

F0. Introduction

F0.1

(F0.1) Give a general description of and introduction to your organization.

BAT is a FTSE top-10, multi-category consumer goods business with more than 52,000 employees worldwide, sales across more than 175 markets and a large agricultural and non-agricultural supply chain. Spread across six continents, our operating regions are the United States of America; Americas and Sub-Saharan Africa; Europe; and Asia-Pacific and Middle East. BAT Group generated revenue of £25.68 billion in 2021 and profit from operations of £10.2 billion.

BAT's purpose is to build A Better Tomorrow™ by reducing the health impact of its business through offering a greater choice of enjoyable and less risky products*† for adult consumers. The company continues to be clear that combustible cigarettes pose serious health risks, and the only way to avoid these risks is not to start or to quit smoking. BAT encourages those who would otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk alternatives*†. In delivering this, BAT is transforming into a truly consumer-centric multi-category consumer products business. BAT's ambition is to have 50 million consumers of its non-combustible products by 2030 and to generate £5billion of New Categories revenue by 2025. In 2021, we had 18.3 million consumers of our non-combustible products, an increase of 4.8 million on the year before; in the first half of 2022, the milestone of 20 million consumers of non-combustible products was passed. Continued New Categories growth is driving faster transformation of the business, with New Categories revenue growth of 45%# in the first half of 2022, on top of 51%# growth in FY2021 (# at constant rates of exchange).

The company's Strategic Portfolio is made up of its global cigarette brands and a growing range of reduced-risk*† New Category tobacco and nicotine products and traditional non-combustible tobacco products. These include vapour, tobacco heating products, modern oral products including tobacco-free nicotine pouches, as well as traditional oral products such as snus and moist snuff.

BAT has set stretching sustainability targets, including: eliminating unnecessary single-use plastic and making all plastic packaging reusable, recyclable or compostable by 2025; halving CO2e emissions across scope 1, 2 & 3 - and achieving carbon neutrality for scope 1 & 2 - by 2030; and, achieving net zero emissions across its value chain (scope 1, 2 & 3) by 2050. In 2021, BAT signed-up to the UN-backed Race to Zero campaign for tackling climate change.

2021 marked BAT's 20th consecutive year in the Dow Jones Sustainability Index (DJSI) World Indices, representing the top 10% of ESG performers globally according to DJSI's assessment criteria; alongside being awarded gold class in the S&P Global Sustainability Yearbook 2021. The Financial Times identified BAT as a Climate Leader for the second year running in 2022, placing it in the top 3% of companies in Europe for achieving reductions in scope 1 and 2 emissions intensity.

* 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 & Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance

F0.2

(F0.2) State the start and end date of the year for which you are reporting data.

	Start Date	End Date
Reporting year	December 1 2020	November 30 2021

F0.3

(F0.3) Select the currency used for all financial information disclosed throughout your response.

GBP

F0.4

(F0.4) Select the forest risk commodity(ies) that you are, or are not, disclosing on (including any that are sources for your processed ingredients or manufactured goods); and for each select the stages of the supply chain that best represents your organization's area of operation.

	Commodity disclosure	Stage of the value chain	Explanation if not disclosing
Timber products	Disclosing	Manufacturing	<Not Applicable>
Palm oil	Not disclosing	Manufacturing	BAT sources approximately 2,100 tons of glycerin derived ultimately from palm oil. This is less than 0.1% of global palm oil production. As a result of the deforestation risk assessment undertaken by BAT palm oil does not represent a material risk of deforestation. This is due to the very low amount of palm oil that is utilised in BAT products.
Cattle products	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Soy	Not disclosing	Manufacturing	BAT sources approximately 4,600 tons of glycerin derived ultimately from soy. This is less than 0.002% of global soy production. As a result of the deforestation risk assessment undertaken by BAT soy does not represent a material risk of deforestation. This is due to the very low amount of soy that is utilised in BAT products.
Other - Rubber	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>
Other - Cocoa	Not disclosing	Manufacturing	BAT sources approximately 1,000 tons of cocoa used in production of products. This is less than 0.1% of global cocoa volume. As a result of the deforestation risk assessment undertaken by BAT cocoa does not represent a material risk of deforestation. This is due to the very low amount of cocoa that is utilised in BAT products.
Other - Coffee	This commodity is not produced, sourced or used by our organization	<Not Applicable>	<Not Applicable>

F0.5

(F0.5) Are there any parts of your direct operations or supply chain that are not included in your disclosure?

No

F0.6

(F0.6) Does your organization have an ISIN code or another unique identifier (e.g., Ticker, CUSIP, etc.?)

Indicate whether you are able to provide a unique identifier for your organization	Provide your unique identifier
Yes, an ISIN code	GB0002875804
Yes, a Ticker Symbol	BATS / LEI - 213800FKA5MF17RJKT63

F1. Current state

F1.1

(F1.1) How does your organization produce, use or sell your disclosed commodity(ies)?

Timber products

Activity

Using as input into manufacturing process for power generation
 Using as input into product manufacturing
 Distributing/packaging

Form of commodity

Hardwood logs
 Paper
 Boards, plywood, engineered wood
 Primary packaging
 Secondary packaging
 Tertiary packaging
 Cellulose-based textile fiber
 Wood-based bioenergy

Source

Smallholders
 Multiple contracted producers
 Contracted suppliers (processors)

Country/Area of origin

Argentina
 Austria
 Bangladesh
 Brazil
 Bulgaria
 China
 Croatia
 Czechia
 Finland
 Germany
 India
 Indonesia
 Italy
 Japan
 Kenya
 Malaysia
 Mexico
 Mozambique
 Pakistan
 Philippines
 Poland
 Republic of Korea
 South Africa
 Sweden
 United States of America
 Viet Nam
 Zimbabwe

% of procurement spend

11-20%

Comment

The main categories of wood based materials used in our products are board and paper for packaging, specialty papers and acetate tow. Firewood and biomass that is used by the farmers from whom we buy tobacco, to cure Flue Cured and Dark Fire Cured tobaccos and in some instances for barn construction (less than 1.7% of the total volume of wood used by the farmers). The percentage is calculated against total spend including tobacco and direct materials, indirect services, New Categories and R&D.

F1.2

(F1.2) Indicate the percentage of your organization's revenue that was dependent on your disclosed forest risk commodity(ies) in the reporting year.

	% of revenue dependent on commodity	Comment
Timber products	100%	At BAT 100% of our cigarettes, tobacco heated products and some other nicotine/tobacco products utilise timber derivative products. In addition the majority of BAT products utilise pulp and paper based materials (e.g. packaging).
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F1.5

(F1.5) Does your organization collect production and/or consumption data for your disclosed commodity(ies)?

	Data availability/Disclosure
Timber products	Consumption data available, disclosing
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F1.5a

(F1.5a) Disclose your production and/or consumption figure, and the percentage of commodity volumes verified as deforestation- and/or conversion-free.

Forest risk commodity

Timber products

Data type

Consumption data

Commodity production/ consumption volume

1311708

Metric for commodity production/ consumption volume

Metric tons

Data coverage

Full commodity production/consumption

Have any of your reported commodity volumes been verified as deforestation- and/or conversion-free?

Yes

% of reported volume verified as deforestation- and/or conversion-free

96

Please explain

Approximately two thirds of our consumption takes place in the value chain i.e. when farmers use wood on their premises. Wood derivatives used by our leaf suppliers that use wood for tobacco curing and / or curing barn construction are monitored and deforestation is reported. Our contracted farmers and strategic 3rd parties, accounting for 80% of our total leaf purchased volume, are reported to be 99.7% deforestation free while the remaining 20% of data collected from Sustainable Tobacco programme confirm 100%. From our contracted suppliers for paper and pulp materials 89% is considered sustainably sourced. Certified sustainably sourced means that the material is sourced with specific certification related to chain of custody (e.g. FSC/PEFC). The weighted average of those categories gives us the reported 96%.

F1.5b

(F1.5b) For your disclosed commodity(ies), indicate the percentage of the production/consumption volume sourced by national and/or sub-national jurisdiction of origin.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Rio Grande do Sul)

% of total production/consumption volume

13.81

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Brazil, that represents more than 25% of our total annual leaf purchases, 100% of the Flue Cured Virginia tobacco type is cured with the use of wood. This State is located in Atlantic Forest and Pampa biomes.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Santa Catarina)

% of total production/consumption volume

15.61

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Brazil, that represents more than 25% of our total annual leaf purchases, 100% of the Flue Cured Virginia tobacco type is cured with the use of wood. This State is located in the Atlantic Forest biome.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Paraná)

% of total production/consumption volume

12.66

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Brazil, that represents more than 25% of our total annual leaf purchases, 100% of the Flue Cured Virginia tobacco type is cured with the use of wood. This State is located in the Atlantic Forest biome.

Forest risk commodity

Timber products

Country/Area of origin

India

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Mysuru)

% of total production/consumption volume

4.63

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. In India, our local supplier uses wood pellets made of Eucalyptus roots and stem to cure about 60% of their crop, alongside other kinds of biomass, not originated from wood, but from other crop residues. This State is located in the Tropical & Subtropical Dry Broadleaf Forests biome.

Forest risk commodity

Timber products

Country/Area of origin

Kenya

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Nyanza)

% of total production/consumption volume

1

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Kenya 99% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 1% is cured with other types of biomasses. This Province is predominately in the Tropical & Subtropical Moist Broadleaf Forests biome and also the Tropical & Subtropical Grasslands, Savannas & Shrublands biome.

Forest risk commodity

Timber products

Country/Area of origin

Kenya

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Western)

% of total production/consumption volume

1.14

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Kenya 99% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 1% is cured with other types of biomasses. This Province is predominately in the Tropical & Subtropical Moist Broadleaf Forests biome and also the Tropical & Subtropical Grasslands, Savannas & Shrublands biome.

Forest risk commodity

Timber products

Country/Area of origin

Kenya

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Eastern)

% of total production/consumption volume

0.17

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Kenya 99% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 1% is cured with other types of biomasses. This Province contains a mix of biomes: Tropical & Subtropical Grasslands, Savannas & Shrublands, Tropical & Subtropical Moist Broadleaf Forests and Montane Grasslands & Shrublands.

Forest risk commodity

Timber products

Country/Area of origin

Viet Nam

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Cao Bang)

% of total production/consumption volume

0.08

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Vietnam 90% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 10% is cured with rice husk and fossil fuel. This State is in the Tropical & Subtropical Moist Broadleaf Forest biome.

Forest risk commodity

Timber products

Country/Area of origin

Viet Nam

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Dak Lak)

% of total production/consumption volume

0.25

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause

any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Vietnam 90% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 10% is cured with rice husk and fossil fuel. This State is in the Tropical & Subtropical Dry Broadleaf Forests biome.

Forest risk commodity

Timber products

Country/Area of origin

Viet Nam

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Lang Son)

% of total production/consumption volume

0.28

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Vietnam 90% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 10% is cured with rice husk and fossil fuel. This State is in the Tropical & Subtropical Moist Broadleaf Forests biome.

Forest risk commodity

Timber products

Country/Area of origin

Viet Nam

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Tay Ninh)

% of total production/consumption volume

0.21

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Vietnam 90% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 10% is cured with rice husk and fossil fuel. This State is in Tropical & Subtropical Dry Broadleaf Forests biome.

Forest risk commodity

Timber products

Country/Area of origin

Viet Nam

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Gia Lai)

% of total production/consumption volume

1.1

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. In Vietnam 90% of the Flue Cured Virginia tobacco type is cured with the use of wood, and the remaining 10% is cured with rice husk and fossil fuel. This State is in the Tropical & Subtropical Dry Broadleaf Forests and Tropical & Subtropical Moist Broadleaf Forests biomes.

Forest risk commodity

Timber products

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Lombok)

% of total production/consumption volume

0.02

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that

99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP is validated by an independent third-party consultancy. Wood is used to cure about 15% of the tobacco curing in Indonesia with the remaining portion being cured with other kinds of biomass. This State is in the Tropical & Subtropical Dry Broadleaf Forests biome.

Forest risk commodity

Timber products

Country/Area of origin

Mozambique

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Niassa)

% of total production/consumption volume

0.01

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. In Mozambique, wood is used to cure 50% of the Dark Fire Cured tobacco type crop, the other half is cured with other type of biomass like banana trunks. This State is in the Tropical & Subtropical Grasslands, Savannas & Shrublands biome.

Forest risk commodity

Timber products

Country/Area of origin

Mozambique

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Tete)

% of total production/consumption volume

0.04

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. In Mozambique, wood is used to cure 50% of the Dark Fire Cured tobacco type crop, the other half is cured with other type of biomass like banana trunks. This State is in the Tropical & Subtropical Grasslands, Savannas & Shrublands biome.

Forest risk commodity

Timber products

Country/Area of origin

Zimbabwe

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Manicaland)

% of total production/consumption volume

0.15

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. In Zimbabwe wood is used to cure tobacco alongside fossil fuels. This State is in the Tropical & Subtropical Grasslands, Savannas & Shrublands and the Montane Grasslands & Shrublands biomes.

Forest risk commodity

Timber products

Country/Area of origin

Zimbabwe

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Mashonaland Central)

% of total production/consumption volume

0.1

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. In Zimbabwe wood is used to cure tobacco alongside fossil fuels. This state is in the Tropical & Subtropical Grasslands, Savannas & Shrublands biome.

Forest risk commodity

Timber products

Country/Area of origin

Zimbabwe

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Mashonaland East)

% of total production/consumption volume

0.16

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. In Zimbabwe wood is used to cure tobacco alongside fossil fuels. This state is in the Tropical & Subtropical Grasslands, Savannas & Shrublands biome.

Forest risk commodity

Timber products

Country/Area of origin

Zimbabwe

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Mashonaland West)

% of total production/consumption volume

0.17

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. In Zimbabwe wood is used to cure tobacco alongside fossil fuels. This state is in the Tropical & Subtropical Grasslands, Savannas & Shrublands biome.

Forest risk commodity

Timber products

Country/Area of origin

Philippines

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Abra, Cagayan, Llocos Norte, Llocos Sur, Isable, La Union, Pangasinan, Tarlac)

% of total production/consumption volume

0.01

Please explain

Our third-party suppliers use their own monitoring systems to monitor their farmer base with their respective field technicians. Results from this monitoring have shown that 99.7% of the total wood volume used by all the leaf suppliers are reported to be from sustainable sources. Our Leaf Operations and the strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from monitoring of farmers, through the Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in STP are validated by an independent third-party consultancy. Contribution in wood volume used in tobacco curing in Philippines is negligible, corresponding to 0.01% of the total volume used. These states are in the Tropical & Subtropical Moist Broadleaf Forests and Tropical & Subtropical Coniferous Forests biomes.

Forest risk commodity

Timber products

Country/Area of origin

Mexico

State or equivalent jurisdiction

Specify state/equivalent jurisdiction (Nayarit)

% of total production/consumption volume

0.06

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing and construction. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive is validated by an independent third-party consultancy. Contribution of the wood volume used in Mexico is negligible, corresponding to 0.06% of the total volume used. All the wood is used by the farmers to build curing barns. The biomes in this state area include Mangroves, Tropical & Subtropical Dry Broadleaf Forests and Tropical & Subtropical Coniferous Forests.

Forest risk commodity

Timber products

Country/Area of origin

Argentina

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.04

Please explain

For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

Forest risk commodity

Timber products

Country/Area of origin

Brazil

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

2.41

Please explain

For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

Forest risk commodity

Timber products

Country/Area of origin

Indonesia

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.29

Please explain

For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

Forest risk commodity

Timber products

Country/Area of origin

Malaysia

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.13

Please explain

For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

Forest risk commodity

Timber products

Country/Area of origin

Mexico

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.03

Please explain

For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

Forest risk commodity

Timber products

Country/Area of origin

Philippines

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.13

Please explain

For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

Forest risk commodity

Timber products

Country/Area of origin

Viet Nam

State or equivalent jurisdiction

Don't know

% of total production/consumption volume

0.39

Please explain

For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

Forest risk commodity

Timber products

Country/Area of origin

Any other countries/areas

State or equivalent jurisdiction

<Not Applicable>

% of total production/consumption volume

43.7

Please explain

Our monitoring covers 100% of our 75,000+ directly contracted farmers, regarding curing fuel type, including use of wood for tobacco curing. In the case of 94% of farmers, this monitoring is done with our Farmer Sustainability Management system (FSM). Monitoring results demonstrate that around 33,000 (44%) use wood for curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Third party suppliers use similar monitoring systems to monitor their farmer's base with their respective field technicians. Our Leaf Operations and strategic third parties report the volume of wood used through the Thrive Programme. All other third-party suppliers are required to report the same information, resulting from farmers monitoring, through Sustainable Tobacco Programme (STP). Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental, or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. Reported data in Thrive and STP is validated by independent third-party consultancies. This proportion of the volume includes countries not listed as high-risk countries. For Primary packaging, secondary packaging, fine paper, acetate tow & POSM materials traceability data is based on previous year purchases and we ask suppliers to provide qualitative and quantitative data.

F1.6

(F1.6) Has your organization experienced any detrimental forests-related impacts?

Yes

F1.6a

(F1.6a) Describe the forests-related detrimental impacts experienced by your organization, your response, and the total financial impact.

Forest risk commodity

Timber products

Impact driver type

Reputational and markets

Primary impact driver

Uncertainty about product origin and/or legality

Primary impact

Increased operating costs

Description of impact

Our business relies on timber as Flue Cured Virginia, the tobacco representing about 70% of our annual purchases requires a form of fuel for the farmers to cure their leaves. Wood alongside biomass is one of the most viable sources to do so. Particularly in certain countries, for instance Brazil, farmers in our supply chain cure 100% of their crop with wood. At the same time, most of the farmers in our tobacco supply chain are small scale, in remote areas, and therefore it can be challenging to ensure the wood has been sourced in fair conditions, sustainably and is not associated with deforestation. In 2021 there was one case of clearing 1.2 hectares of native wood in Brazil, a minimal impact on the forest coverage in our Brazilian farms (34K hectares of native forest in 2021). Tobacco produced in the deforested area wasn't bought and the contract was terminated. Despite its small scale, cases like this do have substantive impact as they impact on our reputation and on our commitments of no gross deforestation. Finally, the global market for wood gets disrupted frequently due to the large scale of wildfires which increases prices for sustainable wood due to decreased availability. This poses an additional risk to the organisation either by increasing operating costs or by causing reputational challenges to ensure wood legality and sustainability.

Primary response

Engagement with suppliers

Total financial impact

3300000

Description of response

We have a governance framework with Board-level oversight covering Group Policies like Environment Policy and Supplier Code of Conduct that included compliance with national legislation and our operating standards. We implement strong due diligence monitoring our directly contracted farmers regarding deforestation completing our data via industry's Sustainable Tobacco Programme. We support a range of programmes within the communities we operate to avoid deforestation; encouraging on-farm production and forestry schemes providing tree saplings (380m trees over the last 40 years) to support the use of sustainable wood complemented with risk assessments (based on geo-spatial and farm level data), on the ground support (127K attendances in 2021 on natural resource preservation, forest and biodiversity) and data collection (wood traceability, quantity used, efficiency). Our strategy of engaging with our suppliers, local bodies, coupled with strong due diligence is effective; we have achieved more than 99% of sustainable wood in our contracted farmers, increasing year on year since 2016. The above programmes and our commitment to restore any deforested area in our tobacco supply chain come at a cost. The estimated annual spend, based on 2021, is £3.3m. This contains a portion of the field technician's employment costs and other activities taking place globally like externally conducted deforestation risk assessments and development of forest specific operating standards.

F1.7

(F1.7) Indicate whether you have assessed the deforestation or conversion footprint for your disclosed commodities over the past 5 years, or since a specified cutoff date, and provide details.

Forest risk commodity

Timber products

Have you monitored or estimated your deforestation/conversion footprint?

Yes, we monitor deforestation/conversion footprint in our supply chain

Coverage

Full consumption volume

Reporting deforestation/conversion since a specified cutoff date or during the last five years?

During the last 5 years

Known or estimated deforestation/ conversion footprint (hectares)

15

Describe methods and data sources used to monitor or estimate deforestation/ conversion footprint

BAT have public targets for no gross deforestation of primary forest, net zero deforestation of natural managed forests by 2025 and to have a net positive impact on forests in the tobacco supply chain by 2025. We monitor our contracted farmer base against these indicators on an ongoing basis and report annually the results. This is based on a combination of on the ground checks by field technicians enhanced by remote sensing methods to understand the risk profile of the farmers based on their location. In 2021, 94% of our 75,000+ contracted farmers were monitored in our Farmer Sustainability Management system, with data collected by field technicians during on-farm visits, which take place approximately once a month during the crop season. Monitoring is based on physical observations of forest coverage on the farm at any point in time. Controls are in place, including creation of prompt actions if cases of any non-compliance are observed. Prompt actions are tracked and analysed centrally to ensure senior oversight and to drive management action. In 2022, we commissioned an external, expert consultancy to conduct a Deforestation Risk Assessment, mapping our contracted farms and 3rd party supplier growing regions against 4 global deforestation indicators; Tree Cover, Forest Loss, Deforestation Hotspots and Forest Landscape Integrity Index. In total, considering total volume that was in scope, 99% of our tobacco volume procured in 2021 was assessed in terms of risk of deforestation. The Combined Deforestation Risk scores for our directly contracted farmers indicated that 81% are low deforestation risk, 8% medium and 11% high deforestation risk. The same scores for the total Leaf supply chain indicated that 68% of volume represents low deforestation risk, 17% medium and 15% of the volume was produced in areas considered to have high risk of deforestation. In 2022, we will work with the respective internal Leaf Operations and 3rd party suppliers on understanding the disaggregated risk drivers at individual farmer level and administrative regions and from there develop action plans to mitigate those risks.

F2. Procedures

F2.1

(F2.1) Does your organization undertake a forests-related risk assessment?

Yes, forests-related risks are assessed

F2.1a

(F2.1a) Select the options that best describe your procedures for identifying and assessing forests-related risks.

Timber products

Value chain stage

Direct operations
Supply chain

Coverage

Full

Risk assessment procedure

Assessed in an environmental risk assessment

Frequency of assessment

Annually

How far into the future are risks considered?

> 6 years

Tools and methods used

Internal company methods
External consultants
IBAT for Business

Issues considered

Availability of forest risk commodities
Quality of forests risk commodities
Impact of activity on the status of ecosystems and habitats
Regulation
Climate change
Tariffs or price increases
Corruption
Social impacts

Stakeholders considered

Customers
Employees
Investors
Local communities
Other forest risk commodity users/producers at a local level
Suppliers

Please explain

BAT's field technicians monitor any wood usage and any deforestation risk visible on our directly contracted farms. Our priority is to ensure that our directly contracted farmers use sustainable wood and are deforestation free. The most relevant risk to BAT is the occurrence of deforestation to harvest wood for tobacco curing or clear land to plant the crop. We engaged an external consultancy to help us map our directly contracted farmers against global deforestation indicators and score them as low, medium or high risk. Indicators were Tree Cover, Forest Loss, Deforestation Hotspots and Forest Landscape Integrity Index (extracted from Global Forest Watch data base). 11% of the farmers were identified in locations ranked high risk and are in scope for an action plan review by the end of 2023. Similar analysis was conducted to assess the broader biodiversity risk of the farms based on the IBAT database which was used to assess proximity of the farmers to World Heritage Sites, Alliance for Zero Extinction Sites and Key Biodiversity Areas amongst other parameters. Moreover, as wood self-sufficiency minimises the risk of deforestation we encourage the farmers to grow on-farm when possible exotic wood species. To understand the sustainability of that method, and the potential cost associated in the longer term, we conducted an analysis with an external consultant mapping the risk of eucalyptus plantation based on climate change scenarios until 2050. The above combination of methods allows us to assess current and longer term risks in the forest landscape for our tobacco supply chain respecting local communities and suppliers. For materials purchased from third parties, BAT has defined paper & pulp material scope by assessing the intensity of timber requirements in purchases. This was benchmarked & reviewed with external support. BAT monitor their use and set clear expectations on how we source. BAT undertake an annual risk assessment on the direct material supply base utilizing Verisk Maplecroft indices (including deforestation and corruption). BAT set an objective for in scope materials to be certified sustainably sourced by 2025 and currently we have achieved 89%. These methods have been effective at identifying relevant risks and to put strategies in place to mitigate them.

F2.2

(F2.2) For each of your disclosed commodity(ies), has your organization mapped its value chains?

	Value chain mapping	Primary reason for not mapping your value chain	Explain why your organization does not map its value chain and outline any plans to introduce it
Timber products	Yes, we have mapped the entire value chain	<Not Applicable>	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>

F2.2a

(F2.2a) Provide details of your organization’s value chain mapping for its disclosed commodity(ies).

Forest risk commodity

Timber products

Scope of value chain mapping

Tier 1 suppliers

Tier 2 suppliers

Smallholders

% of total suppliers covered within selected tier(s)

100

Description of mapping process and coverage

Of our 75,000+ directly contracted farmers, we monitored 100% of them regarding curing fuel type, including use of wood for tobacco curing. Around 33,000 (44%) use wood for curing and 99.9% of contracted farmers’ wood fuels were observed as being from sustainable sources. This data excludes farmers that our third-party suppliers’ source from. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations in order to produce wood for tobacco curing. During the monitoring, we also map if the wood is sourced from on-farm production forests or if it is from off-farm sources. In 2021, 57% of the wood was sourced from production forests planted by the contracted tobacco farmers, the remaining is produced by local wood suppliers normally in the same growing region. Our third-party suppliers who are users of wood take a very similar approach and procedures, using their own monitoring systems to monitor their farmers and are required to report the same information, resulting from farmers monitoring, through the Sustainable Tobacco Programme (STP). We cover 100% of the wood used for tobacco curing in our CDP submission, both by BAT owned operations and from third party suppliers. For our direct material suppliers we run an annual environmental risk assessment utilising Verisk Maplecroft indices. This risk assessment highlights the highest risk suppliers so that we can focus our attention there. Currently less than 1% of our supply base is considered high risk. Within these indices we have a dedicated deforestation element to ensure that this critical topic is taken in account. As appropriate we will put in place additional assessments and action plans with our high risk suppliers. On top of this BAT track and monitor all of our paper and pulp based materials suppliers in line with our 2025 objective to ensure these materials are 100% certified sustainably sourced. We track and monitor the performance of this target and ensure that we have actions in place with the relevant teams to close the gaps.

Your own production and primary processing sites: attach a list of facility names and locations (optional)

Your suppliers’ production and primary processing sites: attach a list of names and locations (optional)

F3. Risks and opportunities

F3.1

(F3.1) Have you identified any inherent forests-related risks with the potential to have a substantive financial or strategic impact on your business?

	Risk identified?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.1a

(F3.1a) How does your organization define substantive financial or strategic impact on your business?

There is a standardised methodology for risk management across the Group, embedded at Group, functional, direct-reporting business unit (DRBU) and individual market levels to identify, assess and monitor financial and non-financial risks faced at every level of the business, including those arising from both our direct operations and our supply/value chain.

Risks are assessed biannually and prioritised at three levels by reference to their impact (high/medium/low) and likelihood (probable/possible/unlikely) as per our Group Risk Management Manual, which has been approved and periodically (at least once per year) reviewed by the Group Risk Management Committee.

The impact of each risk is assessed on a residual risk basis across various categories. Risks are assessed both quantitatively and qualitatively using a Risk Impact Matrix set out in the Group Risk Management Manual. In financial (quantitative) terms, substantive financial or strategic impact is defined as an impact between £60mn and £120mn (low), between £120mn and £250mn (medium) and in excess of £250mn (high) on Operating Profit, Net Finance Cost or Operating Cash Flow (representing the impact in any single year). Qualitative risk factors, such as reputational, safety, legal and environmental impacts are also included within the Risk Impact Matrix and are considered within each risk assessment. These metrics apply to group risks, with reducing thresholds set at functional and DRBU levels.

The time frame of each risk is also assessed and reported in accordance with our Risk Management Manual. The time frame is used to consider the period over which the consequence of the risk, should it occur, impacts the business. Frequency of impact is considered through the assessment of the Timeframe of each risk and reported in accordance with our Risk Management Manual, this is used to consider the period over which the consequences of the risk, should it occur, impacts the business. Time frames are defined as being either:

- a long-term impact (more than 5 years for business risks);
- a medium-term impact (between 18 months and 5 years for business risks);
- a short-term impact (using 18 months' time frame for business risks);
- or a mixture of long-term, medium-term and short-term impact.

Long-term risks could develop over several years after the initial event occurs, and therefore generally relate to strategic decisions. Short-term risks have their impact immediately after the event occurs and tend to cause disruption to normal operations. For example, the growth of illicit trade could be a long-term risk; the failure to achieve an expected price increase could be a short-term risk; while a change in the excise structure could be both a long term and a short term risk. Where a risk has a mixture of time frame the default definition should be the longest-term.

The Group maintains a Climate Change risk on the Group risk register that encompasses Deforestation as an issue directly impacting our climate strategy. The risk sets out the impact on the Group to ensure robust processes are in place to manage transitional climate change risks (in compliance with the Green Finance Strategy published by the UK Government in July 2019 setting out disclosure expectations for listed companies in accordance with the TCFD recommendations).

The Environment related risk template (which is used during the risk assessment process to capture risk information, analysis, and record mitigation activities) specifically calls out transitional climate related risk factors, such as ESG matters influencing investor decisions, evolving climate change legislation and changes in Consumer behaviours and expectations related to environmental issues. These "Drivers" of the risk are factored into the Financial Impact Value, Likelihood (Probability) rating and ultimate Risk Score. Assigned mitigation activities are also logged against the risk and are tracked/monitored.

In addition to the above, the Group has embedded physical climate related risk factors into its business risk register (both at functional and at Group level) and its associated risk templates.

To date, BAT has not experienced any environment-related instances of substantive financial or strategic impact.

F3.1b

(F3.1b) For your disclosed forest risk commodity(ies), provide details of risks identified with the potential to have a substantive financial or strategic impact on your business, and your response to those risks.

Forest risk commodity

Timber products

Type of risk

Reputational and markets

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased commodity prices

Primary potential impact

Supply chain disruption

Company-specific description

BAT is sourcing tobacco leaf from more than 30 origins. Contracted farmers and those of third-party suppliers rely on wood usage to cure their tobacco leaves. In most countries it is illegal to cause any deforestation of primary and native forests and we are taking various actions to minimise the likelihood of that regulation not being complied with. We are updating our operating standards on how we expect farmers to comply with those to ensure no gross deforestation of primary forest and net zero deforestation in naturally managed forests, stating that the presence of deforestation is not accepted and in cases of non-compliance, we will require a restoration plan. Should the farmers fail to comply with those standards then they may cause disruption to our supply chain which impacts our access to enough tobacco.

Timeframe

1-3 years

Magnitude of potential impact

Medium-low

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

1100000

Potential financial impact figure - maximum (currency)

3300000

Explanation of financial

Based on the environment in which BAT buys tobacco and on an independent analysis of deforestation, 11% of our contracted farmers are estimated to be near high risk of deforestation based on their location. Assuming that 10% to 50% of those might have that risk materialised then that will cause disruption to our supply chain for a volume of between 2.2 and 6.6 million kgs on a given year based on a global average of throughput per farmer, since BAT will not be supporting purchases from those farmers. As our footprint is geographically diversified this initial risk can be mitigated by purchasing this tobacco elsewhere at an assumed premium of £0.5 per kg resulting in a potential financial impact from £1.1 to £3.3m. BAT has long term agreements in place to purchase tobacco, so when we have to go to the open market to find tobacco then it is assumed to be more expensive.

Primary response to risk

Greater due diligence

Description of response

Since 2016 BAT has a comprehensive monitoring system, which field technicians (FT) use to monitor contracted farmers, gather data on amount & source of wood, its legal compliance & any indicators of deforestation. This allows us to understand the risk levels to make timely interventions. We also calculate farmer's wood self-sufficiency. This response is effective; in 2021 99.9% of wood used was from sustainable sources in farmers representing 80% of purchased volume. In case of non-compliance a prompt action is raised for immediate action. Unannounced visits are done to verify this is resolved. In case of deforestation, a reforestation plan is required to be adopted by the farmer before next crop's contracting. If remediation is not accepted action includes removal of the farmer from our base. Via Thrive & STP we collect information across our entire base to ensure wood is sustainably sourced and meets regulations. Greater due diligence is effective & already in place; FTs reported a case for deforestation in 2021, showing they carry out the necessary on ground assessments, providing us visibility to allow us to act. Farmers at higher risk of deforestation fall under tighter monitoring as part of standard due diligence & therefore we hope to have this risk minimised in the next 2-3 years. We work continuously to achieve greater due diligence year on year, creating new operating standard on Biodiversity and Forest to provide detailed guidance to suppliers and farmers.

Cost of response

3300000

Explanation of cost of response

This is the estimated cost in 2021 and it contains a portion of the field technician's employment costs assuming that up to 20% of their time can be dedicated in forest related matters and training. This is because on the ground risk assessments and observations take time and require frequent visits along the crop cycle to understand area planted, wood used, its purpose and its source. Field technicians are essential to support us conducting the required due diligence to comply with the targets we are setting. Further to this, it includes additional activities taking place at a global scale like externally conducted deforestation risk assessments and development of biodiversity and forest specific operating standards to provide guidance to the operations we work with. We believe this response is necessary and we do believe the increased due diligence will continue.

Forest risk commodity

Timber products

Type of risk

Chronic physical

Geographical scale

Global

Where in your value chain does the risk driver occur?

Supply chain

Primary risk driver

Increased ecosystem vulnerability

Primary potential impact

Reduction or disruption in production capacity

Company-specific description

The main tobacco type used in BAT Products, representing more than 70% of our purchases, is Flue Cured Virginia that requires a source of fuel to cure the leaves. In Brazil specifically, one of the countries where we buy more than 25% of our global leaf requirements, farmers use exclusively sustainable wood to cure their Virginia crop and 70% maintain supply via on-farm production. Remaining volume comes from off-farm local wood suppliers. One of the main species used is various types of eucalyptus. We know this production can be disrupted based on rising temperatures, rainfall patterns and overall water availability. As a consequence, we conducted a study with an independent consultancy to understand the risk of climate change on timber species, and production in 6 countries (and all the 17 growing regions in those origins) that are dependent on use of wood in tobacco cropping, modelling weather scenario until 2050. Brazil was part of the scope of the study which found that certain eucalyptus species (E.saligna and E.benthami) currently used for 8% of the crop we buy from Brazil overall have a high risk profile due to rising temperatures, overall climatic conditions and rainfall patterns.

Timeframe

>6 years

Magnitude of potential impact

Medium

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact (currency)

<Not Applicable>

Potential financial impact figure - minimum (currency)

2300000

Potential financial impact figure - maximum (currency)

4600000

Explanation of financial

This is based on the percentage of tobacco we purchase which is cured with those species as of today i.e. representing 8% of our total purchases in Brazil. In case we are not able to continue purchasing tobacco from those regions due to loss of eucalyptus plantations in that area, we might need to purchase from another source, estimated to cost £0.5/kg more. The range varies to show loss of 50-100% of the high-risk wood species identified as with potential to cause this type of disruption. BAT has long term agreements in purchasing tobacco, so when we have to go to the open market to find tobacco it is assumed to be more expensive.

Primary response to risk

Promotion of best practice and awareness

Description of response

Our current activities in relation to monitoring farmer wood usage continue to develop as we seek to understand the impact of climate change in areas where we operate, particularly with regards to its impact on local ecosystems. Our products are dependent on the cultivation of sustainable wood. As an example, in Brazil, 70% of the wood usage of our directly contracted farmers take place on-farm. Building on many years of experience, our Global Leaf Agronomy Development centre, focused on driving our Environmental and Social goals across tobacco production and communities where we operate, explore alternative fuels, and look for the most adaptive cultivars to be planted. We mitigate the risk by producing in more than one region, minimizing that way the risk of severe weather in one region. Additionally we support our directly contracted farmers to have 100% wood self-sufficiency and encourage our strategic third-party suppliers to do the same in their farmers while we work with them this year to create operational glidepaths to 2030. We will maintain this focus in the future, to ensure that the wood requirements for tobacco production in our supply chain can be sustainably met, and continue looking for tree varieties that are as climate-proof and ecologically suitable as possible. We believe this is effective as in 2021 99.9% of wood used was from sustainable sources, increased against 2020, and 98% of our contracted farmers were low risk for Biodiversity.

Cost of response

6200000

Explanation of cost of response

The Global Leaf Agronomy Development centre has a cost of £6.2mn annually (based on 2021) between investments and operating costs and as its core purpose is to improve farmer resilience and the sustainability of their farms. Activities are split into 4 strategic pillars - farmer profitability, carbon management, biodiversity, and water & climate change - with ongoing workstreams designed to support the delivery of our targets and goals and therefore we allocate this as the cost to respond to that risk. Using our network of leaf technicians and senior leaf leadership teams in each of the operations, improvement needs are identified and form the basis of focus areas and active workstreams within our global leaf research centre, with technology solutions identified and technology deployment plans developed over a time horizon of up to 5 years.

F3.2

(F3.2) Have you identified any forests-related opportunities with the potential to have a substantive financial or strategic impact on your business?

	Have you identified opportunities?
Timber products	Yes
Palm oil	<Not Applicable>
Cattle products	<Not Applicable>
Soy	<Not Applicable>
Other - Rubber	<Not Applicable>
Other - Cocoa	<Not Applicable>
Other - Coffee	<Not Applicable>

F3.2a

(F3.2a) For your selected forest risk commodity(ies), provide details of the identified opportunities with the potential to have a substantive financial or strategic

impact on your business.

Forest risk commodity

Timber products

Type of opportunity

Resilience

Where in your value chain does the opportunity occur?

Supply chain

Primary forests-related opportunity

Improved climate change adaptation

Company-specific description & strategy to realize opportunity

BAT is dependent on the availability of sustainable wood for the farmers to cure Flue Cured Virginia and Dark Fire cured, that represent more than 70% of total tobacco purchases. As we are increasing the use of renewable fuels (predominantly wood and biomass) in the curing process the demand for wood in the future is likely to increase. At the same time, the amount of wood used has a direct impact on the total scope 3 emissions. BAT have committed to Science Based Targets and have also developed an internal ambition to reduce leaf emissions by 50% by 2030. Building on many years of experience, our Global Leaf Agronomy Development centre, focused on driving our Environmental and Social goals across tobacco production and the communities where we operate, has launched a programme called Curing 2.0 to address the opportunity of reduced fuel consumption through curing efficiency and alternative fuels to reduce Green House Gas emissions. This programme explores the potential to deliver significant efficiencies in the amount of wood used, either by different barn designs or by different format of the fuel, and it is tailored to specific market conditions. In 2021 we started pilots in Pakistan, Brazil, Croatia & Sri Lanka and have plans to expand in Bangladesh and Zimbabwe. Based on the first results we could achieve up to a 24% reduction on required firewood in Pakistan and up to 30% in Brazil by migrating into a more energy efficient barn design. The timescales for implementation are in the 5 year horizon and we explore those as part of the operational glidepaths we have with our in house and strategic suppliers, representing 80% of total purchased volumes. While we are achieving this opportunity, the ultimate gain is better positioning in terms of addressing and combating climate change alongside reduced wood consumption and operating costs to the farmer.

Estimated timeframe for realization

4-6 years

Magnitude of potential impact

High

Likelihood

Very likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

2700000

Potential financial impact figure – maximum (currency)

5000000

Explanation of financial impact figure

Based on the work Global Leaf Agronomy Development centre is conducting and programmes like Curing 2.0 we calculate the cost savings of farmers requiring less wood to cure leaves. We do this by estimating a range between 20% and 30% reduced consumption on the 2021 figure. Based on the initial pilot results in countries like Pakistan and Brazil we expect this to be an achievable opportunity. Furthermore, we plotted two price ranges on the wood cost per kilo to cater for potentially reduced availability due to increased demand and/ or reduced supply due to climatic conditions. The additional benefit of decreasing our overall emissions is not yet captured and it is expected to further increase the value of that opportunity.

Forest risk commodity

Timber products

Type of opportunity

Efficiency

Where in your value chain does the opportunity occur?

Supply chain

Primary forests-related opportunity

Cost savings

Company-specific description & strategy to realize opportunity

BAT is dependent on the availability of sustainable wood to ensure curing of Flue Cured Virginia, one of the main tobacco types bought, representing more than 70% of total purchases. Farmers we work with either grow exotic plantations on their farm or buy sustainable wood off-farm. For our contracted farmers' base we track the source of the wood, and if on-farm the specific species used. The primary opportunity when doing so is that it allows us to continuously engage with our supplier base to manage and protect forest resources, and the more we do this, the more sustainable and resilient our overall supply chain becomes. Furthermore, as we progress our strategy to increase the proportion of fuel coming from renewable sources, the demand for wood is likely to increase in certain locations which can lead to increased prices. That leads us to the second opportunity of supporting proactively the management of cost by farmers to allow them to choose the best model on how to source that wood. We continue to work with our directly contracted farmers and third-party suppliers to promote the sustainable use of forest resources. This includes training in forest management, distributing tree saplings for a sustainable source of fuel and helping farmers to switch to locally available alternative fuels. By supporting these and other activities, we aim to realise the opportunity to continue improving the sustainability and resilience of our supply chain, which in turn will help to protect our business in future, resulting in cost savings too. For example, through our close engagement with our suppliers, including with training and afforestation support, we aim to reduce the risk of supply chain disruption caused by reduced availability of sustainable wood. This work is current and ongoing. Furthermore, we are evaluating through supplier glidepaths what is the best option and mix for each operation to achieve 100% wood self-sufficiency, via on and off-farm production.

Estimated timeframe for realization

>6 years

Magnitude of potential impact

Medium

Likelihood

Likely

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

400000

Potential financial impact figure – maximum (currency)

600000

Explanation of financial impact figure

This financial reflects the opportunity of reducing cost of production for the farmers which can use on-farm wood instead of purchased. In Brazil, where we have the biggest tobacco operation and 100% of the Flue Cured tobacco is cured with wood, the farmers produce 70% of the wood used on their own farms. The remaining 30% is bought from off-farm local wood suppliers. The financial opportunity reflects another 10% of the production coming from on-farm, rather than off-farm, while the prices for wood can increase within a 10-50% range. As the demand for wood increases this is a possible scenario to consider. We continuously review the opportunity considering the overall crop volume, wood requirements and market dynamics.

F4. Governance

F4.1

(F4.1) Is there board-level oversight of forests-related issues within your organization?

Yes

F4.1a

(F4.1a) Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.

Position of individual	Please explain
Board-level committee	Our Group governance framework ensures Board-level oversight of ESG including forest-related issues. Board oversight includes review of performance against biodiversity & deforestation targets (see F4.1b) and annual review of the Group risk register (which includes forest-related risks). The Board has delegated certain responsibilities to the Audit Committee (AC), responsible for reviewing the effectiveness of Group risk management and internal controls systems, (including for forests issues). The AC reviews the Group risk register twice/year and progress on forest-related targets. In 2021, revised AC terms of reference were adopted by the Board to extend the AC remit to include engagement of external providers to conduct assurance over ESG metrics (including forest-related metrics) and related data in annual reporting and monitoring assurance work. This approach was adopted to further enhance the Group's rigour in reporting ESG-related information (including targets in F4.1b).

F4.1b

(F4.1b) Provide further details on the board's oversight of forests-related issues.

	Frequency that forests-related issues are a scheduled agenda item	Governance mechanisms into which forests-related issues are integrated	Please explain
Row 1	Scheduled - some meetings	Monitoring implementation and performance Overseeing acquisitions and divestiture Overseeing major capital expenditures Providing employee incentives Reviewing and guiding annual budgets Reviewing and guiding business plans Reviewing and guiding corporate responsibility strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding strategy Setting performance objectives	The Board reviews the Group's environment strategy, targets and performance twice per year and reviews the Group risk register, which takes account of forest-related matters, annually. The Board reviews the Group budget annually, which takes into account capital allocation to deliver the Group's ESG agenda and targets (including in relation to biodiversity and forest-related matters). The Board reviews and approves the Annual Report and Form 20-F, and ESG Report, on an annual basis, both of which report on the Group's progress on forest-related matters. In 2021, the Board also received a deep-dive ESG briefing. The Audit Committee reviews the Group risk register twice per year and reviews the Group's progress against its ESG metrics, including targets such as net zero deforestation of managed forests in our supply chain by 2025, net positive impact on forests in our tobacco leaf supply chain by 2025, and progress towards our target of 100% of wood used by our contracted farmers for curing fuels to be from sustainable sources.

F4.1d

(F4.1d) Does your organization have at least one board member with competence on forests-related issues?

Row 1

Board member(s) have competence on forests-related issues

Yes

Criteria used to assess competence on forests-related issues

The criteria used to assess board member(s) competence on forest-related issues, is if board members understand how forest-related issues affect the BAT Group and forest-related risks and opportunities in the BAT Group context. Board members have experience in management oversight of operational companies within industries impacted by forest-related issues, where judgements are required to manage forest-related risks and opportunities. These industries (of which one or more board members has experience) include fast moving consumable goods for example, tobacco, where impacts on forests can be caused due to direct operations and supply chain activity and must be mitigated and mining, where exposure to deforestation risks due to extractive operations must be managed appropriately.

Primary reason for no board-level competence on forests-related issues

<Not Applicable>

Explain why your organization does not have at least one board member with competence on forests-related issues and any plans to address board-level competence in the future

<Not Applicable>

F4.2

(F4.2) Provide the highest management-level position(s) or committee(s) with responsibility for forests-related issues (do not include the names of individuals).

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on forests-related issues	Please explain
Other C-Suite Officer, please specify (Director, Operations)	Both assessing and managing forests-related risks and opportunities	Quarterly	Our Management Board (MB), chaired by the CEO, is responsible for overseeing the implementation of Group strategy and policies, including ESG targets related to no gross deforestation, net zero deforestation of managed forests in our supply chain by 2025, net positive impact on forests in our tobacco leaf supply chain by 2025, and 100% of wood used by our contracted farmers for curing fuels to be from sustainable sources. The Director, Operations (DO) is a member of the MB reporting directly into the CEO. The DO has overall responsibility for delivery of the Group's forest strategy, environmental targets and related risks and opportunities. The Board is updated on ESG topics (which include forest-related issues) on a quarterly basis. This consists of review of the Group's environment strategy, targets & performance twice per year, an annual review of the risk register (which includes forest-related risks), review and approval of the Annual Report and Form 20-F and ESG report which include our forest-related performance for the year, and additional focused updates on our ESG progress. The DO receives updates from functional leaders and teams on forest-related strategy and targets through Sustainability & Environmental Forums that meet 4-6 times a year. The MB receives updates on forest-related risks and strategic plans, along with risk mitigation plans. This includes monitoring by the Group Risk Management Committee, chaired by the Finance & Transformation Director.

F4.3

(F4.3) Do you provide incentives to C-suite employees or board members for the management of forests-related issues?

	Provide incentives for management of forests-related issues	Comment
Row 1	Yes	As part of BAT's performance management system, all employees are expected to have performance objectives in line with their responsibilities, linked to the evaluation of their performance and their remuneration. These are expected to include objectives and targets on forest-related issues for employees with responsibilities in this area, and / or those working on specific forest-related projects, programmes and initiatives (e.g. afforestation programmes), as well as delivery against the Group's forest-related objectives, targets and KPIs. For example, the personal objectives of the Director, Operations (a C-suite officer) include, amongst other things, the attainment of BAT's targets for no gross deforestation, net zero de-forestation managed forests in our tobacco and paper and pulp supply chains by 2025 and net positive on forests in the tobacco supply chain by 2025.

F4.3a

(F4.3a) What incentives are provided to C-Suite employees or board members for the management of forests-related issues (do not include the names of individuals)?

	Role(s) entitled to incentive?	Performance indicator	Please explain
Monetary reward	Other C-suite Officer	Achievement of commitments and targets	Our Director, Operations, a C-Suite Officer is a member of the Management Board and responsible for delivery of our forest targets as part of the overall sustainability agenda. The most important targets are externally communicated and linked, amongst other areas, to evaluation of our Director, Operations' performance and remuneration. The Director's performance objectives and remuneration are linked to the achievement of our forest targets for no gross deforestation, net zero deforestation of managed forests in our tobacco and paper and pulp supply chains by 2025, and net positive on forests in the tobacco supply chain by 2025. Performance is measured by determining whether operations are on track to achieve 2025 targets via specific actions/ steps taken within the year aligned with their glidepath; as an example, tracking our progress towards 100% certification (i.e. FSC or equivalent) in paper and pulp supply chain as part of our net zero deforestation commitment, with 91% or higher being the measure of success for 2022.
Non-monetary reward	Other C-suite Officer Other, please specify (Global Operations Employees)	Supply chain engagement	Our Director, Operations engages in cultural change and best practices on environmental excellence. On a quarterly basis, operations from around the world are encouraged to nominate achievements in that space to receive recognition and coverage in an internal scheme called "Celebrating our Success". In 2021 there were 28 nominations in ESG topics out of which 3 had forest specific initiatives in Kenya, Bangladesh & Pakistan. To encourage engagement and raise the profile of forests related topics we also participated in EDIE sustainability awards where we have previously received a finalist's nomination.

F4.4

(F4.4) Did your organization include information about its response to forests-related risks in its most recent mainstream financial report?

Yes (you may attach the report – this is optional)

F4.5

(F4.5) Does your organization have a policy that includes forests-related issues?

Yes, we have a documented forests policy that is publicly available

F4.5a

(F4.5a) Select the options to describe the scope and content of your policy.

	Scope	Content	Please explain
Row 1	Company-wide	Commitment to no land clearance by burning or clearcutting Commitment to eliminate deforestation Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE) Commitment to remediation, restoration and/or compensation of past harms Commitment to best management practices for soils and peat Commitment to protect rights and livelihoods of local communities Commitments beyond regulatory compliance Description of business dependency on forests Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy List of timebound milestones and targets Description of forests-related standards for procurement	Our Group Standards of Business Conduct (SOBC) describes the sets of rules and standards of behaviour that BAT Group works by. Within the SOBC, there is a focus on the environment and references to our Group Environmental Policy where forestry stewardship is a key element. 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 all third-party suppliers are expected to adhere to. 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, with the most recent review taking place in 2021. We review the Environment Policy on an annual basis. The Director, Operations recommends updates to the policy to the Board for endorsement before any changes are implemented.

F4.5b

(F4.5b) Do you have commodity specific sustainability policy(ies)? If yes, select the options that best describe their scope and content.

Do you have a commodity specific sustainability policy?	Scope	Content	Please explain

	Do you have a commodity specific sustainability policy?	Scope	Content	Please explain
Timber products	Yes	Company-wide	<p>Commitment to no land clearance by burning or clearcutting</p> <p>Commitment to eliminate deforestation</p> <p>Commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE)</p> <p>Commitment to remediation, restoration and/or compensation of past harms</p> <p>Commitment to protect rights and livelihoods of local communities</p> <p>Commitments beyond regulatory compliance</p> <p>Commitment to best management practices for soils and peat</p> <p>Commitment to stakeholder awareness and engagement</p> <p>Description of business dependency on forests</p> <p>Recognition of potential business impact on forests and other natural ecosystems</p> <p>Description of forest risk commodities, parts of the business, and stages of value-chain covered by the policy</p> <p>List of timebound commitments and targets</p> <p>Description of forests-related standards for procurement</p>	<p>As outlined in section 0.4, there are only few forest-derived commodities which are significant to our organisation from a spend/ consumption and therefore at this stage the commodity specific policy coincides with the company wide policy. Our Group Standards of Business Conduct (SOBC) describes the sets of rules and standards of behaviour that BAT Group works by. Within the SOBC, there is a focus on the environment and references to our Group Environmental Policy where forestry stewardship is a key element. 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. 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, with the most recent review taking place in 2021. We review the Environment Policy on an annual basis. The Director, Operations recommends updates to the policy to the Board for endorsement before any changes are implemented.</p>
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F4.6

(F4.6) Has your organization made a public commitment to reduce or remove deforestation and/or forest degradation from its direct operations and/or supply chain?

Yes

F4.6a

(F4.6a) Has your organization endorsed any of the following initiatives as part of its public commitment to reduce or remove deforestation and/or forest degradation?

Other, please specify (Business For Nature)

F4.6b

(F4.6b) Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.

Forest risk commodity

Timber products

Criteria

Zero gross deforestation/ no deforestation

Zero net deforestation

Restoration and compensation to address past deforestation and conversion

No land clearance by burning or clearcutting

Secure Free, Prior and Informed Consent (FPIC) of indigenous people and local communities

Adoption of the UN International Labour Organization principles

Facilitate the inclusion of smallholders into the supply chain

Build community capacity and incentivize engagement in multi-stakeholder processes

Operational coverage

Direct operations and supply chain

% of total production/ consumption covered by commitment

100%

Cutoff date

2020

Commitment target date

2021-25

Please explain

In 2021 we defined the targets for no gross deforestation of primary forest, net zero deforestation of natural managed forests in our supply chain by 2025 and net positive impact on forests in our tobacco leaf supply chain by 2025. In 2021, we worked to outline our approach on how to achieve those targets based on the data we had and decided to complement with a combination of methods; deforestation risk assessments and operating standards being the first ones followed by pilots in satellite monitoring in Brazil, Kenya, Pakistan and Bangladesh. Due diligence and education are two important areas to achieve our no gross deforestation commitment. We monitor our directly contracted farmers and in case of any non-compliance incidents, prompt actions are raised and immediate action is taken to assess the case. We also collect the same information from our strategic 3rd party suppliers, representing together with our in-house operations about 80% of our annual tobacco purchases. In 2021 we had one case of a farmer in Brazil clearing 1.2 hectares of native wood; despite its small nature (1.2 has out of 34K has of native wood on their farmlands) BAT is planning to restore this land as per our operating standards covering the entire supply chain. We also build community capacity and include smallholders by training farmers with the aim to ensure the use of sustainably sourced wood to avoid deforestation. Since 2016 monitoring of our contracted farmers' fuel use for curing shown at least 99% of wood was sustainably sourced. Our Leaf Operations and 3rd party suppliers provide training to the farmers on subjects like natural resource preservation, forest and biodiversity. In 2021, 127,000 people engaged in those trainings in countries like Brazil, Pakistan & Bangladesh. Where wood is used, we promote forestry programmes to enable farmers to produce their own through planted production forests, mitigating the risk of deforestation of primary forests. In the last 40 years we have distributed 380 mn tree saplings in those programmes with a diverse range of native and fast-growing species. For instance, in Bangladesh, through our flagship programme Bonayan, the largest private sector afforestation programme in the country, we have also distributed medicinal and fruit plants to promote conservation and restoration of natural lands. We monitor the plantation of tobacco as well in new farmland, to avoid any new plantation in converted ecosystems, like in deforested land. The opening of new areas to plant tobacco on our contracted farmer base has been negligible in the last 3 years (4 hectares). To progress our net positive target on forests in the tobacco supply chain, we participate in afforestation programmes for net positive impact on forest in many locations like Kenya, Brazil, Pakistan & Bangladesh. To meet our net zero deforestation commitment in managed forests we have explored verification schemes and partnerships with local regulatory bodies in the USA where we use timber by-products to cure Dark Fire tobacco. Finally, through FSC, which represents the largest portion of our certified volume, we adopted the latest guidelines issued on 2021 on securing a participatory and equitable approach to decision making through the implementation of free, prior and informed consent (FPIC), for instance in Brazil.

F5. Business strategy

F5.1

(F5.1) Are forests-related issues integrated into any aspects of your long-term strategic business plan, and if so how?

	Are forests-related issues integrated?	Long-term time horizon (years)	Please explain
Long-term business objectives	Yes, forests-related issues are integrated	11-15	Our Sustainability Agenda is integral to our Group strategy and purpose to build A Better Tomorrow. One of the pillars is to achieve Excellence in Environmental management and Biodiversity and afforestation is a key element of this vision alongside Climate Change, Water and Waste. BAT has three targets on forests: no gross deforestation of primary forest, net zero deforestation on managed forests by 2025 and net positive impact on forest in our tobacco supply chain by 2025. The targets were established in 2020 with a time horizon of 5 years, considering that our business is growing in non-combustible products, and we may need to review the business strategies and priorities from time to time. This is further strengthened by materiality assessments to prioritise what matters. When integrated with the business objectives, forests issues are supported by our ongoing work to have 100% sustainable and traceable wood, monitoring programmes and operating standards across our tobacco supply chain. This links directly with our main business priority, reflected also in the control navigator of the Group, to ensure security of supply in the long term (>10 years). Forest, by nature, whether exotic (with a minimum of 5 to 8 year to be harvested) for wood self-sufficiency or planted for conservation (requiring a 20-year cycle) requires long term commitment and vision. As an example, our afforestation initiative in Bangladesh is more than 40 years old and in Pakistan our partnership with NRSP started back in 2011. We work with our leaf operations and third-party suppliers on 5-year agronomy plans, planning the development and deployment of new technologies and best practices.
Strategy for long-term objectives	Yes, forests-related issues are integrated	11-15	The wood consumption in our tobacco supply chain impacts our long-term goal to achieve net zero emissions across our value chain by 2050 for Scope 1, 2 and 3 which is an integral part of our Climate Change strategy. The amount of wood used as a fuel to cure the tobacco we purchase is part of the Scope 3 emissions and directly impacted by the specific amount used. BAT have committed to Science Based Targets with delivery expected in 2030 and 2050 which relates directly to tackling deforestation in our tobacco supply chain. Global Leaf Agronomy Development forms a key aspect of our strategy for driving those targets across the countries we grow tobacco, ensuring the application of best practices, and long-term sustainability of the communities working with or supported by tobacco production. Carbon management, biodiversity and climate change are some of its strategic pillars where it helps farmers to deploy innovative, low-carbon curing technologies and farming techniques. As an example, programme Curing 2.0 is launched to identify among other parts efficiencies in required wood to cure leaf and Carbon Smart Farming that 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 maybe achieved by planting trees, as well as through methods like cover crops and conservation tillage that may keep the soil covered and undisturbed. We work with our leaf operations and third-party suppliers on 5-year agronomy plans, as well as operational glidepaths, with plans revised at least annually, to monitor the adoption of those best practices and progress towards our targets for sustainable and traceable wood.
Financial planning	Yes, forests-related issues are integrated	11-15	As part of our Environmental strategy two of the main priorities are addressing climate change via reduced greenhouse gas emissions from the leaf supply chain and achieving our forest targets. BAT has three targets on forests: no gross deforestation of primary forest, net zero deforestation of managed forests by 2025 and net positive on forest in our tobacco supply chain by 2025. The above targets are complemented with our ongoing work to have 100% of sustainable and traceable wood used in our tobacco supply chain, monitoring programmes and operating standards. Each of those targets is associated with operating costs on resources, as an example a part of the field technician's role is allocated to report on forest and wood related issues observed on the farm, as well as development and consulting costs as we work with external, expert consultancies to develop biodiversity risk assessments and operating standards. In addition to this, our leaf operations and strategic third-party suppliers representing 80% of our total purchases, submit glidepaths on an annual basis with a 5-year horizon and their associated budget on how they are planning to achieve those targets. As with many of our suppliers we operate on a cost-plus basis. Such decisions are made jointly, and they are directly incorporated into our financial planning. For instance, this could be to promote afforestation programmes, production forests to ensure wood self-sufficiency or local audits and training. Finally, on the ground audits and remote sensing assessments take place to either validate the targets or conduct risk assessments. All the above activities are part of our financial planning and integral to our ability to continue operating aligned with our strategic objectives. The selected timeframe shows the strategic importance we allocate to forests related matters and our commitment to incorporate the increased operating costs to achieve our targets at any time a budget exercise takes place.

F6. Implementation

F6.1

(F6.1) Did you have any timebound and quantifiable targets for increasing sustainable production and/or consumption of your disclosed commodity(ies) that were active during the reporting year?

Yes

F6.1a

(F6.1a) Provide details of your timebound and quantifiable target(s) for increasing sustainable production and/or consumption of the disclosed commodity(ies), and progress made.

Target reference number

Target 1

Forest risk commodity

Timber products

Type of target

Traceability

Description of target

BAT recognizes the importance of sustainable use of wood and forests in order to respect the environment where we operate and to combat climate change. We have established targets on no gross deforestation (ongoing) of primary forests and net zero deforestation in managed forests by 2025. Firewood and wood pellets used by farmers in the supply chain to cure their leaves for Flue Cured and Dark Fired Cured should be sourced from sustainable as well as traceable sources. Meeting that target will allow us to ensure no gross deforestation of primary forest and contribute to our net zero deforestation in managed forests.

Linked commitment

Zero net/gross deforestation

Traceability point

Forest management unit

Third-party certification scheme

<Not Applicable>

Start year

2016

Target year

2025

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

57

Please explain

Since 2016 we have launched Thrive, the tobacco sustainability programme which keeps track of all the elements around sustainable tobacco production. Therefore, we select 2016 as being the start year while in many countries the engagement started much earlier. Thrive covers 80% of our volume base and Sustainable Tobacco Programme 100% which allows us to have great level of understanding on how our suppliers and farmers respond to our priorities, including forest issues. The target of no gross deforestation is ongoing and we will continue to develop more tools, like operating standards in Biodiversity for issues such as biodiversity, conduct risk assessments based on farmers geo-spatial and farm level data to map their risk profile, deliver trainings and work with local partners to support us in verifying the on the ground methods and commit to restore any area found to be deforested. Field technicians monitor the wood produced by the tobacco farmers, back to the plantation area and in 2021 57% of the wood used was traceable back to the place where produced. We have glidepaths in place and assigned budget to increase this to 100% aligned with our net zero deforestation by 2025. In 2021 we achieved 99.9% of wood sourced deforestation free; there has been only one incident recorded throughout our directly contracted and strategic third-party supplier base. This gives us confidence our field technicians conduct the right due diligence and provide visibility of such cases for us to be able to act, educate and eventually collaborate to restore that area. Furthermore, we have strengthened our operational design with dedicated resources to work with our suppliers to deliver their glidepaths on those targets.

Target reference number

Target 2

Forest risk commodity

Timber products

Type of target

Engagement with direct suppliers

Description of target

Our business depends on biodiversity and natural resources, including firewood and biomass which are necessary for the farmers to dry Flue Cured and Dark Fire Cured tobacco which represent more than 70% of our total tobacco purchases. To achieve our forest targets we need to engage with our contracted farmers and communities to prevent deforestation and ensure that our wood supply chain is sustainable and resilient, coming at no risk to cause deforestation either on-farm or off-farm. In the journey to ensure sustainable supply and operating responsibly we continuously connect and engage with our suppliers to ensure alignment of targets and the implementation of required standards. We are aiming at 100% engagement with our tobacco supplier base, to cascade policies, operating standards and encourage accurate reporting as our suppliers play a critical role for us to achieve our targets on no gross deforestation on primary forest and net zero deforestation in managed forests.

Linked commitment

Zero net/gross deforestation

Traceability point

<Not Applicable>

Third-party certification scheme

<Not Applicable>

Start year

2016

Target year

2021

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

100

Please explain

Since 2016 we have launched Thrive covering 80% of our volume base and via the Sustainable Tobacco Programme we have 100% visibility of our supplier base to understand how they respond to our priorities in this case forests. This engagement target is ongoing and we will continue to provide trainings in forest and biodiversity management and cascade best practices particularly in tobacco curing and fuel usage. As curing is one of the main activities requiring wood, through our Global Leaf Agronomy Development centre we develop and tailor techniques specific to individual countries on maximising efficiency and reducing required fuel. In 2021, more than 127,000 people were engaged via farmer trainings, delivered by our leaf operations and strategic third-party suppliers, covering topics like best practice on natural resource preservation, forest, biodiversity and soil management. Since 2016, our monitoring of our contracted farmers' fuel use for curing complemented with validated data from the Sustainable Tobacco programme has shown that 99.7% of all wood used in the tobacco supply chain was derived from sustainable sources. Furthermore, we have strengthened our operational design with dedicated resources to work with our suppliers to deliver their glidepaths on those targets.

Target reference number

Target 3

Forest risk commodity

Timber products

Type of target

Third-party certification

Description of target

BAT wants to ensure the sourcing of paper and pulp based materials is managed in the most sustainable way possible. BAT's commitment is for 100% of our paper and pulp based materials to be certified sustainably sourced by 2025, in support of BAT's net zero deforestation commitments. Certifications have additional socio-economic elements such as respecting local rightsholders and promoting the global shift to a more sustainable trend and thus are critical on a corporate level.

Linked commitment

Zero net/gross deforestation

Traceability point

<Not Applicable>

Third-party certification scheme

FSC (any type)
 FSC Chain of Custody
 PEFC (any type)
 PEFC Chain of Custody

Start year

2021

Target year

2025

Quantitative metric

<Not Applicable>

Target (number)

<Not Applicable>

Target (%)

100

% of target achieved

89

Please explain

BAT has a commitment for all its paper and pulp based materials to be certified sustainably sourced by 2025, in support of our no gross deforestation of primary forest and net zero deforestation in managed forest commitments. To achieve this target, we track and monitor the independent third-party certifications of our suppliers' of paper and pulp-based materials, ensuring they are supporting BAT's deforestation commitments and supporting the best possible management of the extended supply chain. We collaborate with them to align the glidepaths to get to the required target by 2025 and understand areas requiring further support. Currently our focus has been on FSC and PEFC certifications. As appropriate we review our suppliers' certification statuses and the associated volumes. To date 89% of pulp and paper-based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers in order to achieve 100% by 2025.

F6.2

(F6.2) Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?

	Do you have system(s) in place?	Description of traceability system	Exclusions	Description of exclusion
Timber products	Yes	Every year, our field technicians provide technical assistance to our directly contracted farmers (75K farmers in 2021), on the ground, with visits to their farms in every crop stage, at least 7 times a year. During these visits they monitor the farmers on various aspects, including the use of curing fuel in general and the use of wood in tobacco production and report the data into an app called FSM (Farmer Sustainability Management). In 2021, our monitoring demonstrated that around 33,000 farmers (44%) made use of wood for tobacco curing and 99.9% of contracted farmers' wood fuels were observed as from sustainable sources. Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted and wood sourced from existing legal plantations. During the on-ground monitoring, we map if the wood is sourced from on-farm production forests or if it is from off-farm sources. In 2021, 57% of the wood was sourced from production forests planted by the contracted tobacco farmers, the remaining is produced by local wood suppliers normally in the same growing region. Data from our own operations and strategic third-party suppliers covering 80% of total tobacco purchased are then consolidated annually on Thrive. For the remaining 20% we collect the information via the Sustainable Tobacco Programme (STP). Our 3rd party suppliers follow similar methods and have their own apps to monitor this data on the ground. We cover 100% of the wood used in tobacco curing in this CDP submission, both by BAT owned operations and from third party suppliers. For BAT's paper and pulp-based materials we formally review the certification status on an annual basis. At this point the certifications are reviewed as appropriate and action plans are agreed related to how we intend close gaps to meet our 2025 100% certified sustainably sourced objective. In 2021 89% of our paper and pulp-based materials were certified. We have a range of actions in place both externally and internally to ensure we maintain the exiting level of certification and progress to drive coverage in the areas where this is currently not formally confirmed.	Not applicable	<Not Applicable>
Palm oil	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable >	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.2a

(F6.2a) Provide details on the level of traceability your organization has for its disclosed commodity(ies).

Forest risk commodity	Point to which commodity is traceable	% of total production/consumption volume traceable
Timber products	Tree plantation	22.2
Timber products	Mill	29.2
Timber products	Country	1.8
Timber products	State or equivalent	36.8
Timber products	Municipality or equivalent	6.3
Timber products	Not traceable	3.6

F6.3

(F6.3) Have you adopted any third-party certification scheme(s) for your disclosed commodity(ies)?

	Third-party certification scheme adopted?	% of total production and/or consumption volume certified
Timber products	Yes	30.4
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.3a

(F6.3a) Provide a detailed breakdown of the volume and percentage of your production and/or consumption by certification scheme.

Forest risk commodity

Timber products

Third-party certification scheme

FSC Chain of Custody

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

10.7

Form of commodity

Primary packaging

Volume of production/ consumption certified

140037

Metric for volume

Metric tons

Is this certified by more than one scheme?

Yes

Please explain

BAT has a commitment for all its paper and pulp-based materials to be certified sustainably sourced by 2025, in support of its net zero deforestation commitment. In 2021 we have mapped the supply chain for the materials and engaged closely with the associated suppliers. The majority of the volume is linked to BAT's primary packaging, fine papers and acetate tow materials so these have been our priority focus. We track and monitor our suppliers' independent third party certifications that ensure they are supporting BAT's deforestation commitments and supporting the best possible management of the extended supply chain. Currently our focus has been on FSC and PEFC certifications. In this case we have FSC chain of custody in combination with PEFC chain of custody. As appropriate we review our supplier's certification status and the associated volumes. Due to regulation BAT are unable to publish any sustainability logos on our products which is why we take this robust approach with our suppliers. To date 89% of pulp and paper-based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers to achieve 100% by 2025. At this stage, we haven't been able to identify any certification for the wood used by the farmers in our supply chain; we continuously explore opportunities and engage in markets where we could access such a certification. Until this is possible, we continue with the stringent due diligence to follow the wood used.

Forest risk commodity

Timber products

Third-party certification scheme

PEFC Chain of Custody

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

10.7

Form of commodity

Primary packaging

Volume of production/ consumption certified

140037

Metric for volume

Metric tons

Is this certified by more than one scheme?

Yes

Please explain

BAT has a commitment for all its paper and pulp-based materials to be certified sustainably sourced by 2025, in support of its net zero deforestation commitment. In 2021 we have mapped the supply chain for the materials and engaged closely with the associated suppliers. The majority of the volume is linked to BAT's primary packaging, fine papers and acetate tow materials so these have been our priority focus. We track and monitor our suppliers' independent third party certifications that ensure they are supporting BAT's deforestation commitments and supporting the best possible management of the extended supply chain. Currently our focus has been on FSC and PEFC certifications. In this case we have PEFC chain of custody in combination with FSC chain of custody. As appropriate we review our supplier's certification status and the associated volumes. Due to regulation BAT are unable to publish any sustainability logos on our products which is why we take this robust approach with our suppliers. To date 89% of pulp and paper based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers to achieve 100% by 2025.

Forest risk commodity

Timber products

Third-party certification scheme

FSC (any type)

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

4.4

Form of commodity

Primary packaging

Tertiary packaging

Other, please specify (Fine Papers / Point of Sale Material (POSM))

Volume of production/ consumption certified

57199

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

BAT has a commitment for all its paper and pulp-based materials to be certified sustainably sourced by 2025, in support of its net zero deforestation commitment. In 2021 we have mapped the supply chain for the materials and engaged closely with the associated suppliers. The majority of the volume is linked to BAT's primary packaging, fine papers and acetate tow materials so these have been our priority focus. We track and monitor our suppliers' independent third party certifications that ensure they are supporting BAT's deforestation commitments and supporting the best possible management of the extended supply chain. Currently our focus has been on FSC and PEFC certifications. In this case we have FSC only. As appropriate we review our supplier's certification status and the associated volumes. Due to regulation BAT are unable to publish any sustainability logos on our products which is why we take this robust approach with our suppliers. To date 89% of pulp and paper based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers to achieve 100% by 2025.

Forest risk commodity

Timber products

Third-party certification scheme

PEFC (any type)

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

6.2

Form of commodity

Primary packaging

Other, please specify (Point of Sale Material (POSM), Acetate TOW)

Volume of production/ consumption certified

81740

Metric for volume

Metric tons

Is this certified by more than one scheme?

No

Please explain

BAT has a commitment for all its paper and pulp-based materials to be certified sustainably sourced by 2025, in support of its net zero deforestation commitment. In 2021 we have mapped the supply chain for the materials and engaged closely with the associated suppliers. The majority of the volume is linked to BAT's primary packaging,

fine papers and acetate tow materials so these have been our priority focus. We track and monitor our suppliers' independent third party certifications that ensure they are supporting BAT's deforestation commitments and supporting the best possible management of the extended supply chain. Currently our focus has been on FSC and PEFC certifications. In this case we have PEFC only. As appropriate we review our supplier's certification status and the associated volumes. Due to regulation BAT are unable to publish any sustainability logos on our products which is why we take this robust approach with our suppliers. To date 89% of pulp and paper based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers to achieve 100% by 2025.

Forest risk commodity

Timber products

Third-party certification scheme

FSC (any type)

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

8.2

Form of commodity

Primary packaging

Other, please specify (Fine Paper)

Volume of production/ consumption certified

107048

Metric for volume

Metric tons

Is this certified by more than one scheme?

Yes

Please explain

BAT has a commitment for all its paper and pulp-based materials to be certified sustainably sourced by 2025, in support of its net zero deforestation commitment. In 2021 we have mapped the supply chain for the materials and engaged closely with the associated suppliers. The majority of the volume is linked to BAT's primary packaging, fine papers and acetate tow materials so these have been our priority focus. We track and monitor our suppliers' independent third party certifications that ensure they are supporting BAT's deforestation commitments and supporting the best possible management of the extended supply chain. Currently our focus has been on FSC and PEFC certifications. In this case we have FSC in combination with PEFC. As appropriate we review our supplier's certification status and the associated volumes. Due to regulation BAT are unable to publish any sustainability logos on our products which is why we take this robust approach with our suppliers. To date 89% of pulp and paper based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers to achieve 100% by 2025.

Forest risk commodity

Timber products

Third-party certification scheme

PEFC (any type)

Chain-of-custody model used

<Not Applicable>

% of total production/consumption volume certified

8.2

Form of commodity

Primary packaging

Other, please specify (Fine Paper)

Volume of production/ consumption certified

107048

Metric for volume

Metric tons

Is this certified by more than one scheme?

Yes

Please explain

BAT has a commitment for all its paper and pulp-based materials to be certified sustainably sourced by 2025, in support of its net zero deforestation commitment. In 2021 we have mapped the supply chain for the materials and engaged closely with the associated suppliers. The majority of the volume is linked to BAT's primary packaging, fine papers and acetate tow materials so these have been our priority focus. We track and monitor our suppliers' independent third party certifications that ensure they are supporting BAT's deforestation commitments and supporting the best possible management of the extended supply chain. Currently our focus has been on FSC and PEFC certifications. In this case we have FSC in combination with PEFC. As appropriate we review our supplier's certification status and the associated volumes. Due to regulation BAT are unable to publish any sustainability logos on our products which is why we take this robust approach with our suppliers. To date 89% of pulp and paper based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers to achieve 100% by 2025.

Forest risk commodity

Timber products

Third-party certification scheme

Other, please specify (Use of supplier certifications based on third party standards)

Chain-of-custody model used

Not applicable

% of total production/consumption volume certified

1

Form of commodity

Other, please specify (Fine Paper / Point of Sale Material (POSM))

Volume of production/ consumption certified

13195

Metric for volume

Metric tons

Is this certified by more than one scheme?

Don't know

Please explain

BAT has a commitment for all its paper and pulp-based materials to be certified sustainably sourced by 2025, in support of its net zero deforestation commitment. In 2021 we have mapped the supply chain for the materials and engaged closely with the associated suppliers. The majority of the volume is linked to BAT's primary packaging, fine papers and acetate tow materials so these have been our priority focus. We track and monitor our suppliers' independent third party certifications that ensure they are supporting BAT's deforestation commitments and driving the best possible management of the extended supply chain. Currently our focus has been on FSC and PEFC certifications. In this case we have supplier certifications based on 3rd party standards. As appropriate we review our supplier's certification status and the associated volumes. Due to regulation BAT are unable to publish any sustainability logos on our products which is why we take this robust approach with our suppliers. To date 89% of pulp and paper based materials have been certified sustainably sourced, and we are taking some of the key learnings from this into our engagement and work with suppliers to achieve 100% by 2025.

F6.4

(F6.4) For your disclosed commodity(ies), do you have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments?

	A system to control, monitor or verify compliance	Comment
Timber products	Yes, we have a system in place for our no conversion and/or deforestation commitments	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.4a

(F6.4a) Provide details on the system, the approaches used to monitor compliance, the quantitative progress, and the non-compliance protocols, to implement your no conversion and/or deforestation commitment(s).

Forest risk commodity

Timber products

Operational coverage

Supply chain

Description of control systems

We monitor our contracted farmers on a monthly basis during the crop season on the use of sustainable wood and no deforestation. If non-compliance is found, Prompt Actions are raised and tracked for resolution including the farmers geo-coordinates. Our leaf operations use the Farmer Sustainability Management system. At the end of every visit the farmer acknowledges consent with a digital signature. Unannounced visits are also conducted to check the consistency and accuracy of the data captured and to ensure Prompt Actions are resolved. All our 3rd party suppliers follow the same processes using their own systems. All leaf suppliers are required to report performance on no deforestation at least once a year, in Thrive and STP. On top of monitoring, in 2022 we conducted a geo-spatial deforestation risk assessment for 100% of the tobacco supply chain. Farmers located in high risk areas for deforestation will receive reinforced monitoring and be assisted to create action plans.

Monitoring and verification approach

Geospatial monitoring tool
Ground-based monitoring system
Third-party verification

% of total volume in compliance

91-99%

% of total suppliers in compliance

81-90%

Response to supplier non-compliance

Retain & engage
Suspend & engage
Exclude

Procedures to address and resolve non-compliance with suppliers

Developing time-bound targets and milestones to bring suppliers back into compliance
Providing information on appropriate actions that can be taken to address non-compliance

Please explain

We follow a combination of methods to monitor compliance & understand risk. 1-Via geospatial monitoring we conducted reviews to assess the risk profile of areas we operate in. 2- Ground based monitoring via field technicians' farm visits about once a month during the crop season. They record data in real time via an app on wood used, its purpose, how it was sourced & any other observation on deforestation. Any non-compliance is recorded and the farmer is put under remediation regardless of the severity of the issue as we have zero tolerance on deforestation. Any deforested area should be restored by the next crop for the farmer to continue conducting business with us. In some markets there is 3- additional third-party verification; in India, a third party operation, where the forest survey took place by a national organisation. For BAT's pulp & board-based materials we review certification status and volumes annually. We gather learnings and agree actions to achieve our targets.

F6.6

(F6.6) For your disclosed commodity(ies), indicate if you assess your own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.

	Assess legal compliance with forest regulations	Comment
Timber products	Yes, from suppliers	<Not Applicable>
Palm oil	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>

F6.6a

(F6.6a) For your disclosed commodity(ies), indicate how you ensure legal compliance with forest regulations and/or mandatory standards.

Timber products

Procedure to ensure legal compliance

All leaf suppliers are required to comply with the BAT's Supplier Code of Conduct (SCoC), including providing us with 'received and read' confirmations, as part of the Leaf Supplier Manual, which is reviewed and submitted to 100% of leaf suppliers on an annual basis. Requirements in SCoC include the need for suppliers to comply with all applicable laws, codes and regulations wherever they operate. Suppliers are also required to submit STP and Thrive self-assessments. We can also make ad-hoc requests to suppliers in risk countries to submit additional information on how they are complying with their national laws.

Country/Area of origin

Brazil
India
Indonesia
Kenya
Mexico
Mozambique
Philippines
Viet Nam
Zimbabwe

Law and/or mandatory standard(s)

General assessment of legal compliance

Comment

In Kenya we ensure legal compliance with the Forest Conservation and Management Act and the Tobacco Growing & Marketing Regulations, which state that the "Sponsor" (BAT Kenya), should procure tree nurseries and provide the farmers with a minimum prescribed number of tree seedlings per hectare, annually. We produce and distribute more seedlings to farmers than required by the law and monitor the survival rate. In Vietnam, there are clauses in farmer contracts and our field technicians monitor use of sustainable wood. In Mexico all the wood sourced is from natural managed forests which are government-authorized sites, subject to natural regeneration as per the harvesting plan approved by the local authorities. In Indonesia wood is sourced from state-owned rubber wood plantations that have gone unproductive and need regeneration and wood suppliers are required to comply with regulations, including a certificate proving that the rubber wood used by the farmers is sourced from the rubber plantation rejuvenation program. Wood suppliers are geo-localized and monitored by drones. In Philippines, all wood plantations should be registered under the Certificate of Tree Plantation Ownership, issued by the Department of Environment and Natural Resources. In India farmers are monitored regarding sustainability of the wood and trained on how to comply with laws and regulations related to deforestation. In Zimbabwe wood used for curing tobacco is issued to farmers by our local 3rd party supplier and the main source of the timber is from legally implemented commercial plantations. In cases of smallholders, farmers need to obtain a permit to collect wood from the Rural Council or from the Environmental Management Agency (EMA) who allocate where the wood can be collected and are monitored by government officers from Agricultural Extension Officers, Forestry Commission and EMA, as per the regulations from the Zimbabwe Forest Act. In Brazil, 100% of the farmers are enrolled in the Rural Environmental Registry and we have contractual clauses specifically regarding the no deforestation mandatory requirement in tobacco production. With all suppliers, comprehensive farmer monitoring complements the above programmes, on the ground verifying and assessing compliance with local legislation regarding no deforestation.

F6.7

(F6.7) Are you working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems?

	Are you working with smallholders?	Type of smallholder engagement approach	Smallholder engagement approach	Number of smallholders engaged	Please explain
Timber products	Yes, working with smallholders	Supply chain mapping Capacity building Financial and commercial incentives	Supplier questionnaires on environmental and social indicators Offering on-site technical assistance and extension services Providing agricultural inputs Investing in pilot projects Prioritizing support for smallholders in high-risk deforestation regions Purchase guarantee linked to best agricultural practices	75599	Our global leaf agronomy centre develops innovative farming techniques and technologies that help increase efficiency and productivity, reducing environmental impact. These are deployed to our contracted farmers by our Extension Services of expert field technicians. We have introduced our contracted farmers to technologies that help. For example, automated curing barns reduce wood fuel use up to 30% and make the curing process more efficient and 50% less labour-intensive. In some countries, we facilitate crop insurance for contracted farmers. This can be crucial in providing a safety net for unexpected events and natural disasters such as floods and droughts. We provide our contracted farmers with training to help build their skills, knowledge and awareness on a range of topics including natural resources preservation and sustainable wood use. Our field technicians visit our contracted farmers approximately once a month during the growing season. They act as a direct link between the farmers and BAT, building trusted relationships and working with the farmers to develop their skills, provide agronomic support in all crop phases, including providing technical assistance and support on the adoption of curing technologies and the use of sustainable and renewable sources of curing fuels. Since 2016, 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, jute sticks, rice husk briquettes and rice husk. 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 to areas of high biodiversity value. In 2022 we completed a deforestation risk assessment, which demonstrated that 81% of our contracted farmers are in areas with low risk for deforestation, 8% medium and 11% high risk of deforestation. We are now working to mitigate risk associated with the farms in high-risk areas.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.8

(F6.8) Are you working with your direct suppliers to support and improve their capacity to comply with your forests-related policies, commitments, and other requirements?

	Are you working with direct suppliers?	Type of direct supplier engagement approach	Direct supplier engagement approach	% of suppliers engaged	Please explain
Timber products	Yes, working with direct suppliers	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators Offering on-site training and technical assistance Investing in pilot projects Support suppliers to set their own no deforestation/conversion commitments across their entire commodity operation	100%	Our Supplier Code of Conduct includes the requirement that 100% of our leaf suppliers must comply with all applicable laws and regulations wherever they operate (22 out of the 55 leaf suppliers in our network use wood). Through our Leaf Supplier Manual, we request an annual confirmation of receipt and concordance of the terms of the Code. These requirements are also in line with our 2025 goals to have 100% of the farmers we work with associated with no gross deforestation of primary native forests, net zero deforestation of managed forests and to promote net positive impact on forests in our tobacco supply chain. As part of the Industry's Sustainable Tobacco Programme (STP) we support suppliers by providing guidance to help them to understand their challenges and create action plans. STP also requires suppliers to report information on legal wood plantations and sustainable wood. When the programme was launched, multiple trainings were conducted to support suppliers to understand the guidance, requirements and application of the Programme. Also, in Thrive, our leaf operations and strategic 3rd party suppliers, covering 80% of the annual volume we purchase, are required to report the amount of sustainable and legal wood used in tobacco curing and in the same way, every year we provide training to cascade the latest and updated requirements. We support the suppliers, providing feedback regarding priority areas for action plans or to any improvement needed, with the goal to support them in the implementation of their targets. Additionally, we ask specific risk countries to report the key actions they are taking to comply with their local legislation. We do support suppliers with research and technology deployment to enhance the curing conditions and reduce the amount of wood used for curing. In 2021 we had trials in both leaf operations and 3rd party suppliers. In 2021 99.9% of the wood reported by our directly contracted farmers was reported as coming from sustainable sources. Similarly, when considering the entire supplier base, 99.7% of the wood used in tobacco curing was reported as coming from sustainable sources. 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.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.9

(F6.9) Are you working beyond your first-tier supplier(s) to manage and mitigate deforestation risks?

	Are you working beyond first tier?	Type of engagement approach with indirect suppliers	Indirect supplier engagement approach	Please explain
Timber products	Yes, working beyond first tier	Supply chain mapping Capacity building	Supplier questionnaires on environmental and social indicators On-site meetings with indirect suppliers Offering on-site training and technical assistance Disseminating technical materials	Going beyond the first-tier suppliers (i.e. our third party suppliers and in house vertical operations) we work directly to support the tobacco farmers. We aim to have 100% of wood used by our contracted farmers for tobacco curing to be from sustainable sources. We support our directly contracted farmers with afforestation, biodiversity, and environmental conservation programmes and to deploy techniques that help to reduce curing fuel demand like new tobacco curing technologies. Our afforestation programmes to promote the planting of production forests to avoid the harvest of native forest for wood used in tobacco curing. In the last 40 years we have distributed 380 million trees via afforestation programmes in countries like Brazil, Bangladesh and Pakistan. Our leaf operations and third-party suppliers work with tobacco farmers in the supply chain to provide training in natural resources, forest and biodiversity management. In 2021, it was reported through our Thrive questionnaires, covering all aspects around farmer livelihoods, that there were 127,000 people engaged via farmer training (combination of on-site training and technical materials). Delivered by our leaf operations and strategic third-party suppliers, this training covered best practice on natural resource preservation, forest, biodiversity and soil management.
Palm oil	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Cattle products	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Soy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Rubber	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Cocoa	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other - Coffee	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

F6.10

(F6.10) Do you engage in landscape (including jurisdictional) approaches to progress shared sustainable land use goals?

	Do you engage in landscape/jurisdictional approaches?	Primary reason for not engaging in landscape and/or jurisdictional approaches	Please explain why your organization does not engage in landscape/jurisdictional approaches, and describe plans to engage in the future
Row 1	Yes, we engage in landscape/jurisdictional approaches	<Not Applicable>	<Not Applicable>

F6.10a

(F6.10a) Indicate the criteria you consider when prioritizing landscapes and jurisdictions for engagement in collaborative approaches to sustainable land use and provide an explanation.

	Criteria for prioritizing landscapes/jurisdictions for engagement	Please explain
Row 1	Company actions align with already established jurisdictional and/or landscape initiative priorities in area Company has operational presence in area High commodity sourcing footprint from area Opportunity to implement Nature-based Solutions Opportunity to protect natural ecosystems Opportunity to restore natural ecosystems Risk of deforestation/conversion	We have a long-standing commitment to protecting biodiversity, including the prevention of deforestation and fragmentation of habitats. To prioritise landscapes for engagement we start with our internal targets and what actions are required to meet those in the specific jurisdictions in which we operate, prioritising the ones with the highest volume or the highest deforestation and biodiversity risks, as demonstrated via risk assessment. Our most recent risk assessment included a combination of indicators for both biodiversity and forests, including risks to ecosystems and species, and an indicator of the potential to reduce extinction risk via restoration. We apply this risk/opportunity screening to our landscape prioritisation to ensure we are implementing activities where they have the best chance of mitigating risk, reducing harm and securing positive outcomes for biodiversity. Beyond this initial screening we are evaluating how we can maximise our efforts and positive impact, taking into account geographical complexity and local/regional requirements to engage with other players in the market as well as local organisations and regulatory bodies.

F6.10b

(F6.10b) Provide details of your engagement with landscape/jurisdictional approaches to sustainable land use during the reporting year.

Country/Area

Bangladesh

Name of jurisdiction or landscape area

Kushtia, Bandarban, Cox's Bazar, Chittagong Hill Tracts, Chattogram, Jhainadah, Meherpur, Rajshahi, Rangpur, Lalmonirhat, Mymensingh, Tangail, Manikgonj, Rangamati, Khagrachari

Is the landscape defined by administrative boundaries of sub-national governments and does the approach have active government involvement?

The landscape is defined by administrative boundaries, but the approach does not have active government involvement

Brief description of landscape/ jurisdictional approach

BAT Bangladesh operates the country's longest-running private sector-driven afforestation programme. Now in its 41st year, the programme has so far distributed 115 million fruit, forestry and medicinal plant saplings free of charge to diverse beneficiaries.

Forest risk commodities relevant to this landscape/jurisdictional approach

Timber products

Type of engagement

Convener: High level of engagement in set-up, design, management and implementation

Partner: Shared responsibility in the implementation of multiple goals

Supporter: Implement activities to support at least one goal

Description of engagement

BAT Bangladesh celebrates formal partnership with governmental and non-governmental organizations to promote production, distribution and plantation of native trees in public land and in farms and communities where tobacco is grown, with the goal to promote sustainable use of wood for different purposes and extra income generation to the farmers.

Goals supported by engagement

Decreased ecosystem degradation rate

Avoided deforestation/conversion of other natural ecosystems

Company actions supporting approach

Identify opportunities for pre-competitive collaboration with your sector

Identify opportunities for public private collaboration

Build community capacity and incentivize engagement in multi-stakeholder processes

Financially support multi-stakeholder entity leading the initiative

Implementation partner(s)

Forest Department of the Ministry of Environment, Forest and Climate Change, Dhaka North City Corporation (DNCC), Dhaka South City Corporation (DSCC), Rajshahi City Corporation (RCC), Bangladesh Army, Bangladesh Navy, Bangladesh Police, Border Guard Bangladesh (BGB), Refugee Relief and Repatriation Commissioner (RRRC) of Bangladesh, Bangladesh Agricultural University (BAU)

Engagement start year

1980

Engagement end year

Not defined

Total investment over the project period (currency)

4000000

Details of your investment

Distribution of tree saplings, promoting communitarian and stakeholders' plantations events, farmers training. In 2021 alone 5 million saplings were distributed. At present, the project is operating in more than 18 districts across the country.

Type of assessment framework

Specific initiative defined framework

Is progress monitored and publicly reported on?

Yes, progress is monitored and publicly reported on

State the achievements of your engagement so far, and how progress is monitored

The programme has so far distributed 115 million fruit, forestry, and medicinal plant saplings free of charge to diverse beneficiaries. The objective of the programme has always been to raise awareness of the importance of a greener environment. Its goal is to increase the tree-covered land area of Bangladesh by 2030. In 2021, our afforestation programme supported the livelihoods of over 30,000 beneficiaries through the distribution of 5 million saplings. At present, the project is operating in more than 18 districts across the country. We estimate a total area of 6,300 hectares of land covered with trees since the project started. We commissioned an independent survey in 2020 to assess the impact of the programme on the farmers and communities. As many as 800 people were enlisted as part of the study, where 400 people (intervention area) received saplings while 400 people (control area) did not receive any saplings. The detailed research was conducted by Nielsen Corporation records the positive impacts of the programme, including: economic impact: 77% of beneficiaries earn money by tree plantation, while 49% state an increase in income and 33% of the beneficiaries invest money earned from the tree plantation in other businesses and ecological impact: the increased number of trees help balance the environment with intensive meaningful change brought about by the afforestation programme.

F6.11

(F6.11) Do you participate in any other external activities and/or initiatives to promote the implementation of your forests-related policies and commitments?

Forest risk commodity

Timber products

Do you participate in activities/initiatives?

Yes

Activities

Involved in multi-partnership or stakeholder initiatives

Country/Area

Viet Nam

Subnational area

Please specify (Cao Bang, Lang Son, Dak Lak, Tay Ninh, Gia Lai)

Initiatives

Forest Stewardship Council (FSC)

Please explain

In Vietnam, we engaged FSC to conduct an assessment to map the wood supply chain. In one of BAT's growing regions, farmers buy wood by-products to be used as curing fuel. These by-products are sourced from wood suppliers from the timber and rubber industry. FSC helped us to map those suppliers and whether their chains of custody are sufficient to guarantee wood is sustainable and not associated with deforestation. In another growing region, farmers harvest wood on their own land, from plantations established years prior. FSC conducted an assurance assessment in partnership with us, to establish these farmers hold licenses granted by the government, permitting them to legally grow plantations and harvest at specific rates. This initiative allows us to enhance traceability, achieve Net Zero deforestation in managed Forests and Net Positive on Forests by 2025 and connects with our Environment policy outlining the requirement for robust governance and collaboration with external partners.

F6.12

(F6.12) Is your organization supporting or implementing project(s) focused on ecosystem restoration and protection?

Yes

F6.12a

(F6.12a) Provide details on your project(s), including the extent, duration, and monitoring frequency. Please specify any measured outcome(s).

Project reference

Project 1

Project type

Natural regeneration

Primary motivation

Voluntary

Description of project

The Private Reserve of Natural Heritage (RPPN) of University of Santa Cruz do Sul is located in the municipality of Sinimbu in Rio Grande do Sul state, Brazil. It is a protected area created in 2009, through Ordinance nº 16, of March 18, having an area of 221,39 hectares, being nowadays one of the largest protected area of this category (RPPN) in the State. This preservation area is within the Atlantic Forest Biome. BAT Brazil bought the area and donated this to the University with the goal to create the RPPN, back in 2006. Our primary motivation was to preserve biodiversity whilst showing our commitment as an organisation towards respecting the natural reserves particularly in a country that has been of significant value to our tobacco agricultural footprint over the years (more than 25% of our annual tobacco purchases came from Brazil in 2021). Geolocation: https://geohack.toolforge.org/geohack.php?pagename=Santa_Cruz_do_Sul_University_Private_Natural_Heritage_Reserve&ms=29_23_00_S_52_32_00_W_region:BR_type:landmark

Start year

2006

Target year

Indefinitely

Project area to date (Hectares)

231

Project area in the target year (Hectares)

221

Country/Area

Brazil

Latitude

-29.383333

Longitude

-52.533333

Monitoring frequency

Six-monthly or more frequently

Measured outcomes to date

Biodiversity

Please explain

In 2006 Souza Cruz bought and donated 221 hectares of land to the University of Santa Cruz do Sul in Brazil (Santa Cruz do Sul University Private Natural Heritage Reserve1). The area was declared as a private natural heritage reserve and since then 100% of the area was kept solely for restoration and conservation purposes. The RPPN area cannot be managed for any other purpose than the natural conservation. Since the donation of the area, in 2006, the University started a regular monitoring programme, counting number of species of mammals, birds and plants in annual basis. Published reports and articles from the monitoring programme show that 149 species of native trees were found in the reserve, alongside 16 species of wild mammals, including eight endangered species and 169 bird species, 5 of them at risk of extinction in the State of Rio Grande do Sul. Activities of ecotourism and environmental education are also realized in the area, coordinated by the University.

F7. Verification

F7.1

(F7.1) Do you verify any forests information reported in your CDP disclosure?

Yes

F7.1a

(F7.1a) Which data points within your CDP disclosure have been verified, and which standards were used?

Disclosure module

F1. Current State

Data points verified

F1.5 BAT Leaf Operations wood volume consumed by the farmers. F6.4 Farmers Sustainability Management (FSM) system number of Prompt Actions and level of resolution.

Verification standard

KPMG LLP were engaged by British American Tobacco p.l.c. ('BAT') to provide limited assurance over Selected Information described and disclosed in the BAT ESG Report 2021 and used in this CDP submission. This assessment is done annually, including information from BAT Operations and strategic third-party suppliers. We chose to externally assure those data points due to their material scope to our sustainability impact. The assurance is required to increase confidence for our stakeholders that we capture accurately the volume of wood consumed, as well as the Prompt Actions raised with their level of resolution. The assurance was done in accordance with International Standard on Assurance Engagements (UK) 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ('ISAE (UK) 3000'). Both Standards were selected due to their high relevance for investors and shareholders.

Please explain

KPMG stated that based on the work performed and the evidence obtained, nothing came to their attention that caused them to believe that the Selected Information listed in Appendix 1 of the ESG Report 2021 had not been properly prepared, in all material respects, in accordance with the Reporting Criteria. The summary of the work performed included, but was not limited to: assessing the appropriateness of the data and information provided; 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; 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. We understand that independent review and assurance of our ESG metrics is crucial to helping stakeholders place trust in our sustainability progress and reported information and in the data and processes underpinning our ESG strategy. It supports our commitment to openness and transparency. The selected metrics directly connect to our ability to capture accurately the amount of wood used by our directly contracted farmers in about 14 geographies and also our overall sustainability programme since Prompt Actions indicate potential non-conformances to our targets including deforestation indicators.

F8. Barriers and challenges

F8.1

(F8.1) Describe the key barriers or challenges to eliminating deforestation and/or conversion of other natural ecosystems from your direct operations or from other parts of your value chain.

Forest risk commodity

Timber products

Coverage

Direct operations
Supply chain

Primary barrier/challenge type

Lack of adequate traceability systems

Comment

Ensuring and managing detailed traceability to a high level of granularity is an extremely difficult and complex activity. It requires significant resources and capability to manage in a way which is usable for tangible forward progress. The farmers we work with are based in remote areas, like in Pakistan and Bangladesh rural areas; and many times they buy wood from their local supplier. It is then our role to work with local partners to create the traceability of that wood to its source. Examples of markets where we face that challenge is in Bangladesh, where a large portion of our directly contracted farmers are in remote areas, like Chittagong Hill Tracts. Additionally, in certain countries, like in the USA, farmers use the by-products of wood which is used in other industries and as a consequence there isn't an existing system in place to trace the origin of that wood. We have been facing that problem ever since we mapped our supply chain and are working to resolve it by 2025 aligned with our external commitments.

Forest risk commodity

Timber products

Coverage

Supply chain

Primary barrier/challenge type

Cost of sustainably produced/certified products

Comment

Currently BAT sees the market conditions for timber products and pulp is in very high demand with considerable scarcity amongst certain specifications. Against a backdrop of considerable inflationary pressure, rising energy costs and certain amounts of product scarcity, the increasing intensity of certification requirements is a probable impact on costs. Our final products depend on the use of paper and pulp-based materials, as a result therefore the potential knock-on impact for customers through the value chain is significant.

F8.2

(F8.2) Describe the main measures that would improve your organization's ability to manage its exposure to deforestation and/or conversion of other natural ecosystems.

Forest risk commodity

Timber products

Coverage

Direct operations

Supply chain

Main measure

Investment in monitoring tools and traceability systems

Comment

Under our Biodiversity Framework for our tobacco supply chain, we are working with an external, expert consultancy to develop operating standards for Biodiversity in tobacco. One of the main requirements is to ask tobacco suppliers to have 100% of the off-farm wood sourced with traceability back to the site of production. When the wood is sourced from off-farm locations, suppliers will be required to implement verifiable and traceable evidence that the wood is coming from sustainable sources, not involved in deforestation for both harvesting the wood and / or planting the production forest. It's expected that the leaf Suppliers must be able to demonstrate to BAT or to any appointed party completing an audit, through reporting and / or documentation, where the off-farm wood suppliers are located, as well their production forests, complete with geospatial information, including coordinates of the supplier location and of their respective production forests. Acceptable documentation examples include, but are not limited to, receipt, invoice, delivery slip or transport authorization shall be used to prove the origin of the wood. More efforts put into making certification programmes collaborative and accessible throughout the timber supply chain will be extremely beneficial. This will be especially true for small organisations or smallholders for whom obtaining these elements may be out of reach. In addition to the investments described above BAT is also working hard with its suppliers within the timber supply chains to engage and drive for their support to enable as much coverage as possible for all elements involved.

F17 Signoff

F-FI

(F-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

F17.1

(F17.1) Provide the following information for the person that has signed off (approved) your CDP forests response.

	Job Title	Corresponding job category
Row 1	Director, Operations	Other C-Suite Officer

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I understand that my response will be shared with all requesting stakeholders	Response permission
Please select your submission options	Yes	Public

Please confirm below

I have read and accept the applicable Terms