



# A Better Tomorrow™

ESG Summary Report 2020

# Chief Executive's Review

“Our consumer-centric, multi-category approach offers consumers the widest range of enjoyable and less risky products.”

“We continue to be clear that combustible cigarettes pose serious health risks. The only ways to avoid these risks are to not start or to quit smoking. For those who still smoke, we encourage them to switch to scientifically substantiated, reduced risk alternatives.”

“As we build A Better Tomorrow, sustainability is at the core of our business.”

“We are making great progress towards our ESG ambitions and business transformation. We have increased consumers of non-combustible brands by 3 million, reaching 13.5 million by the end of 2020.”



“This year, I'm excited to be announcing our new target for carbon neutrality across our value chain by 2050, alongside accelerated water and waste targets.”

## Dear stakeholders,

Welcome to our ESG Summary Report for 2020.

This year, I'm excited to be announcing our new target for carbon neutrality across our value chain by 2050, alongside accelerated water and waste targets. I'm also proud to highlight our progress against our purpose-led strategy.

As we put sustainability front and centre of all we do, we are setting the bar even higher:

- Achieving carbon neutrality for Scope 3 emissions by 2050<sup>1</sup>;
- 100% renewable electricity in operations sites by 2030;
- Increase the amount of water recycled to 30% by 2025;
- 100% manufacturing sites to be Alliance for Water Stewardship certified by 2025; and
- 100% of operations sites to be zero waste to landfill by 2025.

## Investor Ratings and Awards



**Dow Jones Sustainability Indices (DJSI) 85%**

We are **the only company in our industry** listed in the prestigious World Index, with an 85% score, representing the world's top 10% ESG performers. We have achieved inclusion in the indices for 19 consecutive years.



**Sustainalytics 27.8**

We achieved a score of 27.8 in the most recent Sustainalytics ESG Risk Ratings, which give investors insights into financially material ESG risks in their portfolios.



**MSCI 'BBB' rating**

We achieved a 'BBB' rating in the most recent MSCI ESG Ratings, which help investors identify and understand financially material ESG portfolio risks.



**Financial Times Top 10% Diversity Leaders Report**

We have ranked in the top 10% for two consecutive years. The report recognises organisations that have achieved a diverse and inclusive workforce.



**CDP Climate A List A List**

Our A-List inclusion for the second year in a row recognises our actions to cut emissions, mitigate climate risks and develop the low-carbon economy. We are also proud to have achieved A- in CDP Water and been recognised as a Supplier Engagement Leader.



**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.

# Chief Executive’s Review (cont’d)

## Purpose-Led Strategy

Our purpose is clearly set out in our strategy: to build A Better Tomorrow™ by reducing the health impact of our business.

Our consumer-centric, multi-category approach offers consumers the widest range of enjoyable, less risky products\*†, including New Category vapour products, tobacco heating products (THP) and modern oral nicotine pouches.

We continue to be clear that combustible cigarettes pose serious health risks. The only way to avoid these risks is to not start or to quit smoking. For those who still smoke, we encourage them to switch to scientifically substantiated, reduced-risk alternatives.

## Sustainability Front and Centre

Our Sustainability Agenda reflects our commitment to reducing the health impact of our business as the principal focus area – underpinned by excellence across our other ESG priorities.

In March 2020, we set ambitious targets to:

- Increase consumers of our non-combustible products to 50 million by 2030;
- Achieve carbon neutrality by 2030<sup>1</sup>, while accelerating our existing environmental targets to 2025; and
- Eliminate unnecessary single-use plastic packaging and making all plastic packaging reusable, recyclable or compostable by 2025.

We also aim to reach £5 billion in revenue from our New Category products in 2025. I’m pleased to report we achieved £1.4 billion in 2020, representing 15% growth compared to 2019.

## Support Through the Pandemic

Last year, COVID-19 caused upheaval on a global scale. It is an event like no other in our recent history. First and foremost, our thoughts are with the many individuals and families whose lives have been impacted.

We took swift action across the business to ensure we could continue to operate safely and effectively. We would not have been able to achieve this without the ongoing commitment of our teams around the world.

From our workforce to our customers, partners, suppliers and contracted farmers, we are supporting our stakeholders through this COVID-19 pandemic. In 2020, we contributed over £10.3 million in cash and in-kind donations to COVID-related relief funds and efforts.

## Roadmap for A Better Tomorrow™

We have developed a clear roadmap for each ESG priority and set new, bold ambitions. These include:

- Our new environmental targets to drive environmental excellence;
- A zero-tolerance approach to forced labour while having a clear commitment to aim for our tobacco supply chain to also be free of child labour by 2025; and
- Increasing the proportion of women in management roles to 45% by 2025.

We fully support the United Nations’ (UN) plea for a whole-of-society approach to combat global challenges. Our Sustainability Agenda reflects how we are contributing to the UN Sustainable Development Goals (SDGs).

We marked International Human Rights Day in 2020 with the publication of a dedicated Human Rights Report. In a first for our industry, this report is aligned to the UN Human Rights Reporting Framework. I’m particularly proud of the significant progress we’ve made over the last 20 years in protecting human rights.

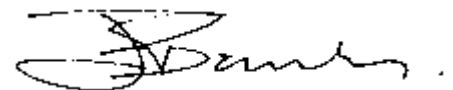
## Notable Recognition

We are proud that our ESG efforts are being recognised externally with improved scores in leading investor indices, such as Sustainalytics and Vigeo Eiris, through our CDP Climate A-List status and our inclusion in the Dow Jones Sustainability Indices for 19 consecutive years.

## Sustainable Future

2020 showed the need for business to serve a wider purpose, beyond the interests of shareholders. At BAT, we have embraced this shift. We are creating value for both shareholders and stakeholders alike.

I am proud that we have a strategy with sustainability embedded at its heart. And I firmly believe it will lead to A Better Tomorrow™ and create value for all our stakeholders – now and in the future.



**Jack Bowles**  
Chief Executive, March 2021



Find a full list of our awards and investor ratings on page 12 of the 2020 ESG Report, available at [bat.com/reporting](http://bat.com/reporting)

<sup>1</sup> We aim to achieve carbon neutrality for Scope 1 and 2 emissions by 2030. Scope 1 and 2 emissions represent emissions from our own business activities, and Scope 3 represents emissions from our value chain.

\* 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 US Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without agency clearance.

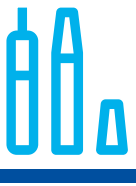
# Our Purpose

We are a leading multi-category consumer goods business with over 55,000 employees worldwide helping us live our purpose to build A Better Tomorrow™.



With our New Category products, we are creating satisfying, enjoyable alternatives to smoking. At the same time, we are reducing

the health impact of our business.\*† Our ambition is to increasingly transition our revenues from cigarettes to New Categories.



## Vapour Products

Vapour products are battery-powered devices that heat liquid formulations – e-liquids – to create a vapour which is inhaled. Most e-liquids contain water, propylene glycol and glycerol, flavourings and nicotine, although some e-liquids don't contain any nicotine. The products contain no tobacco and no combustion takes place. Our flagship brands are Vuse and Vype.



## Tobacco Heating Products (THPs)

THPs heat tobacco to generate a nicotine-containing aerosol, with a tobacco taste, which the user inhales. Because the tobacco is heated instead of burned, the resulting aerosol comprises mainly water, glycerol, nicotine and tobacco flavours – dramatically different to cigarette smoke. Our flagship brand, glo, includes battery-powered devices that heat specially designed tobacco sticks.



## Modern Oral

In recent years, a new category of modern oral products has emerged. These come in the form of nicotine pouches that are placed under the lip so that nicotine can be absorbed by the body. Our modern oral products are sold under our flagship Velo brand in the majority of our markets. They are device- and hands-free, with a likely broader appeal than traditional oral tobacco. Affordability and other factors (like having no batteries) mean consumers in middle-income developing countries may find them more convenient than other New Category products.



1,500 scientists and engineers generating world-class science

We aim to have 100% adherence to our International Marketing Principles (IMP)

We aim to have 100% adherence to our global Youth Access Prevention (YAP) Guidelines

We plan to implement take-back schemes for all our New Category devices by the end of 2021

Our latest clinical study provides compelling evidence supporting the reduced-risk potential of glo

Our Velo mini products are now in recyclable packaging

\* 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 FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

# Building A Better Tomorrow™

In 2020, we launched our evolved Group strategy focusing on building A Better Tomorrow™ for all our stakeholders. As we set about future proofing our business, we have developed a set of ambitious targets that will act as a catalyst for a decade of action.

Our Sustainability Agenda is integral to our evolved Group strategy. Our approach is driven by stakeholder insights with a robust process helping us to understand what

matters to them most. Our ongoing risk monitoring, research and benchmarking ensure we meet stakeholder expectations.

	ESG Issue	Our Goals	Progress in 2020
<b>H</b>	<b>Reducing the Health Impact of Our Business</b> <ul style="list-style-type: none"> <li>Consumer choice</li> <li>World-class science</li> <li>Standards and regulation</li> </ul>	<ul style="list-style-type: none"> <li>Reach <b>£5 billion</b> revenue from our New Category products by 2025</li> <li>Reach <b>50 million</b> consumers of non-combustible products worldwide by 2030</li> </ul>	<ul style="list-style-type: none"> <li>£1,443 million in New Category revenues, up by 15% (vs 2019)</li> <li>13.5 million consumers of non-combustible products, up by 3 million (vs 2019)</li> </ul> <hr/> <ul style="list-style-type: none"> <li>30.9% reduction in Scope 1 and 2 emissions, contributing to a total 37.4% reduction against 2017 baseline; climate risk scenario analysis for major tobacco-growing markets</li> <li>10.8% reduction in water withdrawn, contributing to a total 22.5% reduction against 2017 baseline.</li> <li>Over 99% wood used for tobacco curing by our contracted farmers is from sustainable sources</li> <li>82% of our plastic packaging is reusable, recyclable or compostable</li> </ul> <hr/> <ul style="list-style-type: none"> <li>99.7% of tobacco farms monitored for child labour</li> <li>93 supplier labour audits conducted on product materials and high-risk indirect service suppliers</li> <li>Over 50% of tobacco hectares grown by our contracted farmers is from our hybrid tobacco seed varieties, boosting yields by up to 20%</li> <li>27% reduction in total accidents (vs 2019)</li> <li>38% female representation in management roles</li> </ul> <hr/> <ul style="list-style-type: none"> <li>100% of Group employees completed SoBC sign-off and training</li> <li>Further strengthened compliance procedures and internal controls for IMP</li> <li>100% markets reported alignment with YAP Guidelines</li> </ul>
<b>E</b>	<b>Excellence in Environmental Management</b> <ul style="list-style-type: none"> <li>Climate change</li> <li>Water</li> <li>Biodiversity and afforestation</li> <li>Waste</li> </ul>	<ul style="list-style-type: none"> <li><b>Carbon neutral</b> for Scope 1 and 2 emissions by 2030 and Scope 3 emissions by 2050</li> <li><b>Eliminate</b> unnecessary single-use plastic and make all plastic packaging recyclable by 2025</li> <li><b>Aim for 100%</b> of wood used for tobacco curing by our contracted farmers to be from sustainable sources</li> <li>Reduce water withdrawn by <b>35%</b> by 2025</li> </ul>	
<b>S</b>	<b>Delivering a Positive Social Impact</b> <ul style="list-style-type: none"> <li>Human rights</li> <li>Farmer livelihoods</li> <li>Health and safety</li> <li>People and culture</li> </ul>	<ul style="list-style-type: none"> <li><b>Aim for zero child labour and zero forced labour</b> in our tobacco supply chain by 2025</li> <li><b>Enhance farmer livelihoods</b> such as by increasing yields and productivity</li> <li><b>Zero accidents</b> Group-wide</li> <li>Increase the proportion of women in management roles to <b>45%</b> by 2025</li> <li><b>All our product materials and high-risk indirect service suppliers</b> to have undergone at least one independent labour audit within a three-year cycle by 2025</li> </ul>	
<b>G</b>	<b>Robust Corporate Governance</b> <ul style="list-style-type: none"> <li>Business ethics</li> <li>Responsible marketing</li> <li>Regulation and policy engagement</li> </ul>	<ul style="list-style-type: none"> <li><b>100%</b> adherence to our Standards of Business Conduct (SoBC), including our Lobbying and Engagement Policy</li> <li><b>100%</b> adherence to our International Marketing Principles (IMP) and Youth Access Prevention (YAP) Guidelines</li> </ul>	

Data definitions and scope are outlined on pages 126 to 136 of the 2020 ESG Report, available at [bat.com/reporting](http://bat.com/reporting).

# A Better Tomorrow™ for Our Stakeholders

From the consumers who love our products to the dedicated people who make them, we are building A Better Tomorrow™ by delivering value to all.



“There has never been a more exciting time at BAT as we combine our experience in R&D, innovation and consumer insights to deliver A Better Tomorrow with our growing portfolio of reduced-risk products.”

Kingsley Wheaton, Chief Marketing Officer

We Enable Consumer Choice	We Communicate and Market Responsibly	We Prioritise Consumer Safety	We Address Our Environmental Impacts
We've designed our diverse portfolio to satisfy consumers' different, evolving preferences.	We give clear, accurate product information to consumers, while marketing our products to adults only.	We put high quality and consumer safety at the heart of our product design, development and manufacturing.	We are committed to reducing the environmental impacts of our products. These include post-consumption waste and the use of plastics and other materials.



### Value Created for Consumers

- A wide choice of superior, stimulating products for every mood and moment
- Brands they can trust, manufactured to high quality and safety standards
- Alternatives to cigarettes with reduced-risk potential, marketed responsibly
- Transparent, accurate information, based on robust science



We Protect the Environment	We Respect Human Rights	We Support Communities	We Enhance Farmer Livelihoods
We are building a climate-resilient business, using less natural resources and promoting sustainable agriculture.	Our human rights strategy is aligned with the UN Guiding Principles and focuses on strong policies, due diligence and remediation programmes.	We partner with NGOs and other stakeholders to support the communities and landscapes we operate in.	Through our global leaf agronomy centre and Extension Services, we create long-term value and mutual benefit for our contracted farmers.



### Value Created for Society

- Minimising impacts on the environment
- Making farming a profitable and preferred profession
- Protecting human rights, and tackling child labour in tobacco growing
- Improving workplace conditions for workers
- Developing collaborative solutions to complex sustainable development challenges



“We have a clear vision – from how we manufacture our products to working with all suppliers – for how we will make A Better Tomorrow a reality.”

Zafar Khan, Director, Operations



“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, Director, Talent, Culture and Inclusion

We Create a Diverse and Inclusive Culture	We Invest in Talent	We Provide a Safe Workplace	We Deliver With Integrity
Our ethos focuses on being diverse, empowered, bold, fast and responsible. Our diversity and inclusion strategy is embedded across the Group.	We are committed to investing as much in our people as we do in our brands and we provide world-class professional development programmes.	We will always aim for zero accidents, Group-wide. We have comprehensive health and safety programmes, with tailored initiatives for higher-risk areas.	The <i>Delivery with Integrity</i> programme helps our people ensure our ethical conduct standards are never compromised for the sake of results.



**Value Created for Employees**

- A diverse and inclusive workplace that treats everyone equally and values employees’ wellbeing
- Opportunities for a rewarding career
- Awareness of, and confidence in, our ‘Speak Up’ channels and SoBC compliance procedures
- Pride in working for an organisation that takes its responsibilities seriously



We Deliver Against a Winning Strategy	We Are Building a Future-Proof Company	We Are Continuing Strong Delivery	We Are Reducing the Health Impact of Our Business
Our strategy puts consumers at its core while minimising risks to our operations and reputation.	We are building new capabilities around the world, focused on science, innovation and digital information.	We are confident in our growth outlook, with a proven track record of performance.	We will drive growth and create shared value, delivering results for shareholders and society.



**Value Created for Our Shareholders**

- Investing heavily in our New Categories to transform the business while lowering the health impact of our business
- Providing an investment opportunity that delivers positive environmental and social impact in communities we operate in
- Consistently recognised as one of the world’s top 10% of ESG performers



“At BAT, we offer a unique investment case – a company that is committed to delivering a winning strategy while creating value for all its stakeholders and a positive impact on society and environment.”

Tadeu Marroco, Finance Director

# Preference

## 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. We are delivering through a consumer-centric, multi-category approach, offering consumers the widest range of enjoyable, lower-risk nicotine products\*†. We are uniquely positioned to deliver this, with our deep consumer insights, world-class science and innovation capabilities. We put our consumers right at the heart of our transformation.



### The Key Enablers for Harm Reduction

We are clear that robust science, deep consumer insights and innovation are all essential for tobacco harm reduction to be successful.



#### Consumer choice

Smokers are most likely to switch to New Category products when they find one that satisfies their own preferences.



#### World-class science

Consumers and regulators want robust scientific evidence that supports the quality, safety and reduced-risk potential of New Category products.



#### Standards and regulation

Wide availability of New Category products depends on having the right regulatory and market conditions, as well as high standards and responsible industry practices.

### We aim to

increase consumers of non-combustible products to **50 million** by 2030

### We aim to

grow New Category revenues to **£5 billion** by 2025



#### Vapour Products

# 95%

fewer toxicants emitted by our vapour products, compared to cigarettes<sup>2(a)</sup>



#### Tobacco Heating Products

# 90–95%

studies for glo show that emissions are reduced by 90–95%, toxicity by 95% and indoor air quality improved by 95%. The change in assessed biomarkers from completely switching to glo was equivalent to smoking cessation<sup>2(b)</sup>



#### Modern Oral Products

Already, our chemical studies have shown that our modern oral products have even fewer and lower levels of toxicants than snus – a type of traditional oral tobacco, with a wealth of epidemiological evidence that showed it is considerably less risky than smoking.

See page 124 of our 2020 ESG report, available at [bat.com/reporting](https://bat.com/reporting), for more tobacco harm reduction targets, data definition and scope, and performance highlights.

\* 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 FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

2 These products are not risk free and contain nicotine, an addictive substance. Comparison of smoke from a scientific standard reference cigarette (approximately 9 mg tar) and vapour from (a) Vype ePen3 or Vuse ePen; (b) emissions from glo™ in terms of the average of the nine harmful components the World Health Organization (WHO) recommends to reduce in cigarette smoke.



# Resourceful

## A Greener Tomorrow

We rely on natural resources to run our business. Securing them and minimising their use are critical to delivering our strategy. As a global business, we know we also have a responsibility to a wider society. That's why we are driving environmental excellence for a greener tomorrow.



### Climate Change

By addressing climate risks and opportunities across our value chain we can ensure the long-term sustainability of our business.

We are minimising our climate impact. Across our business, this includes sourcing renewable energy and pursuing ambitious targets. In our supply chain, we are working with our contracted farmers and suppliers to reduce their carbon impact.

#### Target

By 2030, we aim to be **carbon neutral** across our own operations and by 2050, across our value chain

#### Performance highlight

**26.8%** of our total direct energy use in 2020 was from **renewable sources** (up by 10pp vs 2019)



### Water

As water scarcity risks may increase with the changing climate, we must drive water efficiencies across the value chain.

We take a holistic approach to water stewardship across our sites, from assessing water risk to increasing water recycling. We roll out water-efficient technologies to our contracted farmers and support local community projects.

#### Target

By 2025, we aim to reduce the **total amount of water** we withdraw by **35%**

#### Performance highlight

In 2020, we **reduced total water** withdrawn by **22.5%**, against 2017 baseline



### Waste

Circularity is at the heart of how we manage resources across our value chain. We apply the circular economy principle to all our operations.

From the design of our New Category products and eliminating unnecessary single use plastics, to aiming for zero waste sent to landfill, we are minimising waste. We also collaborate with governments and consumers to support proper disposal of waste.

#### Target

By **2025**, we will eliminate unnecessary single-use plastic and **100% of our plastic packaging will be reusable, recyclable or compostable**

#### Performance highlights

**82%** of our plastic packaging is reusable, recyclable or compostable  
Over **90%** of our total waste has been recycled since 2018



### Biodiversity and Afforestation

Our business depends on biodiversity and natural resources. Sustainable agriculture practices help farming communities thrive and defend against deforestation.

We work with our contracted farmers to preserve natural capital, such as drip irrigation to conserve water and integrated pest management to reduce agrochemical use. We also support afforestation and conservation programmes around the world.

#### Target

We aim to have **100%** of wood used by our contracted farmers for tobacco curing from **sustainable sources**

#### Performance highlight

Since 2016, at least **99%** of wood used by our contracted farmers for curing fuels has been from **sustainable sources**

# Careful

## Building A Better Tomorrow™ for All

As a global business, we deliver a positive social impact, both for our employees and people across our supply chain. We are building A Better Tomorrow™ for all our stakeholders – from enhancing farmer livelihoods and promoting human rights to creating a diverse, inclusive culture.



### Human Rights

Our business and supply chain touch several industries with important human rights impacts. Our commitment to respect fundamental human rights is long-standing.

We work to keep ourselves – and our supply chain – aligned and accountable through strong policies, due diligence and remediation programmes.

#### Target

By 2025, our ambition is for **zero child labour** and **zero forced labour** in our tobacco supply chain

#### Target

By 2025, we aim 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

#### Performance highlight

**390,000+** attendances at **38,000+** farmer training sessions on human rights in 2020



### Farmer Livelihoods

Enhancing farmer livelihoods helps tackle rural poverty, which is a root cause of human rights issues like child and forced labour.

We help to build the long-term resilience of farming communities through sustainable farming practices and technologies.

#### Target

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

#### Performance highlight

**93%** of tobacco farmers in our supply chain were reported to grow other crops in 2020



### People and Culture

As we continue to transform our business, a truly diverse workforce is at the core of our success.

Our diversity and inclusion strategy is driving ownership and accountability, building diverse talent pipelines and creating enablers, underpinned by an inclusive culture.

#### Target

By 2025, we aim to increase the proportion of women in management roles to **45%**

#### Performance highlight

**38%** female representation in management roles in 2020



### Health and Safety

Health and safety risks can have serious impacts on our employees, contractors and farmers. These can also interrupt Group operations if not effectively addressed.

We are committed to providing a safe working environment for all our workers through Group-wide employee training programmes. We also have robust requirements for our contracted farmers.

#### Target

Our ambition is for **zero accidents** Group-wide in 2020

#### Performance highlight

**27%** reduction in total accidents in 2020 (vs 2019)

# Infrastructure

## A Tomorrow With Integrity

Our actions impact our consumers and communities, from marketing responsibly to contributing to local economies through tax payments. We also have a responsibility to our shareholders to act as a reputable, global business. We operate in an honest, transparent and accountable way, maintaining integrity in everything we do. Our robust principles and policies set out how we do this consistently, in every market we operate in.



### Business Ethics

Unethical behaviour can damage our business, reputation and consumer trust. We are guided by a robust, global set of principles and policies in everything we do.

We are clear to all our employees, suppliers and partners that we will never compromise our ethical conduct standards. Delivering with integrity and our ethos form the foundation of how we work. Our Standards of Business Conduct (SoBC) set out the high standards we are committed to upholding. Our SoBC app provides easy access to SoBC policies – now available in 14 languages.

#### Target

We aim to have **100%** adherence to our Standards of Business Conduct

#### Performance highlights

**100%** Group employees completed our annual SoBC sign-off in 2020 in one of the available formats  
To date, over **16,500** employees have **downloaded the SoBC app**



### Responsible Marketing

Responsible marketing practices are crucial for ensuring adult-only consumers use our tobacco and nicotine products and that they do not appeal to youth. We have strict marketing requirements, and support our employees, partners and customers in effectively applying them.

We are clear about our ambition to be the global leader of transformation of our industry. We are also clear that our products and marketing are aimed only at adult consumers. We have a robust approach to prevent youth access through retailer and consumer awareness campaigns.

#### Target

We aim to have **100%** adherence to our International Marketing Principles and Youth Access Prevention (YAP) Guidelines

#### Performance highlight

**100%** of our markets continued to report adherence to our YAP Guidelines in 2020



### Regulation and Policy Engagement

Effective regulation requires cooperation between governments and industry. We want to contribute to the debate by sharing our world-class scientific research on the reduced-risk potential of New Category products. We can also deliver ideas and practical steps to help regulators address key issues facing the industry.

We're committed to conducting all our engagement activities with external stakeholders with transparency, openness and integrity. By conducting all of our engagements with accuracy and integrity we can make a valuable contribution to policy developments.

#### Target

We aim to have **100%** adherence to our SoBC, including its Lobbying and Engagement policy

#### Performance highlight

There were no SoBC allegations in 2020 relating to our Lobbying and Engagement policy

# KPI Data Tables

Key: ● Desired trend ◆ Minimal (2% or less) or no change ■ Decline ⓘ Indicates independently assured data.

## Harm Reduction

Goal	KPI	2020	2019	Trend
<b>Harm reduction</b>				
Aim to achieve at least £5 billion in New Categories revenues in 2025	Revenue breakdown from New Categories products, by category (£m): Vapour	<b>615</b> (vs 2019: +53.4%)	401 (vs 2018: +26%)	●
	Revenue breakdown from New Categories products, by category (£m): Tobacco Heating Products	<b>636</b> (vs 2019: -12.7%)	728 (vs 2018: +29%)	■
	Revenue breakdown from New Categories products, by category (£m): Modern Oral	<b>198</b> (vs 2019: +57.1%)	126 (vs 2018: +267%)	●
Aim to increase consumers of non-combustible products to 50 million by 2030	Number of consumers of our non-combustible products (million)	<b>13.5</b>	10.5	●
Continue to expand the geographical reach of our New Category products	Number of markets with our New Category products available	<b>53</b>	48	●
Research the risks of our New Category products compared to smoking, and publish and invite independent scrutiny of our science	Total number of peer-reviewed articles and manuscripts published to date	<b>114</b>	78	●

## Environment

Goal	KPI	2020	2019	Trend
<b>Climate change</b>				
Aim to be carbon neutral for Scope 1 and 2 emissions by 2030	Scope 1 emissions ('000 tonnes) ⓘ	<b>342</b>	396	●
	Scope 2 emissions ('000 tonnes) ⓘ	<b>199</b>	386	●
	Total Scope 1 and Scope 2 emissions ('000 tonnes) ⓘ	<b>541</b>	782	●
Reduce our Scope 1 and Scope 2 emissions by 50% by 2025, against 2017 baseline	Scope 3 emissions ('000 tonnes) ⓘ	<b>N/A</b>	6,781	◆
	Scope 3 supply chain emissions from purchased goods and services ⓘ	<b>N/A</b>	4,049	●
Aim to be carbon neutral for Scope 3 by 2050	Scope 3 emissions ('000 tonnes) ⓘ	<b>N/A</b>	6,781	◆
Reduce Scope 1, 2 and 3 emissions by 30% by 2030	Scope 3 supply chain emissions from purchased goods and services ⓘ	<b>N/A</b>	4,049	●
Reduce Scope 3 supply chain emissions from purchased goods and services by 16% by 2030, against 2017 baseline	Total direct energy use (GWh) ⓘ	<b>2,568</b>	2,874	●
	Renewable energy use (GWh) ⓘ	<b>688</b>	310	●
	Renewable energy as a % of total direct energy use ⓘ	<b>26.8%</b>	10.8%	●
<b>Water</b>				
Reduce the total amount of water withdrawn by 35% by 2025, against 2017 baseline	Total water withdrawn (million cubic metres) ⓘ	<b>4.03</b>	4.51	●
Increase the amount of water we recycle to 30% by 2025, against 2017 baseline	Percentage (%) of total water recycled ⓘ	<b>15.3%</b>	13.7%	◆
Support our contracted farmers in implementing best practice soil and water management	% of tobacco hectares reported to have appropriate best practice soil and water management plans implemented ⓘ	<b>76%</b>	71%	●
<b>Waste</b>				
Reduce the absolute volume of waste generated by 15% by 2025	Waste generated ('000 tonnes) ⓘ	<b>144</b>	152	●
100% of operations sites to be zero waste to landfill by 2025	Waste to landfill ('000 tonnes) ⓘ	<b>12.73</b>	13.95	●
Recycle at least 95% of our total waste generated each year	% of waste recycled ⓘ	<b>90.7%</b>	90.5%	◆
Eliminate all unnecessary single use plastics in our packaging by 2025	Total weight of unnecessary single use plastics in our packaging (tonnes) ⓘ	<b>3,580</b>	–	–
	% of recycled content in plastic packaging ⓘ	<b>2%</b>	–	–
	% share of reusable, recycleable or compostable packaging ⓘ	<b>82%</b>	–	–
100% of our plastic packaging to be reusable, recyclable or compostable and 30% average recycled content across all plastic packaging by 2025				
<b>Biodiversity and afforestation</b>				
Aim to have 100% of wood used by our contracted farmers for tobacco curing from sustainable sources	% of sources of wood used by our contracted farmers for curing fuels that are from sustainable sources ⓘ	<b>99%</b>	99%	◆

## Social

Goal	KPI	2020	2019	Trend
<b>Human rights</b>				
Aim for zero child labour and zero forced labour in our tobacco supply chain by 2025	% of farms monitored for child labour <sup>1</sup>	99.7%	99.6%	◆
	% of farms with incidents of child labour identified <sup>2</sup>	0.50%	0.57%	◆
	Number of child labour incidents identified (proportion reported as resolved) <sup>3</sup>	1,308 (98.5%)	1,812 (100%)	●
	% of farmers that received training/capacity building on child labour issues <sup>4</sup>	87.7%	77%	●
	Number of farmer training sessions on human rights (with attendances) <sup>5</sup>	38,239 (393,038)	5,000+ (350,000+)	●
	Number of incidents of forced labour identified (proportion resolved)	5 (100%)	0	■
	% of farms monitored for grievance mechanisms	59.6%	56%	●
	% of farmers reported as having access to at least one type of grievance mechanism	100%	99%	◆
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 2025	% of product materials suppliers assessed for human rights risks against Verisk Maplecroft indices	100%	100%	●
	Number of independent supplier labour audits conducted by Intertek	93	94	◆
	% of supplier corrective actions verified as completed by Intertek by year-end	67%	71%	■
	% of high-risk Group companies assessed for human rights risks against Verisk Maplecroft indices	100%	100%	●
100% adherence to our Standards of Business Conduct (SoBC) Workplace and Human Rights Policies	% of high-risk Group companies identified that underwent enhanced human rights monitoring and Board reviews (number of countries)	100% (24)	100% (25)	●
	Number of reports of alleged SoBC breaches relating to Workplace and Human Rights policies (number established as SoBC breaches)	141 (54)	152 (51)	●
<b>Farmer livelihoods</b>				
Aim for prosperous livelihoods for farmers in our tobacco supply chain	Total Group cash (and in-kind) spend on charitable donations and community investment programmes <sup>1</sup>	£16.6m (£5.1m)	£13.03m (£130,000)	●
	% of tobacco farmers reported to grow other crops, such as rice, corn, vegetables, wheat, maize and soy <sup>2</sup>	93%	92%	◆
	Number of farmer training sessions on farm business management (with attendances)	1,649 (68,928)	2,709 (76,656)	■
	Number of farmer training sessions on women's empowerment (with attendances)	2,887 (16,658)	298 (24,368)	■
<b>People and culture</b>				
Increase the proportion of women in senior leadership teams to 40% by 2025	% female representation on senior leadership teams <sup>1</sup>	27%	27%	◆
Increase the proportion of women in management roles to 45% by 2025	% female representation in management roles <sup>2</sup>	38%	37%	◆
Achieve at least a 50% spread of distinct nationalities within all key leadership teams by 2025	% of key leadership teams with at least a 50% spread of distinct nationalities <sup>3</sup>	92%	83%	●
Achieve a more positive employee engagement score in our 'Your Voice' survey than the norm for FMCG companies in our comparator benchmark group	Employee engagement score in our global biennial 'Your Voice' survey (% difference to FMCG comparator group)	-	82% (+7)	◆
<b>Health and safety</b>				
Aim to achieve zero accidents Group-wide	Number of work-related accidents resulting in injury to employees and to contractors <sup>1</sup>	142	194	●
	Lost workday case incident rate <sup>2</sup>	0.21	0.27	●
	Work-related accidents (including assaults) resulting in injury, causing absence of one shift or more <sup>3</sup>	131	186	●
	Occupational illness rate <sup>4</sup>	0.003	0.006	●
	Number of serious injuries: Employees <sup>5</sup>	28	26	■
	Number of serious injuries: Contractors <sup>6</sup>	8	11	●
	Number of serious injuries: Total <sup>7</sup>	36	37	●
	Number of fatalities: Employees <sup>8</sup>	0	0	●
	Number of fatalities: Contractors <sup>9</sup>	3	1	■
	Number of fatalities involving BAT vehicles: Members of public <sup>10</sup>	2	8	●
100% of farmers and workers with sufficient personal protective equipment (PPE) for agrochemical use and tobacco harvesting, and 100% training to ensure its effectiveness	% of farms reported to have sufficient PPE for agrochemical use <sup>1</sup>	95%	93%	●
	% of farms reported to have sufficient PPE for tobacco harvesting <sup>2</sup>	99%	97%	●
	Number of farmer training sessions on agrochemical health and safety (with attendances) <sup>3</sup>	26,247 (191,244)	2,871 (201,374)	■
	Number of farmer training sessions on harvesting health and safety (with attendances) <sup>4</sup>	26,245 (191,245)	2,608 (196,982)	■

## Governance

Goal	KPI	2020	2019	Trend
<b>Business ethics</b>				
100% adherence to our Standards of Business Conduct (SoBC)	% of employees who completed SoBC formal sign-offs and training	100%	100%	●
	Number of reports of alleged SoBC breaches	321	359	●
	Number of established SoBC breaches	116	130	●
<b>Responsible marketing</b>				
100% adherence to our International Marketing Principles (IMP)	Number of established IMP breaches <sup>1</sup>	3	5	●
100% adherence to our global Youth Access Prevention (YAP) Guidelines	% of markets aligned with our YAP Guidelines <sup>2</sup>	100%	100%	●

# Further Information

## Forward-Looking Statements

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 tobacco business activity refer to Group operating companies, collectively or individually as the case may be.

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 Company 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 adverse domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's New Categories strategy; the impact of significant increases or structural changes in tobacco, nicotine and New Categories-related taxes; changes or differences in domestic or international economic or political conditions; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; and the inability to lead the development and roll-out of BAT innovations (New Category products and combustibles), including as a result of unsuccessful research and development or a failure to develop robust scientific risk assessment frameworks.

The forward-looking statements reflect knowledge and information available at the date of preparation of these materials, and the Company 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.

The material in this report is provided for the purpose of giving information about the Company 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.

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, <http://www.sec.gov>.

## Get in Touch

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## Our Reporting Suite

We map our ESG disclosures against Global Reporting Initiative (GRI) Standards, the Sustainable Accounting Standards Board (SASB) framework, the World Economic Forum's ESG framework and UN Guiding Principles Reporting Framework (UNGPRF) Index. Our disclosures against these ESG indices are available to download at [bat.com/ESGindices](http://bat.com/ESGindices).



### Annual Report 2020

Our Annual Report 2020 provides details of our evolved Group strategy, with sustainability at its heart. This includes our clear corporate purpose to build A Better Tomorrow™ by reducing the health impact of our business through offering a greater choice of enjoyable and less risky products.

↓ [bat.com/annualreport](http://bat.com/annualreport)



### ESG Report 2020

Our ESG Report outlines how we are delivering against our purpose and putting sustainability at front and centre of our business. It provides detailed information about our policies, management approach, performance and targets for all our environmental, social and governance (ESG) priorities.

↓ [bat.com/sustainabilityreport](http://bat.com/sustainabilityreport)



### Modern Slavery Statement

We publish our Modern Slavery Statement each year, in accordance with the UK Modern Slavery Act, detailing the steps taken by BAT plc and subsidiary Group companies to prevent modern slavery and human trafficking in our business and supply chains.

↓ [bat.com/MSA](http://bat.com/MSA)



### Gender Pay Report

We publish our Gender Pay Report each year with our statutory gender pay gap reporting for our UK employees, as well as our commitment to promoting gender diversity and to increase female representation across all senior leadership positions in the Group.

↓ [bat.com/genderpayreport](http://bat.com/genderpayreport)



### Focus Reports

Our Sustainability Focus Reports on specific topics provide stakeholders with more in-depth information on the areas that interest them most, including our most recent report on Human Rights, published in December 2020.

↓ [bat.com/sustainabilityfocus](http://bat.com/sustainabilityfocus)

↓ [Read more about our science at bat.com/STRreport](http://bat.com/STRreport)

### Disclaimer Regarding Photography

Most photography used in this report was taken before the COVID-19 pandemic, therefore social distancing may not be observed.