



BRITISH AMERICAN  
TOBACCO

SUSTAINABILITY

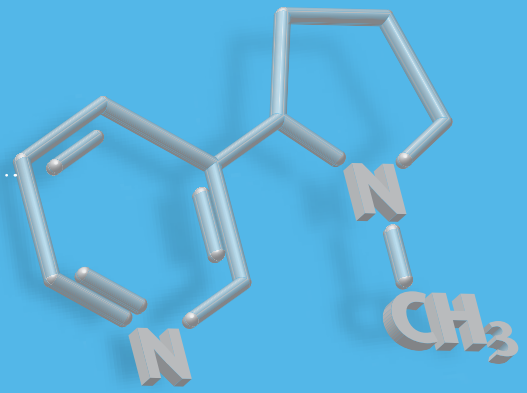
# Why it matters

SUSTAINABILITY SUMMARY 2012

## HARM REDUCTION

How we tackle the most negative consequences of our business by working to develop a range of reduced-risk tobacco and nicotine products.

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## MARKETPLACE

How we support evidence-based regulation of tobacco products by engaging with industry regulators, responsible marketing and fighting the black market in tobacco.

## SUPPLY CHAIN and the ENVIRONMENT

How our direct relationship with farmers worldwide helps to promote environmental stewardship and human rights through sustainable supply chain management.

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## PEOPLE and CULTURE

How we attract and retain the very best talent through a stretching and supportive culture, maintaining our standards of excellence across the business.

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## SUSTAINABILITY SUMMARY 2012

Our continued commitment to robust sustainable business practices is reinforced by the significant progress made across corporate processes and practices, as documented in this Report. We continue to address our social, environmental and economic impacts to build value for the business, for our shareholders – and for all stakeholders affected by our business.

We are the world's **second largest** quoted tobacco group.

44 cigarette factories in 39 countries.

More than 55,000 people employed worldwide.

Supply over 180 markets with 694 billion cigarettes.



[www.bat.com/sustainability](http://www.bat.com/sustainability)

Find all our sustainability information online

### Our 2012 performance

View performance data for our Group, regions and nine of our largest markets.

### Stakeholder engagement

Our stakeholder engagement includes independently assured and facilitated dialogue sessions.

### Materiality

Our materiality test defines the issues of greatest significance to our business and our stakeholders.

### CSR governance

Effective governance is critical to ensuring that we live up to our principles and deliver our goals.

### Global Reporting Initiative (GRI)

View our reporting against the GRI's indicators, which form part of its guidelines for sustainability reporting.

### Our economic impact

As one of the world's most international businesses, our economic contribution stretches from a local to a global level.



### Also available as an app for iPad and Android tablets

Read this Report and watch our videos any time, anywhere by downloading our app. Go to [www.bat.com/sr2012](http://www.bat.com/sr2012) for details.

## Get in touch

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Ernst & Young LLP has been engaged by British American Tobacco to provide limited external assurance of this Report, GRI information, performance data at [www.bat.com/sustainability/data](http://www.bat.com/sustainability/data) and selected pages of [www.bat.com](http://www.bat.com). Summary observations are included throughout this Report. A full assurance statement, including the scope of work and conclusions, can be found at [www.bat.com/assurance](http://www.bat.com/assurance).

# Our Chief Executive on why it matters



“

To grow our business we must operate sustainably – creating shared value for our shareholders and society in a challenging and changing landscape.

Nicandro Durante, Chief Executive

This is a very exciting time to be leading British American Tobacco – together we are beginning to write the next chapter in our long history.

The outlook for our business is very good for so many reasons, but I am particularly encouraged by the progress we are making to offer smokers less risky products.

For years, many public health stakeholders told us that this was the most important thing we could do. We agreed, but the scientific and regulatory challenges are mountains we continue to climb.

## Exploding a myth

If you think nicotine causes most smoking-related diseases then you are not alone. Even some doctors believe this. In fact, it is largely the toxicants found in tobacco and tobacco smoke that cause the majority of these diseases, not the nicotine. The Royal College of Physicians' view is that harm reduction in smoking can be achieved by providing smokers with safer sources of nicotine that are acceptable and effective cigarette substitutes.\*

\* Tobacco Advisory Group of the Royal College of Physicians, 2007.

This is why we are working so hard on a range of new nicotine-based products for smokers. As long as regulatory frameworks are in place to support it, we see this as a critical future growth area for us.

Our subsidiary, Nicoventures, is preparing to launch its first nicotine inhalation product in the UK. And through our recent acquisition of CN Creative, a UK-based company, we are now exploring the development of innovative electronic cigarette technologies.

I see these as steps towards building a portfolio of less risky nicotine products alongside our main tobacco business. As I said, exciting times.

## Supply chain roots

As a fast moving consumer goods company, consumers are the centre of our universe, but we never forget the importance of tobacco farmers who are at the root of our supply chain.

Lately, critics have suggested tobacco growing has worse social, economic and environmental impacts than other commercial crops. A recent, independent study by DD International shows that this isn't the case. Have a read at [www.bat.com/thedebate](http://www.bat.com/thedebate) and make up your own mind.

Tobacco farmers can earn good returns from very small plots of land and, as tobacco is mainly grown in rotation with other crops, it can support food security as well as provide a reliable income.

Of course, like any crop, tobacco growing can have its negative impacts, but with the help and support we give our tens of thousands of contracted farmers, these risks are being mitigated. We will be doing more to measure, report and develop new policies in this area in the years ahead.

## Regulation

There's a view that the louder we oppose tobacco regulation, the more damaging it must be to the industry.

In fact, we support regulation that has robust evidence to show that it will help achieve the objective of reducing the impacts of tobacco use on public health.

What worries us are the unintended consequences of regulation with weak or non-existent evidence bases. Will soaring tobacco taxes, retail display bans and plain packaging stop children trying cigarettes? No, but all can fuel the dangerous illegal tobacco trade.

Every day, children buy cigarettes on the black market – that alone is reason enough to make our voice heard.

Taken together, the global illegal market is roughly equivalent in size to the world's third largest multinational tobacco company by volume. It's the no-rules competitor that keeps us awake at night.

As this Report shows, we are in the front line in the battle against tobacco trafficking – from working with law enforcers, customs officials and international organisations, to making our packs easier to trace and harder to counterfeit.

And we are greatly encouraged by the finalisation of the World Health Organisation's Protocol to Eliminate Illicit Trade in Tobacco Products – we supported its development from the outset and are hopeful that it will strengthen international coordination and enforcement for tackling this serious problem.

## 2012 Dow Jones Sustainability Indexes

Included for the 11th consecutive year.

Industry leader with an overall score of 88%.

## Looking ahead

So, are we a sustainable business? I believe yes. We've already made significant progress against our sustainability goals, such as achieving a 41% CO<sub>2</sub>e reduction from baseline; and we have long-term plans that are preparing our business for the future, including our work to build a portfolio of reduced-risk products. That conclusion is also corroborated by independent third parties. For example, we have been listed for the 11th year running in the Dow Jones Sustainability Indexes; and our work in biodiversity received the fifth highest score out of 127 European companies in a study by Vigeo, a European ratings agency.

## A new agenda

We are developing a new sustainability agenda that increases our ambition and better measures our impacts. We'll be working with stakeholders to develop our plans and we will report back to you next year.

We are also changing the way we report – away from an annual Sustainability Report to more focused sustainability communications throughout the year.

This, therefore, is our Sustainability Summary, outlining our performance and key issues. This will be followed by two issue-specific reports later in the year to provide stakeholders with more in-depth information on the topics they're most interested in.

## My commitments to you

To grow our business we must operate sustainably – creating shared value for our shareholders and society in a challenging and changing landscape. By this, I mean seeking opportunities to increase our competitiveness while also meeting society's needs and expectations. For example, new reduced-risk products will benefit public health and also create business growth; and protecting biodiversity around tobacco growing areas helps ensure our future supplies of tobacco are secure.

I intend our new sustainability agenda to be flexible and long term. In the meantime, we continue to focus on the sustainability of our products – how they're used, made and sold.

We therefore remain committed to:

- Working to reduce the impacts of tobacco use on public health;
- Marketing our products in a responsible way; and
- Raising standards within our supply chain.

I am looking forward to reporting back to you in 2014 on what we have done to develop our new strategy and our achievements this coming year. Please be patient; we want to get this right and we will need your help to do that.

Thank you

*Nicandro Durante*

Nicandro Durante, Chief Executive, March 2013



# It's about how we do business

No business, no matter how small, can afford to act irresponsibly. The weight of responsibility on us as one of the world's most international businesses, in a highly regulated sector regarded by many as controversial, is rightly considerable.

In 2001, we were the first tobacco company to publish a social report and our approach to sustainability has been reviewed and refined ever since.

All areas of our current sustainability agenda continue to be important, but how our products are made, sold and used has some of the greatest bearing.

 WATCH OUR VIDEOS ONLINE AT  
[www.bat.com/  
sustainability](http://www.bat.com/sustainability)

HOW OUR PRODUCTS ARE USED:

HARM REDUCTION



HOW OUR PRODUCTS ARE SOLD:


MARKETPLACE ACTIVITIES



HOW OUR PRODUCTS ARE MADE:

SUSTAINABLE AGRICULTURE





According to the World Health Organisation, as the global population grows so does the number of smokers, describing it as a “global tobacco epidemic”.

That’s why working towards reducing the health risks of our products remains our number one priority. Harm reduction is about taking steps to try to minimise the negative health impacts of a risky activity, without just stopping it entirely.

Our scientists have been working on developing reduced toxicant cigarettes for many years but there is no easy solution.


The answer, therefore, lies in less risky nicotine-based alternatives.

We don’t believe a ‘one product fits all’ approach will meet the needs of consumers, so our approach is to develop a range of reduced-risk tobacco and nicotine products for adult smokers who want a safer alternative to cigarettes.

As part of this range, our subsidiary, Nicoventures, is preparing to launch a regulatory-approved nicotine inhalation product in the UK.

Ranked in the **top 25%** of companies in Transparency International’s study ‘Transparency in corporate reporting: Assessing the world’s largest companies’.


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There is still widespread mistrust of the tobacco industry. Some people think we fight all new regulation on principle, market to children and turn a blind eye to tobacco trafficking. This is not the case.

It may take many more years to turn the tide and build widespread trust among society. For some stakeholders, we may never get there.

Regardless, we are determined to re-build trust through a demonstrably responsible approach everywhere – not least in our marketing, in fighting the black market and through open and honest engagement with governments on new regulation.



Like most crops, growing tobacco can have environmental, social and economic benefits. But there can be negative impacts, which we are helping to mitigate by working to raise standards through direct relationships with over 100,000 contracted farmers.

Through our extension services, we continue to encourage sustainable agriculture practices, which can help improve farm performance and provide secure livelihoods for tobacco farmers and their families. We also support local infrastructure projects to benefit whole communities.

## The environment and our people

Managing our environmental and social responsibilities and having a culture that attracts and retains the best workforce are also fundamental to our business. Keeping our workforce safe and healthy is paramount. We are looking to improve safety all the time and, while we’ve reduced reported lost workday cases by 20%, there has been a rise in fatalities this year, which concerns us greatly.

We are working to reduce our environmental impacts as we aim for stretching 2030 and 2050 carbon reduction targets.

And our employee opinion survey continues to provide vital feedback on how we are doing as an employer. We are acting on that feedback as we aim for an even better place to work for the diverse and talented people our business depends on.

We will continue to monitor, improve and report on all these areas of our operations as we develop our new sustainability agenda in 2013.



READ MORE AT

[www.bat.com/sustainability](http://www.bat.com/sustainability)

## HARM REDUCTION

# is crucial to the future of our business



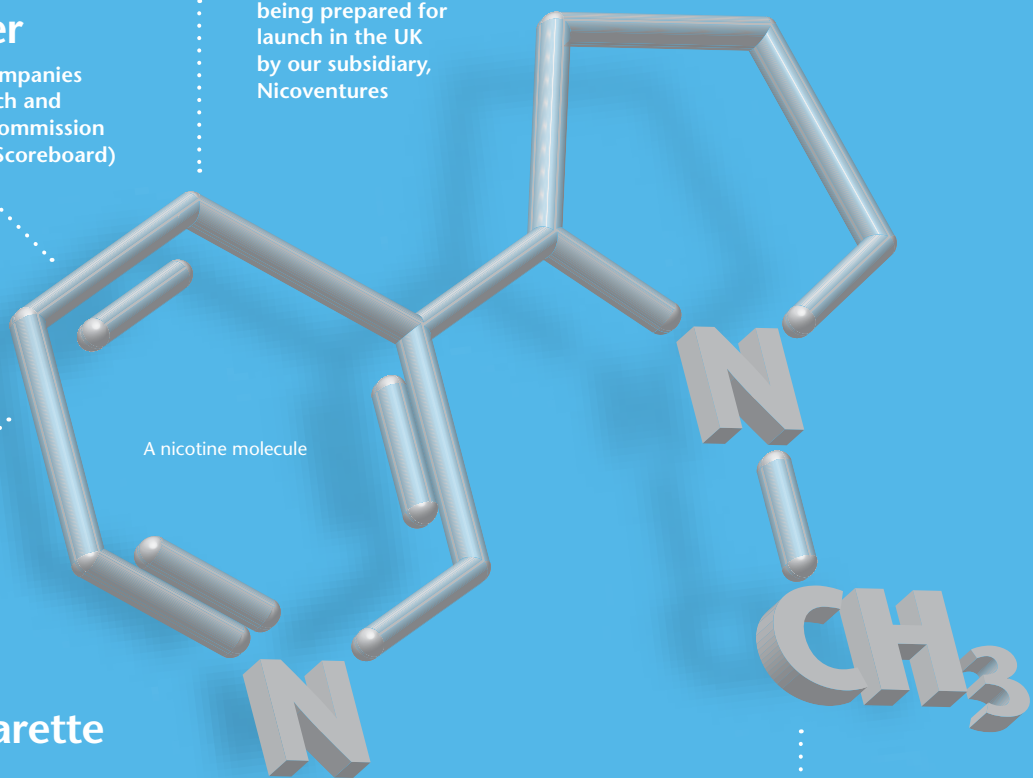
### Ranked 74th and industry leader

out of the top 1,000 EU companies  
for investment into research and  
development (European Commission  
2012 EU R&D Investment Scoreboard)



### Nicotine inhalation product

being prepared for  
launch in the UK  
by our subsidiary,  
Nicoventures



### Electronic cigarette company

CN Creative, acquired in 2012



£171m

R&D spend in 2012



### Clinical phase completed

of a study into biomarkers of biological  
effect in smokers who switched to reduced  
toxicant prototype cigarettes

We know tobacco products pose real and serious health risks and the only way to avoid these risks is not to use them. But many adults choose to smoke, so our top priority continues to be working towards reducing these risks and making available a range of less risky tobacco and nicotine-based alternatives.



## The challenge

**Dr David O'Reilly**  
Group Scientific Director



The health risks for people who use tobacco products are the most negative consequences of our business. We are working to develop less risky alternatives to conventional cigarettes and to secure the support of public health professionals and regulators so we can bring them to market.

Tobacco companies, scientists and regulators need to work together to ensure a science-based approach to assessing new products that potentially pose less risk. This will provide consumers with the assurance that the product information they receive is based on sound science and allow them to make an informed choice based on the risk profile of different products.

## Our approach

Our research and development programme is focusing on tobacco harm reduction and we are exploring a range of reduced-risk tobacco and nicotine products. This includes a nicotine inhalation product being prepared for launch in the UK by our subsidiary, Nicoventures; and exploring innovative electronic cigarette technologies through our recent acquisition of CN Creative.

Our work with scientists and public health professionals aims to secure widespread support for tobacco harm reduction, including the regulatory changes needed to support bringing reduced-risk products to market.

## What causes the harm?

The scientific community widely agrees it is the toxicants in tobacco and tobacco smoke, not the nicotine, that cause the majority of tobacco-related diseases. Conventional cigarettes are most risky, while some forms of low-toxicant smokeless tobacco products, such as Swedish-style snus, although not risk-free, are much less risky. Regulatory-approved nicotine products, that contain no tobacco or smoke toxicants, are almost risk-free.



**Nicotine itself is not especially hazardous ... if nicotine could be provided in a form that is acceptable and effective as a cigarette substitute, millions of lives could be saved.**

*'Harm reduction in nicotine addiction: helping people who can't quit', a report by the Tobacco Advisory Group of the Royal College of Physicians, 2007.*

## Nicotine: THE FACTS

▶ **Nicotine** occurs naturally in **tobacco leaf** and detectable levels are also found in plants such as **tomatoes, potatoes** and **aubergines** (eggplant).



▶ Regulatory-approved **nicotine products**, as an alternative to conventional cigarettes, offer **significantly reduced health risks**.

▶ It is largely the **toxicants** found in **cigarette smoke** that cause the majority of **smoking-related diseases** – not the nicotine itself.





## Clinical studies

Our 2010 clinical study showed that smokers who switched to reduced toxicant prototype cigarettes had reduced exposure to certain smoke toxicants compared to people smoking conventional cigarettes. In 2012, we completed the clinical phase of a follow-up study to measure biomarkers of biological effect that could indicate changes in the body relating to disease processes. Together, these studies will help determine whether we're on the right track in developing reduced-risk cigarettes.

## Nicotine products

Our current focus in this area is on the work of two of our subsidiary companies – Nicoventures and CN Creative.

Regulatory-approved nicotine products, as an alternative to conventional cigarettes, offer significantly reduced health risks. However, we don't think the current products available on the market are meeting the needs of adult smokers. Therefore, Nicoventures' ambition is to offer products that will give adult smokers much of the experience they expect from a cigarette but without the serious health risks of smoking.

In December 2012, we also acquired CN Creative, a UK-based company that specialises in the development of electronic cigarette (e-cigarette) technologies intended to offer smokers a less risky alternative to cigarettes.

E-cigarettes are cigarette-shaped products containing a nicotine-based liquid that is vaporised and inhaled. They are used by cigarette smokers as a substitute for the experience of smoking tobacco. There is no combustion so the user inhales vapour, not smoke and, although the nicotine is derived from tobacco, e-cigarettes contain no actual tobacco.

**Nicotine is not completely harmless, but “the likelihood is that smoking electronic cigarettes is better than smoking tobacco. Electronic cigarettes have the potential to save lives.”\***

\*Professor John Britton, Chair of the Royal College of Physicians' Tobacco Advisory Group and Professor of Epidemiology at the University of Nottingham in the UK.

We believe the innovative e-cigarette technologies that CN Creative has been developing over the past few years will help form part of a portfolio of alternative reduced-risk products alongside our main tobacco business.

## Reduced toxicant cigarettes

People who smoke more cigarettes a day and over a longer period of time are at greater risk of developing a smoking-related disease. Our scientists are researching whether cigarettes with lower levels of toxicants in the smoke might reduce these health risks for those adults who do not want to quit. In 2012, we continued our research projects into technologies to reduce smoke toxicant levels, and laboratory and clinical studies into whether these reductions have the potential to lead to reduced health risks.

## Transparency and engagement

Our work to develop reduced-risk products will be pointless if we cannot successfully bring them to market. So we are engaging with the scientific community and regulators to build support for tobacco harm reduction as a pragmatic public health policy.

To increase transparency of the science behind tobacco harm reduction, we make our scientific research publicly available on our dedicated website [www.bat-science.com](http://www.bat-science.com). In 2012, we gave presentations at a number of scientific conferences, including the American Association for the Advancement of Science, and submitted 29 research papers for publication in peer-reviewed journals.

We believe regulation should be based on sound science and developed through open consultation. British American Tobacco can make a valuable contribution to policy development as more regulators begin to broaden their approach to tobacco harm reduction.



Nicoventures is our stand-alone company, which focuses on bringing licensed nicotine products to smokers wanting to replace, reduce or stop smoking.



CN Creative, which we acquired in December 2012, currently has several e-cigarette products on the market as well as new, innovative e-cigarette technologies in development.



### ASSURANCE COMMENT FROM ERNST & YOUNG LLP

Senior leadership interviewed as part of our assurance process all stressed the increased emphasis of the non-combustible side of the business. 2012 has seen the acquisition of an electronic cigarette business and significant developments towards the launch of an inhaled nicotine product, demonstrating the strategic focus given to harm reduction. We saw evidence of increased engagement with health and regulatory bodies regarding reduced-risk tobacco and nicotine products. This will continue to be a critical element in the ongoing development and launch of these new products.

# We support sound regulation of the **MARKETPLACE**



**98%**

of Group companies that are required to implement a youth smoking prevention programme reported adherence to our global approach



**£32,220m**

payments to governments (excise and other taxes)



**€134m**

committed over 20 years to help fight the black market in tobacco (as part of our agreement with the European Commission)



**100%**

score in the Responsible Marketing Policies and Combating Smuggling categories of the Dow Jones Sustainability Index



**Launched**

our new International Marketing Principles



**Up to US\$40bn**

in worldwide government taxes estimated to be evaded every year due to tobacco trafficking

We are proud of the way we do business and we aim always to be open and honest about our views and activities within the marketplace.

## The challenge

**Kingsley Wheaton**

Corporate and Regulatory Affairs Director



Surely it is better to have a legitimate, regulated industry than a black market that is untaxed, unregulated and unrestrained?

We are committed to doing business in a way that meets the expectations of today's society, upholding high standards of corporate conduct and being open and transparent with our stakeholders. We support evidence-based regulation with clear public health objectives, which is also mindful of possible unintended consequences.

## Our approach

Like any business, we want to grow our market share. But we want to do this by encouraging existing adult smokers to choose our products over those of our competitors, not by trying to increase the number of people who smoke or how much they smoke.

Given the serious negative health impacts of tobacco products, we support balanced regulation and we expect high standards of corporate conduct among those who produce, distribute, market and sell them.

To achieve this, we focus on three key areas:

- Engaging with stakeholders on industry regulation;
- Responsible marketing and preventing underage access; and
- Fighting the black market in tobacco.

## Regulation and engagement

We support regulation that is based on sound evidence and developed with all stakeholders involved, including the tobacco industry. We want to see clear communication of everyone's views to encourage debate and improve transparency.

The World Health Organisation's Framework Convention on Tobacco Control (FCTC) is driving more stringent tobacco regulation around the world. As governments interpret global policy to incorporate into their own laws, we offer constructive views, information and practical solutions. We encourage open consultation with those affected by the proposals.

In 2012, the fifth Conference of Parties to the FCTC was held in South Korea. We welcomed the finalisation of a protocol to tackle the illegal tobacco trade and support some key regulatory proposals discussed, including the development of a framework to assess economically sustainable alternative crops to tobacco growing and proposals for the testing, measuring, regulation and disclosure of the contents and emissions of tobacco products.

A major focus of our engagement in 2012 was on concerns regarding regulatory proposals for plain packaging of tobacco products. Plain packaging was introduced in Australia in December 2012 and is being looked at by a number of governments around the world. We believe the potentially serious consequences of this type of regulation are not yet understood and more robust research is needed. There is no conclusive proof that plain packaging will be effective in reducing smoking, but plain packs will certainly make it easier for criminals to counterfeit tobacco products.



READ MORE ABOUT OUR VIEWS ON OTHER KEY REGULATORY ISSUES AT

[www.bat.com/regulation](http://www.bat.com/regulation)





## How we market our products

Our voluntary International Marketing Standards have been in place throughout the Group since 2001. In 2012, we updated the Standards to reflect developments in marketing, technology, regulation and stakeholder expectations. We launched our new International Marketing Principles Group-wide at the end of 2012. This included communications led by our Chief Executive, guidance materials and training. Our companies were required to review and adjust their marketing activities, where necessary, to achieve full implementation by February 2013.

In 2012, there were 14 incidents where we failed to adhere to our International Marketing Standards. Appropriate actions were put in place in every one of these cases and we are committed to 100% compliance to our new International Marketing Principles.

We monitor compliance through market audits and annual self-assessments and any incidents of non-adherence are reported to our regional audit and CSR Committees and to the Main Board CSR Committee.

### Youth smoking prevention

Our marketing is aimed only at adult smokers and is not designed to engage or appeal to the youth sector. Our global approach to youth smoking prevention focuses on engagement with governments to adopt minimum age laws of 18 for tobacco sales where none exist and, where they do, to effectively enforce them.

We work with retailers to raise awareness of minimum age laws and provide training and advice on checking IDs for age verification, and we supply in-store posters and materials. In some countries, political instability or regulation stops our activities, and we are also limited where we operate only through a distributor. In 2012, this was the case for markets representing 14% of our total sales volumes. In the remaining markets, 98% reported adherence to our youth smoking prevention approach. We remain committed to achieving 100% compliance.

 FIND OUR PERFORMANCE DATA ONLINE AT [www.bat.com/sustainability/data](http://www.bat.com/sustainability/data)

## Our four key International Marketing Principles

- ▶ We will not mislead about the risks of smoking.
- ▶ We will only market our products to adult smokers.
- ▶ We will not seek to influence consumers about whether or how much to smoke.
- ▶ It should always be clear that our advertising comes from a tobacco company and is intended to sell our products.

 YOU CAN READ MORE AT [www.bat.com/imp](http://www.bat.com/imp)



### ASSURANCE COMMENT FROM ERNST & YOUNG LLP

2012 has seen the launch of new Group-wide International Marketing Principles (IMP), replacing the Standards that have been in place since 2001. The IMP provide Group companies with a simpler, principles-based approach for them to apply; however, this framework approach may make compliance more difficult to measure. This will be a key consideration when compliance against IMP is audited for the first time in 2013.



## Fighting the black market

Today's black market in tobacco involves criminal gangs producing counterfeit cigarettes, cross-border smuggling and large-scale tax evasion that governments can little afford in these challenging economic times. Its principal drivers include large and sudden increases in excise tax, weak border controls and ineffective sanctions, and packaging regulations that make counterfeiting easier. The losses in unpaid tobacco taxes are estimated to be up to US\$40 billion worldwide and the global illegal market is roughly equivalent in size to the world's third largest multinational tobacco company by volume. It goes without saying – we see illegal tobacco as a major threat to our business.

Up to 12% of global tobacco sales are estimated to be illegal, making cigarettes one of the most commonly traded products on the black market.

That is why we are working with other tobacco companies, governments, law enforcement agencies, customs officials and international organisations, such as the World Customs Organisation, to tackle the black market and educate consumers about the people behind it. Our Anti-Illicit Trade Intelligence Unit works hand in hand with law enforcement agencies to share intelligence and take swift action.

We are helping to fund the fight with a contribution of €134 million over 20 years through the European Commission for the law enforcement agencies of EU member states. We have publicly supported the development of the World Health Organisation's Protocol to Eliminate Illicit Trade in Tobacco Products, which was adopted in November 2012.

Our companies are required to ensure their business practices support only legitimate trade in their products and our Standards of Business Conduct prohibit all our employees from knowingly engaging in unlawful trade.



We are developing industry-wide supply chain security systems with other international tobacco companies, including identifiers to allow consumers and authorities to validate a product's authenticity, and digital coding technology to help governments ensure that all taxes and duties are paid.

Our track and trace technology, which allows us to monitor the movement of our products within the supply chain, was implemented in Russia, Poland, Ukraine and Belarus by the end of 2012. It is currently being introduced in Germany, Latvia and Romania and we aim to have implemented it in 42 markets by the end of 2016.

## Illegal tobacco: THE FACTS



- ▶ At nearly **40%** of market share, **Malaysia** has the **highest volume** of **illegal cigarettes** in the world (Goldman Sachs, 'Global Tobacco Report', 2009).

- ▶ **Cigarettes** are among the most commonly traded products on the **black market** due to **high profit margins**, relative **ease of production and movement** and low detection **rates and penalties**.



- ▶ **Illegal tobacco products** are more easily accessible to the **underage**.

- ▶ **Interpol**, the international police organisation, states that **criminal gangs** that traffick drugs, arms and people are also behind the **illegal tobacco** and **alcohol trades**. The US Department of Justice believes some also have ties to **terrorist organisations**.



# Adding value to our **SUPPLY CHAIN** and the **ENVIRONMENT**



**22% reduction**

in water use in 2012 (against 2007 baseline)



**We bought 440,000**

tonnes of tobacco leaf in 2012



**13% reduction**

in energy use in 2012 (against 2007 baseline)



**41% reduction**

in CO<sub>2</sub>e emissions in 2012 (against 2000 baseline)



**96%**

of wood fuel for curing did not come from natural forest, as reported by our contracted farmers (against a target of zero use of natural forest by 2015)



**93%**

score in the Supply Chain Management category of the Dow Jones Sustainability Index

We rely on a complex but critical supply chain and we need it to be fit for the future. We are using our influence to improve sustainability from crop to consumer.

## The challenge

Alan Davy  
Group Operations Director



“

Future growth in demand for agricultural products will affect us, and we will need to carefully manage the impacts of growing tobacco on the environment, land use and human rights.

Through our relationships with farmers and our leaf suppliers we are working to progress the sustainability of tobacco farming. This helps to provide tobacco farmers with a reliable source of income, which they can use to support the overall development of their farm.



## Our approach

We manage the impacts of our business through our own activities and those of our supply chain. Our environmental management systems meet best international standards and we developed our supply chain sustainability strategy with the help of our internal and external stakeholders.

We don't own tobacco farms, but we provide agronomy support through our extension services to over 100,000 directly contracted farmers. Our Social Responsibility in Tobacco Production programme encourages continual improvement of the social and environmental performance of the suppliers we buy tobacco leaf from.

“

The technical support Souza Cruz offers to their farmers ranges from the research for new varieties, soil improvement, and the leaf technician himself ... The company supplies us with raw materials and technical support, and as payback we offer high quality product.

Sanges Aberto Klafke, Brazilian tobacco farmer supplying leaf to our subsidiary company, Souza Cruz

## Tobacco farming: THE FACTS



▶ More than **100** countries grow tobacco.

▶ **China** grows the most, followed by the **United States, Brazil, India** and **Zimbabwe**.

< **0.1%**

▶ **Less than 0.1%** of the world's total agricultural land is estimated to be used for **tobacco farming** (based on data from the Food and Agriculture Organisation of the United Nations).



▶ **Tobacco** is only grown for **part of the year** leaving the land available for other crops, **including food**, to be grown during the rest of the year.

▶ **Growing tobacco** would seem to pose **no** greater environmental threat than do crops, such as **cotton** and **sugar**, and there is **minimal** evidence of it contributing to food insecurity (DD International, 'The role of tobacco growing in rural livelihoods', 2011).





## Managing our supply chain

We choose suppliers with strong environmental credentials and we assess the sustainability performance of all our leaf and strategic non-leaf suppliers through our supplier programmes.

### Sustainable agriculture

Our expert local field technicians work with contracted farmers to grow the right crop in the right way – agreeing contracts, supplying seed and advising on things like water use, the safe use of agrochemicals, integrated pest management and biodiversity. They provide access to sustainable farming technologies, such as fuel-efficient curing barns, and they also advise on how to grow other crops.

Our Social Responsibility in Tobacco Production (SRTP) programme sets the standards we demand of all our leaf suppliers. Suppliers' annual self-assessments are independently validated by AB Sustain (previously LeafTc), which also completes on-site reviews.

In July 2012, we launched a new version of our SRTP programme with more challenging standards. We have seen lower scores for this first year following the review, but we believe this is because of the higher standards rather than a worsening of practice. We expect our suppliers to respond rapidly to the changes and for future scores to improve.

### Alternative crops

The Framework Convention on Tobacco Control (FCTC) is calling on governments to promote, as appropriate, economically sustainable alternatives to tobacco growing. We support this.

We agree that governments should look at the impacts of tobacco growing, as with any commercial crop. But more

independent research is needed to compare tobacco with other crops. The assessment of alternative livelihoods for tobacco farmers should be evidence based, look at all potential impacts and use a methodology that has been agreed with stakeholders.

We see the progress made by the FCTC working group in developing a framework for identifying sustainable alternatives to tobacco growing as a good first step. We welcome the FCTC's decision to consult with the UN Food and Agriculture Organisation (FAO) on its development, especially in light of the FAO's new guidelines, 'Sustainability Assessment of Food and Agriculture Systems', for which we participated in the 2012 pilot.

### Afforestation

Our afforestation programmes encourage tree planting to provide a sustainable source of wood for farmers who require it for tobacco curing. We are aiming for zero use of natural forests for curing by directly contracted farmers by 2015. In 2012, we made progress towards this target with a fall from 7.3% to 4%. The 140 million trees planted between 2007 and 2012 are estimated to have absorbed more than 1.25 million tonnes of carbon dioxide equivalent (CO<sub>2e</sub>) emissions in 2012 alone – this is equivalent to well over half of the annual CO<sub>2e</sub> emissions from leaf curing by our contracted growers, and the potential of all the trees planted is considerably higher.

### Biodiversity

Our biodiversity risk and opportunity assessment tool helps our companies protect and improve biodiversity in and around tobacco farms. All our tobacco growing operations completed assessments by the end of 2010 and they are now acting on the results. In 2012, we rolled out an updated version of the tool to all our leaf growing operations, which will complete the next round of assessments by the end of 2014.

 READ ABOUT SOCIAL RESPONSIBILITY IN TOBACCO PRODUCTION AT [www.bat.com/srtp](http://www.bat.com/srtp)

**Fifth** highest score out of **127** European companies for addressing biodiversity impacts in a new report by European ratings agency, Vigeo.

We have made our biodiversity risk and opportunity assessment tool freely available at [www.batbiodiversity.org](http://www.batbiodiversity.org) and want to encourage its use by other tobacco and agricultural businesses.



In 2011, research into the effects of tobacco growing on communities and the environment was conducted by DD International, an independent consultancy. We commissioned the research to provide evidence that can support public policy decision making.

The research report concludes that there is no clear evidence to support allegations that tobacco cultivation poses a greater hazard to either the welfare of poor farmers or the environment compared to other available agricultural crops and there is "minimal evidence that it contributes to food insecurity".

 READ MORE ABOUT THIS RESEARCH AT [www.bat.com/thedebate](http://www.bat.com/thedebate)

## Human rights

We use our influence with our suppliers to improve human rights conditions in our supply chain. In 2012, we reviewed our approach, drawing on the UN Universal Declaration of Human Rights and the Organisation for Economic Cooperation and Development's (OECD's) Guidelines for Multinational Enterprises.

Our SRTP programme refers to the International Labour Organisation's (ILO's) Declaration on Fundamental Rights and Principles at Work to set expectations of working conditions and labour standards for farmers, their families and hired workers.

We helped to establish the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation and we continue to support it actively as a member. The Foundation's projects focus on helping communities understand child labour issues and improving access to education and health services for children.

Child labour is a specific focus of our SRTP programme and, in 2013, we will be publishing a new, more robust version of our Child Labour Policy.

 YOU CAN READ MORE ABOUT THE ECLT FOUNDATION AT [www.eclt.org](http://www.eclt.org)

## Reducing our own impacts

We are working to address both our immediate environmental impacts and the likely environmental pressures on the business in the future. This involves risk assessments, performance management and making our operations more efficient.

Our key focus areas are on minimising energy consumption, reducing our carbon footprint, and securing the resources we need for the long term. To assess our environmental efficiency, we set targets relative to the volume of cigarettes we produce.

Our long-term targets to cut CO<sub>2</sub>e emissions by 50% by 2030 and by 80% by 2050 from our year 2000 baseline are in line with UK Government targets. We have already made significant progress, having achieved a 41% CO<sub>2</sub>e reduction from baseline.



## Leaf suppliers' SRTP self-assessment scores:

- 87% Social responsibility policy
- 74% Agronomy: field
- 61% Agronomy: natural resources management
- 81% Tobacco processing
- 84% Socio-economic factors
- 87% Preventing child labour

### ASSURANCE COMMENT FROM ERNST & YOUNG LLP

2012 has seen British American Tobacco successfully develop new five-year targets for their energy, CO<sub>2</sub>e and water measures. These targets will require a 1% reduction year-on-year per million cigarettes equivalent across each metric between 2012 and 2017. Over the past five years, British American Tobacco has made reductions in excess of 1% per million cigarettes equivalent across all these metrics. However, careful consideration will be needed to find ways for sustaining this level of performance in the longer term as many of the immediate reduction opportunities have already been realised.

To measure and manage our future environmental performance, in 2012, we developed new five-year targets for CO<sub>2</sub>e, energy and water use, as well as year-on-year targets for waste. These can be viewed on page 20, where you can also find an overview of our performance in 2012 against our key measures.

To help achieve these challenging targets, we will be rolling out a number of energy and CO<sub>2</sub>e reduction projects in 2013, and will continue to explore renewable and low-carbon energy options for the longer term. We will also be conducting detailed assessments of long-term water supply and demand requirements in the 'high-risk' places in which we operate.

## Partnership in practice

We are working with Earthwatch, Fauna & Flora International and the Tropical Biology Association in the British American Tobacco Biodiversity Partnership.

The Partnership seeks to address some of the challenging issues surrounding the conservation and management of biodiversity within agricultural landscapes and the ecosystems on which we depend.

 YOU CAN READ MORE ABOUT THE PARTNERSHIP AT [www.batbiodiversity.org](http://www.batbiodiversity.org)



# Great **PEOPLE** and an **engaging** **CULTURE** are key to our success



**55,000+**  
people employed  
worldwide



**32%**  
women in  
management roles



**64**  
nationalities  
working  
in our global  
headquarters



**25%**  
female Main Board  
representation in 2012



**80%**  
of employees tell us  
they are extremely  
satisfied with British  
American Tobacco as  
a place to work

Our reputation as a leading employer helps us stand out in an increasingly competitive international employment market, and our people are key to delivering our strategy.



## The challenge

**Giovanni Giordano**  
Group Human Resources Director



Having a talented workforce has become one of the most critical factors in our industry. We want British American Tobacco to have excellent people, engaged teams and be a great place to work. After all, it is our people who deliver our Group strategy.

As competition for good people intensifies, we need to continue to build a strong and clearly differentiated reputation as an employer. For many people, the attractions of a rewarding career with a major international business, which values their contribution and supports their professional learning and development, are key factors in their decision to work for us.

## Our approach

Our focus is on driving high performance; developing the next generation of leaders; valuing the diversity of our employees; encouraging and rewarding entrepreneurial behaviour; and creating an engaging culture where individuals and teams can be successful.

Providing a safe place to work, protecting our employees' wellbeing and listening to their views are also fundamental.

In short, we want a stretching and supportive culture founded on personal commitment and responsibility that attracts, engages and retains the most talented and diverse people.

**Highly commended in 2012**  
at PricewaterhouseCoopers' annual  
Building Public Trust Awards for  
'People Reporting in the FTSE 100'.

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## Talented people

Our global talent strategy aims to create a legacy of leaders. We focus on driving high performance and the development of leadership and functional capabilities to help our people realise their full professional potential. We deliver this by providing the right job experiences and opportunities to learn from others, and through our global learning and development portfolio.

To balance local knowledge with international perspective, we aim for a 70:30 ratio of local to expatriate leadership team members. We aim for every leadership team role to have one local successor ready in the short term and two identified for long-term development. In 2012, we increased local representation on our leadership teams to 62%.

While we primarily develop our leaders from within, during 2012, we successfully complemented these efforts with a targeted global recruitment drive. We strengthened the effectiveness of our performance management approach; provided training on coaching and feedback skills to line managers around the world; and went live in 110 markets with online recruitment.

During 2013, we will integrate our development and talent management systems, launch an executive development programme, and renew our employer brand. These initiatives will help ensure that our people are supported in their professional growth and experience an engaging work environment.

## Culture and values

### Diversity

We have very diverse customers, suppliers and other stakeholders, and want a diverse workforce to meet their needs. We are committed to improving the diversity of our senior management teams, focused on gender and nationality. We are supporting the career development of female managers to increase the number of women in senior roles.

In 2012, we had 64 nationalities working in our global headquarters. The number of women in management roles remained steady at 32% – we hope our diversity initiatives will address this. However, we are pleased that, with 25% female representation on our Main Board, we met the target recommended by the UK Government.

### Engagement

'Your Voice' is our employee opinion survey, which we carry out every two years to measure employee satisfaction and collect feedback. In 2012, we strengthened the survey to reflect our business priorities.

**92% of employees worldwide completed our employee opinion survey in 48 languages.**

The results set us above the benchmark in the fast moving consumer goods (FMCG) sector for the way our employees view us, with 80% of employees saying they are extremely satisfied with British American Tobacco as a place to work (FMCG: 71%) and 72% saying their job makes good use of their talent, skills and abilities (FMCG: 70%).

We learnt that people would like more frequent engagement and communication to help them better understand the future of the business, more clarity on staffing and promotion decisions, and a more visible commitment to diversity. In 2013, we will be working with our functions, regions and markets to devise improvement plans to address the issues identified.



**43** serious injuries and **12** fatalities reported across the Group.

**60%** of our companies achieved zero accidents and there were reductions for all **six** of the top causes of accidents.

Reduced lost workday cases by **20%** – from **205** reported in **2011** to **164** in **2012**.

## Health and safety

Our goal of zero accidents reflects our commitment to providing a safe place to work for all employees and contractors. We focus on risk management and reducing the main causes of accidents and serious injury.

In 2012, while we reduced the number of reported lost workday cases across the Group by 20%, we suffered an increase in serious injuries and fatalities to our employees and contractors working in some of the more challenging environments around the world. Reported serious injuries increased from 30 to 43 and fatalities from seven to 12. The rise in fatalities was mainly the result of increased assaults on our sales representatives and security guards, and serious road traffic accidents.

We deeply regret these injuries and fatalities and the suffering caused to family, friends and colleagues as a result. The rise in incidences is a matter of enormous concern to us – especially as we are wholeheartedly committed to keeping our employees and contractors as safe as possible. With this in mind, we have carried out detailed reviews of each fatality and serious injury, to learn lessons and identify actions to help make sure they don't happen again.

The majority of these serious injuries and fatalities and some 60% of all reported accidents take place within our Trade Marketing & Distribution teams, where many of our sales representatives and security guards are out on the road. As such, we have put in place focused support and action plans for this particular area of the business.

In 2012, we strengthened our accident review processes and launched 'Closing the gap to zero', our global awareness campaign. This campaign was led by our Chief Executive and Group Operations Director. It re-emphasised the fact that safety is the responsibility of everyone in the Group – whether employees or contractors – and the importance of implementing the policies, behaviours and practices that drive us to zero accidents across the business. And following targeted initiatives, we saw fewer reported accidents than the previous year for all six of the most common causes of accidents.

We aim to be among the leaders in occupational health management. We focus on identifying hazards, assessing risks to people's health at work and introducing appropriate controls. Our companies have programmes to protect and promote health and wellbeing for employees, their families and, in some cases, local communities. These are particularly valuable in those parts of the world where local health services struggle to provide an adequate service.

Our Significant Endemic Disease programme aims to reduce the impacts of diseases such as malaria, tuberculosis, AIDS and hepatitis on employees, their families and communities. It includes a range of interventions such as vaccination, peer education, water purification, nutrition and personal hygiene.



### ASSURANCE COMMENT FROM ERNST & YOUNG LLP

Workforce safety continues to be high on the leadership agenda. Despite a 23% reduction in the number of reported lost workday cases since 2010, the number of serious injuries and fatalities has increased from 25 to 43 and four to 12 respectively over the same period. This deteriorating performance has led to a renewed focus on safety. During our work we have seen evidence of more detailed accident reviews undertaken by the Group, the roll-out of refreshed safety training programmes across the business, a focus on reducing the top six causes of accidents, and monthly reporting of performance data to the Management Board.

# Progress against our goals

KEY ➔ On track ● Completed ○ Not met

Harm reduction: We will strive to bring commercially viable, consumer acceptable reduced-risk products to market.			
2012 goals and commitments	Status	Overview of our 2012 performance	2013 goals and commitments
Register and undertake a longer clinical study of biomarkers of exposure to tobacco smoke toxicants and biomarkers of biological effect under ethical approval and to high clinical standards by end 2012.	●	The clinical phase of a study that included measures of biomarkers of exposure and of biological effect has been completed successfully under ethical approval.	Through our subsidiary company, Nicoventures, launch our first regulatory-approved nicotine inhalation product in the UK.
Take the laboratory models of diseases through an external validation phase involving collaborative research with scientific partners by end 2012.	○	We have made progress in the development of laboratory models of disease, including research published in peer-reviewed journals and developing partnerships with others working in this area. We will continue to seek such validation, with a range of external partners, over the next few years.	Submit for publication the results of our clinical study of biomarkers of exposure to tobacco smoke toxicants and biomarkers of biological effect to a peer-reviewed journal by end 2013.
Submit for publication more of our research on the tobacco genome and undertake further field trials on tobacco plants with lower toxicant levels by end 2012.	○	We have accelerated our programme of field trials on tobacco plants with potentially lower toxicant levels and expect to submit the research to peer-reviewed journals in 2013.	Present our scientific findings at international conferences and continue to improve the standard of our publications in peer-reviewed journals.
Present our scientific findings at international conferences and continue to improve the standard of our publications in peer-reviewed journals by end 2012.	●	We have presented our research at a number of scientific conferences, including those for the Society of Toxicology and the American Association for the Advancement of Science. We submitted 29 papers for publication in peer-reviewed journals.	
Marketplace: We will take the lead in upholding high standards of corporate conduct within our marketplace.			
2012 goals and commitments	Status	Overview of our 2012 performance	2013 goals and commitments
100% adherence to our International Marketing Standards by end 2012.	○	14 incidents of non-adherence were identified in 2012. Appropriate actions were put in place in every one of these cases.	100% adherence to our International Marketing Principles by end 2013.
100% adherence to our global approach to youth smoking prevention (YSP) in all markets where implementation is required by end 2012.	○	98% of our companies that were required to implement our global approach to YSP reported adherence.	100% adherence to our global approach to YSP in all markets where implementation is required by end 2013.
Revise and update our International Marketing Standards to take into account evolving marketing practices and regulation by end 2012.	●	We developed and launched our new International Marketing Principles at the end of 2012.	Implement our track and trace technology in 42 markets, as part of our cooperation agreement with the European Commission, by end 2016.
Environment: We will actively address the impact of our business on the natural environment.			
2012 goals and commitments	Status	Overview of our 2012 performance	2013 goals and commitments
Reduce our CO <sub>2</sub> e emissions by 50% by 2030 and 80% by 2050 against our 2000 baseline.	➔	CO <sub>2</sub> e emissions were 0.81 tonnes per million cigarettes equivalent produced, 41% lower than our 2000 baseline.	Reduce our CO <sub>2</sub> e emissions by 50% by 2030 and 80% by 2050 against our 2000 baseline of 1.38 tonnes per million cigarettes equivalent.
Set five-year milestones to monitor progress towards our 2030 and 2050 CO <sub>2</sub> e targets by end 2012.	●	The milestones have been developed and published.	Reduce our CO <sub>2</sub> e emissions towards our 2017 milestone of 0.78 tonnes per million cigarettes equivalent produced, 43% lower than our 2000 baseline.
Reduce our energy use towards our 2012 target of 11.03 gigajoules per million cigarettes equivalent produced, 6.7% lower than our 2007 baseline.	●	Group energy use was 10.31 gigajoules per million cigarettes equivalent produced, 13% lower than our 2007 baseline.	Reduce our energy use towards our 2017 target of 9.82 gigajoules per million cigarettes equivalent produced, 17% lower than our 2007 baseline.
Reduce our water use towards our 2012 target of 4.2 cubic metres per million cigarettes equivalent produced, 13.4% lower than our 2007 baseline.	●	Water use was 3.77 cubic metres per million cigarettes equivalent produced, 22% lower than our 2007 baseline.	Reduce our water use towards our 2017 target of 3.6 cubic metres per million cigarettes equivalent produced, 26% lower than our 2007 baseline.
Reduce our waste to landfill towards our 2012 target of 0.022 tonnes per million cigarettes equivalent produced, 12% lower than our 2007 baseline, and recycle at least 85% of our waste.	●	Waste to landfill use was 0.012 tonnes per million cigarettes equivalent produced, 52% lower than our 2007 baseline, and we recycled 92.5% of our waste.	Reduce our waste to landfill at no more than 0.016 tonnes per million cigarettes equivalent produced, 36% lower than our 2007 baseline, and recycle at least 85% of our waste.
Develop new goals for our energy, water and waste measures by end 2012.	●	The new goals have been developed and published.	Sustain our waste to landfill at no more than 0.016 tonnes per million cigarettes equivalent produced, 36% lower than our 2007 baseline, and recycle at least 85% of our waste.
Incorporate renewable and low-carbon energy options in the development of plans to help us meet our long-term CO <sub>2</sub> e targets by end 2012.	●	Energy opportunity assessments have been conducted on key manufacturing sites, which have identified a number of renewable and low-carbon energy options.	Complete the next round of biodiversity risk and opportunity assessments, using the updated tool, in all our tobacco leaf growing operations by end 2014.
Complete the strengthening of our sustainable water management strategy by end 2012.	●	Our sustainable water management strategy has been strengthened to include a methodology for evaluating the long-term water supply and demand requirements in 'high-risk' locations.	



**Environment:** We will actively address the impact of our business on the natural environment.

2012 goals and commitments	Status	Overview of our 2012 performance	2013 goals and commitments
Complete the next round of biodiversity risk and opportunity assessments, using the updated tool, in all our tobacco leaf growing operations by end 2014.	➔	The updated biodiversity risk and opportunity assessment tool was rolled out to all our leaf growing operations in 2012.	Conduct research to verify the apparent return of wildlife to trial areas of re-established natural forest in Sri Lanka by end 2013.
Conduct research to verify the apparent return of wildlife to trial areas of re-established natural forest in Sri Lanka by end 2013.	➔	This research is underway, led by Fauna & Flora International as part of our Biodiversity Partnership.	

**Supply chain:** We will work for positive social, environmental and economic impacts in our supply chain.

2012 goals and commitments	Status	Overview of our 2012 performance	2013 goals and commitments
Aim for zero use of natural forest for directly contracted farmers' curing fuels by end 2015.	➔	We made progress towards this target, with a fall from 7.3% to 4%.	Aim for zero use of natural forest for directly contracted farmers' curing fuels by end 2015.
Continue working with the independent Social Responsibility in Tobacco Production (SRTP) programme reviewer, LeafTC, to review and update the assessment by end 2012.	●	The updated version of the SRTP programme was launched in July 2012 and is available on <a href="http://www.leaftc.com">www.leaftc.com</a> .	Engage with stakeholders, through facilitated dialogue, on the challenges of sustainable agriculture by end 2013.
Incorporate requirements for human rights and other sustainability criteria into all our framework agreements with global suppliers by end 2012.	○	Requirements for human rights and other sustainability criteria have been incorporated into our standard framework agreement for global suppliers. This will be applied to all agreements with global suppliers as and when they are appointed or renewed.	Revise and update our approach to human rights, including the publication of a new version of our Child Labour Policy, by end 2013.
Conduct a review of our approach to human rights following the publication of the OECD's revised Guidelines for Multinational Enterprises (MNEs), including input on our Child Labour Policy from the International Labour Organisation (ILO) by end 2012.	●	We reviewed our approach to human rights, taking into consideration the OECD's revised Guidelines for MNEs. This included input from the ILO on our Child Labour Policy.	Complete assessments of long-term water supply and demand requirements in 10 strategic operational sites identified as 'high-risk' by end 2015.
Conduct a detailed review of our strategic operational sites in high-risk water stress locations by end 2012.	●	Using the methodologies developed for our sustainable water management strategy, we completed detailed reviews of our strategic operational sites in high-risk water stress locations.	
Roll out our energy and CO <sub>2</sub> e assessments for warehouses across the Group by end 2012.	●	The assessment methodology has been shared with our regions, which are now developing plans for its implementation based on local circumstances.	
Roll out our programme to improve fuel efficiency across all Group Trade Marketing & Distribution teams by end 2012.	●	We have completed optimum vehicle specification standards with regards to engine size and emissions. These standards will be deployed as and when we purchase new vehicles.	
Develop the next version of our supplier scorecard and expand its use to machinery suppliers by end 2012.	○	Instead of revising and expanding our own supplier scorecard, we have decided to participate in the Carbon Disclosure Project Supply Chain programme to provide a consistent industry-level assessment of our key strategic suppliers' sustainability and carbon reduction activity.	

**People and culture:** We will work to ensure we have the right people and culture to meet our goals.

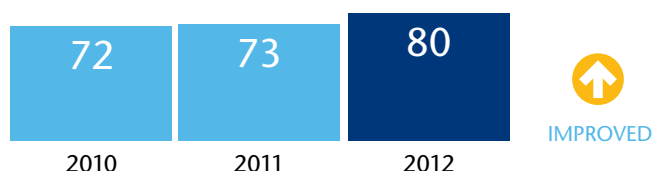
2012 goals and commitments	Status	Overview of our 2012 performance	2013 goals and commitments
In each of our business units, we aim to have at least one local successor ready in the short term for each senior position and two local successors ready in the long term.	○	This was achieved for 52% of roles for the short term (51% in 2011) and 41% of roles for the long term (44% in 2011).	In each of our business units, we aim to have at least one local successor ready in the short term for each senior position and two local successors ready in the long term.
Aim to have a 70:30 ratio of local to expatriate senior managers at business unit level.	○	We increased the overall level of local representation on senior manager teams – with a ratio of 62:38 (57:43 in 2011).	Aim to have a 70:30 ratio of local to expatriate senior managers at business unit level.
Review our approach to employee wellbeing, to establish how it can contribute to improved employee engagement by end 2012.	●	Employee wellbeing has been reviewed as part of our employee opinion survey. Actions will be taken in response to the results at a regional and market level to help ensure they meet local needs.	Work with our functions, regions and markets to devise improvement plans in response to the results of our employee opinion survey by end 2013.
Revise our employee opinion survey to strengthen our feedback culture and be better aligned to business priorities, with the revised survey to be carried out Group-wide by end 2012.	●	The revised survey was conducted Group-wide in 2012 with 92% of our employees choosing to complete it.	The local target set for all our companies is zero accidents and we have a zero accidents ambition for the whole Group.
Our global aim is to have a Lost Workday Case Incident Rate (LWCIR) of no more than 0.2 by end 2012. The local target set for all our companies is zero accidents and we have a zero accidents ambition for the whole Group.	○	Our LWCIR was 0.23 – an improvement on a rate of 0.26 in 2011. 60% of our companies achieved the zero accident goal and the number of reported lost workday cases reduced from 205 to 164. Sadly, there were 43 serious injuries and 12 fatalities.	



# Performance highlights

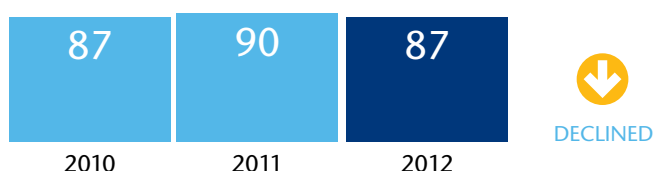
## Youth smoking prevention

Percentage of reporting markets where our businesses state that they are running or supporting youth smoking prevention programmes



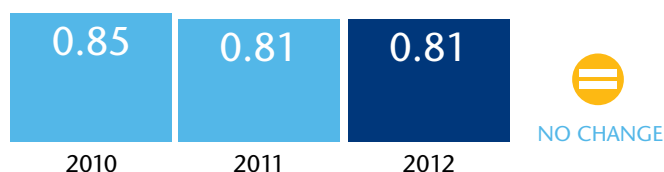
## Preventing child labour in our Social Responsibility in Tobacco Production programme

Average percentage of leaf suppliers' self-assessment scores



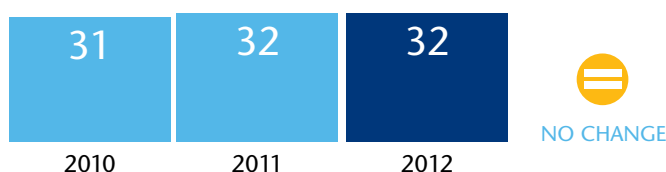
## Carbon dioxide

Tonnes CO<sub>2</sub>e per million cigarettes equivalent produced



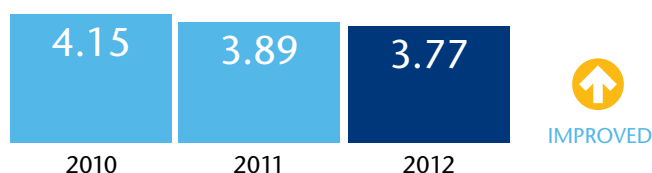
## Gender diversity

Percentage of women in management roles



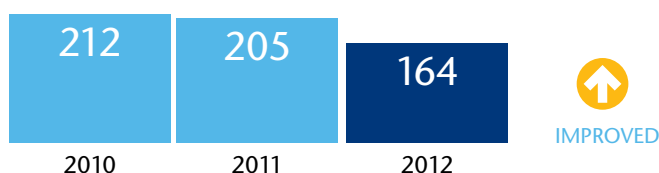
## Water use

Cubic metres per million cigarettes equivalent produced



## Lost workday cases

Number of work-related accidents (including assaults) resulting in injury to an employee or contractor under our direct supervision, causing absence of one shift or more



 FIND OUR PERFORMANCE DATA AND GRIs ONLINE  
[www.bat.com/sustainability/data](http://www.bat.com/sustainability/data)

### About this Report

This is the British American Tobacco p.l.c. Sustainability Summary 2012. It reports on the activities of British American Tobacco companies in the UK and internationally for the calendar year 2012. Associate companies are excluded. References to 'British American Tobacco', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. (the Company), and when denoting tobacco business activity refer to Group operating companies, collectively or individually as the case may be.

This Report contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring in the countries in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

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