply chain, the assessments in India, Mozambique and Turkey were in collaboration with the wider industry.

A number of priority themes were identified which would benefit from cross-industry collaboration, particularly around child labour. For example, in Turkey, the assessment involved six different tobacco suppliers across three regions in the country where tobacco is grown. Following the assessment, the suppliers have collectively developed and agreed action plans focused on eliminating child labour in their supply chain by 2025.

They are also working to enhance health and safety standards, focused on education around the importance of using PPE when harvesting to prevent green tobacco sickness.

As illustrated in the example above, where the HRIA identifies human rights impacts, a detailed action plan is developed and agreed between the participating companies and suppliers. We work to ensure that implementation and progress against the plans is closely monitored. We also leverage the valuable insights and learnings from each assessment to further strengthen our efforts to identify, prevent and mitigate human rights risks in our supply chain.

 Find details of our HRIA findings for India and Indonesia on page 22 in our [2020 Human Rights Report](#) and for Mozambique on page 70 of our [2020 ESG Report](#).

Sustainable Tobacco Programme

All of our leaf operations and third-party suppliers are expected to participate in the industry's Sustainable Tobacco Programme. This involves an annual self-assessment against priority themes.

Industry guidance is defined for each theme, with specific goals and indicators to measure impact and track progress. These cover a broad range of human rights issues, including child labour and modern slavery.

Suppliers are assessed against Verisk Maplecroft's risk indices, including for human rights. Based on this, as well as the supplier's self-assessment, those with a higher risk are prioritised for in-depth on-site reviews conducted by an independent third-party. In-depth reviews will be completed on our leaf operation and third-party suppliers in Brazil and on our third-party supplier in Argentina in the first quarter of 2022.

Accelerating progress

Following an independent, expert-led review of our human rights policies and practices for our tobacco supply chain in 2020, we developed a long-term work plan for accelerating progress towards our 2025 ambitions.

We are currently working with a specialist human rights consultancy to update our operational standards on child labour prevention to cover wider human rights issues including forced labour. It will be supported by a comprehensive toolkit, guidance and training for our field technicians to be rolled-out in 2022.

SPOTLIGHT

Addressing HRIA findings in Mozambique

Following the industry-wide HRIA conducted in Mozambique in 2020, our supplier developed a comprehensive action plan to address the issues identified.

Mozambique is a particularly challenging country with a number of inherent and systemic human rights challenges, including widespread poverty. We source Mozambique tobacco via a third-party supplier, Mozambique Leaf Tobacco (MLT) Limitada, which has purchase contracts with over 95,000 smallholder farmers. The HRIA identified a range of impacts linked to poverty and gender inequality, as well as poor school infrastructure and access to basic services.

In order to address the issues identified in the HRIA, MLT's actions have included building upon the strengths of its existing programmes as well as developing new initiatives. For example, MLT has strengthened its child labour monitoring systems, community engagement has been enhanced and providing local schools with additional resources and equipment is helping to encourage attendance.

In addition, a new independent, toll-free and anonymous hotline in local languages has been established for farmers and workers to report any grievances they may have.

MLT has also made significant progress in helping its directly contracted farmers to bring almost all of the sub-contracted farmers identified in the HRIA under documented employment contracts that meet local labour law requirements. This is an ongoing programme, and MLT aims to bring the remaining sub-contracted farmers into direct employment arrangements over the course of 2022.

The extensive work MLT already undertakes around women's empowerment, access to clean water and sanitation and poverty alleviation have also been expanded.

Delivering a Positive Social Impact

Continued

Protecting Human Rights in our Product Materials Supply Chain

Beyond tobacco, we source product materials such as paper and filters for cigarettes. For our New Category products, we have a growing supply chain in consumer electronics and e-liquids.

Labour factors are considered before we start working with a new supplier. This includes mandatory scoring criteria as part of the selection process.

Once selected, suppliers must undergo an independent audit performed by our partner Intertek. This covers forced labour, child labour, wages and hours, health and safety, environment and management systems. The audit is aligned with international standards, including those of the ILO, and we expect suppliers to achieve a minimum score of 70% to qualify.

We maintain a rigorous focus on human rights and conduct an annual risk assessment on 100% of our existing materials suppliers.

Using independent human rights indices developed by Verisk Maplecroft, we assess suppliers' inherent risk exposure based on their country and the goods or services they provide. Suppliers identified as high risk are prioritised for audits.

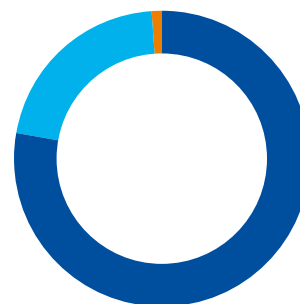
We have extended the labour audits to include lower tier product materials suppliers in business-critical areas for packaging materials and New Category products, and to high-risk suppliers of indirect goods and services, such as facilities management.

Supplier audit findings 2021

64%

of corrective actions were fully completed and verified by year-end with the remainder on track to close by the end of Q1 2022

(% breakdown of the type of non-compliance incidents identified in internal audits)



Health and safety	78%
Wages and hours	21%
Management systems	1%
Labour standards	0%
Environment	0%

Product materials supply chain due diligence procedure

New suppliers



Existing suppliers



Corrective action plans for all issues identified, verified by Intertek

Supplier status Gold	Supplier status Silver	Supplier status Bronze	Supplier status Not approved
Audit score =>95%	Audit score >85%	Audit score >70%	Audit score <70%
Re-audit cycle 3 years	Re-audit cycle 2 years	Re-audit cycle 1 year	Re-audit cycle 3-6 months
27% of our suppliers achieved this status	37% of our suppliers achieved this status	19% of our suppliers achieved this status	17% of our suppliers achieved this status

Delivering a Positive Social Impact Continued

Supplier audits in 2021

In 2021, 142 audits were conducted on our suppliers in 38 countries², including:

- 114 tier 1 product materials suppliers;
- 14 lower tier product materials suppliers; and
- 14 indirect goods and services suppliers.

Of all the issues identified, 88% were classified as 'moderate' and 12% categorised as 'major'.

Despite delays due to COVID-19 restrictions, by year end, 64% of corrective actions were fully completed and verified – in desktop reviews for the moderate issues and 29 on-site follow-up audits for the major issues. All outstanding actions are in progress and will be verified by Intertek in the first quarter of 2022.

By 2025, we are aiming for all our product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle. By the end of 2021, this had been achieved for 22% of our suppliers.

 Find our full set of social targets, goals and metrics on pages 113-115.

Human Rights in our Business Operations

Our Group-wide policies, procedures and controls help to substantially mitigate human rights risks in our own businesses. For example, an independent assessment by the Slave-Free Alliance recognised the robustness of our policies, compliance and recruitment procedures in helping to mitigate the risks of child labour, modern slavery and unethical recruitment.

We recognise that circumstances in some countries present a higher risk for human rights issues, such as where there are high levels of corruption, criminality or unrest.

So, in addition to Group-wide procedures and controls, we have a process to identify and carefully monitor BAT operations in high-risk countries. This process includes an annual risk assessment of all countries with Group companies present, using Verisk Maplecroft's human rights indices (including its Modern Slavery Index).

The process is reviewed by the Audit Committee of our Board at each stage, including details of action plans for any areas for improvement identified. In 2021, our operations in 26 countries³ were identified as high risk and underwent the assessment and Board reviews.

 Find out more about our inclusive recruitment process in **People and Culture** on page 75.

Investigating and remediating

Our Standards of Business Conduct (SoBC) Assurance Procedure sets out in detail how allegations of wrongdoing or breaches of the SoBC should be investigated and dealt with fairly and objectively.

In 2021, we received 136 reports of alleged SoBC breaches relating to our Respect in the Workplace policy. Breaches were found in 49 cases and appropriate actions were taken, including disciplinary actions that resulted in 10 people leaving BAT in 9 cases. In 73 cases, no evidence of wrongdoing was found, and the remaining cases were still under investigation at year-end.

In addition, we received a report in 2021, investigated under our SoBC processes, concerning allegations of modern slavery and child labour identified by labour authorities on two farms in Brazil from which one of our third-party suppliers sources.

An investigation was carried out by Brazilian authorities and our supplier fully cooperated with that investigation. Our supplier agreed in a signed deed of undertaking to take steps to revise and reinforce their standards and procedures for the prevention of human rights breaches, including retraining field staff and contracted farmers. We also conducted our own investigation to examine the supplier's human rights procedures and supporting processes, and we found no evidence of non-compliance with BAT standards.

 Find details of our SoBC training and compliance procedures and all reports of alleged SoBC breaches in **Business Ethics** on page 85.

SPOTLIGHT

Responsible mineral sourcing

Our electronics supply chain for our New Category business can have many layers of suppliers between the raw materials and the final product. This complexity can increase risks for both the security of supply and human rights. So we are focused on mapping our supply chain and building relationships with critical lower-tier suppliers.

We are also working with our suppliers to identify the origin of 'conflict minerals' in our New Category products, aligned to the OECD's internationally recognised guidelines for responsible mineral supply chains. We report on our findings annually in our Conflict Minerals Report.

 Find out more in our **Conflict Minerals Report**.



Delivering a Positive Social Impact

Continued



Health and safety

Our ongoing ambitions

ZERO

accidents Group-wide

100%

of farmers and workers with sufficient personal protective equipment (PPE) for agrochemical use

Find our full set of social targets, goals and metrics on pages 113-115.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Farmer livelihoods, see page 58

Human rights, see page 63

People and culture, see page 74

Why health and safety matters

Providing safe working conditions and continuing to strive for zero accidents across the Group enables our people to thrive and supports their wellbeing, while enhancing our reputation as an employer of choice.

Safety risks vary across our business operations. For example, for our Trade Marketing & Distribution (TM&D) teams, the highest risks relate to road traffic accidents or attacks and assaults from armed robberies where our goods have a high street value.

In our tobacco leaf supply chain*, farmers and workers are at risk of pesticide poisoning from handling agrochemicals, and green tobacco sickness (GTS) from handling wet green tobacco leaves during harvesting.

Policies and accountability

Our Health and Safety Policy is adopted by all Group companies globally and outlines our commitment to apply the best international standards of health and safety best practices relating to our employees and non-Group company personnel on company premises.

For our suppliers, our Supplier Code of Conduct (the Code) defines the minimum standards we expect, including specific health and safety criteria.

In addition, our operational standard for PPE in tobacco farming applies to all 75,000+ farmers contracted by BAT leaf operations. It requires all farmers and their workers to have access to PPE for agrochemical use and harvesting.

Also, training and monitoring must be carried out for all farms on PPE, agrochemical use and GTS. We ask our third-party leaf suppliers to implement similar standards within their own practices and operations.

The Board reviews performance against our health and safety targets and key performance indicators twice a year, and the Corporate Audit Committee three times a year. In addition, our Board reviews our tobacco supply chain strategy regularly.

Find details about oversight of ESG and our Group policies and standards on pages 99-103.

* Leaf Supply Chain refers to the supply chain for the leaf sourced for our traditional and THP products and it excludes the liquid nicotine supply chain.



Delivering a Positive Social Impact Continued

Protecting Health and Safety across our Business Operations

We have a well-established approach to protecting the health and safety of our employees and contractors across the Group. As a global business, operating in diverse markets including some of the world's most volatile regions, this can be challenging.

We track health and safety performance across all our sites. A dedicated team analyses the information to identify trends or high-risks areas that require coordinated cross-functional action.

Our comprehensive approach is based on risk management from which we develop tailored initiatives for specific priorities and high-risk areas. For example, in manufacturing, our accident prevention programme focuses on preventing injuries when using equipment or machinery. This has resulted in a steady reduction in accidents in our operations.

For Trade, Marketing and Distribution (TM&D), where there are high risks of road traffic accidents or attacks and assaults, we have comprehensive driver safety and security programmes. We also have telematic systems in all our vehicles to monitor driving behaviour and identify areas for improvements.

In locations that are high-risk for attacks and assaults, we constantly assess threats to ensure appropriate protocols are in place to keep our people safe. This can include placing limits on loads carried to reduce value, strategic route planning to avoid predictability, and providing security escorts.

Vehicle-related accidents and attacks and assaults have continued to decline over recent years – with a 6% reduction in 2021, compared to 2020.

Overall, total accidents across the Group reduced by 19% – from 155 accidents in 2020, down to 126 in 2021. 79% of our sites also achieved zero accidents.

Sadly, however, there were three fatalities in 2021: an employee in Brazil and a contractor in Mexico were both victims of armed attacks, and a contractor in Bangladesh died in a vehicle-related accident.

In addition, four members of the public lost their lives in road traffic accidents involving BAT vehicles in Bangladesh, Honduras, Poland and Zambia. Our drivers were found not to be at fault in three cases, while an employee in Zambia was charged with dangerous driving and is facing disciplinary action.

We deeply regret this loss of life and the suffering it has caused to family, friends and colleagues. For every serious incident or fatality that occurs, we work with the relevant authorities on their investigations.

To prevent similar incidents from happening again, we conduct rigorous internal investigations to determine the cause, identify lessons and develop an action plan. Our Board reviews details and investigation outcomes for all serious incidents, and also receives updates on action plan implementation.

Protecting occupational health and wellbeing

We aim to be among the leaders in occupational health management.

We focus on identifying hazards, assessing risks to people's health at work and introducing appropriate controls and support.

We also have programmes around the world that protect and promote health and wellbeing for employees, their families and local communities. These include:

- Medical services, health screening, vaccinations and insurance;
- Mental health support and counselling services;
- Healthy lifestyle and fitness schemes;
- Family-friendly initiatives, such as flexible working and help with childcare; and
- Where relevant, targeted programmes to address significant endemic diseases, such as HIV and malaria.

Throughout the COVID-19 pandemic, our digital transformation enabled us to swiftly shift to remote home working where needed. In many parts of the world, including our global headquarters in the UK, we now have a hybrid working model.

We have implemented 'COVID-19-secure' workplace measures for employees who have returned to their workplace. These include regular cleaning and sanitising, temperature checkpoints and access to COVID-19 testing.

In addition, we are providing our employees with regular communications regarding vaccination programmes and how to access them. And, in 27 countries, we are providing direct vaccine support, such as with vaccines available on-site or free transportation for employees to vaccination centres.

Protecting the communities where we operate is important to us too. We have harnessed our strengths in science, engineering and logistics to support national responses to COVID-19. This includes utilising our labs for COVID-19 testing, and distributing thousands of items of PPE to local communities.

SPOTLIGHT

Supporting healthy minds and positive wellbeing

In 2021, we marked World Mental Health Day with a series of global events to support employees' mental wellbeing. The theme – Mental Health in an Unequal World – highlighted that access to mental health services remains unequal.

At BAT, we offer extensive wellbeing support to our employees, including counselling services and dedicated 'healthy minds champions' in many of our markets. We also offer a range of easily accessible information, tools, training and support services. This includes regular webinars on a range of topics, such as mindfulness, stress management and tips to improve sleep.

For example, in our East and Southern Africa area, a talk was given by a highly respected psychologist to discuss the importance of mental wellbeing. In our North Asia area an interactive webinar was held with a non-profit organisation offering support and counselling services, focused on 'breaking the silence' on mental health. In the US, the Reynolds American Employee Resource Group hosted an event focused on managing emotional health.

During the COVID-19 pandemic, this support has played an even more important role in keeping our people connected and supporting one another.

Delivering a Positive Social Impact Continued

Protecting health and safety in our tobacco supply chain

The main health and safety risks in tobacco growing relate to exposure to pesticides and green tobacco sickness (GTS), which can be contracted by handling wet green tobacco leaves during harvesting. These risks can be minimised through the proper use of PPE.

Our operational standard for PPE in tobacco farming details our mandatory requirements for the 100% provision of PPE for contracted farmers and their workers. The standard also includes technical specifications for the types of PPE appropriate for agrochemical use and harvesting, and for different climates and conditions.

Our Extension Services monitor our contracted farms for compliance to our standards and our third-party suppliers are responsible for monitoring the farmers they buy tobacco from. In 2021, 100% of our contracted farmers and those supplying our strategic third-party suppliers were reported to have sufficient PPE for agrochemical use and 99.6% for harvesting.


Our leaf operations and strategic third-party suppliers provide regular training and guidance in how to use, clean and care for PPE. The training also covers comprehensive health and safety best practice and preventative measures against GTS, and this is supported by ongoing farmer communications.

In addition, training is provided on the correct and safe use, storage and disposal of agrochemicals to protect the environment and farmers' health.

It was reported that there were 342,047 people engaged at the health and safety training in 2021.

In response to the COVID crisis, we have distributed thousands of items of PPE, sanitation kits, food and other essential items to our contracted farmers and their communities.

We've also leveraged our existing farmer communication channels, including mobile apps, web portals, local media spots, videos and fact sheets, to rapidly deploy essential COVID-19 information, often to remote rural communities. And COVID-19 secure measures have been implemented, as appropriate, at leaf buying stations, including temperature checks and mask wearing.

 Find details of how we support our contracted farmers in Farmer Livelihoods on pages 58-62.

2021 Performance Highlights*

Find our full set of social targets, goals and metrics on pages 113-115

19%
reduction in total accidents vs 2020

0.20
Lost Workday Case Incident Rate (LWCIR) vs 0.22 in 2020

95
lost time incidents vs 114 in 2020

79%
of our sites achieved zero accidents in 2021

* Excludes tobacco supply chain.

SPOTLIGHT

Cutting-edge research in vaccine development and beyond

In January 2022, BAT launched a new biotech company, KBio Holdings Limited (KBio) to accelerate the research, development and production of novel treatments for rare and infectious diseases. KBio will leverage the existing and extensive plant-based technology capabilities of BAT and Kentucky BioProcessing Inc. (KBP), the existing BAT-owned US plant biologics organisation.

KBio will explore new opportunities to develop its plant-based production system, which has the potential to offer greater speed, scale-up opportunity and thermostability.

The new company will focus on delivering new treatments by realising and expanding the potential of both its plant-based technology platform, as well as its existing clinical and pre-clinical vaccines and antibody pipeline. To-date, the technology has demonstrated its ability to produce novel antibody and vaccine candidates with high purity at a fraction of the time and cost of current technologies.

In addition, during 2021 work continued on the development of our candidate COVID-19 vaccine in the US, following the approval by the US Food and Drug Administration (FDA) of an initial New Drug Application. This study has now been fully recruited and remains ongoing.



Delivering a Positive Social Impact

Continued



People and Culture

Our 2025 goals

45%

Increase the proportion of women in management roles to 45%

40%

Increase the proportion of women on senior leadership teams to 40%

Find our full set of social targets, goals and metrics on pages 113-115.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Human rights, see page 63

Health and safety, see page 71

Business ethics, see page 83

Why our People and Culture Matter

As we continue to transform our business to develop new technologies and product categories, we need the best talent. This includes bringing different perspectives to innovation and problem-solving.

By investing in talent, strengthening our culture and values, and maintaining a fulfilling, rewarding and responsible work environment, we can stand out in an increasingly competitive international employment market. By doing so, we can also develop the next generation of diverse leaders.

Policies and Accountability

Our Standards of Business Conduct (SoBC) include our Respect in the Workplace Policy. This outlines our commitments to equality, diversity, preventing bullying and harassment, and safeguarding employee wellbeing. In 2021, a detailed review of our SoBC resulted in bringing in new, strengthened provisions relating to anti-discrimination, fair wages and benefits and maximum working hours. The revised SoBC was approved by the Board in 2021 and takes effect from January 2022.

Our Employment Principles include our commitments to reasonable working hours, a family-friendly work environment, employee wellbeing, talent, performance and equal opportunities, and fair, clear and competitive remuneration and benefits.

Our Board is responsible for assessing and monitoring our culture and its alignment with Group purpose, values and strategy. This includes an annual Group culture dashboard review, an annual workforce-engagement review, and regular reviews of the Group's approach to talent and diversity.

Our diversity and inclusion (D&I) governance structure ensures clear accountability for our business leaders and leadership teams for achieving our 2025 ambitions. This includes a D&I dashboard and regular reviews by our Management Board to ensure close monitoring of progress and plans. Diversity also remains fully embedded in our talent-review processes and meetings across all levels of the Group.

Find details about oversight of ESG and our Group policies and standards on pages 99-103.



Delivering a Positive Social Impact

Continued

Our Talent Strategy

Attracting, developing and retaining a talented workforce are key drivers in BAT's transformation journey to build A Better Tomorrow™.

Our ethos guides our culture and behaviours across the Group and plays a key role in delivering our purpose. Developed with significant input from our employees, it ensures an organisation that is future fit for sustainable growth. The five key principles – bold, fast, empowered, diverse and responsible – underpin how we deliver on both our purpose and our strategy.

Investing in talent

Our transformation is driven by our talent. We are investing heavily in new talent and future capabilities, using an increasingly data-led and digitally-enabled approach.

In 2021, we launched our new Employer Brand – 'Be the change' – reflecting our corporate purpose and ethos. 'Be the change' is brought to life through our Management Board Unplugged podcast series, our global Battle of Minds intern competition, and our social media channels. It also is central to our revamped careers website – careers.bat.com.

The site leverages the latest technologies to personalise a candidate's experience, with round-the-clock support in 14 languages. This drives engagement and applications from early career to cross-industry experienced hires. In 2021, 44% of our external management recruits brought new capabilities into the organisation to accelerate our business transformation.

Our commitment to fairness and inclusivity is embedded throughout our recruitment process, helping to ensure equal access to opportunities at BAT. We use specialist technology to assist with gender-neutral language in our job adverts and to support detection and removal of potential bias ahead of posting jobs.

Candidates are then screened using independently audited, ethically-trained AI technology to further increase accessibility, such as for neuro-diverse people. Interviews are conducted according to clear guidelines for fairness and inclusivity, such as ensuring gender diverse interviewing panels. Once appointed, successful candidates undergo robust pre-employment checks, such as age verification and right-to-work, to mitigate the risks of child or forced labour.

Learning and development

Delivering world-class learning and development opportunities for our employees has always been an integral part of our culture.

Our unwavering commitment and investment into the development of leadership and functional 'must win' capabilities has resulted in an average of 17.9 training hours delivered per full-time equivalent (FTE) of our management population, with an average of £311 invested per FTE, for all employees in 2021. This included 239 training programmes all delivered virtually across our leadership, functional and digital portfolios.

All functional 'must win' capabilities have foundational learning programmes in place, creating a level playing field of knowledge and skills – with 31% of programmes developing advanced level capabilities.

For example, by 2021 our flagship Marketing in the Digital Era programme had trained 2,762 marketing managers, which is 85% of our marketing management population, in digital marketing. In addition, over 6,600 employees attended our core leadership programmes in 2021, including four international cohorts of our Women in Leadership programme and two cohorts of our Global Graduate Academy.

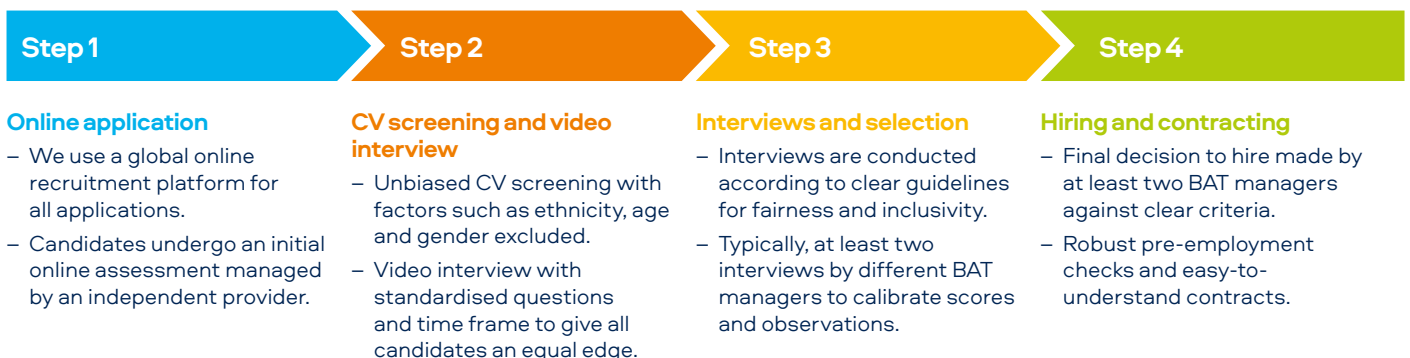
The Global Graduate Academy provides intensive two-week training as part of our one-year Global Graduate programme. The programme focuses on developing the next generation of diverse leaders and accelerating the development of their commercial leadership skills. It offers graduates a full-time role from day one and gives them access to career and development advice from senior leaders and Management Board members.

To extend learning reach, while ensuring quality of all our programmes, we have shifted all our programmes to 100% virtual. This has been a game-changer, making it more accessible for more people across the Group. Our digital learning platform, The GRID, is the gateway to our learning portfolio – accessible to 100% of our management population, providing digital learning anytime, anywhere.

In addition, circa 13,000 managers have completed our leadership potential assessment – Leadermeter – which enables early identification of talent for accelerated development.

Our inclusive recruitment process

Right from the beginning of an employee's journey with BAT, our commitment to fairness and inclusivity is embedded throughout the recruitment process, helping to ensure equal access to opportunities at BAT.



Delivering a Positive Social Impact Continued

Diversity and Inclusion

As we transform our business, we need to challenge the status quo and drive innovation. Our diversity and inclusion (D&I) strategy is well-established across the Group. It focuses on ensuring our employees can flourish regardless of their gender, ethnicity, culture or other differences. In 2020, we set bold ambitions for 2025 to accelerate the pace of progress.

We have implemented a range of initiatives under our key strategic pillars to drive ownership and accountability, build diverse talent pipelines and create enablers – all underpinned by an inclusive culture.

We require all recruitment agencies we work with to provide gender-balanced longlists of candidates. In the UK, we partner with firms accredited under the UK Government’s Enhanced Code of Conduct for Executive Search Firms. This acknowledges firms with a strong track record in, and promotion of, gender diversity in the FTSE. Details of our efforts to accelerate gender diversity can be found in the *Spotlight* on the following page.

As well as striving for gender balance, our D&I strategy focuses on diversity of nationalities and ethnicities. We are signatories to the UK Race at Work Charter for supporting racial equality in the workplace. Our target is for at least a 50% spread of distinct nationalities in all our regional and functional leadership teams. We have 141 different nationalities, from a wide range of ethnic backgrounds, in management roles across the Group.

Our Parents@BAT programme also continues to provide a range of benefits to support new parents.

This offers minimum requirements for fully paid leave for new mothers and adoptive parents, and a return-to-work guarantee, exceeding legal requirements in many countries. It also includes flexible working opportunities and an online advice service offering coaching support for all parents whenever they need it. In 2021, the return rate from parental leave was 95% for women and 99% for men.

Inclusive culture

We work to continually raise awareness of diversity through campaigns and events. For example, each year we celebrate National Inclusion Week, Pride month, International Women’s Day and International Day for Women and Girls in Science.

Our ‘Strength from Diversity’ training workshops help our management-level employees understand unconscious, conscious and organisational bias. In 2021, we relaunched this training as ‘Mastering Inclusion’ and opened it up to all our non-management employees too. It is compulsory for all new hires and new managers and, so far, more than 8,300 employees have completed the training.

We also launched a new D&I toolkit for all our managers in 2021, as well as LGBT+ and Race and Ethnicity Allyship Guides. The guides provide practical information to help debunk myths and misconceptions, understand unconscious bias, micro-aggressions and micro-inequalities, and provide tips on how to proactively create an inclusive environment and support LGBT+, racial and ethnic diversity.

In addition, we are certified as a level 1 Disability Confident Committed employer under the UK government’s accreditation scheme.



Diversity Leader

BAT was been ranked in the top 10% of companies in the 2021 Financial Times ranking for achieving a diverse and inclusive workforce.



Global Equality Standard

In 2021, we became the first in our industry to achieve accreditation with the Global Equality Standard and UK National Equality Standard.



Global Top Employer

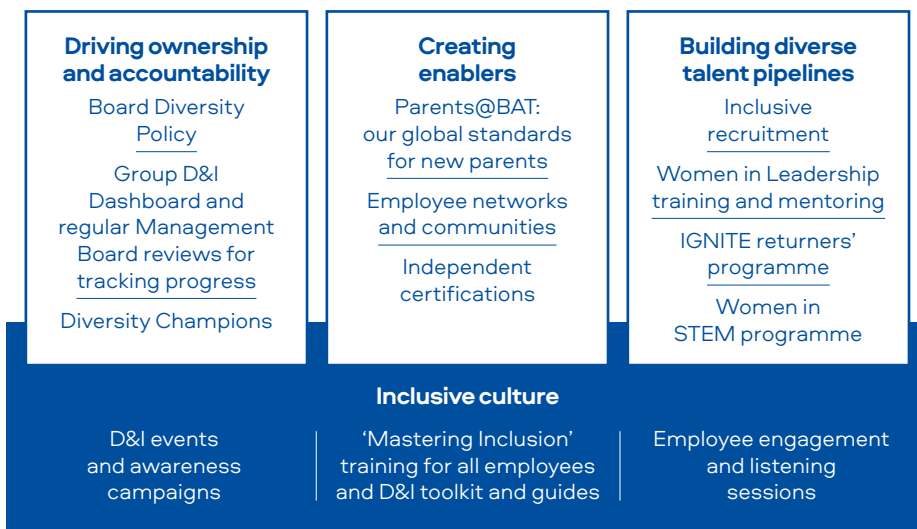
BAT has been accredited as a Global Top Employer for the last four consecutive years.



Disability Confident Committed

We are certified as a level 1 Disability Confident Committed employer, demonstrating our commitment to providing equal opportunities for disabled employees.

D&I Strategy Overview



Delivering a Positive Social Impact Continued



SPOTLIGHT

Accelerating gender diversity

We are committed to increasing the proportion of women in senior leadership teams to 40% and in management roles to 45% by 2025.

In 2021, 47% of our external management-level recruits were women. Women also comprised 51% of our new graduate intake in 2021.

“I’m really passionate about my work at BAT because I’m doing what I love — research. I get the chance to work with different project teams and different groups. And this diversity of people, of different backgrounds, ages, nationalities and cultures has been really important and rewarding in my professional and personal life.”

Dr Isabel Pinto
Analytical Scientist,
BAT R&D centre in the UK

The positive impact of our strategy can also be seen in markets where cultural, religious or other factors can make D&I more challenging and complex. For example, in Saudi Arabia, we have taken bold steps to create a gender balanced organisation with 75% of new management hires being women, we also appointed the first female General Manager in our South Korean business, as well as several appointments of local female talent in Sub-Saharan Africa leadership positions.

Following a successful pilot in the UK in 2020, we launched our IGNITE returners programme in eight more countries in 2021. IGNITE focuses on supporting experienced professionals returning to the workplace after a career break. It includes flexible working, training and coaching for returners, and training for line managers on how to best support them.

Since 2019, our Women in STEM (science, technology, engineering and maths) initiative has focused on attracting, developing and retaining more women in our R&D, Operations and Digital Business Solutions (DBS) functions. In the UK, we are members of the multi-stakeholder group WISE and official signatories of its 10-step framework. This provides evidence-based action, knowledge and tools for achieving gender balance in the STEM workforce, against which we achieved a top percentile ranking in 2021.

We have supported the development of over 700 female employees through our Women in Leadership training.

In 2021, we expanded the programme to include women in junior management roles too.

In addition, we provide a range of mentoring, coaching and sponsorship programmes to support women’s development. This includes cross-company mentoring through the Mission Gender Equity mentoring programme provided by the Moving Ahead organisation in the UK. We also have reverse mentoring schemes in our DBS function and key markets, where junior managers bring fresh perspectives by mentoring senior leaders.

Providing women and diverse groups with an opportunity to connect, engage and share experiences is also an important enabler for inclusivity. We have employee networks across all levels of the Group, including women’s networks across all our regions with over 1,000 members globally, and our newly established menopause network.

Our women’s development, training and mentoring programmes have helped lead to a higher number of promotions among female employees for the last three years. In 2021, 18% of our management-level female employees were promoted, compared to 14% of male management-level employees.

Delivering a Positive Social Impact Continued

Workforce Engagement

Ensuring we have open engagement, where we can listen and learn from our employees, is crucial to an inclusive culture. We have a range of engagement channels covering our global workforce, including:

- Market and site visits by our Directors and Management Board members to meet local employees;
- Town halls and listening sessions;
- Meetings with works councils, trade unions and the European Employee Council;
- Our annual global leaders meeting with the top 120 senior leaders across the Group;
- Global, functional and regional webcasts;
- Webcasts and podcasts with the Chief Executive and Management Board members;
- Global, independently-managed and multilingual Speak Up channels; and
- Our global ‘Your Voice’ employee survey every two years, most recently in 2021.

Our Workforce Voice in the Boardroom programme focuses on ensuring the Board understands the views of our workforce, and reviews details of the key themes identified and how we have responded.

Feedback from the Board, with associated action planning, is cascaded back across our workforce and the Board is kept updated on progress against identified actions during the year.

In 2021, workforce engagement remained a top priority, particularly with COVID-19 continuing to affect our ways of working. As such, the majority of workforce engagement forums in 2021 were primarily conducted through virtual formats, leveraging the success of the Group’s digital transformation.

The overarching themes identified related to transformation, innovation and staying connected (particularly in the context of the COVID-19 pandemic). We responded with a range of initiatives to address this feedback. This has included providing enhanced communications and engagement activities to increase our connectivity and provide greater visibility of the Group’s work around transformation and innovation.

For example, we held a virtual TIME (Technology Inspiring a Modern Enterprise) summit in 2021, focused on demonstrating how our digital transformation can empower our people. Broadcast live to our employees, the four-day summit saw speakers from the business and tech world join senior leaders from BAT to discuss how automation is changing our lives.

Your Voice

In 2021, we also undertook our biennial ‘Your Voice’ global employee opinion survey. The results serve as the basis for further shaping the priorities of the organisation.

We were pleased to surpass our 2019 response rate with 93% of all employees globally choosing to respond – 7% higher than our global FMCG comparator group.

Our results outperform our FMCG comparator group in most categories with strong results in diversity and inclusion, people management, corporate responsibility and empowerment, as well as for the Employee Engagement Index and High Performance Index. These reflect a connected, committed, energised and high performing organisation.

SPOTLIGHT

Championing LGBT+ equality

We are recognised as one of the Best Places to Work for LGBT Equality in the US and Mexico by the Human Rights Campaign Foundation. This is based on a 100% score in the Foundation’s 2021 Corporate Equality Index.

Our global B United network provides an informal forum for our LGBT+ employees to share experiences.

In 2021, we once again celebrated Pride month with a series of events, including illuminating our global headquarters in London with the colours of the LGBT+ rainbow.

We also held a virtual panel focused on mental health and the support available within BAT.

“It’s been a challenging year for everyone, in which our network has played an even more important role in supporting our members when they need it.”

Damian De Conno
President of B United,
BAT’s global LGBT+ network



Corporate Equality Index

In 2021, for the second consecutive year, our businesses in the US and Mexico scored 100% on the Human Rights Campaign Foundation’s 2021 Corporate Equality Index for LGBT+ workplace equality.

Delivering a Positive Social Impact Continued

Equal Pay for Equal Work

Our Standards of Business Conduct make clear our commitment to providing fair, clear and competitive wages and benefits for all employees. Our strategy is for reward levels to be competitive within the local area. We have transparent, clearly defined, pay scales for all roles across the Group. This ensures pay, bonuses and benefits are not influenced by factors such as gender or ethnicity.

We have been reporting data relating to UK gender pay gaps since 2017 in accordance with UK statutory requirements. In 2021, we extended the scope of our voluntary reporting to include, for the first time, gender pay gap data for an additional eight markets, representing approximately 40% of our global employees. We also published ethnicity pay gap data for UK employees.

In addition, we worked with a specialist consultancy in 2021 to conduct a Pay Equity Review on the data across the nine countries, including the UK.

The consolidated results show:

- Men and women are paid within 1% of one another for doing the same work or work of equal value; and
- All UK ethnic minorities combined earn £1.005 for every £1.000 earned by their UK white counterparts who are doing the same work or work of equal value.

This confirms that our efforts for providing fair compensation based on legitimate drivers of pay are working.

In early 2022, we gained independent accreditation from Fair Pay Workplace, a non-profit organisation. Certification demonstrates a further commitment to Pay Equity, moving from self-disclosure to demonstrable actions.

 Find details in our [2021 Diversity and Inclusion Report](#).

Responsible Restructuring

Where restructuring is necessary, we are committed to doing so in a responsible manner.

Responsible local approaches and procedures to address each instance include employee consultation periods, severance pay and any other measures that may be appropriate to the situation and location. Examples include outplacement support, career transition services, financial advice and training to help displaced employees to find alternative employment.

Overall, total voluntary turnover of management-grade employees in 2021 was 1,236, representing 8.6% of the total management population. The voluntary turnover rate for all employees in 2021 was 9.1%.

2021 Performance Highlights

Find our full set of social targets, goals and metrics on pages 113-115

39%
women in management roles

27%
women on senior leadership teams

79%
Engagement Index score in our Your Voice employee survey

32%
of our employees covered by an independent trade union or collective bargaining agreements. Of these, 46% related to working conditions

SPOTLIGHT

Battle of Minds

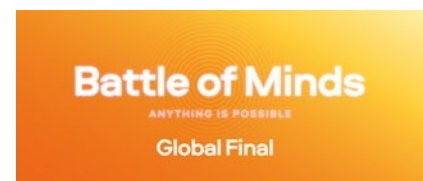
Battle of Minds is our global competition focused on finding the brightest early-career business minds around the globe – helping to develop the next generation of diverse leaders.

In 2021, the contest focused on ESG, with each team pitching to solve a challenge focused on culture, farming, waste or energy. The competition saw over 2,700 teams enter from 27 countries. The winners were Team Ijo, from Indonesia, who impressed the judges with their proposal to produce environmentally friendly, edible straws made of seaweed.

Team Egypt proposed creating a high-quality gelatine out of marine waste. Reducing energy poverty by generating an alternative, clean, energy source from plant photosynthesis was the proposal from Team Venezuela. Team Kenya's idea was to recycle cigarette butts to make planters for urban farming and manure for cultivation.

The winning team receives up to £50,000 investment from our corporate venture unit, Btomorrow Ventures, while the runners-up were awarded £25,000 each – helping each team work towards turning their idea into reality. All four teams also landed employment opportunities as Global Graduates or interns across the organisation.

The winning Team Ijo will also be considered for a place on our ESG accelerator programme (see page 11).



“ Battle of Minds is now a fixture in the BAT calendar and provides a wonderful platform for these early career talents to contribute to our A Better Tomorrow™ transformation journey. ”

Yulia Begemann, BAT's Group Head of Talent Acquisition

Delivering a Positive Social Impact

Continued



Tackling Illicit Trade in Tobacco Products

400bn

cigarettes estimated to be traded illegally every year

Stakeholder groups



Consumers



Society



Employees



Shareholders



Interrelated issues



Business ethics, see page 83



Tax transparency, see page 94

Why Tackling Illicit Trade Matters

Euromonitor International estimates that approximately 400 billion cigarettes per year are smuggled, manufactured illegally or counterfeited. Illicit trade also cheats governments out of around US\$40 billion each year in taxes.

Revenue accumulated from illicit trade in tobacco products is also being used to fund terrorism, human trafficking and other illegal activities. In addition, counterfeit cigarettes are not manufactured to stringent health and safety standards.

Policies and Accountability

The Anti-Illicit Trade (AIT) Policy in our Standards of Business Conduct (SoBC) sets out the controls all Group companies must put in place to prevent our products from being diverted into illicit trade channels. Our Supplier Code of Conduct defines the minimum standards expected of our suppliers, including for anti-illicit trade, and is incorporated into our contractual arrangements.

In addition, our Supply Chain Compliance Procedure provides guidance for complying with our AIT Policy. It sets out procedures for maintaining robust supply chain controls and taking appropriate action where there are risks that tobacco and/or products of BAT companies may be smuggled.

At every scheduled Board meeting, the Board reviews a report from our Legal and External Affairs Director, which includes updates on anti-illicit trade initiatives.



Find details about oversight of ESG and our Group policies and standards on pages 99-103.



Delivering a Positive Social Impact Continued

Our Anti-Illicit Trade Strategy

We fully support regulators, governments and international organisations in tackling illicit tobacco trade.

It is vitally important that governments establish workable tax regimes and economic policies that do not encourage illicit trade. Strong border controls and effective laws with appropriate enforcement also help to fight the black market.

Our approach to fighting the black market in tobacco includes:

- Effective internal governance and supply chain compliance;
- Gathering and analysing market information on the scope of illegal trade;
- Working with authorities to ensure that appropriate enforcement action is taken;
- Engaging with international bodies like the World Customs Organization to increase responsiveness on the issue;
- Informing regulators about the impacts of the illegal tobacco trade; and
- Raising awareness of the topic among our employees, business partners and the public.

Our work to tackle illicit trade

We engage with key external stakeholders across our industry and other sectors on a range of Anti-Illicit Trade priorities.

Our teams fully cooperate with enforcement agencies and local tax and customs authorities, where needed.

The AIT strategy is supported by our research activities, which aim to further understand the size and scope of the problem.

We also use security systems that work by tracing and authenticating our products, enhancing our supply chain controls by, for example, using digital coding technology.

We support law enforcement agencies in gathering information. Our expert team is able to forensically analyse seized products, determining counterfeits and identifying illicit machinery used in their production. This enables law enforcement agencies to take appropriate action, such as destroying the goods and production machinery.

We also work with governments and other organisations to make our combined efforts more effective. As part of our European Union Cooperation Agreement with the European Commission and its member states, we make contributions to the EU's efforts to fight the illicit tobacco trade.

In 2021, we continued to further strengthen our AIT approach, embedding our Supply Chain Compliance Procedure, which we updated in 2021. This includes a dedicated e-learning programme for relevant employees.



Robust Governance



We are committed to achieving our business objectives in an honest, transparent and accountable way, and sustaining a culture of integrity in everything we do.



Find details of how we identify our focus areas in **Materiality** on page 106.



Business Ethics

See page 83.

Our approach

Ethical values form the basis of our culture. Our *Delivery with Integrity* programme drives a consistent approach to managing key risks including bribery and corruption. We are clear to our people, partners and suppliers that our ethical standards must not be compromised.

Our goals and ambitions

Each year

- Strive for 100% adherence to our Standards of Business Conduct (SoBC).

Our 2021 highlights

- 100% of Group employees completed our SoBC training and compliance sign-off procedure;
- Conducted a detailed review of our SoBC and Supplier Code of Conduct to ensure they remain at the forefront of best practice; and
- Launched a new SoBC e-induction for 100% of new joiners in management roles.



Responsible Marketing

See page 86.

Our International Marketing Principles (IMP) govern our marketing across all product categories. They include strict requirements to be responsible, accurate and targeted at adult consumers only. Our IMP are applied even when they are stricter than local laws.

Each year

- Strive for 100% adherence to our International Marketing Principles (IMP); and
- 100% of our markets aligned with our Youth Access Prevention (YAP) Guidelines.

- 30 IMP breaches identified and resolved;
- All our markets achieved alignment with our global YAP Guidelines; and
- Launched new training to help drive IMP and YAP compliance across digital and social channels.



Regulation and Policy Engagement

See page 89.

We are committed to engaging with external stakeholders with transparency, openness and integrity. We support regulation based on robust evidence and thorough research, that respects legal rights and livelihoods and delivers on the intended policy aims, while recognising unintended consequences.

Each year

- Strive for 100% adherence to our SoBC Lobbying and Engagement and Political Contributions policies.

- Continued to engage transparently regarding key regulatory issues in the lead-up to the 9th Conference of Parties (COP9) of the World Health Organization's Framework Convention on Tobacco Control (FCTC) in 2021.

Other Focus Areas

Other key focus areas that we cover in this Report:



Board diversity, page 91



Executive remuneration, page 93



Tax transparency, page 94



Data privacy and cyber security, page 96

Robust Governance Continued



Business Ethics

Each year, we strive for

100%

adherence to our Standards of Business Conduct

Find our full set of governance targets, goals and metrics on page 116.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues



Human rights, page 63



People and culture, page 74



Regulation and policy engagement, page 89

Why Business Ethics Matter

Unethical behaviour, such as corruption, money laundering or tax evasion, can distort markets. Developing countries are especially vulnerable to its associated economic, social and political impacts.

In an organisation as diverse and multinational as BAT, it's essential that we work to a consistent set of rules and standards of behaviour across the Group. This is particularly relevant in complex and challenging times, such as political change and economic instability.

As we transform our business to build A Better Tomorrow™, it's important that everyone at BAT understands their role in maintaining a culture of integrity in everything we do.

Policies and Accountability

Our Standards of Business Conduct (SoBC) express the high standards we are committed to upholding, covering areas such as Speak Up, anti-bribery and anti-corruption (ABAC), political contributions, anti-money laundering and tax evasion.

The SoBC is complemented by our Supplier Code of Conduct, which outlines the minimum standards expected of our suppliers. It includes provisions relating to ABAC, sanctions, tax evasion and illicit trade.

We conduct a detailed review of our SoBC and Supplier Code of Conduct every two years to ensure they remain at the forefront of best practice. The most recent review took place in 2021. It included independent benchmarking against peer companies, external legal reviews in the UK and US, and drew on extensive insights from investor ratings and indices.

The updated versions were approved by our Board in 2021, with the revised versions taking effect from January 2022. This was supported by a global roll-out to all Group companies and employees.

SoBC compliance is monitored throughout the year by our Regional Audit and CSR Committees and quarterly by the Audit Committee. Our business entities complete an annual assessment of audit controls to assess and confirm they have complied with SoBC controls and compliance procedures.

Find details of ESG oversight and our policies on pages 99-103.



Robust Governance

Continued

Delivery with Integrity

Established in 2017, our *Delivery with Integrity* global compliance programme promotes an ethical culture and communicates expected behaviours as set out in our Standards of Business Conduct (SoBC).

For example, our SoBC app helps to increase accessibility by providing easy access to policies, procedures and guidance, and our global ‘Speak Up’ channels in 14 languages. From 2022, the app also incorporates our Supplier Code of Conduct in 15 languages. To date, the app has been downloaded 27,500 times.

Over the past five years, we have strengthened our procedures and guidelines across areas including bribery and corruption, money laundering, tax evasion, competition law, sanctions and data privacy.

Our focus is now on automation and data analytics to identify and mitigate such risks as they arise, improving the lifecycle risk management of the third parties BAT engages with. This includes the new Third-Party Anti-Financial Crime Procedure, a strengthened Sanctions Compliance Procedure and the use of newly developed systems to conduct risk assessments. In addition, our Mergers and Acquisitions (M&A) Transactions Compliance Procedure defines due diligence requirements for corporate M&A transactions (including joint-ventures, acquisitions and disposals).

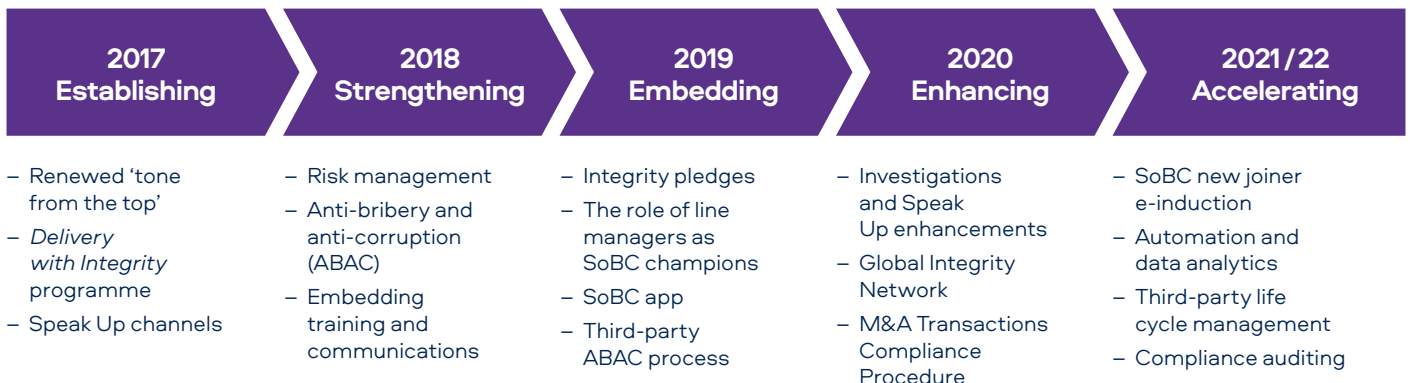
Speak-Listen-Act

Our SoBC and Supplier Code of Conduct make it clear that our employees, partners and suppliers should speak up if they have a concern about actual or suspected wrongdoing. We will always listen to these concerns. We do not tolerate victimisation or reprisals of any kind against anyone raising a concern – such conduct is itself a breach of the SoBC.

People can speak up in various ways, including talking directly to a Group designated officer, Human Resources, Legal or their line manager. We have externally-managed global Speak Up channels available 24 hours a day online, by text or telephone. The channels can be used anonymously and are available in 15 languages.

We have worked hard to ensure Speak Up is seen as a trusted channel by our people. We do this through our ongoing training and communications throughout the year, including our Speak-Listen-Act campaign. Find out more in the *Spotlight* on the next page.

Evolution of our Delivery with Integrity programme



Robust Governance Continued

Compliance with our Standards

Not all contacts made via our SoBC Portal involve alleged SoBC breaches. Some relate to questions regarding the SoBC or other matters.


In 2021, 304 of all the 581 SoBC contacts were assessed as alleged SoBC breaches and reported to the Audit Committee. In almost 50% of these alleged breaches, the person raising the case chose to remain anonymous.

Our SoBC Assurance Procedure defines how all reports of alleged SoBC breaches should be investigated and remediated fairly and objectively. Our Business Integrity Panel promotes a consistent approach to investigation and remediation of all alleged breaches of the SoBC.

For the detailed investigations conducted into all of the reported cases in 2021:

- No wrongdoing was found in 154 cases (2020: 158);
- The investigation continued at year-end for 51 cases (2020: 47); and
- 99 cases were established as breaches and appropriate action taken (2020: 116).

We take strong action for all cases established as breaches, which will vary from case to case depending on the circumstances. In 2021, the established SoBC breaches resulted in 46 people leaving BAT and 72 written warnings. In addition, where any weakness in internal controls is identified, appropriate measures are taken to strengthen them.

 Find further details of SoBC cases relating to Workplace and Human Rights on page 70.

Breakdown of reports of alleged SoBC breaches in 2021



Policy area	% breakdown
Workplace and Human Rights	46%*
Corporate Assets and Financial Integrity	20%*
Personal and Business Integrity	20%*
National and International Trade	5%*
Other Topics relating to a Specific SoBC Policy	9%*
Lobbying and Public Contributions	0%*

* Figure assured by KPMG.

 Find our full set of governance targets, goals and metrics on page 116.



SPOTLIGHT

Sustaining our culture of integrity

At BAT, SoBC training and communications aren't just a one-off exercise – we continually work to sustain our culture of integrity in everything we do.

In 2021, we launched our SoBC e-induction training and automated conflicts of interest disclosure requirement for all new joiners in management roles.

We start each year with our global integrity week. In 2021, this focused on the role of line managers as SoBC role models, as well as our 'Speak-Listen-Act' campaign. We also launched new training on areas such as sanctions and competing fairly and ethically.

Our global 24-hour 'integrity pledge' event then provided an opportunity for employees to reaffirm their commitment. In 2021, more than 1,143 employees posted personal pledges via our SoBC app and digital channels.

We end the year with our global SoBC compliance sign-off and training campaign. Employees undergo training and assessment, reaffirm their commitment to the SoBC and declare new or update existing personal conflicts of interest.

In 2021, this was completed by 100% of our employees, with over 24,000 doing this through our online SoBC portal. Remaining Group employees were given various options to complete the process, including via our SoBC app.

Robust Governance

Continued



Responsible Marketing

Each year, we strive for

100%

adherence to our International Marketing Principles

100%

adherence to our Youth Access Prevention Guidelines

Find our full set of governance targets, goals and metrics on page 116.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Harm reduction, page 28

Business ethics, page 83

Regulation and policy engagement, page 89

Why Responsible Marketing Matters

Tobacco and nicotine products should be marketed responsibly to adult-only consumers and not designed to appeal to youth. All companies selling these products should have consistent marketing principles and youth access prevention activities, as we do at BAT.

Through a globally responsible approach to marketing, we help raise standards and prevent underage access, while growing our market share and encouraging adult consumers to choose our products over those of our competitors.

Policies and Accountability

Our International Marketing Principles (IMP) govern our approach to marketing for all our products. They include five key principles for our marketing:

- Responsible;
- Accurate and not misleading;
- Targeted at adult-only consumers;
- Transparent; and
- Compliant with all applicable laws.

Our IMP are applied consistently, even when they are stricter than applicable local laws. Our Supplier Code of Conduct also includes a requirement for our suppliers, agents and third parties to comply with the IMP.

Our markets are also expected to adhere to our global Youth Access Prevention (YAP) Guidelines. These apply to all markets where our products are sold, including where they are distributed through third parties.

Unless there are legal restrictions in place, our YAP Guidelines include mandatory requirements to:

- Work directly with retailers to uphold minimum-age laws and our own internal standards;
- Support distributors in providing training and point-of-sale materials for use by retailers; and
- Engage with governments in markets where there is no minimum-age law of 18 to see one introduced.

IMP and YAP compliance is monitored by our Regional Audit and CSR Committees and by the Audit Committee annually.

Find details about ESG oversight and our policies on pages 99-103.



Robust Governance Continued

A Well-Established Approach

Our International Marketing Principles (IMP) were first introduced in 2001 and have been regularly updated to reflect developments in marketing, our product portfolio, technology, changing regulations and stakeholder expectations. The result is that responsible marketing is embedded in our culture and the way we operate.

Our current IMP came into effect in January 2020 and covers all aspects of marketing – from print and billboards to electronic and social media.

All marketing materials are subject to review by our Legal and External Affairs function. We have detailed compliance procedures, guidance and toolkits to help our IMP to be applied consistently and effectively.

Responsible Marketing in a Digital Age

Our new e-commerce and social media channels play an important role in accelerating our transformation, driving growth in New Categories, building strong brands of the future and digitising our business.

We continue to provide our people and partners with the right tools and capabilities to ensure compliance with our IMP and Youth Access Prevention (YAP) Guidelines.

Our digital marketing toolkit includes in-depth guidance on topics including content standards, social media and search engines.

In 2021, we introduced additional toolkits and guidance, such as applying our YAP Guidelines and age verification standards on our own and third-party e-commerce sites.

Additionally, our digital marketing hub continues to provide guidance on how to achieve long-term consumer satisfaction and product awareness in a responsible way.

We never use open social media to promote our cigarette brands. However, where legally allowed, we use social media to communicate information about our New Category products. This is important in supporting adult smokers who are looking for reduced-risk*† alternatives to cigarettes.

Where we use social media partnerships to promote New Category products, we select third-party partners who have at least an 85% adult following. When conducting social listening, we only use platforms where the vast majority of users are adult. And, through the use of language-analysis algorithms, we are rapidly enhancing our ability to identify and exclude posts made by anyone underage, whatever the platform.

In 2021, we established our new Digital Confidence Unit. This is a centralised social audit and reputation management team covering all brand-related digital communications and marketing across the Group. Utilising cutting-edge technology, the unit conducts 24/7 monitoring of:

- All BAT digital channels globally for compliance with our IMP and YAP Guidelines;
- Social media channels for user-generated content, such as social media users tagging our products and brands; and
- Brand reputation monitoring of any news and digital content related to our brands and products.

This approach enables any potentially non-compliant content to be identified and flagged in real-time, enabling swift remediation.

iCommit

In 2021, we launched a new training programme, iCommit, covering measures for ensuring IMP and YAP compliance across our digital channels.

The training includes a mix of theory and practical training. A detailed ‘expert’ module is mandatory for all our marketing, commercial and marketing legal teams. And our senior leaders for each of our business units worldwide are required to complete the leadership module and confirm compliance for their area. All other employees (except for those who work in factories) are required to undergo the basic induction module.

The iCommit training was rolled-out in November 2021, accompanied by a global communications campaign across our internal channels, including videos, articles, and webcasts.

By end 2021, the Expert training had been completed by 100%** of our marketing and marketing legal teams and 100%** of our senior leaders in marketing and marketing legal within our Global, Regional, DRBU and end market head offices. We are aiming for the basic induction module to be completed by all*** other employees by the end of the first quarter 2022.


SPOTLIGHT

Use of flavours in New Category products

There is growing concern regarding youth access to New Category products – particularly vapour products and whether some e-liquid flavours resemble ‘kid-friendly’ products.

These concerns clearly demonstrate the importance of having, and enforcing, robust and effective regulations that ensure high product standards and prevent access and appeal to youth.

Our strict standards and compliance procedures cover the use of flavours and descriptors for our New Category products. This is based on the core principles that our flavour names will be accurate, responsible and not misleading. We are also clear that we will not use flavour names which may appeal to youth, or be associated with, youth culture.

 Find details of the high standards, based on world-class science, that we apply to our New Category products on pages 30-37.

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

† Our products as sold in the U.S., including Vuse, Velo, Grizzly, Kodiak and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

** excluding Reynolds American.

*** excluding factory employees.

Robust Governance Continued

Driving Compliance

In 2021, 30* IMP breaches were identified through a combination of BAT’s internal audit processes and self-reporting by our markets. This compares with 10** breaches reported in 2020.

This increase is largely driven by the rapid shift to digital marketing and by BAT’s increasingly stringent approach to monitoring and training in this important area.

Most of the breaches related to age-verification and health warnings on our online platforms, as well as some issues with respect to documentation and approvals for marketing materials.

Prompt action was taken to address these breaches, and we continue to work towards our aim of achieving 100% adherence to our IMPs.

Our commitment is demonstrated by:

- Formation of our new Digital Confidence Unit to conduct 24/7 monitoring, as described on page 87;
- An extensive refresh of our Youth Access Prevention (YAP) Guidelines to explicitly cover online and social media;
- Our new iCommit training (see page 87) and communications campaign for all BAT marketing staff, third party suppliers and distributors globally; and
- Third-party websites required to implement age verification mechanisms.

Our markets are also expected to adhere to the requirements of our global Youth Access Prevention (YAP) Guidelines (as described on page 86). This includes working directly with retailers to uphold the minimum-age laws, such as through training and engagement, as well as providing point-of-sale materials with YAP messaging to display in stores.

In the US, for example, Reynolds American is a founding member of ‘We Card’, which provides retailer education for age-restricted products. It also funds projects including ‘Right Decisions Right Now: Be Tobacco Free’, an evidence-based youth tobacco prevention programme.

 Find our full set of governance targets, goals and metrics on page 116.

SPOTLIGHT

Preventing youth access in West and Central Africa

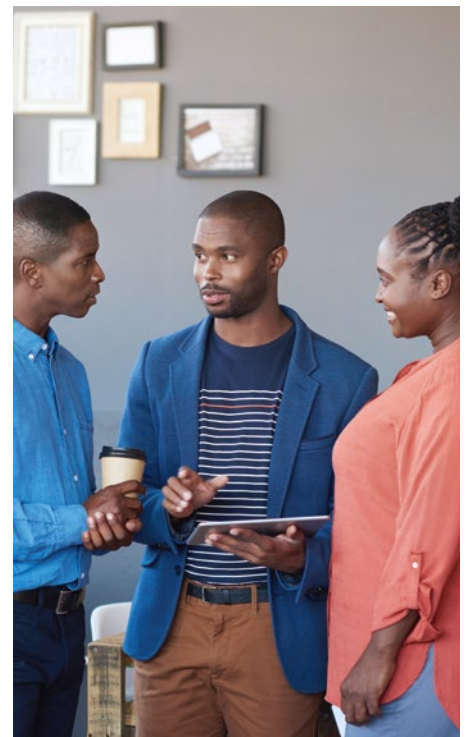
Our West and Central Africa area covers a diverse range of 16 markets. Each has its own unique challenges, such as a fragmented, informal retail market and low awareness, or weak enforcement of, minimum age laws for tobacco sales. It’s in these kinds of circumstances that our global YAP Guidelines play a crucial role.

In 2021, a new multi-media, area-wide YAP campaign was launched. This included training for over 300 BAT trade representatives and nearly 1,500 representatives of our third-party distributors. The training equipped them with practical skills on how best to engage and educate retailers on minimum age laws and preventing youth access.

A range of visually impactful communication materials were also deployed for retailers to display at point of sale – with wording such as ‘I do not sell cigarettes to under 18s’. These were produced in English, French and the predominant local languages in all 16 markets. This approach was received positively, empowering our trade and retailer partners to become advocates for upholding high standards among their wider communities.

“I am excited about the poster because now I have an official signage that empowers me to verify the age of young-looking consumers.”

Retail owner
Labadi, Ghana



* A breach refers to an incident or a group of incidents that relate to an IMP principle, identified in any one market.

**Given the significance of the increase in IMP non-compliances in 2021 compared with previous years, a thorough review of IMP-related audit findings was undertaken and additional instances of non-compliance were identified, relating to activities in 2020. As such we have re-stated our previously reported figure for 2020 of three IMP non-compliances.

Robust Governance Continued



Regulation and Policy Engagement

Each year, we strive for

100%

adherence to our Standards of Business Conduct

Find our full set of governance targets, goals and metrics on page 116.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

Harm reduction, page 28

Business ethics, page 83

Responsible marketing, page 86

Why Regulatory Engagement Matters

Truly effective regulation can only be developed through cooperation between governments and industry. We have a legitimate role to play in policy debates that affect our business operations.

By conducting engagement with politicians, policymakers and regulators transparently and with accuracy and integrity, we can make a valuable contribution to policy development. Our engagement helps enable better policy-making by ensuring comprehensive, accurate information is used as a foundation for policy decisions.

Policies and Accountability

Our Standards of Business Conduct (SoBC) includes our Lobbying and Engagement Policy. This requires all our engagement activities with external stakeholders to be conducted with transparency, openness and integrity.

The Management Board's Regulation Committee meets three times a year and is responsible for reviewing key regulatory and excise trends. It also endorses Group focus areas for regulatory engagement, reviewing the execution of global regulatory plans and monitoring progress. Regulatory engagement is monitored throughout the year by our Regional Audit and CSR Committees and annually by the Audit Committee.

In addition, our SoBC Political Contributions Policy makes clear that contributions are never permitted to achieve any improper business or other advantage. Nor are they permitted to influence any decision by a public official to the advantage of the Group or any Group company.

Political contributions must be authorised in advance by the Board of the company making them. These must be fully documented in the company's books and, if required by local law, be placed on the public record. Details must be notified in writing to the Group Head of Business Conduct and Compliance and reported to the Audit Committee.

Find details about ESG oversight and our policies on pages 99-103.



Robust Governance


Continued

Engaging Openly

We are committed to conducting all our engagement activities with external stakeholders with transparency, openness and integrity.

For global regulatory priorities, the views we advocate are the same as those we publish on our website, and we have long supported the OECD’s Principles for Transparency and Integrity in Lobbying. We also respect the call for transparent and accountable interaction between governments and the tobacco industry established in Article 5.3 of the World Health Organization’s Framework Convention on Tobacco Control (FCTC).

We are open about what we think and always try to offer constructive solutions to best meet the objectives of regulation, while minimising negative unintended consequences. For example, in the lead-up to the FCTC’s 9th Conference of Parties (COP9) in 2021, we continued to advocate our views on key regulatory issues, such as relating to regulation of New Category products and plain packaging for cigarettes.

 Find details about how we think New Category products should be regulated on page 32.

Political Contributions

The Group does not make contributions to UK or EU political organisations or incur UK or EU political expenditure.

In 2021, the total amount of political contributions made to non-UK and non-EU political parties was £4,339,371 (2020: £4,851,616). These were made by our US subsidiary, Reynolds American Companies, to US political organisations and to non-federal-level political party and candidate committees, in accordance with their contributions programme. No corporate contributions were made to federal candidates or party committees, and all contributions were made in accordance with applicable laws.




All political contributions made by Reynolds American Companies are assessed and approved in accordance with their policies and procedures to ensure appropriate oversight and compliance with applicable laws. In accordance with the US Federal Election Campaign Act, Reynolds American Companies continue to support an employee-operated political action committee (PAC), a non-partisan committee registered with the US Federal Election Commission that facilitates voluntary political donations by eligible employees of Reynolds American Companies.

According to US federal finance laws, the PAC is a separate segregated fund and is controlled by a governing board of individual employee members of the PAC. In 2021, Reynolds American Companies incurred expenses, as authorised by US law, in providing administrative support to the PAC.

All our lobbying and engagement activities follow the core principles of ...

 <p>Transparency</p> <p>We engage in a transparent and open manner, in compliance with all laws and regulations.</p>	 <p>Integrity</p> <p>We do not ask third parties to act in any way that contravenes our Lobbying and Engagement policy.</p>	 <p>Accuracy</p> <p>We share accurate, complete and evidence-based information with regulators.</p>
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We support regulation that is ...

 <p>Evidence-based</p> <p>Founded on robust evidence, sound science and thorough research.</p>	 <p>Developed inclusively</p> <p>Takes a consultative approach, is shaped in collaboration with all stakeholders, and respects legal rights and livelihoods.</p>	 <p>Effective</p> <p>Delivers on the intended policy aims, while seeking to avoid unintended consequences, and is enforceable and practical.</p>
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Robust Governance

Continued



Board Diversity

We aim to maintain at least

30%

female representation on our Board of Directors

Find our full set of governance targets, goals and metrics on page 116.

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues

People and culture, page 74

Business ethics, page 83

Executive remuneration, page 93

Why Board Diversity Matters

We are proud to be a diverse global company and, as our ethos shows, diversity is one of our core values. As we transform our organisation, diversity has become even more critical to the continuing success of the Group. Setting the ‘tone from the top’ with a diverse Board of Directors is crucial to this.

A diverse Board brings in the right balance of skills and perspectives to help deliver our Group strategy and contributes to good corporate governance. It also helps foster an inclusive culture across the Group.

Policies and Accountability

Our Board Diversity Policy sets the Board’s commitment to considering all aspects of diversity when reviewing the composition of, and succession planning for, the Board and Management Board.

The policy expresses how we think of diversity in its widest sense, as those attributes that make each of us unique. These include our race, ethnicity, cultural and social background, geographical origin, gender, age, any disability, sexual orientation, religion, skills, experience, education and professional background, perspectives and thinking style.

The Nominations Committee is responsible for regularly reviewing the composition of the Board and Management Board to ensure both boards have an appropriate balance of skills, expertise and knowledge, and that all appointments are made on merit against objective criteria and with due regard for the benefits of diversity.

The Nominations Committee also has oversight of the development of a pipeline of diverse, high-performing potential Executive Directors, Management Board members and other senior managers.

Find details about ESG oversight and our policies on pages 99-103.



Holly Keller Koepfel,
Non-Executive
Director

Robust Governance

Continued

A Diverse Board of Directors

The Nomination Committee considers all aspects of diversity when reviewing the composition of, and succession planning for, the Board and Management Board.

Succession planning considers potential internal and external candidates. Where appropriate, executive search firms are engaged to support that work, and we require them to provide gender-balanced longlists of candidates.

The firms we work with are accredited under the UK Government’s Enhanced Code of Conduct for Executive Search Firms, which acknowledges companies with a strong track record of gender diversity.

The Board appreciates the benefits of diversity in all of its forms, within its own membership and at all levels across our organisation.

Our Non-Executive Directors come from a broad range of industry and professional backgrounds, with varied experience and expertise aligned to the Group’s strategic agenda.


 Full details of our Board’s skills and experience can be found on pages 100 to 102 of our **2021 Annual Report**.

The Hampton-Alexander Review sets recommendations aimed at increasing the number of women in leadership positions in FTSE 350 companies, including a target of 33% representation of women on FTSE 350 boards.

As at 31 December 2021, there were four female Non-Executive Directors on our Board, representing 40% of our Board, and two women on the Management Board, representing 15% of our Management Board.

The Parker Review Committee published its final report on ethnic diversity in UK boards in 2017, recommending there be at least one director from an ethnic minority background on every FTSE 100 company board by 2021.

Applying the Parker Review assessment guidelines, as at 31 December 2021, we have two Non-Executive Directors from an ethnic minority background*, representing 20% of our Board. We also currently have two members of our Management Board from an ethnic minority background, representing 15% of our Management Board.

 Find details about our diversity and inclusion strategy on pages 76-78.

Board Directors: 2021 gender balance



Board Directors: 2021 ethnicity balance



 Find our full set of governance targets, goals and metrics on page 116.

40%

female representation on our Board of Directors**

20%

ethnic minorities* representation on our Board of Directors**

15%

female representation on our Management Board**

15%

ethnic minorities* representation on our Management Board**

* Applying UK Office for National Statistics ethnicity categories of: Asian; Black; Mixed/multiple ethnic groups; Other non-white ethnic group, in alignment with the Parker Review.

**As at 31 December 2021.

Robust Governance

Continued



Executive Remuneration

2021 highlight

20%

weighting attached to New Category revenue

Stakeholder groups



Consumers



Society



Employees



Shareholders

Interrelated issues



People and culture, page 74



Business ethics, page 83



Board diversity, page 91

Why Executive Remuneration Matters

There is a continued debate on executive remuneration and ESG impacts, the emphasis on long-term alignment with shareholder interests, and the importance of considering executive compensation in the broader context of workforce remuneration. By linking ESG performance to pay, executives are more likely to take responsibility and accountability for the priorities on sustainability.

Policies and Accountability

Our Directors' Remuneration Policy applies to the Executive Directors and the Non-Executive Directors of the Company. We will be presenting an updated Directors' Remuneration Policy at our Annual General Meeting in 2022.

The Remuneration Committee is responsible for determining the remuneration of the Chairman and the Executive Directors in line with

the Directors' Remuneration Policy. The Remuneration Committee is also responsible for determining the remuneration for members of the Management Board and the Company Secretary. The Board sets the remuneration of Non-Executive Directors.

Our updated Remuneration Policy can be found on pages 128 to 165 of our **2021 Annual Report**.

Rewarding Sustainability

Our focus is to ensure that the Directors' Remuneration Policy:

- Creates close, long-term links between the Group's senior management and our shareholders;
- Enables the Group to attract and retain top quality talent in the global marketplace;
- Directly supports Group strategy delivery and our A Better Tomorrow™ agenda, by rewarding high levels of sustainable long-term performance in both an appropriate and competitive manner; and
- Continues to incorporate best practice policy features.

The Remuneration Committee considers these objectives carefully when reviewing executive and Group-wide remuneration matters, to ensure there is an appropriate balance between market competitiveness, pay for performance, fairness and sustainability. The Committee reviews the performance metrics for the short- and long-term incentive schemes to ensure they are aligned to the Group's long-term strategy. Performance measures are reviewed every year to ensure the Company is providing focus, incentivising the right behaviours and creating value.

Our Management Board Directors have overall responsibility for the successful implementation of the Group Strategy. This includes ESG performance, with our primary commitment to reduce the health impact of our business through the sustainable growth of our New Category

portfolio and incentivising our ambitions of delivering £5 billion in New Categories revenue by 2025, reaching profitability in New Categories over the same time period and the continued transformation of our portfolio.

In line with these transformation ambitions and continued focus on ESG, we have made some important changes to the performance metrics for 2022 in both the short-term and long-term incentive schemes which will reward future growth in our New Categories business. This includes the inclusion of the metric, 'New Categories contribution', in the short-term incentive scheme alongside 'New Categories revenue'. In addition, the metric 'New Categories revenue growth' has been included in the long-term incentive scheme.

These changes follow an extensive period of shareholder engagement and take into account the feedback received during this engagement, with a focus on harm reduction as a key area to deliver sustainable growth for the future. We will continue to monitor ESG measures within the context of remuneration in order to continue to drive performance across our comprehensive suite of objectives across all areas of ESG."

Find full details of our gender pay and ethnicity gaps in our **2021 Diversity and Inclusion Report**.

Further details on the metric changes and shareholder engagement process can be found in the Annual Statement on Remuneration on pages 128 to 165.

Robust Governance

Continued



Tax Transparency

2021 highlight

£40.5bn

paid in taxes by the Group in 2021

Stakeholder groups



Consumers



Society



Employees



Shareholders



Interrelated issues



Anti-illicit trade, page 80



Business ethics, page 83



Regulation and policy engagement, page 89

Why Tax Transparency Matters

Our global business is an important source of tax income for governments around the world and makes a valuable contribution to local economies.

As multinational companies continue to face increased scrutiny in relation to their tax practices, stakeholders are calling for greater transparency in how and where they pay taxes. This enables them to evaluate companies' exposure to potential earnings, governance, reputational, and broader societal and macroeconomic risks.


Policies and Accountability

Our Standards of Business Conduct (SoBC) outlines clear procedures for preventing tax evasion, including controls to prevent deliberately or dishonestly cheating the public revenue, fraudulently evading tax in any jurisdiction, and facilitating the evasion of tax by third parties.

Our global tax strategy applies to all Group companies and is published in our Annual Report and Form 20-F. It is regularly reviewed by the Board. The operation of the strategy is managed by the Finance and Transformation Director and Group Head of Tax, with the Group's tax position regularly reported to the Audit Committee. The Board considers tax risks that may arise as a result of our business operations.

We manage tax risks as part of our control framework. Tax matters are regularly discussed with the Audit Committee by the Group Head of Tax and our internal tax function provides dedicated advice and guidance, sharing best practices. External advice is sought where significant uncertainty exists.

We are subject to the Sarbanes-Oxley Act of 2002 (SOx), including with respect to internal controls over financial reporting. The operation of these controls is subject to regular reviews, and internal and external audits.

 Find full details of our tax strategy on page 78 of our 2021 Annual Report.



Robust Governance

Continued

Responsible Tax Management

We are committed to fully complying with all taxation laws in jurisdictions where we operate, and to accounting for and paying all taxes that are properly due.

We seek to be open and transparent with tax authorities and operate to build mature professional relationships.

We endeavour to engage in proactive discussions with tax authorities on occasions of different legal interpretation.

Our Corporate Tax Management Guidelines set out our:


- Standards of professional conduct for our tax professionals;
- Approach to tax compliance and audit;
- Approach to and requirements for group tax reporting;
- Requirements for End Market Tax Committees and management of tax risks; and
- Approach to Transfer Pricing in relation to intra-group transactions.

We do not enter into abusive tax schemes or seek to avoid tax using transactions we would not fully disclose to a tax authority. When considering how to structure an investment or transaction, this process will be driven by the wider business strategy, with the tax impact being one of many factors considered.

Transactions between our subsidiaries are conducted on arm's-length terms in accordance with appropriate transfer pricing rules and OECD principles, properly reflecting where value is created and supported by economic analysis and reports.

We sell combustible and New Category products in over 175 markets, some of which levy lower tax rates than other jurisdictions in which we operate. Although there is no single agreed list of "tax havens", the EU has defined a "blacklist" of non-cooperative jurisdictions for tax purposes.

Of the countries included in this list as of 5 October 2021, BAT maintains trading entities in Fiji, Panama, Samoa, and Trinidad and Tobago. These businesses trade in their local and neighbouring markets, employ around 400 people in aggregate and pay tax on their profits commensurate with their activities.

 See pages 282 to 291 of our 2021 Annual Report for a full list of subsidiary undertakings, associates and joint ventures and joint operations as defined by IFRS, showing the country of incorporation.

Tax Payments in 2021

Our tax footprint extends beyond corporation tax, including significant payment of employment taxes and other indirect taxes, including customs and import duties.

The Group also collects a wide range of taxes on behalf of governments (including tobacco excise, employee taxes, VAT and other sales taxes).

In addition to the major taxes paid, there are a host of other taxes the Group bears and collects such as transport taxes, energy and environmental taxes, and banking and insurance taxes.

Major taxes paid 2021 (£bn)



Major taxes paid	2021 £bn	2020 £bn
Tobacco excise (collected)	31.6	32.2
Net VAT and other sales taxes (collected)	5.6	5.8
Corporation Tax (borne)	2.3	2.1
Customs and import duties (borne)	0.3	0.3
Taxes paid by employees (collected)	0.5	0.5
Employment taxes (borne)	0.2	0.2
Total	40.5	41.1

Robust Governance

Continued



Data Privacy and Cyber Security

2021 highlight

Group Policy

for data privacy updated, and the Audit Committee's terms of reference

Stakeholder groups



Consumers



Society



Employees



Shareholders



Interrelated issues



Business ethics, page 83



Responsible marketing, page 86

Why Data Privacy and Cyber Security Matters

In the last few years, the number of touchpoints we have with the external world has seen a significance increase and is set to continue to rise as our New Categories business grows, impacting every aspect of the business. The levels of external threats also continue to rise, as hackers become increasingly sophisticated, the regulatory environment becomes more complex, and consumers become more selective about sharing their data.

To respond to the evolving landscape, we are building a cutting-edge privacy and cyber capability that continues to evolve to meet our needs as the business continues to transform.

We continue to strengthen cybersecurity and information protection capabilities through ambitious improvements in controls, with the aim to increase cyber threat intelligence capabilities and to protect critical information and systems, including operational technology and networks.

Policies and Accountability

Our Standards of Business Conduct (SoBC) include our policy on data privacy, confidentiality, and information security.

The policy was updated in 2021, as was our Supplier Code of Conduct, with new provisions on data privacy and cyber security. Both take effect from January 2022.

Our Digital and Information Director and Legal and External Affairs Director provide representation on the Management Board for data privacy and cyber security.

In 2021, the Audit Committee's terms of reference were revised to expressly recognise its role in monitoring cyber security controls. This includes monitoring current and emerging risks, with particular focus on digital transformation, cyber security, and protection of the Group's information systems and data.

Data privacy and cyber risks are also considered as part of the Group risk management procedures and are reviewed by the Group Risk Management Committee, chaired by the Finance and Transformation Director.

Find details of ESG oversight and our policies on pages 99-103.



Robust Governance Continued

Respecting Privacy and Keeping Data Secure

As we accelerate our transformation and digitisation, we must ensure that we handle all personal data securely and with integrity.

Data privacy and cyber security is a key pillar of *Delivery with Integrity*, our global compliance programme. Our teams in Legal and External Affairs, Marketing, Human Resources, and Global Business Services work collaboratively to ensure our Standards of Business Conduct (SoBC), and associated controls and procedures, are applied effectively and consistently.

The Group Data Privacy Policy provides a global minimum standard of mandated governance on how we handle personal data generally and, specifically, how we must treat employee and consumer personal data.

The IT Security Procedure and Acceptable Use of Technology Procedure provide direction to employees, suppliers, and partners on the approved uses of Group technology assets and the standards for ensuring a minimum level of security to all assets.

We work to strengthen our measures in response to ever-changing cybersecurity threats. This includes raising awareness through user training, user-education campaigns and Group-wide phishing simulations every quarter. We also share insights and tips with all employees following these simulations, such as how to spot, manage and report phishing emails.

The Security Assurance and Advisory team provides support to all our employees, designed to ensure that risks associated with implementation, design and configuration of IT systems are controlled in line with our security policies. All our employees can easily access a wide range of information that clearly outlines our requirements, as well as in-depth guidance on any escalation processes.

In order to manage the risk of being a target or victim of cybersecurity threats, we have business continuity plans, contingency plans and incident response procedures which are practiced throughout all levels and regions of the organisation.

Managing Supply Chain Risks

Suppliers pose a specific risk to BAT. The same cyber threats face those companies while BAT maintains little control over their defensive posture. To ensure the confidentiality of our data, and to manage the risk of operational disruption, BAT regularly conducts technical risk assessments to ensure the supplier maintains a comparable control environment to BAT.

 Find details of our *Delivery with Integrity* programme on page 84.



SPOTLIGHT

Protecting personal data

It is essential that we keep data privacy top of our minds every day of the year, because BAT holds personal data, for example, about our employees, consumers, and customers. Across the Group, we all need to understand how this data must be held correctly and securely.

We provide our employees with data protection training and have clear, enforceable requirements for cybersecurity to help prevent interruptions and cyberattacks.

In 2021, we ran a global awareness campaign across the Group for International Data Privacy Day. The campaign highlighted that at BAT, every day is data privacy day.

In addition, we launched a new e-learning training programme, which was mandatory for all employees and contractors in the EU, UK and Global Business Services.

Policies, Data and Assurance

Our approach to sustainability is underpinned by Board-level oversight, best practice policies and processes, transparent performance data and independent assurance.

Find out in this chapter about our strategic oversight of ESG, extensive engagement with our stakeholders, a best practice materiality process, stretching targets and quantifiable performance metrics, and independent assurance.

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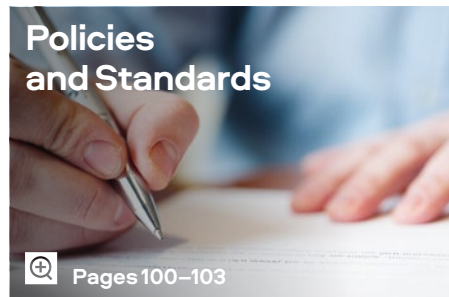
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Strategic Oversight of ESG



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Policies and Standards



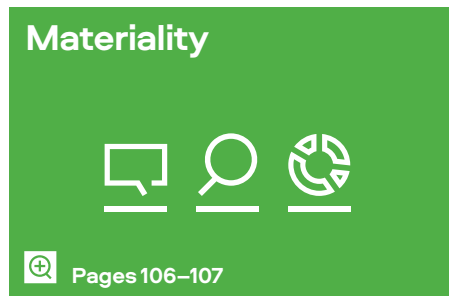
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Engaging with Our Stakeholders



 Pages 100–105

Materiality




 Pages 106–107

Targets and Metrics



 Pages 109–116

Independent Assurance



 Pages 117–120

Strategic Oversight of ESG

We have a clearly defined governance framework to ensure Board-level oversight and management of our Sustainability Agenda and ESG priority areas across the Group. This provides a flexible channel for the structured flow of information, management and oversight of ESG from local business units up to Board level.

The Board is supported by the Audit Committee, which monitors performance, risks and adherence to our standards. The Audit Committee is underpinned by our Regional Audit and CSR Committees.

Our Management Board, chaired by the Chief Executive, has overall responsibility for overseeing the implementation of Group strategy and policies, including those relating to ESG. Members of the Management Board are responsible for delivery against ESG targets for areas under their individual remit.

Management of ESG priorities is embedded across relevant business areas at Group, regional and local levels, flowing down from the Board. This approach provides a flexible channel for the structured flow of information, monitoring and oversight of ESG at the level and format best suited to the context.

Governance of ESG & Sustainability



Policies and Standards

Our Group policies (indicated by * in the table below) are endorsed at Board-level and aligned with international standards. Our Group policies are adopted by all Group companies and support the effective identification, management and mitigation of risks and issues for our business in these areas.

 Download copies at bat.com/principles.

Name	Details	Stakeholder groups
Standards of Business Conduct (SoBC)*	Group policies on Speak Up, respect in the workplace, human rights, health, safety and welfare, environment, lobbying and engagement, conflicts of interest, anti-bribery and corruption (ABAC), gifts and entertainment, political and charitable contributions, corporate assets and financial integrity, competition and anti-trust, anti-money laundering and tax evasion, anti-illicit trade, data privacy and information security. The SoBC applies to all employees of BAT, its subsidiaries and joint ventures which BAT controls.	 Employees  Governments and wider society
Supplier Code of Conduct*	Requirements for suppliers for human rights, health and safety, environmental sustainability, responsible marketing, anti-illicit trade, ABAC, gifts and entertainment, conflicts of interest, tax evasion, sanctions, data privacy and cyber risk. 'Suppliers' include any third-party that supplies or provides direct product materials or indirect goods or services to any BAT Group company, including consultants, independent contractors, agents, manufacturers, primary producers, sub-contractors, distributors and wholesalers. Suppliers are expected to meet the requirements of the Supplier Code and this is incorporated into our contractual arrangements.	 Suppliers  Customers
Environment Policy*	Outlines our commitments to following high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity covering our direct operations and supply chain, including agricultural, manufacturing and distribution operations. The policy applies to all BAT operating companies in which BAT's shareholding is 50% or greater.	 Employees  Suppliers  Customers  Governments and wider society
Circular Economy Position Statement	Outlines our commitment to applying circular economy principles across our operations and product categories.	 Consumers  Governments and wider society
Biodiversity Statement	Sets out the principles we follow to manage our biodiversity footprint across our operations. The statement is based on a mitigation hierarchy which describes the steps to avoid, minimise, restore or offset biodiversity loss, wherever we operate.	 Suppliers  Governments and wider society
Employment Principles*	Employment practices, including commitments to diversity, reasonable working hours, family-friendly policies, employee wellbeing, talent, performance and equal opportunities, and fair, clear and competitive remuneration and benefits.	 Employees  Governments and wider society
Health and safety Policy*	Health, safety and welfare of all employees, other members of our workforce and third-party personnel. The policy statement applies to all British American Tobacco operating companies, including those in which British American Tobacco's shareholding is 50% or greater.	 Employees  Governments and wider society
International Marketing Principles (IMP)*	The standards that govern marketing across all our product categories. Our IMP includes five key principles for all our marketing to be: responsible; accurate and not misleading; targeted at adult-only consumers; transparent; and compliant with all applicable laws. Our IMP are applied consistently, even when they are stricter than applicable local laws. Our Supplier Code of Conduct also includes a requirement for our suppliers, agents and third parties to comply with the IMP.	 Consumers  Customers  Suppliers  Employees
Group Quality Policy Statement	Formalises how we strive to deliver defect-free products, processes and capabilities that create sustainable value for our brands.	 Consumers  Governments and wider society

Policies and Standards

Continued

















Internal standards and procedures

Our internal policies and principles are underpinned by a range of procedures, standards and guidelines to help ensure effective implementation of our policy commitments.

Name	Details	Stakeholder groups
EHS Policy Manual	Comprehensive guidance and procedures for Group companies on implementing our Environment and Health and Safety (EHS) policy commitments effectively.	 Employees  Governments and wider society
Climate Change and Energy Standard	Includes requirements for carbon impact calculations to be conducted for all capital expenditure engineering proposals. Our internal shadow carbon price, introduced in 2020, is now embedded in the Standard.	 Employees
Circular Economy Guidelines	Provides our people with a common understanding and details of how to apply circular economy principles across different business areas, products and geographies.	 Employees  Suppliers
Water Security Standard	This is aligned to CDP standards around managing water risk effectively and provides guidance for Group companies around water conservation and actions for BAT sites operating in water stressed areas.	 Employees  Governments and wider society
Soil and Groundwater Protection Standard	Defines the controls and standards required for Group companies to prevent and protect against spillages and leakages that may contaminate the groundwater or soil.	 Employees  Governments and wider society
Leaf Supplier Manual (LSM)	<p>Sets out the detailed standards we expect our tobacco suppliers to adhere to, including participation in the Industry’s Sustainable Tobacco Programme (see page 68). These include a range of criteria relating to standards in agricultural practices, quality specifications and processing, such as relating to agrochemicals compliance and GM risk assessments.</p> <p>The LSM is communicated to all our tobacco suppliers each year. They must provide formal confirmation of receipt and acknowledge that any changes from previous years have been noted. Each section of the LSM includes specific standards and guidelines relevant to the topic to monitor compliance and effectiveness. These processes help us to identify the level of risk and determine how often a supplier should be reviewed to monitor compliance for each standard.</p> <p>The LSM includes compulsory standards where failure to comply is not acceptable to BAT. In the event of any breaches, we expect suppliers to submit an action plan that should be discussed and agreed with the BAT Leaf Quality team. Where appropriate, on-site inspections are carried out by the BAT Leaf Quality team and/or Leaf Sourcing Managers to monitor compliance and progress against corrective action plans. In the event of serious, material and/or persistent non-compliance, or where suppliers otherwise demonstrate inadequate commitment, persistent inaction or a lack of improvement, BAT retains the right to suspend or terminate supply arrangements. Suspended suppliers can be reinstated if they can demonstrate that they have reached or exceed the LSM standards.</p>	 Suppliers  Governments and wider society









Policies and Standards

Continued

Name	Details	Stakeholder groups
Standards for Organic Tobacco Production	Sets strict requirements for organic tobacco growing. Although we do not currently source significant amounts of organic tobacco outside the US, this standard would apply to all our leaf operations and suppliers worldwide if purchasing organic tobacco. It requires a crop to be certified by an independent third party against either the EU organic standard or the US National Organic Program standard to be classed as 'organic'.	 Suppliers  Consumers  Governments and wider society
Community Investment Framework	Sets out the Group strategy for community investment and charitable donations, aligned to the eight United Nations Sustainable Development Goals that are most relevant for our business (see pages 24-25).	 Employees  Governments and wider society
Operational standard on personal protective equipment (PPE) in tobacco growing	Applies to farmers contracted by BAT leaf operations. It requires all farmers and their workers to have access to PPE for agrochemical use and harvesting. Also, training and monitoring must be carried out for all farms on PPE, agrochemical use and green tobacco sickness (GTS).	 Suppliers  Governments and wider society
Operational standard on child labour prevention	Supports our child labour policy commitments by providing detailed guidance and procedures for tackling the risk in our tobacco supply chain. It includes detailed guidance on areas, such as providing regular training, conducting farm monitoring and spot checks, and how to immediately report any incidents of child labour. It also includes steps for developing and implementing prevention and remediation actions, and improving the situation of affected children and their communities. Compliance is monitored via our farm monitoring and remediation procedures (see page 65).	 Employees  Suppliers  Governments and wider society
Anti-Illicit Trade (AIT) Supply Chain Compliance Procedure	Guidance for all BAT Group companies for complying with our AIT Policy in the SoBC. It sets out procedures for maintaining robust supply chain controls and taking appropriate action where there are risks that tobacco and/or products of BAT companies may be smuggled.	 Employees  Suppliers  Governments and wider society
SoBC Assurance Procedure	Defines how all reports of alleged SoBC breaches should be investigated and remediated fairly and objectively. This includes a four-step process, involving an initial assessment, in line with data privacy and employment laws, followed by an investigation plan, implementation, reporting of findings, and closure.	 Employees
Third-Party Anti-Financial Crime Procedure	Sets out Group-wide minimum mandatory steps required for our dealings with Third Parties. The Procedure is designed to assess and mitigate Third Party risks regarding: bribery and corruption; money laundering; terrorist financing; illicit trade (supply chain compliance); sanctions; and the facilitation of tax evasion.	 Employees  Suppliers  Customers

Policies and Standards

Continued

Name	Details	Stakeholder groups
Sanctions Compliance Procedure	Outlines our comprehensive sanctions compliance framework covering Group companies, suppliers, third-parties and financial transactions.	 Employees  Suppliers  Customers
Mergers and Acquisitions (M&A) Transactions Compliance Procedure	Sets out mandatory steps, along with best-practice guidelines, for M&A Transactions involving any BAT Group company and one or more third parties covering compliance risks such as bribery and corruption and human rights. The Procedure applies to: <ul style="list-style-type: none"> - The acquisition of all of a business or company from a third-party (whether through the purchase of shares or assets); - The disposal of all of BAT's stake in a business or company to a third party (including selling down all BAT's shares in a listed entity); - The establishment of a joint venture (JV) or other transactions relating to an existing joint venture (including by way of a partial acquisition or disposal of shares/assets by BAT bringing in a new joint venture partner for BAT, or the investment into a third party by way of share subscription, loan or other instrument); and - Any other material, non-routine transactions, for example relating to an acquisition or sale of material assets to/from a third party (e.g. a factory, land or intellectual property), a material collaboration with a third party not otherwise covered above, or where agreed with or mandated by Business Conduct & Compliance (BC&C) department. 	 Employees  Suppliers  Governments and wider society
Youth Access Prevention (YAP) Guidelines	In addition to the IMP, our markets are expected to adhere to our global Youth Access Prevention (YAP) Guidelines. The Guidelines apply to all markets where our products are sold, including where they are distributed through third parties. Unless there are legal restrictions in place, our YAP Guidelines include mandatory requirements to: <ul style="list-style-type: none"> - Work directly with retailers to uphold minimum-age laws and our own internal standards; - Support distributors in providing training and point-of-sale materials for use by retailers; and - Engage with governments in markets where there is no minimum-age law of 18 to see one introduced. 	 Consumers  Customers  Governments and wider society
Group Data Privacy Procedure	Governs how BAT Group companies use personal data belonging to individuals we deal with on a daily basis, including consumers, employees, visitors to our websites or social media accounts, contingent workers and third parties who we do business with, such as employees of our existing or potential suppliers.	 Employees  Customers  Suppliers

Engaging with Our Stakeholders

We work with, take into account and respond to the views and concerns of both internal and external stakeholders, adapting to emerging risks and striving to meet the expectations placed upon us as a multinational business. Listening to our stakeholders helps us better understand their views and concerns, and enables us to respond to them appropriately. It gives us valuable inputs into, and feedback on, our strategic approach, as well as our policies, procedures and ways of working.



Consumers



Shareholders and Investors



Our people

Why this stakeholder is important to us

As preferences and attitudes change in an evolving industry, understanding our consumers is essential to both successful portfolio and business growth.

It is essential that we maintain the support of our shareholders and bondholders to maintain access to capital. This allows us to implement our strategy and achieve our business objectives.

The quality of our people is a major reason why our Group continues to perform well. We understand the value of listening and responding to feedback from our people to maintaining a fulfilling, rewarding and responsible work environment.

Examples of how we engaged in 2021

- Consumer panels, focus groups and interviews
- Consumer care helplines
- Responsible advertising, marketing and product information
- Real-time digital platforms

- Annual General Meeting
- Investor relations programme and shareholder engagement on proposed new Directors' Remuneration Policy
- Institutional shareholder meetings
- Capital Markets Days
- Investor roadshows
- Results announcements
- Annual Report & Form 20-F
- ESG Report
- Stock exchange announcements
- Shareholder information on website

- Virtual forums
- Employee town halls
- Global and regional webcasts
- 'Your Voice' employee survey
- Works councils and European Employee Council meetings
- Graduate and management trainee events
- Individual performance reviews
- Speak Up channels

Read more on pages 16-17, 30-37 and 86-88

Read more on pages 22-23 and in our **2021 Annual Report**

Read more on pages 20-21 and 74-79

What matters to our stakeholders

- Product harm, addiction and social considerations
- Product quality
- Affordability and price
- Ingredients/nicotine levels
- Plastics/post-consumption product waste
- COVID-19 impacts

- Business performance
- ESG Agenda
- Corporate governance
- Strength of Group leadership
- Board succession planning

- Reward
- Career development
- Diversity and inclusion
- Corporate responsibility
- Health and safety
- Business ethics

How we respond

- Development of innovative products
- Product stewardship, quality and safety standards
- Clear and accurate product information
- International Marketing Principles
- Circular economy strategy and product sustainability initiatives

- Regular dialogue and communications with shareholders and investors
- Robust corporate governance
- Enhanced ESG reporting
- Continual improvement of our Delivery with Integrity programme
- Our range of enjoyable and innovative products
- Product quality and safety standards
- International Marketing Principles

- Extensive communications and virtual engagement with employees worldwide during the pandemic
- Board review of and feedback on workforce engagement
- Training and development programme
- Diversity & Inclusion Strategy
- Delivery with Integrity programme

Principal risk impact

- Inability to develop, commercialise and deliver New Categories
- Significant excise increases

- Solvency and liquidity
- Foreign exchange rate exposures
- Disputed taxes, interest and penalties
- Litigation

- Injury, illness or death in the work place
- Geopolitical tensions

Engaging with Our Stakeholders

Continued



Suppliers

Effective relationships with farmers and suppliers of tobacco leaf, product materials and indirect services are essential to an efficient, productive and secure supply chain.

- Extension Services farmer support and training
- Ongoing dialogue and relationship management
- Supplier reviews and audits
- 'Supplier Voice' survey, events and supplier summits
- Strategic partnerships

[Read more on pages 42-44, 49, 52, 54-56, 59-62 and 65-70.](#)

- Productivity/quality/cost
- Sustainable agriculture
- Farmer livelihoods
- Human rights
- Health and safety
- Climate change/ environmental impacts
- COVID-19 impacts

- Supplier Code of Conduct
- Thrive sustainable agriculture and farmer livelihoods programme
- Leaf operational standards for personal protective equipment (PPE) and child labour prevention in tobacco growing
- Farmer Extension Services support and training
- COVID-19 support

- Inability to develop, commercialise and deliver New Categories
- Geopolitical tensions



Customers

Our customers include retailers, distributors and wholesalers who are essential for driving growth and embedding responsible marketing practices.

- Ongoing dialogue and account management
- 'Customer Voice' survey
- Audits/performance reviews
- Sales calls and visits by trade reps
- Training and capacity building, such as on youth access prevention
- B2B (business to business) programmes

[Read more on pages 86-88](#)

- Route-to-market planning
- Contingency planning
- Cost, price and quality
- Stock availability
- Consumer buying behaviour
- Youth access prevention
- COVID-19 impacts

- Customer loyalty programmes and incentives
- Global Youth Access Prevention (YAP) Guidelines
- COVID-19 support

- Inability to develop, commercialise and deliver New Categories
- Geopolitical tensions
- Significant excise increases



Governments and wider society

We seek to be part of the debate that shapes the regulatory environment in which we operate, and to work collaboratively to develop joint solutions to common challenges.

- Meetings and ongoing dialogue
- Submissions to government and advisory committees
- Multi-stakeholder partnerships and working groups, such as the ECLT Foundation
- External Scientific Panel
- Peer-reviewed research
- Attending events at the COP 26 climate summit in the UK
- Community investment programmes and NGO partnerships

[Read more on pages 31-32, 40, 62, 66 and 89-90](#)

- Product regulation
- Tax/excise/illicit trade
- Responsible marketing
- Public health impacts
- Human rights
- Climate change/ environmental impacts
- COVID-19 impacts

- Standards of Business Conduct (SoBC)
- Delivery with Integrity programme
- Carbon neutrality targets for 2030 and net zero for 2050
- Human rights and climate impact assessments
- Community investment programmes and charitable donations
- COVID-19 support

- Geopolitical tensions
- Competition from illicit trade
- Significant excise increases
- Regulation that inhibits growth

2,200+

rights-holders in tobacco growing communities engaged via human rights impact assessments 2019-2021

93%

response rate to our 2021 'Your Voice' employee engagement survey – 7% higher than our global FMCG comparator group

Materiality

A key strength of our approach to sustainability is a robust process to identify and understand our most material ESG priorities.

Strong foundations

We've been conducting materiality assessments since 2007, which we review on an annual basis and refresh through an in-depth process every three years. This helps us to assess the level of importance of different topics to our stakeholders and our business – those with the highest level of importance form our Sustainability Agenda and are covered in our reporting.

This comprehensive approach to evolving our Sustainability Agenda ensures we keep pace with emerging priorities and stakeholder expectations.

The current key pillars of our Sustainability Agenda were defined through an in-depth materiality assessment conducted in 2019. The new Agenda was launched in March 2020, alongside our evolved Group strategy with the purpose of building A Better Tomorrow™ for all our stakeholders.

Our Sustainability Agenda is integral to our Group strategy and purpose. It reflects harm reduction as our principal focus area as part of our commitment to reducing the health impact of our business. This is underpinned by excellence across our ESG priorities.

The materiality assessment

We work with a respected sustainability consultancy, to conduct our materiality assessment using the following three-stage process:

Stage 1: Identify

We identify a 'long list' of issues using a wide variety of stakeholder inputs. These include issues raised in our stakeholder engagement activities, at both a Group and local market level, with shareholders, investors, suppliers, farmers, local communities, employees, governments, NGOs and other key stakeholders.

In addition, we commission a global media review, to identify the key ESG issues covered by key media channels, as well as benchmarking of industry and FMCG peer companies. Further inputs include reviews of emerging national and international regulation; international standards and frameworks, such as the UN Sustainable Development Goals; external reports and allegations regarding BAT or the tobacco industry; and risk monitoring and outlook reports, such as those of the World Economic Forum.

The external insights are complemented by internal BAT inputs, including Group and functional strategies; Group Risk Register; Main Board and regional meetings and committees; and Group policies, principles and standards.

Stage 2: Assess

All the issues identified in stage 1 are grouped under common themes and mapped onto a materiality matrix, as shown in the adjacent graphic. This mapping uses a defined scoring methodology, developed by the sustainability consultancy, to assess the level of importance to our stakeholders and the current or potential impact on the BAT Group.



Stage 3: Prioritise

We then prioritise those issues with the highest level of importance to form our Sustainability Agenda and the content of our reporting. Some issues have shifted in their level of importance, including:

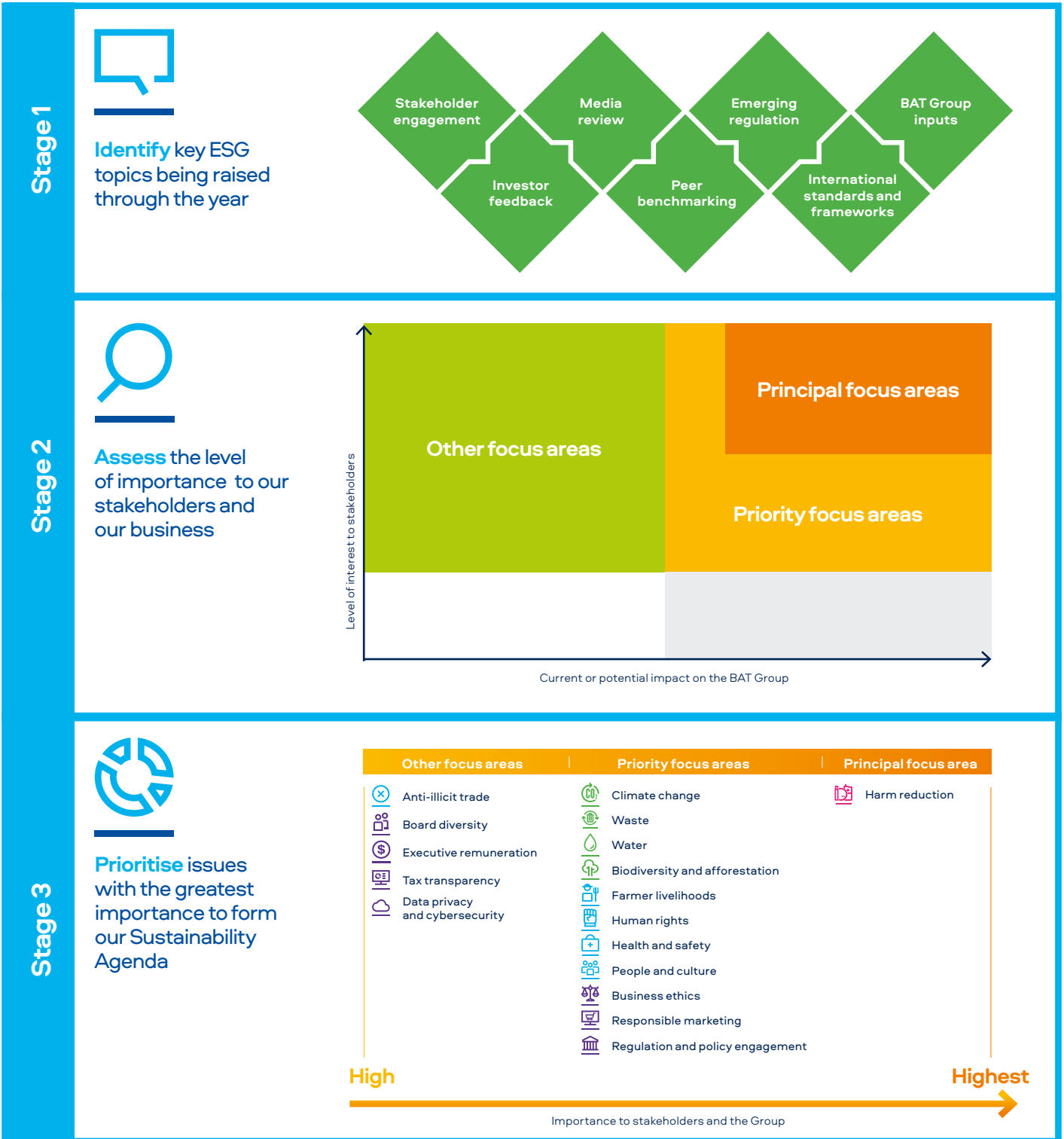
- Diversity, equity and inclusion, which form part of the people and culture priority under our Social pillar. These issues have greater prominence, reflecting the significance of the Black Lives Matter movement and COVID-19 pandemic and the inequalities highlighted by them over the course of 2021.
- Employee health, safety and wellbeing also have greater prominence, reflecting issues highlighted by the COVID-19 pandemic and more general shifts in stakeholders' views on working conditions.

We also continue to monitor emerging issues and, as the materiality of an issue increases, we will report on it accordingly.

Materiality

Continued

Our three-stage materiality process




BAT Greenhouse Gas Emissions

Emission Source	Category	Total Emissions (thousand tonnes tCO ₂ e)			
		2017	2018	2019	2020
Scope 1	–		415	396	342
Scope 2 Market-based	–		426	386	199
Scope 2 Location-based	–		490	453	418
Total Scope 3	–		6,956	6,781	5,587
Purchased Goods and Services	Category 1 Total		4,363	4,049	4,011
Purchased goods – Directs (excluding NGP)	Category 1		1,550	1,488	1,140
Purchased goods – NGP	Category 1		43	55	47
Purchased Services	Category 1		35	107	720
Purchased Tobacco Leaf – Combustibles	Category 1		2,550	2,184	1,966
Tobacco Leaf – NGP	Category 1		18	5	2
Other Purchased Goods & Services	Category 1		167	210	135
Capital Goods	Category 2 Total		519	463	177
Fuel and Energy Related Emissions	Category 3 Total		177	166	134
Upstream Transportation & Distribution	Category 4 Total		192	197	225
Waste Generated in Operations	Category 5 Total		5	5	9
Business Travel	Category 6 Total		38	33	8
Employee Commuting	Category 7 Total		27	23	53
Use of Sold Products	Category 11 Total		662	587	641
End-of-Life Treatment of Sold Products	Category 12 Total		967	1,253	324
Franchises	Category 14 Total		5	5	5

Note: Total emissions include biogenic and biogenic removals.

Targets and Metrics



Each priority area of our Sustainability Agenda is backed by clear and measurable targets and metrics, as detailed below. An excel spreadsheet of our data is also available to download at bat.com/ESGreport.

 Download our **Reporting Criteria**, including data scope and definitions at bat.com/ESGReport

All data relates to the BAT Group. Associate companies are excluded. Data covers the full calendar year, taken on 31 December, unless otherwise stated. Where indicated below, 2021 data has been independently assured by KPMG using the standard ISAE (UK) 3000 and ISAE 3410 at a limited assurance level – read their assurance statement on pages 117 and 118. For Scope 3 emissions data, 2020 data was assured.

Harm reduction Targets and Metrics

- On track or met target
- ◆ Acceleration required
- Ongoing focus area

Focus area/goal	Metric	Progress tracking			Status	Assured	
		2021	2020	2019			
 Consumer choice	£5 billion by 2025 in New Category revenues	Vapour product revenues (£mn)	927	611	401	●	Y*
		Tobacco heating product revenues (£mn)	853	634	728	●	Y*
		Modern oral product revenues (£mn)	274	198	126	●	Y*
		Total New Category revenues (£bn)	2.1	1.4	1.3	●	Y*
	50 million consumers of our non-combustible products by 2030	Number of consumers of our non-combustible products	18.3	13.5	10.5	●	N
 World-class science	Research the risks of our non-combustible products compared to smoking, and publish and invite independent scrutiny	Cumulative total number of peer-reviewed articles and manuscripts published to date	136	114	78	●	N

* Extracted from the Financial Statements audited by KPMG contained within our Annual Report and Form 20-F.

Targets and Metrics

Continued





Download our Reporting Criteria, including data scope and definitions at bat.com/ESGReport

Environment

Environment data covers all BAT sites where: we have a shareholding of 50% or greater; and nine or more BAT employees work. For non-manufacturing, this only includes sites with a 'materiality threshold' of 5% or more of the Group's consolidated total emissions in our baseline year (2017).

- On track or met target
- ◆ Acceleration required
- Ongoing focus area

Targets and Metrics

Focus area/goal	Metric	Progress tracking			Status	Assured	
		2021	2020	2019			
 Climate change	Carbon neutral by 2030 across our operations (Scope 1 and 2 carbon dioxide equivalent (CO ₂ e) emissions)	Scope 1 CO ₂ e emissions (thousand tonnes)	325	342	396	●	Y
		Scope 2 CO ₂ e emissions (market-based) (thousand tonnes)	170	199	386	●	Y
		Scope 2 CO ₂ e emissions (location-based) (thousand tonnes)	393	418	453	●	Y
		Total Scope 1 and 2 CO₂e emissions (thousand tonnes)	495	541	782	●	N
		Scope 1 and scope 2 CO ₂ e emissions intensity ratio (tonnes per £m revenue)	19.3	20	30.4	●	Y
	Net zero by 2050 across our value chain	Scope 3 CO ₂ e emissions (thousand tonnes) including biogenic emissions and biogenic removals*	N/A	5,587	6,781	●	Y
		Scope 3 supply chain CO ₂ e emissions (thousand tonnes) from purchased goods and services (incl. biogenic emissions and biogenic removals)*	N/A	4,011	4,049	●	Y
	Increase in the amount of renewable energy we source to 30% by 2025	Total direct energy use (GWh)	2,480	2,568	2,874	●	Y
		Energy intensity (GWh per £m revenue) [†]	97	N/A	N/A	●	N
		Renewable energy (GWh)	708	688	310	●	Y
Renewable energy as a % of total direct energy use		28.6	26.8	10.8	●	Y	
100% of electricity sourced in operations sites that is renewable by 2030	% of electricity sourced for operations sites that is renewable	64.4	61.1	10.7	●	N	
100% of high-risk suppliers of product materials to have undergone at least one independent environmental audit within a three-year cycle by 2025	% that have undergone at least one independent environmental audit within a three-year cycle [†]	100	N/A	N/A	●	N	
 Waste	-15% of the absolute volume of waste generated (against 2017 baseline) by 2025	Waste generated (thousand tonnes)	137	144	152	●	Y
	100% of operations sites to be zero waste to landfill by 2025	Waste sent to landfill (thousand tonnes)	11.93	12.73	13.95	●	Y
		% of operations sites reporting zero waste to landfill	35	27	N/A	●	Y



[†] New metric/target in 2021.

* Due to the complexity of consolidating and verifying Scope 3 data from our suppliers and other third-party sources, we report figures one year behind our other metrics.




















Targets and Metrics

Continued

 Download our Reporting Criteria, including data scope and definitions at bat.com/ESGReport

 On track or met target
 Acceleration required
 Ongoing focus area

Targets and Metrics Continued

Focus area/goal	Metric	Progress tracking			Status	Assured	
		2021	2020	2019			
 Waste continued	95% recycling rate of total waste generated by 2025	% of waste recycled*	78.9	80.2	79.9		Y
	Zero unnecessary single use plastics in our packaging by 2025	Total weight of unnecessary single use plastic packaging (tonnes)***	1,987	2,274	N/A		Y
	100% of our plastic packaging to be reusable, recyclable or compostable by 2025	% share of reusable, recyclable or compostable plastic packaging**	75	68	N/A		Y
	30% average recycled content across all plastic packaging by 2025	% of recycled content in plastic packaging***	8	7	N/A		Y
	100% take-back schemes for New Category devices, in all markets where these are sold by 2021	% of New Category markets with schemes in place†	100	N/A	N/A		N
Number of markets with take-back schemes for New Category products		42	0	0		Y	
 Water	-35% of total water withdrawn (vs 2017 baseline) by 2025	Total water withdrawn (mn cubic metres m ³)	3.76	4.03	4.51		Y
		Total water withdrawn from water utility supplies (mn cubic metres m ³)	2.3	2.5	2.9		N
		% withdrawn from water utility supplies	62	62	64		N
		Total water withdrawn from fresh water sources (mn cubic metres m ³)	0.05	0.04	0.08		N
		% withdrawn from fresh surface water sources	1	1	2		N
		Total water withdrawn from groundwater sources (mn cubic metres m ³)	1.4	1.5	1.5		N
		% withdrawn from groundwater sources	37	37	34		N
	Water discharge by destination	Fresh surface water (mn m ³)	0.2	0.3	0.4		N
		Brackish surface water / seawater (mn m ³)	0.007	0.004	0.004		N
		Groundwater (mn m ³)	0.027	0.019	0.019		N
Third-party destinations (mn m ³)		1.6	1.9	2.1		N	
	Total water discharge (mn m ³)	1.9	2.2	2.5		N	

† New metric/target in 2021.

* In 2021, we revised our methodology to align to the new Global Reporting Initiative waste standard, to no longer include waste to energy as a form of recycling. As a result, we have restated our previously reported data for 2020 (was 90.7%) and 2019 (was 90.5%).

** Volumes updated based on accounting methodology improvements enabling classifications with higher precision and expansion of external recyclability testing for more material types.

*** Volumes updated based on accounting methodology improvements enabling classifications with higher precision.

Targets and Metrics



Continued



Download our Reporting Criteria, including data scope and definitions at bat.com/ESGReport

- On track or met target
- ◆ Acceleration required
- Ongoing focus area

Targets and Metrics Continued

Focus area/goal	Metric	Progress tracking			Status	Assured	
		2021	2020	2019			
 Water continued	30% water recycling rate by 2025	% of total water recycled***	16.7	15.3	13.7	●	Y
	100% of operations sites to be Alliance for Water Stewardship (AWS) certified by 2025	% of operations sites AWS certified	15	0	0	●	N
	Soil and water management practices in our tobacco supply chain	% of tobacco hectares reported to have appropriate best practice soil and water management plans implemented	76	76	71	●	Y
 Biodiversity and afforestation	100% of wood used by our contracted farmers for curing fuels to be from sustainable sources	% of sources of wood used by our contracted farmers for curing fuels that are from sustainable sources	99.9	99.7	99.6	●	Y
	Zero gross deforestation of primary and native forests in our tobacco and paper and pulp supply chains by 2021	Number of non-compliance incidents reported of our contracted farmers clearing forests to grow tobacco	1	1	2	◆	N
		% of paper and pulp volumes for primary packaging and fine papers that is certified as sustainably sourced†	100	N/A	N/A	●	N
	Net zero deforestation of managed forests in our tobacco and paper and pulp supply chains by 2025	% of all paper and pulp volumes that is certified as sustainably sourced†	89	N/A	N/A	●	N
	Farmer Sustainability Management (FSM)	Number of non-compliance incidents identified in the FSM system	9,807	9,821	11,855	●	Y
		% reported as remediated and resolved	100	100	100	●	Y
General	Compliance with environmental laws and regulations	Number of non-compliance incidents or fines issued in relation to environmental management practices	0	0	2	●	N
	ISO 14001 certification	Number of BAT sites with ISO 14001 certification	17	18	20	●	N
		% of total production volume covered by sites with certification	37	42	42	◆	N

† New metric/target in 2021.

*** In 2021 reporting year we revised the methodology for reporting water recycled to exclude rainwater that is collected for use. The previous reporting approach was based on GRI 306: Water 2016. Since current version of GRI 306: Water 2018 does not contain a definition of "water recycled", we opted to use the definition as per CDP Water Security guideline. The new methodology is applied from 2021 onwards. If it were applied to 2018 – 2020 figures retrospectively, the metrics would be as follows: 13.0% in 2018, 13.7% in 2019 and 15.0% in 2020.

Targets and Metrics



Continued

 Download our Reporting Criteria, including data scope and definitions at bat.com/ESGReport

- On track or met target
- ◆ Acceleration required
- Ongoing focus area

Social

Targets and Metrics

Focus area/goal	Metric	Progress tracking			Status	Assured	
		2021	2020	2019			
 <p>Farmer livelihoods</p> <p>Working to enable prosperous livelihoods for all farmers in our tobacco supply chain</p>	% of tobacco farmers reported to grow other crops for food or as additional sources of income	95.6	93.4	92	●	Y	
	Number of people engaged via training on crop diversification* (% farmers trained)	89,630 (44.6%)	97,095 (42.8%)	N/A	●	N	
	Number of people engaged via training on farm business management (% of farmers trained)	61,780 (30.8%)	68,928 (30.4%)	76,656	●	Y**	
	Number of people engaged via training on women's empowerment (% of farmers trained)	13,651 (6.8%)	16,658 (7.4%)	24,368	●	Y**	
	Support through charitable donations and community investment programmes in the countries where we operate	Cash contributions (£m)	12.6	16.6	13.03	■	Y
		In-kind contributions (£m)	6.4	5.1	0.13	■	Y
		Total contributions (£m)	19.0	21.7	13.16	■	N
		– % relating to Sustainable Development Goal (SDG) 3 Good Health & Wellbeing†	8	N/A	N/A	N/A	N
		– % relating to SDG 8 Decent Work & Economic Growth†	28	N/A	N/A	N/A	N
		– % relating to SDG 9 Industry, Innovation & Infrastructure†	5	N/A	N/A	N/A	N
– % relating to SDG 10 Reduced Inequalities†		17	N/A	N/A	N/A	N	
– % relating to SDG 12 Responsible Consumption & Production†		4	N/A	N/A	N/A	N	
– % relating to SDG 13 Climate Action†	14	N/A	N/A	N/A	N		
– % relating to SDG 15 Life on the Land†	16	N/A	N/A	N/A	N		
– % relating to SDG 16 Peace Justice & Strong Institutions†	7	N/A	N/A	N/A	N		
 <p>Human rights</p> <p>Aim for zero child labour by 2025 in our tobacco supply chain</p>	% of farms monitored for child labour	99.9	99.7	99.6	●	Y	
	% of farms with incidents of child labour identified	0.7	0.50	0.57	■	Y	
	Number of child labour incidents identified	1,790	1,308	1,812	■	Y	
	% reported as resolved by end of the growing season	100	98.5	100	●	Y	
	% of farmers that received training/capacity building on child labour issues	88.5	87.7	77	●	Y	
	Aim for zero forced labour by 2025 in our tobacco supply chain	Number of incidents of forced labour identified	0	5	N/A	●	Y
		% reported as resolved by end of the growing season	N/A	100	N/A	●	Y
		Number of 'prompt action' incidents regarding farm labourers' rights identified in FSM	2	25	N/A	●	N
		% reported as resolved in FSM by end of the growing season	100	100	N/A	●	N

† New metric/target in 2021.

* Restatement of 2020 data – restated from 157,203 to 97,095 due to incorrect classification of training module in 2020.

**The % of farmers trained was not assured.



Targets and Metrics

Continued

Download our Reporting Criteria, including data scope and definitions at bat.com/ESGReport

● On track or met target
 ◆ Acceleration required
 ■ Ongoing focus area

Targets and Metrics Continued

Focus area/goal	Metric	Progress tracking			Status	Assured	
		2021	2020	2019			
 Human rights continued	Access to training and grievance mechanisms	Number of people engaged via training on human rights (% farmers trained)	350,817 (81%)	393,038 (78%)	350,000	●	Y**
		% of farms monitored for grievance mechanisms	99.9	59.6	56	●	Y
		% of farmers reported as having access to at least one type of grievance mechanism	100	99.9	99	●	Y
		% of farm labourers reported as having access to at least one type of grievance mechanism	99.9	98	96	●	Y
	Human rights impact assessments (HRIAs), aligned to the UN Guiding Principles for Business and Human Rights	Cumulative number of HRIAs completed in tobacco sourcing countries	6	3	2	●	N
		Cumulative number of rights-holders engaged as part of the HRIAs	2,286	918	652	●	N
	100% by 2025 of product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle	Number of independent labour audits conducted on non-tobacco suppliers	142	93	94	●	Y
		% of product materials and high-risk indirect service suppliers that have undergone at least one independent labour audit within a three-year cycle [†]	22	N/A	N/A	●	Y
	100% adherence to our SoBC, including the Respect in the Workplace and Human Rights Policies	% of Group companies assessed for human rights risks	100	100	100	●	N
		% of high-risk Group companies identified that underwent enhanced human rights monitoring and Board reviews (number of countries)	100 (26)	100 (24)	100 (25)	●	N
	Number of reports of alleged SoBC breaches relating to Respect in the Workplace and Human Rights	140	141	152	●	N	
	Number of established SoBC breaches relating to Respect in the Workplace and Human Rights	28	54	51	●	N	
 Health and safety	Aim for zero accidents Group-wide	No. of work-related accidents resulting in injury to employees and contractors	126	155***	194	●	Y
		Number of work-related accidents (including assaults) resulting in injury, causing absence of one shift or more	95	114***	186	●	Y
		Lost workday case incident rate (LWCIR)	0.20	0.22***	0.27	●	Y
		Occupational illness cases	0	2	4	●	Y
		Occupational illness rate	0	0.003	0.0006	●	Y
		No. of serious injuries (employees)	19	28	26	■	Y
		No. of serious injuries (contractors)	9	8	11	■	Y
	No. of fatalities (employees)	1	0	0	■	Y	

† New metric/target in 2021.

** The % of farmers trained was not assured.

*** In 2021, we changed the reporting period for our health and safety data to cover December to November period each year (previously January to December). This is to align with our environmental reporting and to enable more time for the consolidation and verification of our data for reporting. To enable year-on-year comparison, we have re-stated our 2020 data for the following metrics to align with this new reporting period: number of work-related accidents resulting in an injury: 155 (was 142); number of work-related accidents: 114 (was 131); and Lost workday case incident rate: 0.22 (was 0.21).



Targets and Metrics

Continued

Download our Reporting Criteria, including data scope and definitions at bat.com/ESGReport

- On track or met target
- ◆ Acceleration required
- Ongoing focus area

Targets and Metrics Continued

Focus area/goal	Metric	Progress tracking			Status	Assured	
		2021	2020	2019			
 <p>Health and safety continued</p>	Aim for zero accidents Group-wide continued	No. of fatalities (contractors)	2	3	1	■	Y
		No. of fatalities to members of public involving BAT vehicles	4	2	8	■	Y
	Adherence to our operational standard on personal protective equipment (PPE) in tobacco growing	% of farms reported to have sufficient PPE for agrochemical use	100	95	93	●	Y
		% of farms reported to have sufficient PPE for tobacco harvesting	99.6	99	97	●	Y
		Number of people engaged via training on agrochemical health and safety (% of farmers trained)	171,082 (85.2%)	191,244 (84.4%)	201,374	●	Y**
	Number of people engaged via training on harvesting health and safety (% of farmers trained)	170,965 (85.1%)	191,245 (84.4%)	196,982	●	Y**	
 <p>People and culture</p>	45% women in management roles by 2025	% female representation in management roles	39	38	37	●	Y
	40% women on senior leadership teams by 2025	% female representation on senior leadership teams	27	27	24	●	Y
	By 2025 achieve at least a 50% spread of distinct nationalities within all key leadership teams	% of key leadership teams with at least a 50% spread of distinct nationalities	92	92	83	●	Y
	Women among all employees Group-wide and in non-management	% female representation Group-wide	32.3	31.4	27.8	●	Y
		% female representation in non-management roles	29.7	29.2	24.8	●	Y
	Achieve a more positive employee engagement score in our biennial 'Your Voice' survey than the norm for our FMCG comparator group	% score each Your Voice category (% difference from FMCG norm):					
		– Employee Engagement Index	79 (+1)	N/A	82 (+7)	●	N
		– High Performance Index	78 (+4)	N/A	76 (+5)	●	N
		– Corporate Responsibility	82 (+1)	N/A	86 (+12)	●	N
		– Diversity and Inclusion	83 (+5)	N/A	83 (+13)	●	N
– Empowerment		82 (+3)	N/A	84 (+5)	●	N	
– Innovation		73 (+1)	N/A	74 (+7)	●	N	
– Leadership and Strategy		72 (+4)	N/A	73 (+6)	●	N	
– People Management		83 (+3)	N/A	82 (+2)	●	N	
– Reward and Recognition	71 (+4)	N/A	74 (+10)	●	N		
– Talent Development	65 (+2)	N/A	69 (+5)	●	N		
– Transformation	74 (=)	N/A	76 (+5)	◆	N		

**The % of farmers trained was not assured.

Targets and Metrics














Continued

 Download our Reporting Criteria, including data scope and definitions at bat.com/ESGReport

 On track or met target
 Acceleration required
 Ongoing focus area

Governance

Targets and Metrics

Focus area/goal	Metric	Progress tracking			Status	Assured
		2021	2020	2019		
 Business ethics	Aiming for 100% adherence to our Standards of Business Conduct (SoBC)	% of employees who completed annual SoBC training and compliance sign-off	100	100	100	 N
		Number of reports of alleged SoBC breaches and reported	304	321	359	 Y
		Number of established SoBC breaches	99	116	130	 Y
		Number of disciplinary actions taken as a result of established SoBC breaches that resulted in people leaving BAT	46	54	80	 Y
 Responsible marketing	Aiming for 100% adherence to our International Marketing Principles (IMP)	Number of established IMP breaches	30	10*	5	 Y
	Aiming for 100% adherence to our Youth Access Prevention (YAP) Guidelines	% of markets aligned with our YAP Guidelines, where our products are sold**	100	100	100	 Y
		Markets granted a YAP exemption, in accordance with YAP Guidelines***	27	19	14	 Y
 Board diversity	Maintain at least 30% proportion of women on the Board of BAT p.l.c.	% women Directors on the Board of BAT p.l.c. as at 31 December 2021	40	33	27	 N
		Ethnicity balance on the Board of BAT p.l.c.	% ethnic minority Directors on the Board of BAT p.l.c. as at 31 December 2021	20	20	9
 Tax transparency	Tax transparency	Total major taxes paid (£bn)	40.5	41.1	41.4	 N

* Given the significance of the increase in IMP non-compliances in 2021 compared with previous years, a thorough review of IMP-related audit findings was undertaken and additional instances of non-compliance were identified, relating to activities in 2020. As such we have re-stated our previously reported figure for 2020 of three IMP non-compliances.

** Waivers from YAP Guidelines are granted where there is a government ban on point-of-sale materials or YAP retailer engagement cannot be ensured due to practical or cultural limitations.

*** Waivers from the YAP Guidelines are granted where there is a government ban on point-of-sale materials or YAP retailer engagement cannot be ensured due to practical or cultural limitations.

Independent Limited Assurance Report to British American Tobacco p.l.c.

KPMG LLP ('KPMG' or 'we') were engaged by British American Tobacco p.l.c. ('BAT') to provide limited assurance over the Selected Information described below for the year ended 31 December 2021.

Our conclusion

Based on the work we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information listed in Appendix 1 has not been properly prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of the remainder of this report, in particular the inherent limitations explained below and this report's intended use.

Selected Information

The scope of our work includes only the information included in Appendix 1, and within BAT's ESG Report ('the Report') for the year ended 31 December 2021 marked as "Assured" ('the Selected Information').

We have not performed any work, and do not express any conclusion, over any other information that may be included in the Report or displayed on BAT's website for the current year or for previous periods unless otherwise indicated.

Reporting Criteria

The Reporting Criteria we used to form our judgements are British American Tobacco's Reporting Guidelines 2021 as set out at www.bat.com/esgreport ('the Reporting Criteria'). The Selected Information needs to be read together with the Reporting Criteria.

Inherent limitations

The nature of non-financial information, the absence of a significant body of established practice on which to draw, and the methods and precision used to determine non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time. The Reporting Criteria has been developed to assist BAT in reporting ESG information selected by BAT as key KPIs to measure the success of its ESG strategy. As a result, the Selected Information may not be suitable for another purpose.

Directors' responsibilities

The Board of Directors of BAT are responsible for:

- designing, implementing and maintaining internal controls relevant to the preparation and presentation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- selecting and/or developing objective Reporting Criteria;
- measuring and reporting the Selected Information in accordance with the Reporting Criteria; and
- the contents and statements contained within the Report and the Reporting Criteria.

Our responsibilities

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been properly prepared, in all material respects, in accordance with the Reporting Criteria and to report to BAT in the form of an independent limited assurance conclusion based on the work performed and the evidence obtained.

Assurance standards applied

We performed our work in accordance with International Standard on Assurance Engagements (UK) 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ('ISAE (UK) 3000') issued by the Financial Reporting Council and, in respect of the greenhouse gas emissions information included within the Selected Information, in accordance with International Standard on Assurance Engagements 3410 – 'Assurance Engagements on Greenhouse Gas Statements' ('ISAE 3410'), issued by the International Auditing and Assurance Standards Board.

Independence, professional standards and quality control

We comply with the International Ethics Standards Board for Accountants' 'International Code of Ethics for Professional Accountants (including International Independence Standards)' and we apply International Standard on Quality Control (UK) 1, 'Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements'. Accordingly, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements and professional standards (including independence, and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as applicable legal and regulatory requirements.

Independent Limited Assurance Report to British American Tobacco p.l.c.

Continued

Summary of work performed

Considering the level of assurance and our assessment of the risk of material misstatement of the Selected Information, whether due to fraud or error, our work included, but was not restricted to:

- assessing the appropriateness of the Reporting Criteria for the Selected Information;
- conducting interviews with BAT management to obtain an understanding of the key processes, systems and controls in place over the preparation of the Selected Information;
- selected limited substantive testing, including agreeing a selection of the Selected Information to the corresponding supporting information;
- considering the appropriateness of the carbon conversion factor calculations and other unit conversion factor calculations used by reference to widely recognised and established conversion factors;
- reperforming a selection of the carbon conversion factor calculations and other unit conversion factor calculations;
- performing analytical procedures over the aggregated Selected Information, including a comparison to the prior period's amounts having due regard to changes in business volume and the business portfolio; and
- reading the narrative accompanying the Selected Information in the Report with regard to the Reporting Criteria, and for consistency with our findings.

The work performed in a limited assurance engagement varies in nature and timing from, and is less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our work did not include physical visits to the farms which provided the source data for the Leaf Data and Human Rights KPIs and testing the accuracy of the sales volumes in BAT's Procurement IT system which were used in calculating Scope 3 CO₂e emissions (thousand tonnes) including biogenic emissions and biogenic removals and the Scope 3 supply chain CO₂e emissions (thousand tonnes) from purchased goods and services (including biogenic emissions and biogenic removals).

This report's intended use

This assurance report is made solely to BAT in accordance with the terms of the engagement contract between us. Those terms permit disclosure to other parties, solely for the purpose of BAT showing that it has obtained an independent assurance report in connection with the Selected Information.

We have not considered the interest of any other party in the Selected Information. To the fullest extent permitted by law, we accept no responsibility and deny any liability to any party other than BAT for our work, for this assurance report or for the conclusions we have reached.

KPMG LLP

KPMG LLP
Chartered Accountants
London

10 February 2022

The maintenance and integrity of BAT's website is the responsibility of the Directors of BAT; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information, Reporting Criteria or Report presented on BAT's website since the date of our report.

Independent Limited Assurance Report to British American Tobacco p.l.c.

Continued

Appendix 1

The Underlying Selected Information that constitutes the Selected Information are listed below. The information in this Appendix needs to be read together with the attached limited assurance report and the Reporting Criteria.

Underlying Selected Data		Selected Information***	
E	CO ₂ e emissions	Scope 1 CO ₂ e emissions (thousand tonnes)	325
		Scope 2 CO ₂ e emissions (location-based) (thousand tonnes)	393
		Scope 2 CO ₂ e emissions (market-based) (thousand tonnes)	170
		Scope 1 and Scope 2 CO ₂ e emissions intensity ratio (tonnes per £m of revenue)	19.3
		Scope 3 CO ₂ e emissions (thousand tonnes) including biogenic emissions and biogenic removals	5,587
		Scope 3 supply chain CO ₂ e emissions (thousand tonnes) from purchased goods and services (including biogenic emissions and biogenic removals)	4,011
	Energy	Total direct energy use (GWh)	2,480
		Renewable energy (GWh)	708
		Renewable energy as a % of total direct energy use	28.6
	Waste	Waste generated (thousand tonnes)	137
Waste sent to landfill (thousand tonnes)		11.93	
% of operations sites reporting zero waste to landfill		35	
% of waste recycled		78.9	
Plastic	Total weight of unnecessary single use plastic packaging (tonnes)	1,987	
	% Share of Reusable, Recyclable or Compostable plastic packaging	75	
	% of Recycled content in plastic packaging	8	
Water	Number of markets with take-back schemes for New Category products	42	
	Total water withdrawn (mn cubic metres m ³)	3.76	
	% of total water recycled	16.7	
Afforestation and Land Management*	% of sources of wood used by our contracted farmers for curing fuels that are from sustainable sources	99.9	
	% of tobacco hectares reported to have appropriate best practice soil and water management plans implemented	76	
Farmer Sustainability Management (FSM)	Number of non-compliance incidents identified in the FSM (% reported as remediated and resolved)	9,807 (100%)	
	% breakdown of a total of 9,807 non-compliance incidents reported in 2021 via FSM that required prompt actions to remediate		
	Handling, use and storage of agrochemicals	96.5%	
	Green tobacco sickness	2.40%	
	Other	0.33%	
	Controls and preventing child labour	0.77%	
S	Farmer livelihoods*	% of tobacco farmers reported to grow other crops for food or as additional sources of income	95.6
	Farmer Training*	Number of people engaged via training on farm business management	61,780
Community Investment		Number of people engaged via training on women's empowerment	13,651
		Cash contributions (£m)	12.6
Child labour**		In-kind contributions (£m)	6.4
		% of farms monitored for child labour	99.9
Forced labour***		% of farms with incidents of child labour identified	0.7
		Number of child labour incidents identified	1,790
		% of child labour incidents reported as resolved by end of growing season	100
		% of farmers that received training/capacity building on child labour issues	88.5
		Number of incidents of forced labour identified (% reported as resolved by end of the growing period)	0 (N/a)
Access to Training and Grievance Mechanisms**		Number of people engaged via farmer training on Human Rights	350,817
		% of farms monitored for grievance mechanisms	99.9
		% of farmers reported as having access to at least one type of grievance mechanism	100
	% of farm labourers reported as having access to at least one type of grievance mechanism	99.9	

* Leaf Data KPIs.

** Human Rights KPIs.

*** Our procedures for all Selected Information covers the reporting period to the 31st December 2021, except Scope 3 CO₂e emissions which is reported one year behind.

Therefore, our Scope 3 CO₂e emissions opinion relates to the reporting period 31st December 2020. Please refer to BAT's reporting criteria for the specific reporting periods of Selected Information relating to the period 31st December 2021.

Independent Limited Assurance Report to British American Tobacco p.l.c.

Continued

Underlying Selected Data		Selected Information***	
S	Audits	Number of independent labour audits conducted on non-tobacco suppliers	142
		% of product materials and high-risk indirect service suppliers that have undergone at least one independent labour audit within a three-year cycle	22
	Health and safety	Number of work-related accidents resulting in injury to employees and to contractors	126
		Number of work-related accidents (including assaults) resulting in injury, causing absence of one shift or more	95
		Lost workday case incident rate (LWCIR)	0.2
		Occupational illness cases	0
		Occupational illness rate	0
		Number of serious injuries (employees)	19
		Number of serious injuries (contractors)	9
		Number of fatalities (employees)	1
		Number of fatalities (contractors)	2
		Number of fatalities to members of the public involving BAT vehicles	4
	Tobacco supply chain health and safety*	% of farms reported to have sufficient PPE for agrochemical use	100
		% of farms reported to have sufficient PPE for tobacco harvesting	99.6
		Number of people engaged via farmer training on agrochemical health and safety	171,082
		Number of people engaged via farmer training on harvesting health and safety	170,965
	Employee diversity	% female representation in management roles	39
		% female representation on senior leadership teams	27
		% of key leadership teams with at least a 50% spread of distinct nationalities	92
% female representation Group-wide		32.3	
% female representation in non-management roles		29.7	
G	Standards of Business Conduct (SoBC)	Number of reports of alleged SoBC breaches	304
		Number of reports of alleged SoBC breaches broken down by policy area	
		Personal and business integrity	20%
		Workplace and human rights	46%
		Corporate assets and financial integrity	20%
		National and international trade	5%
		Lobbying and public contributions	0%
		Other topics not relating to a specific SoBC policy	9%
	Marketing Practice	Number of established SoBC breaches	99
		Number of disciplinary actions taken as a result of established SoBC breaches that resulted in people leaving BAT	46
		Number of established IMP breaches	30
		% of markets aligned with YAP Guidelines, where our products are sold	100
		Markets granted a YAP exemption, in accordance with YAP Guidelines	27

* Leaf Data KPIs.

** Human Rights KPIs.

*** Our procedures for all Selected Information covers the reporting period to the 31st December 2021, except Scope 3 CO₂e emissions which is reported one year behind. Therefore, our Scope 3 CO₂e emissions opinion relates to the reporting period 31st December 2020. Please refer to BAT's reporting criteria for the specific reporting periods of Selected Information relating to the period 31st December 2021.

Our Response to the Assurance Statement

Independent review and assurance of our ESG metrics is crucial to helping stakeholders place trust in our ESG report and in the processes that underpin our ESG strategy. It supports our commitment to openness and transparency.

For our 2021 reporting, we were pleased to appoint KPMG LLP as our new assurance provider, covering an expanded scope of metrics (full list of assured metrics on page 125).

We welcome KPMG's valuable feedback as we seek to continuously improve the robustness of our processes and provide our stakeholders with increased confidence in our reporting.

Our approach to independent assurance builds on our long history of open engagement with our stakeholders.

References

Introduction and Strategy (pages 1-26)

- 1 Based on Vuse ePod, ePen, eTank mini, Alto devices and consumables internal sales forecast (calculated March 2021) for 12 months starting from April 2021. Vuse has reduced its carbon emissions by 44.4% (as of March 2021) through its internal sustainability initiatives since launched in 2019 and has now offset the remaining 55.6%. Find out more at <https://www.vuse.com/gb/en/sustainability>.
 - 2 BAT joined the UN-backed Race to Zero global campaign via the [Science Based Targets Business Ambition for 1.5oC Campaign](#).
 - 3 Our listing in the Dow Jones Sustainability Indices (DJSI) is based on November 2021 score in the S&P Global Corporate Sustainability Assessment.
 - 4 An MSCI ESG Rating is designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks.
 - 5 A Sustainalytics score of zero out of 100 represents the lowest ESG risk. BAT's ESG Risk Rating places the company in the 16th percentile of the industry group which we are assessed in.
 - 6 Our first report for 2001 was called a 'Social Report'.
 - 7 Data for Group employees include certain temporary employees largely, relating to seasonal workers within operations – these comprised 240 in 2021, 400 in 2020 and 3,300 in 2019. Included within the employee numbers for the Europe and North Africa (ENA) region are certain employees in different locations in respect of central functions. Some of the costs of these employees are allocated or charged to the various regions and markets in the Group.
 - 8 Manufacturing facilities are those owned or leased and operated by the Group's subsidiaries. The Group's factory outputs and establishments vary significantly in size and production capacity. In 2021, the Group used third party manufacturers to manufacture the components required, including the devices, related to New Categories.
 - 9 Based on forecasted CO₂ emissions for Vuse Alto/ePen/ePod from Q4 2022 Life Cycle Analysis (LCA) estimates compared to the baseline as of June 2019.
 - 10 Plastic saving was calculated from 2020 global sales volumes and 2021 forecasted sales and the plastic bottles comparison was based on a 22.9g bottle weight, representative weight of 500ml commercially available soft drink bottles (May 2020).
 - 11 See footnote 1 re Vuse's carbon neutrality.
 - 12 Reduction in single-use plastic is based on product LCA data provided by an independent third party in relation to glo sales volumes from December 2020 to November 2021.
 - 13 Reduction in materials use and savings in CO₂e emissions is based on product LCA data provided by an independent third party in relation to glo sales volumes from December 2020 to November 2021.
 - 14 The majority of Velo packaging is now made of a single polymer – polypropylene (PP) – rather than a combination of materials. PP recycling is widely accessible for households in many parts of the world. Estimated CO₂e savings is based on product LCA data provided by an independent third party for the new single polymer packaging compared with the original mixed polymer packaging, in relation to estimated sales of Velo in our Europe and North Africa region in 2022.
 - 15 See footnote 3 re our DJSI listing.
 - 16 See footnote 4 re our MSCI score.
 - 17 See footnote 5 re our Sustainalytics score.
- The 19 countries and smoking rates are: Serbia (40.6%), Greece (39.1%), Bulgaria (38.9%), Indonesia (37.9%), Cyprus (36.7%), Croatia (36.6%), France (34.6%), Slovakia (32.3%), Czech Republic (31.5%), South Africa (31.4%), Hungary (30.6%), Estonia (30.5%), Austria (29.1%), Sweden (28.8%), Russia (28.3%), Germany (28%), Spain (27.9%), Belarus (26.6%) and Poland (26%). <https://data.worldbank.org/indicator/SH.PRVS.SMOK>.
- 4 Royal College of Physicians, Tobacco Advisory Group (2016). Nicotine without smoke: Tobacco harm reduction. [Nicotine without smoke: Tobacco harm reduction | RCP London](#).
 - 5 Based on Vype/Vuse estimated value share from Recommended Retail Price (RRP) in measured retail for vapour (i.e. total vapour category value in retail sales) in the USA, Canada, France, UK, Germany. These five markets cover an estimated 77% of global vapour closed system net turnover (NTO), calculated in June – July 2021.
 - 6 McNeill A, Brose LS, Calder R, Bauld L, Robson D. (2018). Evidence review of e-cigarettes and heated tobacco products. A report commissioned by PHE. London: PHE. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684963/Evidence_review_of_e-cigarettes_and_heated_tobacco_products_2018.pdf.
 - 7 Office for National Statistics (2020). [Adult smoking habits in the UK: 2019](#). Cigarette smoking habits among adults in the UK, including the proportion of people who smoke, demographic breakdowns, changes over time and use of e-cigarettes.
 - 8 Camacho, Oscar M., Ebajemito, James K., Coburn, Steven, Prasad, Krishna, Costigan, Sandra and Murphy, James J. (2021). Evidence From the Scientific Assessment of Electronic Cigarettes and Their Role in Tobacco Harm Reduction. Contributions To Tobacco & Nicotine Research, vol.30, no.2, 2021, pp.63-108. <https://www.sciendo.com/article/10.2478/cttr-2021-0007>.
 - 9 US Food and Drug Administration (2019). Statement on consumer warning to stop using THC vaping products amid ongoing investigation into lung illnesses. October 4, 2019. <https://www.fda.gov/news-events/press-announcements/statement-consumer-warning-stop-using-thc-vaping-products-amid-ongoing-investigation-lung-illnesses>.

Harm Reduction (pages 28-37)

- 1 Cox et al. (2019). Effects of e-cigarettes versus nicotine replacement therapy on short-term smoking abstinence when delivered at a community pharmacy. *Addict Behav Rep* 2019. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6626064>.
- 2 Hajek et al. (2019). A Randomized Trial of E-Cigarettes versus Nicotine-Replacement Therapy. *N Engl J Med* 2019. <https://www.nejm.org/doi/full/10.1056/nejmoa1808779>.
- 3 Based on World Bank data (2018) measuring smoking prevalence as a percentage of the total adult population.

References

Continued

Harm Reduction (pages 28-37) continued

- 10 Ebajemito JK, McEwan M, Gale N, et al. (2020). A randomised controlled single-centre open-label pharmacokinetic study to examine various approaches of nicotine delivery using electronic cigarettes. *Sci Rep* 2020; 10: 19980. <https://www.nature.com/articles/s41598-020-76610-4>.
- 11 This product is not risk free and contains nicotine, an addictive substance. Comparison of smoke from a scientific standard reference cigarette (approximately 9 mg tar) and emissions from glo, in terms of the average of the nine harmful components the World Health Organization recommends to reduce in cigarette smoke.
- 12 Committees on Toxicity, Carcinogenicity and Mutagenicity of Chemicals in Food, CONSUMER Products and the Environment (COT, COC and COM). Statement on the toxicological evaluation of novel heat-not-burn tobacco products. December, 2017. [heat_not_burn_tobacco_statement.pdf](https://www.fda.gov/oc/ohrt/heat_not_burn_tobacco_statement.pdf) (food.gov.uk).
- 13 McNeill A, Brose LS, Calder R, Bauld L, Robson D. (2018). Evidence review of e-cigarettes and heated tobacco products. A report commissioned by PHE. London: PHE. [Vaping in England: evidence update February 2021 – GOV. UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/724211/evidence_update_february_2021_-_gov_uk.pdf) (www.gov.uk).
- 14 Gale N, McEwan M, Eldridge AC, et al. (2019). Changes in biomarkers of exposure on switching from a conventional cigarette to tobacco heating product: a randomised, controlled study in healthy Japanese subjects. *Nicotine Tob Res* 2019; 21: 1220-1227. <https://pubmed.ncbi.nlm.nih.gov/29912406/>.
- 15 Gale, N., McEwan, M., Camacho, O.M. et al. (2021). Changes in biomarkers after 180 days of tobacco heating product use: a randomised trial. *Intern Emerg Med* (2021). <https://academic.oup.com/nt/article/23/3/584/5885246>.
- 16 Bishop E, East N, Bozhilova S, et al. (2020). An approach for the extract generation and toxicological assessment of tobacco-free 'modern' oral nicotine pouches. *Food Chem Toxicol* 2020; 145: 111713. <https://pubmed.ncbi.nlm.nih.gov/32998027/>.

- 17 East N, Bishop E, Breheny D, Gaca M, Thorne D. (2021). A screening approach for the evaluation of tobacco-free 'modern oral' nicotine products using real time cell analysis. *Toxicology Reports*. 8. 10.1016/j.toxrep.2021.02.014. <https://www.sciencedirect.com/science/article/pii/S2214750021000317>.
- 18 David Azzopardi, Chuan Liu & James Murphy (2021) Chemical characterization of tobacco-free "modern" oral nicotine pouches and their position on the toxicant and risk continuums, *Drug and Chemical Toxicology*, <https://pubmed.ncbi.nlm.nih.gov/34034614/>.

Environment (pages 38-56)

- 1 We signed-up to Race to Zero via the [Science Based Targets Business Ambition](https://www.race-to-zero.org/) for 1.5°C Campaign
- 2 The majority of Velo packaging is now made of a single polymer – polypropylene (PP) – rather than a combination of materials. PP recycling is widely accessible for households in many parts of the world. Estimated CO₂e savings is based on product LCA data provided by an independent third party for the new single polymer packaging compared with the original mixed polymer packaging, in relation to estimated sales of Velo in our Europe and North Africa region in 2022.
- 3 Based on Vuse ePod, ePen, eTank mini, Alto devices and consumables internal sales forecast (calculated March 2021) for 12 months starting from April 2021. Vuse has reduced its carbon emissions by 44.4% (as of March 2021) through its internal sustainability initiatives since launched in 2019 and has now offset the remaining 55.6%. Find out more at <https://www.vuse.com/gb/en/sustainability>.
- 4 Based on forecasted reduced CO₂ emissions derived from switching around 80% of Vuse Alto, ePen, ePod device and pod shipments from air freight to sea freight, from Q4 2022 Life Cycle Analysis (LCA) estimates compared to the baseline as of June 2019.
- 5 Plastic saving was calculated from 2020 global sales volumes and 2021 forecasted sales and the plastic bottles comparison was based on a 22.9g bottle weight, representative weight of 500ml commercially available soft drink bottles (May 2020).

- 6 Reduction in single-use plastic and savings in CO₂e emissions is based on product LCA data provided by an independent third party in relation to glo sales volumes for 2021.
- 7 Estimated CO₂e savings is based on product Life Cycle Assessment (LCA) data, as described in footnote 2.
- 8 [Water in Agriculture \(worldbank.org\)](https://www.worldbank.org/).
- 9 In 2021, 17 of our sites in 13 countries were identified as being in water stress zones according to the WRI Water Risk Atlas: Algeria, Chile (2 sites), Germany, Hungary (3 sites), Iran, Jordan, Mexico, Pakistan, Romania, Samoa, Serbia, Uzbekistan (2 sites) and Venezuela. Note: in mid 2021 BAT operations in Iran were discontinued.
- 10 World Resources Institute (2015). Ranking the World's Most Water-Stressed Countries in 2040. <https://www.wri.org/insights/ranking-worlds-most-water-stressed-countries-2040>.
- 11 Brazilian Agricultural Research Corporation – EMBRAPA <https://www.embrapa.br/en/busca-de-noticias/-/noticia/61838729/hydrological-validation-of-the-high-wide-ridge-as-conservationist-technology-applied-to-the-tobacco-crop>

Social (pages 57-81)

- 1 International Labour Office and United Nations Children's Fund (2021). [Child Labour: Global estimates 2020, trends and the road forward](https://www.ilo.org/public/eng/mediacentre/pressreleases/20210501), ILO and UNICEF, New York, 2021. License: CC BY 4.0.
- 2 Argentina, Austria, Bangladesh, Brazil, Bulgaria, Canada, China, El Salvador, Finland, France, Germany, Hungary, India, Indonesia, Italy, Jordan, Kenya, Malaysia, Mexico, Netherlands, Nigeria, Pakistan, Pap. New Guinea, Philippines, Poland, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Turkey, UK, USA and Vietnam.
- 3 Bangladesh, Belarus, Burkina Faso, Cambodia, Cameroon, China, Colombia, Democratic Republic of Congo, Egypt, Indonesia, Iraq, Kenya, Lebanon, Mali, Mozambique, Myanmar, Niger, Nigeria, Pakistan, Papua New Guinea, Russia, Saudi Arabia, Sudan, Tanzania, Turkey and Venezuela.

Further information

About this Report

This is a report by British American Tobacco p.l.c.; associate companies are excluded.

References to 'British American Tobacco', 'BAT', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. (the Company, and together with its subsidiaries, the 'Group'), and when denoting business activity refer to Group operating companies, collectively or individually as the case may be.

This is our annual ESG Report covering performance for the calendar year of 2021. If you have any questions that arise from this Report please email us at sustainability@bat.com.

Forward-Looking Statements

This report contains certain forward-looking statements, including "forward-looking" statements made within the meaning of the US Private Securities Litigation Reform Act of 1995. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook," "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations reflecting knowledge and information available at the time of preparation, and concerning our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates, including the projected future financial and operating impacts of the COVID-19 pandemic.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this report are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

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;
- 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.

Additional information concerning these and other factors can be found in BAT's filings with the US 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, www.sec.gov.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the Group undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

Purpose of this Report

The material in this report is provided for the purpose of giving information about the Group to stakeholders only and is not intended for general consumers.

The Company, its directors, officers, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The material in this report is not provided for product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold.

Further information Continued

Our Suite of Publications

This Report forms part of our wider suite of corporate publications, available at www.bat.com/reporting.

Reporting frameworks

We map our ESG disclosures based on the following leading global frameworks:

- Task-Force for Financial-related Financial Disclosures (TCFD) framework;
- Sustainable Accounting Standards Board (SASB) framework against both the Tobacco and Agricultural Production Standards;
- Global Reporting Initiative (GRI) standards;
- World Economic Forum ESG index; and
- UN Guiding Principles Reporting Framework (UNGPRF).

Annual Report and Form 20-F

Details of our Group strategy, governance and financial reporting



Combined Performance and ESG Summary

Summary highlights from our Annual Report and ESG Report

Find out more about our **2021 Annual Report**.

Science and Innovation Report

Details of our Tobacco Harm Reduction research and scientific engagement



Find out more about our **Science and Innovation Report**.

Diversity and Inclusion Report

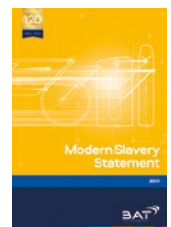
Details of our approach to diversity and inclusion as well as gender and ethnicity pay reporting



Find out more about our **Diversity and Inclusion Report**.

Modern Slavery Statement

Details of our efforts to tackle modern slavery in our business and supply chains



Find out more about our **Modern Slavery Statement**.

Conflict Minerals Report

Details of our due diligence procedures relating to conflict minerals – the term used to describe tin, tantalum, tungsten and gold – that may be present in the Group’s vapour and tobacco heating products



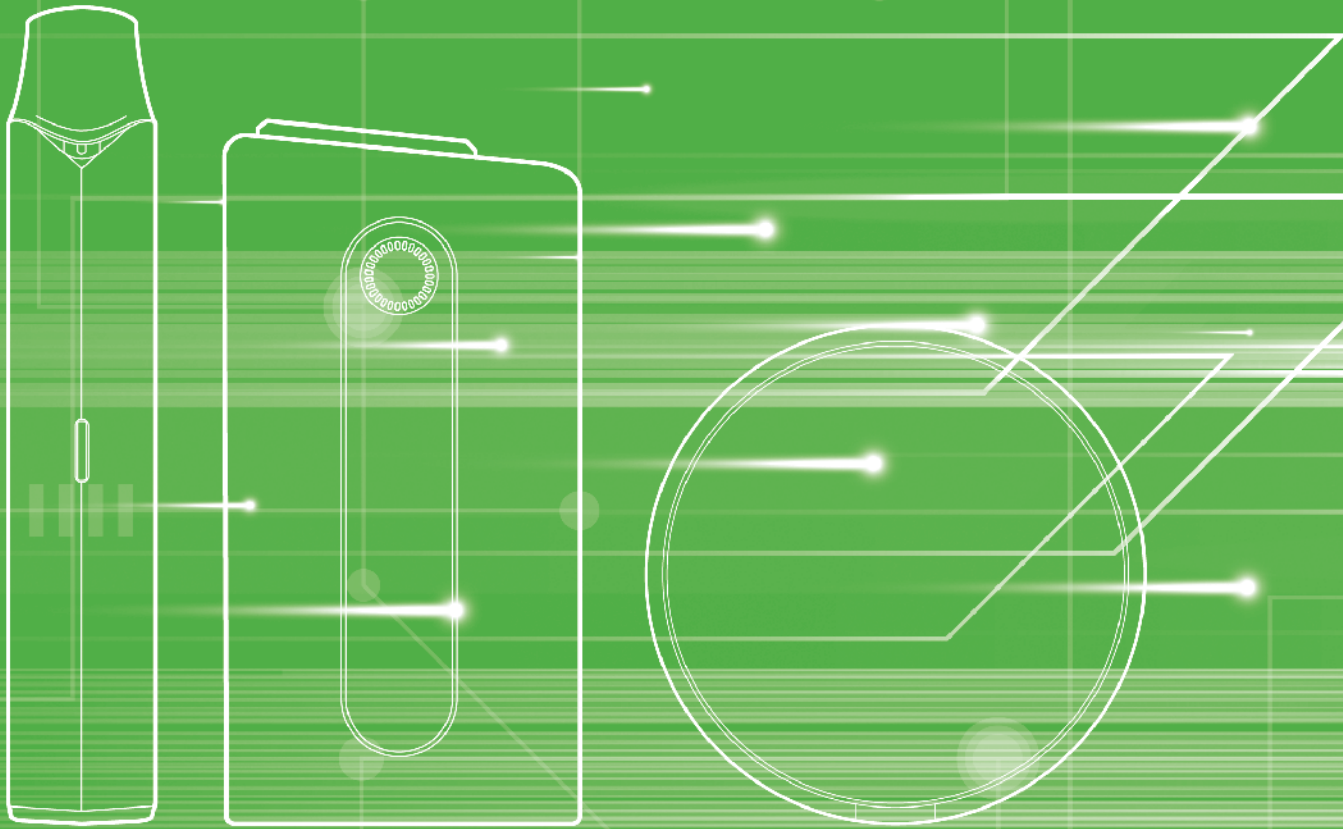
Find out more about our **Conflict Minerals Report**.

Human Rights Focus Report

More detailed information on our human rights strategy



Find out more about our **Human Rights Report**.



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Featuring downloadable versions of this report, along with our sustainability summary report and other content – all accessible on desktop, tablet and mobile.

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