

# Environment Policy Statement



The BAT Group is committed to being an environmentally responsible business. This Policy Statement has been developed by the BAT Group and disseminated to all Group operating companies for implementation and application by all Group companies in their operating environments. The Director, Operations owns the Environment Policy Statement on behalf of the Management Board.

The BAT Group prides itself on being a responsible business that operates with integrity across the diverse geography of its operations and aspires to be amongst the leaders in environmental management. Our operations and value chain depend on natural resources and the environment including soil, water and forest products such as timber, cardboard and paper. As we recognise the connection between natural resources and the environment, we work to reduce the environmental impacts associated with our operations and value chain, including our work to mitigate and grow resilience to the impacts of climate change.

We are committed to making continuous improvements in the management of our environmental impacts and operating responsibly in our own operations, as well as working with our wider value chain for them to achieve the same.

## The BAT Group is therefore committed to:

- Complying with all applicable legal and regulatory requirements governing environmental management in the countries where we operate.
- Implementing environmental management standards and practices internally, often more stringent than applicable legal requirements in the countries in which we operate, through our Global Environmental, Health & Safety Management System (GEHSMS), which has been designed using the principles of the international environmental management system standard ISO 14001.
- Monitoring and verifying compliance and identifying best practices, using our internal auditing systems and processes.
- Assessing the environmental impacts across our value chain, which includes future operational changes, new ventures or acquisitions, and proactively putting in place plans to eliminate, reduce or mitigate these impacts.
- Adopting circular economy principles to help us deliver better products, create further efficiencies in our operations, offer our employees opportunities to innovate and ultimately reduce the overall environmental impact across our value chain.
- Monitoring and reporting on our performance and environmental issues through a set of key metrics, setting targets to seek continuous improvement in reducing our environmental impacts, and publishing our targets and performance annually. We will use external assurance to verify our performance, as appropriate.
- Providing training to our employees and stakeholders and raising their awareness of our environmental impacts and the management of such impacts, including our approach as set out in our Environment Policy Statement; ensuring that they have the knowledge, tools and resources to support implementation of our programmes; and, sharing best practice across the Group.
- Including environmental considerations in our products' design and development using product Life Cycle Assessment / Analysis (LCA).
- Playing our part to support the United Nations (UN) Sustainable Development Goals (SDGs) by mapping our material sustainability topics and programmes to the SDGs, including - in terms of the environment - SDG12 Responsible Consumption and Production, SDG13 Climate Action, and SDG15 Life on Land.

- Working with suppliers, joint venture partners and service providers and participating in industry programmes to reduce the environmental impacts of our products and services across their lifecycle, sharing good practices on environmental management and encouraging them to manage their businesses and operations in an environmentally responsible way.
- Undertaking proactive long-term engagement and collaboration with key stakeholder groups through open dialogue to better understand emerging issues, regulatory developments and societal expectations, as well as technological innovations. We will work with employees, governments, NGOs, academics and other key stakeholder groups to find ways to help tackle our common environmental challenges. We seek to conduct our engagement activities in line with the goals of the Paris Agreement on climate change.

**Specific to our industry and operations, we have identified four environmental priority areas:**

## Tackling Climate Change

- Reducing Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions across our value chain by 50% by 2030, in comparison to 2020<sup>1</sup>.
- Working to achieve carbon neutral operations by 2030 – comprising Scope 1 and 2 GHG emissions.
- Net Zero across our value chain by 2050 at the latest – comprising Scope 1, 2 and 3 GHG emissions.
- Sourcing 50% of our energy requirements from renewable sources, by 2030.

## Eliminating Waste and Progressing Towards a Circular Economy

- Reducing waste and increasing reuse and recycling across our operations and value chain, to support our journey towards a circular economy, including:
  - 25% reduction in waste generated across our operations, by 2025, versus 2017.
  - 90% recycling rate of waste generated across our operations, by 2025.
  - Less than one percent of our operations waste going to landfill, by 2025.
  - 100% of our packaging to be reusable, recyclable or compostable, by 2025.
  - Ongoing increases in the recycled content of our packaging.
  - Promoting responsible management of product waste.

## Protecting Biodiversity and Forests

- Implementing programmes to achieve our goal of no gross deforestation of primary native forests and working towards:
  - Net Zero deforestation of managed natural forests in our paper, pulp and Tobacco Supply Chain<sup>2</sup>, by 2025.
  - Net Positive impact on forests in our Tobacco Supply Chain<sup>2</sup>, by 2025.
  - Zero conversion of natural ecosystems in our Tobacco Supply Chain<sup>2</sup>, by 2025.

We will achieve this by confirming the absence of deforestation through monitoring: via self-assessments, desktop reviews, on-the-ground audits and applying deforestation due diligence across our value chain.

<sup>1</sup> Approved by Science Based Targets initiative (SBTi). Comprises 50% reduction in Scope 1, 2 and 50% reduction in Scope 3 GHG (CO<sub>2</sub>e) emissions. Scope 3 emissions target includes purchased goods and services, upstream transportation and distribution, use of sold products and end-of-life treatment of sold products, which collectively comprised >90% of Scope 3 emissions in 2020.

<sup>2</sup> 'Tobacco Supply Chain' refers to the tobacco supplied by our directly contracted farmers and those of our strategic third party suppliers who participate in our annual Thrive assessment, representing over 80% of the tobacco purchased by volume in 2022.

- Continuing to work with farmers to develop, advance and implement environmentally responsible agricultural practices to increase farmers' resilience to climate change; and biodiversity protection best practices to help preserve natural capital.
- Continuing to develop and implement timber traceability systems towards 100% coverage to support our commitments.
- Avoiding activities in our Tobacco Supply Chain<sup>2</sup> that overlap or are adjacent to globally or nationally important biodiversity areas (between 0 and 20km, depending on the size of the tobacco farm). Should such activities be identified, we will apply a mitigation hierarchy (avoid, minimise, restore and offset) and implement biodiversity management plans collaborating with external partners and stakeholders, as appropriate.

## Water Stewardship

- Reducing the amount of water withdrawn and increasing water recycling across our operations, thereby supporting the conservation of freshwater ecosystems.
- By 2025, we aim to reduce the amount of water withdrawn by 35% whilst increasing our water recycling rate to 30%, in comparison to 2017.
- 100% of Group companies' operations sites being certified to the Alliance for Water Stewardship's management standard by 2025.
- Promoting access to safe Water, Sanitation and Hygiene (WASH) across our facilities and farms and communities in our supply chain, in recognition of the human right to water.
- Collective action to support water stewardship across our value chain. This includes supporting our directly contracted farmers to use water more efficiently.
- Preventing, minimising and controlling water pollution and discharges in our own operations, as well as working with our wider value chain for them to achieve the same, as applicable.

This policy will be periodically reviewed by the Management Board and updated as appropriate to support the achievement of our environmental objectives. Any revision will be published by the BAT Group and brought to the attention of Group operating companies, employees and other relevant personnel.

**As Director, Operations and on behalf of the Management Board, I am committed to provide the leadership and resources to ensure that all Group operating companies can fully implement the commitments detailed in this Policy Statement into their operations.**

**Zafar Khan**

**Director, Operations**

**As approved by the Main Board on 25th July 2023.**