

A Better Tomorrow™

ESG Report 2020



Welcome to Our ESG Report 2020

Our Purpose

To reduce the **health impact** of our business by offering a **greater choice** of enjoyable and **less risky***† products for our consumers.

Our **ESG Report** outlines how we are delivering against **our purpose** and putting **sustainability** at front and centre of our business. It provides detailed information about our policies, management approach, performance and targets for all our **environmental, social and governance (ESG)** priorities. It covers our ESG performance for the calendar year 2020.

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

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

In 2020 we set ourselves ambitious targets to:

50
MILLION

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



Achieving **carbon neutrality** for Scopes 1 & 2 by 2030 and accelerating our existing environmental targets to 2025



Eliminating unnecessary single-use **plastic** packaging and making all plastic packaging reusable, recyclable or compostable by 2025

In 2021, we have set additional stretching targets:



Achieving **carbon neutrality** for Scope 3 by 2050



100% **renewable electricity** in operations sites by 2030



Increase the amount of **water** recycled to 30% by 2025



100% manufacturing sites to be **Alliance for Water Stewardship** certified by 2025



100% of operations sites to be **zero waste to landfill** by 2025



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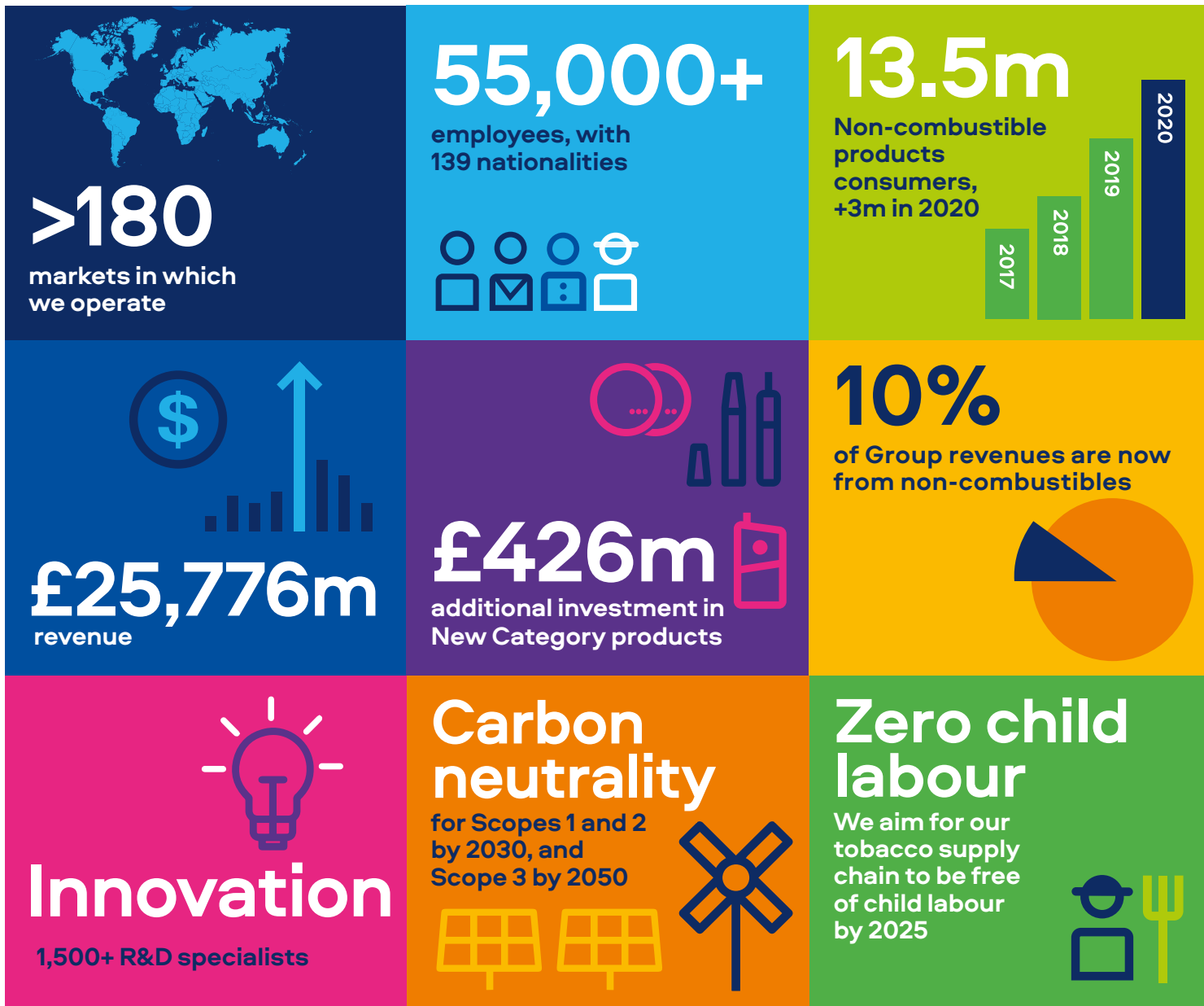
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BAT at a Glance

BAT is a leading, multi-category consumer goods business dedicated to stimulating the senses of adult consumers worldwide.

Our purpose is to build A Better Tomorrow™ by reducing the health impact of our business. We aim to increasingly transition our revenues from cigarettes to New Category products over time.



Chief Executive's Review

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

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

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

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



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

Dear stakeholders,

Welcome to our ESG Report for 2020.

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

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

- Achieving carbon neutrality for Scope 3 by 2050;
- 100% renewable electricity in operations sites by 2030;

- Increase the amount of water recycled to 30% by 2025;
- 100% manufacturing sites to be Alliance for Water Stewardship certified by 2025; and
- 100% of operations sites to be zero waste to landfill by 2025.

Purpose-led Strategy

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

Our consumer-centric, multi-category approach offers consumers the widest range of enjoyable, less risky products*. Our diverse portfolio includes vapour products, tobacco heating products (THP) and modern oral nicotine pouches.

We believe this is an effective way to appeal to adult audiences and achieve our corporate purpose.

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

Sustainability Front and Centre

As we build A Better Tomorrow™, sustainability is at the core of our business. Our Sustainability Agenda reflects our commitment to reducing the health impact of our business as the principal focus area. This is underpinned by excellence across our other ESG priorities.

In March 2020, we set ambitious targets to:

- Increase consumers of our non-combustible products to 50 million by 2030;
- Achieve carbon neutrality by 2030¹, while accelerating our existing environmental targets to 2025; and
- Eliminate unnecessary single-use plastic and make all plastic packaging reusable, recyclable or compostable by 2025.

We are already making great progress.

Our non-combustible products are now available in over 50 markets. We have increased consumers of non-combustible brands by 3 million, reaching 13.5 million by the end of 2020.

Our Sustainability Agenda shows we are committed to reducing the health impact of our business.

Despite the impact of the pandemic, the delivery of our strategy remains on track. We will keep building A Better Tomorrow.

In December 2020, we marked International Human Rights Day with the publication of a dedicated Human Rights Report – a first for our industry.

We are proud that our ESG efforts are being recognised through our improved scores in leading investor indices, and over 200 awards we received.

We aim to further accelerate the growth of revenue from our New Categories, reaching £5 billion in 2025. I am pleased to report that £1.4 billion of our revenues came from these products in 2020, representing 15% growth compared to 2019.

Support Through the Pandemic

Last year, COVID-19 caused upheaval on a global scale. It is an event like no other in our recent history.

The pandemic has profoundly changed the way we work – and society as a whole. Our thoughts are with everyone whose lives have been impacted by this virus.

At the beginning of the crisis, we acted swiftly, ensuring we could continue to operate effectively – and most importantly, safely. We did this thanks to the extraordinary commitment, energy and passion of our teams around the world.

We are supporting our stakeholders through this COVID-19 pandemic. That includes our workforce, customers, partners, suppliers and contracted farmers.

We are using our strong capabilities in science, engineering and logistics to support national responses and local communities. To date, we have donated over £10.3 million in cash and in kind to COVID-19-related relief funds and efforts.

Now, working remotely remains the norm for many at BAT. Where that is not possible, measures are in place to keep our people safe and secure.

Despite the impact of the pandemic, the delivery of our strategy remains on track. We will keep building A Better Tomorrow™.

Roadmap for A Better Tomorrow™

We have mobilised teams around the Group to deliver our ESG priorities. We have developed a clear roadmap to reach our targets.

As we put sustainability front and centre, we continue to set bold, new ambitions. These include:

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

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

In December 2020, we marked International Human Rights Day with the publication of a dedicated Human Rights Report. In a first for our industry, this report is aligned to the UN Human Rights Reporting Framework. I am particularly proud of the huge progress we have made over the last 20 years in protecting human rights. We will continue to raise this bar across our global business and supply chain.

Notable Recognition

We are proud that our ESG efforts are being recognised through:

- Our improved scores in leading investor indices such as Sustainalytics and Vigeo Eiris (47%, up by five percentage points in 2020);
- Our inclusion in the Dow Jones Sustainability Indices for 19 consecutive years, and continued industry leadership; and
- Our CDP Climate A-List status.

In fact, in 2020, we have garnered more worldwide recognition and awards than ever before, with over 200 received. Examples of these can be found on [page 12](#) and throughout this report.

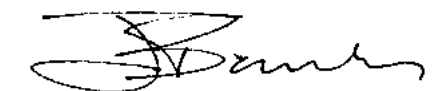
Sustainable Future

2020 showed the need for business to serve a wider purpose, beyond the interests of shareholders.

At BAT, we have embraced this shift.

We are creating value for both shareholders and stakeholders alike. And we are driving progress through concrete actions and targets. This approach offers a unique investment case: positive ESG impact *and* strong financial returns.

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



Jack Bowles

Chief Executive, March 2021

¹ We aim to achieve carbon neutrality for Scope 1 and 2 emissions by 2030.

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

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

About BAT

We are a leading consumer-centric, multi-category consumer goods business with more than 55,000 people worldwide working to help us live our purpose to build A Better Tomorrow™.

A truly global business

>180 markets

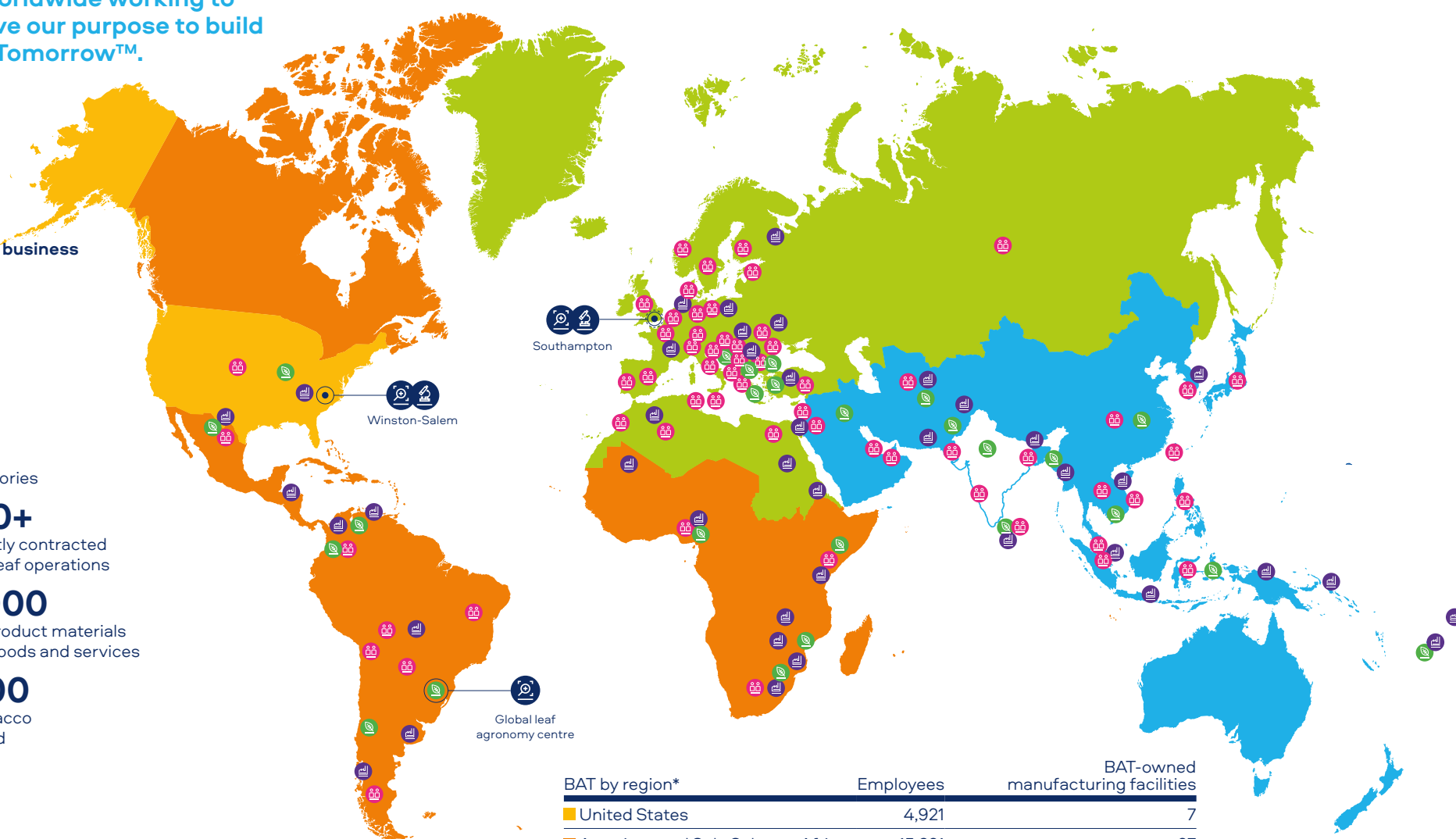
7 R&D sites and tech hubs

45 Cigarette factories

84,000+ farmers directly contracted through BAT leaf operations

c. 30,000 suppliers of product materials and indirect goods and services

370,000 tonnes of tobacco leaf purchased



- Countries where we have factories
- Countries where we have strategic product materials suppliers
- Countries where we source tobacco

- Research and development
- Science

BAT by region*	Employees	BAT-owned manufacturing facilities
United States	4,921	7
Americas and Sub-Saharan Africa	15,321	27
Europe and North Africa	19,953	21
Asia-Pacific and Middle East	9,854	24

* Table only shows employee count in the regions.

Responding to the COVID-19 Pandemic

COVID-19 has powerfully impacted the world. It is dramatically changing how we live and work. Employees, suppliers and wider society are all facing huge new pressures. Now, our commitment to build A Better Tomorrow™ for all, and to put ESG front and centre in all we do, counts more than ever.



Playing Our Part in the Global Response



Supporting Our Suppliers and Communities



Upholding Standards



Looking After Our People



Vaccine development

Using an innovative fast-growing plant-based technology, our US biotech subsidiary, Kentucky BioProcessing, has developed a candidate COVID-19 vaccine. Recently, it was given approval by the US Food and Drug Administration to progress into human trials in the country.

[Find out more on page 32.](#)

Testing and logistical support

We are harnessing our strengths in science, engineering and logistics to support national responses to COVID-19. This includes loaning specialist equipment for COVID-19 testing, manufacturing hand sanitisers and producing personal protective equipment (PPE) in our factories. We are also making donations around the world to support local efforts.

[Find out more on pages 78 and 86.](#)

Protecting vulnerable farming communities

We are supporting tobacco-growing communities that may be particularly vulnerable to both the virus and its long-term economic implications. We have worked to keep farms and trading floors operating safely and have distributed PPE and other essential items. Meanwhile, in countries such as Kenya, we have enhanced access to clean water and handwashing facilities.

[Find out more on pages 71 and 79.](#)

Supplier engagement

We have maintained fast, two-way relationships with suppliers. This means that, as the situation changes, we can respond together effectively. We have also helped suppliers struggling with cash flow issues by ensuring that, where needed, they are paid earlier than existing payment terms require.

[Find out more on page 71.](#)

Human rights due diligence

On-site supplier audits are central to our human rights due diligence. Where these have not been possible, due to travel and lockdown restrictions, we have quickly implemented alternatives. These include self-assessment questionnaires and 'virtual audits'.

[Find out more on page 71.](#)

Employee training

We are ensuring all our employees still get the training they need on our Standards of Business Conduct (SoBC). For those without easy online access, who would normally have face-to-face group training sessions, we have developed a training booklet, which is safely accessible through our SoBC app.

[Find out more on page 96.](#)

Safeguarding wellbeing

We have implemented a wide range of measures to create 'COVID-19-secure' workplaces. We have also reinforced the extensive wellbeing support available to our employees. This includes online medical consultations and mental health support. Our digital transformation enables us to swiftly shift to remote home working where needed.

[Find out more on page 82.](#)

Keeping engaged

All our employees, wherever they are working, should continue to feel connected and engaged. We have worked hard to ensure that's the case. We held our #StrongerTogether virtual 24-hour event, for all our global employees, in July 2020. Our employee networks have also adapted to the challenges of COVID-19, such as our B United LGBT+ community holding virtual Pride celebrations around the world.

[Find out more on page 86.](#)

Purposeful

A Clear Direction

Our purpose is clear: to build A Better Tomorrow™ for all our stakeholders by reducing the health impact of our business. Sustainability is front and centre of how we do this. We are proud of our strong track record in delivering against our ESG priorities, and of the external recognition we have received.

In this section

- 8 Corporate Strategy and Purpose
- 9 Our Sustainability Agenda
- 10 Journey to A Better Tomorrow™
- 11 ESG Roadmap for A Better Tomorrow™
- 12 Awards and Recognitions

Corporate Strategy and Purpose

As a leading, consumer-centric, multi-category consumer goods business, we are dedicated to stimulating the senses of adult consumers worldwide. We aim to generate an increasingly greater proportion of our revenues from products other than cigarettes, thereby reducing the health impact of our business.



This will deliver A Better Tomorrow™ for our consumers, who will have a range of enjoyable and potentially less risky choices for every mood and moment; for society through reducing the overall health and environmental impacts of our business; for our employees by creating a dynamic and purposeful place to work; and for our shareholders by delivering sustainable superior returns.

Our Mission

Stimulating the Senses of New Adult Generations

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

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

Our Purpose

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

We will create A Better Tomorrow™ for:



Find out more about Building A Better Tomorrow™ on [pages 16–20](#).

Short-Term Deliverables to Fuel A Better Tomorrow™

Ensure a Step Change in New Categories Performance

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

Drive Value From Combustibles

Our ambition is to drive value from combustibles to fuel our investment in, and transition revenue to, New Categories.

Simplify the Business

Our ongoing simplification programme, Project Quantum, will realise £1 billion of annualised savings through simplification and efficiencies by the end of 2022.

Our Sustainability Agenda

Our Sustainability Agenda is integral to our evolved Group strategy.

The Agenda reflects our commitment to reducing the health impact of our business and excellence across our other ESG priorities. Our approach is driven by extensive stakeholder insights, and we commission an independent review of our most material ESG topics each year.

Through this robust process, we engage with a wide range of stakeholders to understand what matters most to them, complemented with ongoing risk monitoring, research and benchmarking. This approach ensures we keep pace with emerging topics and stakeholder expectations.

Outlined here are the priority areas that form the core of our Sustainability Agenda. You can read more about how we identify and prioritise them on [page 111](#), and read about our Group strategy on pages 16–19 in our [2020 Annual Report](#).



Journey to A Better Tomorrow™

2000
Established our first Group-wide Environment, Health and Safety management systems, aligned to international standards



2001
Established the BAT Biodiversity Partnership with leading conservation NGOs

Programmes, policies and standards developed:

- Diversity and inclusion strategy
- Human rights strategy and policy
- Sustainable Tobacco Programme
- Supply chain due diligence programme
- Supplier Code of Conduct
- Thrive programme focused on enhancing farmer livelihoods

2016
First Modern Slavery Statement published



2019
Range of potentially reduced-risk products available across multiple markets

Science-based carbon-reduction targets set

Achieved leader status in the Global Child Forum's benchmark study of children's rights



2025

Eliminate unnecessary single-use plastic and make all plastic packaging reusable, recyclable or compostable



2030

target to achieve carbon neutrality for our business activities and by 2050, for our value chain

ESTABLISHING | 2000–2009

DEVELOPING | 2010–2015

EMBEDDING | 2016–2019

ACCELERATING | 2020–2050



2000
Co-founded the Eliminating Child Labour in Tobacco Growing (ECLT) Foundation



2000
Developed our Social Responsibility in Tobacco Production (SRTP) programme with minimum environmental, social and human rights standards for our tobacco leaf suppliers

2001
Developed our first International Marketing Standards to govern the responsible marketing of our products worldwide to only adult consumers

2002
Developed our Statement of Business Principles in consultation with the Institute of Business Ethics

2003
Group-wide roll-out and implementation of Employment Principles

2013
First international tobacco company to launch a vapour product

2017
Delivery with Integrity programme established

First Gender Pay Report published

Farmer Sustainability Management app launched



2020
Group strategy refreshed with our purpose to build A Better Tomorrow™

2030


target to increase consumers of non-combustible products to

50m



ESG Roadmap for A Better Tomorrow™


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

 Find out more about our performance against these targets on [pages 124–136](#).

	ESG Topic	Our Goals	
H	Reducing the Health Impact of Our Business <ul style="list-style-type: none"> • Consumer choice • World-class science • Standards and regulation 	 Reach £5 billion revenue from our New Category products by 2025	 Reach 50 million consumers of non-combustible products worldwide by 2030
E	Excellence in Environmental Management <ul style="list-style-type: none"> • Climate change • Water • Biodiversity and afforestation • Waste 	 Carbon neutral for Scope 1 and 2 emissions by 2030 and Scope 3 emissions by 2050	 Aim for 100% of wood used for tobacco curing by our contracted farmers to be from sustainable sources  Reduce water withdrawn by 35% by 2025
S	Delivering a Positive Social Impact <ul style="list-style-type: none"> • Human rights • Farmer livelihoods • Health and safety • People and culture 	 Aim for zero child labour and zero forced labour in our tobacco supply chain by 2025  All our product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle by 2025	 Enhance farmer livelihoods such as by increasing yields and productivity  Zero accidents Group-wide  Increase the proportion of women in management roles to 45% by 2025
G	Robust Corporate Governance <ul style="list-style-type: none"> • Business ethics • Responsible marketing • Regulation and policy engagement 	 100% adherence to our Standards of Business Conduct (SoBC), including our Lobbying and Engagement Policy	 100% adherence to our International Marketing Principles (IMP) and Youth Access Prevention (YAP) Guidelines

Progress in 2020

- £1,443 million, up by 15% from previous year
 - 13.5 million consumers of non-combustible products, up by 3 million (vs. 2019)
-
- 30.9% reduction in Scope 1 and 2 emissions, contributing to a total 37.4% reduction against 2017 baseline; climate risk scenario analysis for major tobacco-growing markets
 - 10.8% reduction in water withdrawn, contributing to a total 22.5% reduction against 2017 baseline.
 - Over 99% wood used for tobacco curing by our contracted farmers is from sustainable sources
 - 82% of our plastic packaging is reusable, recyclable or compostable
-
- 99.7% of tobacco farms monitored for child labour
 - 93 supplier labour audits conducted on product materials and high-risk indirect service suppliers
 - Over 50% of tobacco hectares grown by our contracted farmers is from our hybrid tobacco seed varieties, boosting yields by up to 20%
 - 27% reduction in total accidents (vs. 2019)
 - 38% female representation in management roles
-
- 100% of Group employees completed SoBC sign-off and training
 - Further strengthened compliance procedures and internal controls for IMP
 - 100% markets reported alignment with YAP Guidelines

 Data definitions and scope are outlined on [pages 126–136](#).

Awards and Recognitions

We are proud that our sustainability efforts and commitment to high standards have received notable independent recognition – well over 200 awards in 2020.

These include our industry leadership in the prestigious Dow Jones Sustainability Index, BBB score in MSCI and inclusion in CDP's Climate A list.

Investor Ratings



Dow Jones Sustainability Indexes

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

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



CDP Climate A List **A List**

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

Awards and Recognitions



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

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



Global Top Employer

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



MSCI

'BBB' rating

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



Vigeo Eiris

47

Vigeo Eiris, a rating and research agency, evaluates organisations' integration of ESG factors into their strategies, operations and management. We achieved a score of 47 (up by 5pp from 2019) in its latest rating.



Disability Confident Committed

We achieved certification in 2020 as a Disability Confident Committed employer under the UK Government's accreditation scheme.

Sustainability Award
Gold Class 2021

S&P Global

Gold Class sustainability award

In early February 2021, we were awarded Gold Class in RobecoSAM's Sustainability Yearbook, among the best-performing companies in terms of financially material ESG metrics.



Sustainalytics

27.8

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



Best-in-class ISS score

We achieved the highest rating for the ISS Social Disclosures Quality Score, which identifies best-in-class sustainability disclosure practices.



CR Reporting Awards – Openness and Honesty

We won the 'Openness and Honesty' award for our 2018 Sustainability Report at the Corporate Register Reporting (CRR) Awards 2020 – a testament to our approach to transparently reporting on key ESG challenges.



Vype UK Product of the Year

In early 2020, our Vype ePod won in the e-cigarette category at the UK Product of the Year awards – the UK's largest consumer survey of product innovation.

Futureproof

Delivering Shared Value

We are a truly global business. With our deep consumer insights and strong scientific capabilities, we are uniquely positioned to deliver A Better Tomorrow™. We are creating powerful, potentially less risky new products that provide enjoyment to our consumers. Beyond this, our commitment to shared value extends across our business. We are building A Better Tomorrow™ and delivering value to all.

In this section

- 14 Our Business Model
- 15 Bringing Consumer Choice to New Categories
- 16 Building A Better Tomorrow™
- 21 Delivering Shared Value
- 22 Our Contribution to the SDGs

Our Business Model

Our global business understands our diverse consumers, develops products to satisfy their preferences, and ultimately distributes them across over 180 markets.

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

Intellectual property technology

£300m+

Research and development (R&D) expenditure

7 R&D/Product Centre sites

Environmental

370,000tn of leaf

2,568 GWh

Energy consumed

4.03m m³ of water withdrawn

Manufacturing

79

BAT-owned manufacturing facilities

45 Cigarette Factories



Building A Better Tomorrow™ for...

Consumers

Society

Employees

Shareholders

Social

84,000+

Contracted farmers

c. 30,000 Suppliers

180+ Markets

Financial

£600m+

Capital expenditure

£426m additional investment in NC

BBB+/Baa2 Credit rating

Human

55,000+

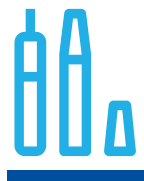
Employees globally

1,500+ R&D specialists

Find out more about the value we create for these groups on [page 16](#) and in our [2020 Annual Report](#).

Bringing Consumer Choice to New Categories

With our New Category products, we are creating satisfying, enjoyable alternatives to smoking. At the same time, we are reducing the health impact of our business.*†



Vapour Products

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



Our ambition is to increasingly transition our revenues from cigarettes to New Categories.



Tobacco Heating Products (THPs)

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



Modern Oral

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



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

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

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

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

Our Velo mini products are now in **recyclable packaging**

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

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

Building A Better Tomorrow™

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



Building A Better Tomorrow™ also means contributing to the socio-economic development of the communities we operate in. Our Sustainability Agenda is well aligned with, and supports the delivery of, the UN's Sustainable Development Goals (SDGs).

[Find out more about how we are contributing to the SDGs on pages 120–122.](#)



... for our consumers
by offering a greater choice of enjoyable, less risky products.

- Over 50 markets where our non-combustible products are available
- World-class science to substantiate the reduced-risk potential of our New Category products
- Transparent, clear and accurate information around our products
- 100% adherence to Youth Access Prevention Guidelines



... for society
by reducing the overall health and environmental impacts of our business.

- Commitment to achieve carbon neutrality for our own business activities by 2030, and value chain by 2050
- 28 rural infrastructure programmes giving access to clean drinking water, solar energy and healthcare
- £41 billion in taxes paid to governments
- A zero-tolerance approach to forced labour while having a clear commitment to aim for our tobacco supply chain to also be free of child labour by 2025



... for our employees
by creating a dynamic and purposeful place to work.

- 27% reduction in accidents (vs. 2019)
- 38% proportion of women in management roles
- Global Top Employer four years in a row
- Employee engagement index 7% higher than FMCG comparator group



... for our shareholders
by consistently delivering against our financial commitments.

- Delivered 10% diluted adjusted EPS (at constant rates) over the last 10 years
- 10% of our revenues from non-combustible categories
- Recognised for strong ESG performance, such as industry leadership in Dow Jones Sustainability World Index and inclusion in the index series for 19 consecutive years



Building A Better Tomorrow™ for Consumers

With 150 million daily interactions, we are building a deep understanding of our consumers. This enables us to innovate and provide new choices for them to enjoy.



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

Kingsley Wheaton, Chief Marketing Officer

We Enable Consumer Choice

We have designed our diverse portfolio to satisfy consumers' different, evolving preferences.

- **We offer a wide range of products to choose from**, including vapour, tobacco heating and modern oral products.
- **Our non-combustibles products are available in over 50 markets**, with plans to launch in further markets as quickly as possible.
- **Our 'test and learn' strategy** helps us get the right balance of communication, product and price, while maximising the harm-reduction potential of New Category products.

We Communicate and Market Responsibly

We give clear, accurate product information to consumers, while marketing our products to adults only.

- **We have strict compliance procedures for our International Marketing Principles (IMP)**. These include digital age verification and training for marketing employees, trade representatives and external agencies.
- **We have created a digital marketing hub and toolkits** to help our markets consistently apply our IMP.
- **We are continuing our youth access prevention activities**, such as responsibly selecting flavours and features, supporting proof-of-age schemes and giving retailers training and point-of-sale materials.

We Prioritise Consumer Safety

We put high quality and consumer safety at the heart of our product design, development and manufacturing.

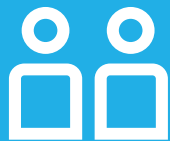
- **Over 1,500+ scientists spend thousands of hours** researching, developing and testing our New Category products.
- **We harness decades of product-stewardship experience** at our world-class Research and Development (R&D) Centre and its battery and product safety lab.
- **Our e-liquids are manufactured** using pharmaceutical-grade nicotine.
- **We openly share our approach and expertise** to develop robust, industry-wide product quality and safety standards.

We Address Our Environmental Impacts

We are committed to reducing the environmental impacts of our products. These include post-consumption waste and the use of plastics and other materials.

- **We run cigarette butt recycling and anti-litter consumer awareness programmes** in 16 markets, with local governments, NGOs and other third parties.
- **We have launched new projects to reduce plastic waste** in packaging. We are also exploring opportunities to improve product recyclability.
- **We are piloting take-back and recycling schemes** for New Category products in four markets.

Value Created for Our Consumers



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



Building A Better Tomorrow™ for Society

By protecting the environment, enhancing farmer livelihoods, respecting human rights and supporting local communities, we add value to society. This also makes our business sustainable in the long term.



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

Zafar Khan, Director, Operations

We Protect the Environment

We are building a climate-resilient business, using fewer natural resources and promoting sustainable agriculture.

- We are making steady progress towards **carbon neutrality** for our own business activities by 2030.
- We will fully align our 2021 reporting with the **Task Force on Climate-related Financial Disclosures (TCFD)**.
- We are conducting **in-depth climate risk reviews** in key tobacco-growing areas and helping to build farmers' resilience.
- We are **optimising operational and tobacco supply chain water use**, as well as working towards zero waste to landfill.
- We are **tackling deforestation** through sustainable wood use for tobacco curing and afforestation programmes in local communities.

We Respect Human Rights

Our human rights strategy is aligned with the UN Guiding Principles and focuses on strong policies, due diligence and remediation programmes.

- We include **human rights criteria** in our supply chain due diligence procedures.
- We **monitor our contracted farmers** and, in selected tobacco-growing countries, we conduct human rights impact assessments.
- We **assess human rights risks and conduct labour audits** on product materials suppliers.
- We are working with our contracted farmers to ensure **100% have access to personal protective equipment (PPE) for agrochemical use and harvesting**.

[+](#) Find out more in our [2020 Human Rights Report](#).

We Support Communities

We partner with NGOs and other stakeholders to support the communities and landscapes we operate in.

- We have invested **£44.5 million** in community projects and charitable donations over the last three years.
- We run **rural infrastructure programmes** in 11 countries, creating access to clean drinking water, solar energy and healthcare.
- We deliver **empowerment programmes** in 20 countries, providing scholarships, training and skills development, micro-financing and support for small businesses and social enterprises.

We Enhance Farmer Livelihoods

Through our global leaf agronomy centre and Extension Services, we create long-term value and mutual benefit for our contracted farmers.

- We are helping **increase yields** thanks to our quality tobacco seed varieties, agronomy and technology support, as well as enhancing productivity, such as with automated curing barns that use 30% less fuel and are 50% less labour intensive.
- We provided **over 1,600 business management training sessions for farmers** through our Extension Services and strategic suppliers to around 70,000 attendees.
- We are **enhancing food security and promoting crop diversification** by educating and supporting tobacco farmers to grow other crops like vegetables, maize and soy.

Value Created for Society



Minimising impacts on the environment, increasing climate change resilience and protecting the natural resources and landscapes on which society depends.

Making farming a profitable and preferred profession, particularly for rural youth, to ensure the long-term viability of rural communities.

Tackling child labour in tobacco growing, as well as other human rights issues across our supply chain.

Raising standards and improving workplace conditions for workers.

Developing collaborative solutions to complex sustainable development challenges.



Building A Better Tomorrow™ for Employees

Our people drive our success. They enable us to deliver our strategy and ultimately build A Better Tomorrow™ for all our stakeholders.



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

Hae In Kim, Director, Talent, Culture and Inclusion

We Create a Diverse and Inclusive Culture

Our new ethos focuses on being diverse, empowered, bold, fast and responsible.

- Our diversity and inclusion strategy creates ownership, accountability and diverse talent pipelines.
- We support the development of our future female leaders through a range of leadership programmes, mentoring and coaching.
- The *Parents@BAT* programme helps new parents achieve work-life balance.
- Our global **B United network** offers a safe forum for our LGBT+ employees.
- **Female representation in senior management** has more than doubled since 2012.

We Invest in Talent

We are committed to investing as much in our people as we do in our brands.

- Our **Global Graduate Programme** is developing the next generation of future leaders.
- Our **digital learning platform**, The Grid, brings together all of our training in one accessible place.
- We run **world-class professional-development programmes**, such as those to develop women in leadership.
- Our **Women in STEM** (science, technology, engineering and maths) initiative attracts, develops and retains more women in our R&D, Operations, and Information & Digital Technology functions.

We Provide a Safe Workplace

We will always aim for zero accidents, Group-wide.

- Our **driver safety and security programme** reduces the risk of accidents, attacks and assaults – particularly for our Trade Marketing & Distribution team.
- We are **reducing manufacturing accidents** through focused programmes and safety procedures.
- We **conduct rigorous investigations for all serious incidents**. These help us identify their cause and develop action plans to prevent them from happening again.
- We **provide targeted employee training** to raise health and safety risk awareness. This includes prevention, management and mitigation strategies.

We Deliver With Integrity

The *Delivery with Integrity* programme helps our people ensure our ethical standards are never compromised for the sake of results.

- Our **high standards of business integrity** are set out in our Standards of Business Conduct (SoBC). All employees are trained on these annually.
- Our **confidential and independently managed ‘Speak Up’ channels** are available to anyone working for, or with, the Group. This was recognised by 79% of employees in our latest ‘Your Voice’ survey (+8% than FMCG average).
- Our **SoBC app** increases accessibility, awareness and understanding of our SoBC and ‘Speak Up’ channels. It has been translated into 14 languages and downloaded 16,500+ times.

Value Created for Employees

A **diverse and inclusive** workplace culture that treats everyone equally.

A **dynamic, inspiring and safe place** to work that values employees’ wellbeing and listens to their views.

Opportunities for a rewarding career with a major international business – one that values their contribution and supports their professional learning and development.

Awareness of, and confidence in, our ‘Speak Up’ channels and SoBC compliance procedures, so they can report concerns in confidence and without fear of reprisal.

Pride in working for an organisation that takes its responsibilities seriously, with the highest standards of ethical behaviour and sustainability.



Building A Better Tomorrow™ for Shareholders

Delivering for shareholders is essential. By embedding our Sustainability Agenda and meeting changing consumer preferences, we aim to grow our business and create sustainable returns.



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

Tadeu Marroco, Finance and Transformation Director

We Deliver Against a Winning Strategy

Our strategy puts consumers at its core while minimising risks to our operations and reputation.

- **We have increased market presence for New Category products** to reach more adult consumers. We also encourage smokers who want to continue using nicotine products to switch and move away from combustibles.
- **We are raising the bar on human rights** and increasing transparency aligned to the UN Human Rights Reporting Framework.
- **We continue to embed robust governance practices** and operate as an ethical business that shareholders can trust.

We Are Building a Future-Proof Company

To drive our success, we are making a step change in New Categories. We are building new capabilities around the world, focused on science, innovation and digital information.

- **We are using cutting-edge technologies to turn consumers' insights into innovative products** that meet their needs.
- **Our four new and up-and-coming tech hubs** are driving innovation and digital transformation.
- **Over 1,500 scientists and research and development specialists** across the world are continually developing winning products to help us capture diverse markets.

We Are Continuing Our Track Record of Delivery

We are confident in our growth outlook, with a proven track record of performance, whatever the external environment.

- **We have delivered 10% diluted adjusted EPS (at constant rates) and 7% dividend CAGR** over the last 10 years.
- **We are confident in our medium-term targets** of 3–5% revenue and high single-digit adjusted EPS growth.
- **We will become a stronger, more agile organisation** driven by accelerated New Category revenue growth and business simplification.

We Are Reducing the Health and ESG Impact of Our Business

By reducing the health and ESG impact of our business, we will drive growth and create shared value, delivering results benefitting both shareholders and wider society.

- **We are creating a stronger BAT** by delivering excellence in environmental management, a positive social impact and robust corporate governance.
- **We are building on strong ESG foundations**, as the first tobacco company to transparently communicate challenges and progress for nearly 20 years. We have continued industry leadership in the prestigious Dow Jones Sustainability World Index and inclusion in CDP's Climate A-List.

Value Created for Our Shareholders

Investing heavily in our New Categories to transform the business while lowering the health impact of our business.

Providing an investment opportunity that delivers positive environmental and social impact in communities we operate in, while recording strong financial returns.

Future-proofing our business with high-quality New Category products. These include the Vype ePod – the 2020 UK Product of the Year in the e-cigarette category.

Consistently recognised as one of the world's top 10% of ESG performers. We have been included in the Dow Jones Sustainability Indices series for 19 consecutive years.



Delivering Shared Value

Our Sustainability Agenda supports our corporate purpose to build A Better Tomorrow™ with a principal focus on harm reduction, and it is at the heart of our strategic plans to build a long-term sustainable business.

The concept of shared value is central to both our Group strategy and our Sustainability Agenda. Ultimately, it is about building towards A Better Tomorrow™ not just for BAT but for all our stakeholders.

As we develop and deliver a range of innovative products, this will not only help us create shareholder value but mean that, provided with a choice of products, smokers are more likely to find one that satisfies their varying preferences and switch to New

Category products. Providing choice to our consumers will, in turn, help us reduce the health impact of our business on society. Our employees will also benefit, as we create a dynamic, inspiring and purposeful place to work.

Similarly, excellence across our other ESG priorities will also create shared value: for our shareholders as we deliver efficiencies and savings and secure our supply chains, as well as effectively manage reputational

and regulatory risk; for our consumers as we offer products with lower environmental and social impact that are responsibly marketed; and for our employees as we create an inclusive workplace that adopts the highest standards of ethical behaviours.

We outline how our Sustainability Agenda creates value for each of our stakeholders, as well as business benefits, below.

Value created by our Sustainability Agenda for all our stakeholders

	Shareholder value	Consumer value	Societal value	Employee value
H Reducing the health impact of our business	Sustainable returns and unique investment case 	A diverse range of less risky products to choose from 	Reducing the health impact of our business 	A career with a clear purpose 
E Excellence in environmental management	Efficient use of natural resources 	Products with lower environmental impact 	Protecting resources and acting on climate 	Proud to work for a green company 
S Delivering a positive social impact	Supporting stronger communities 	Brands that enhance livelihoods and communities 	Partnering for impact 	Inclusive work culture 
G Robust corporate governance	A reputable investment 	Transparent marketing 	Ethical conduct 	Clear standards to empower all 



Our Purpose

To build A Better Tomorrow™ by reducing the health impact of our business through offering a greater choice of enjoyable, less risky products for our consumers.

Our Contribution to the SDGs

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

We have a robust materiality process. It enables us to keep pace with emerging priorities and stakeholder expectations. Building on this, our Sustainability Agenda reflects the most important topics for our stakeholders and business.

This approach also enables us to contribute to the SDGs across our global footprint.

Strategic

Our corporate purpose is to build A Better Tomorrow™ by reducing the health impact of our business. This will make a significant contribution to SDG 3. Equally, our efforts to combat climate change cut across all aspects of our business.



3 GOOD HEALTH AND WELL-BEING



13 CLIMATE ACTION




Priority

Our business activities extend to a number of areas where we can make a significant contribution. The SDGs identified as 'priority' also reflect our priority ESG areas.



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Localised

These goals align with issues that are important in a local context and that, as a global business with products in 180+ markets, we know need a localised response.



10 REDUCED INEQUALITIES



15 LIFE ON LAND




You can read more about how we prioritised these SDGs and how our initiatives contribute to the SDGs in detail on [pages 120–122](#).

Focused

A sharp focus on our ESG focus areas

Our Sustainability Agenda has a sharp focus on the topics most important to our stakeholders and business. In the following sections, we set out what these are, and our robust approach to managing our key sustainability areas. We also outline how we are setting the bar even higher – both to reduce the health impact of our business and to drive excellence in other ESG areas.

Reducing the health impact of our business*†

[Find out more on page 24.](#)



Excellence in environmental management

[Find out more on page 38.](#)



Delivering a positive social impact

[Find out more on page 63.](#)



Robust corporate governance

[Find out more on page 90.](#)



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

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

Preference

Reducing the Health Impact of Our Business

We have a clear purpose to build A Better Tomorrow™ by reducing the health impact of our business. We are delivering through a consumer-centric, multi-category approach, offering consumers the widest range of enjoyable, potentially lower-risk nicotine products. We are uniquely positioned to deliver this, with our deep consumer insights, world-class science and innovation capabilities. We put our consumers right at the heart of our transformation.*†

In 2020:

15%
growth in New
Categories revenue

10%
of our revenue from non-
combustible categories

Increased non-combustibles
consumer base to
13.5 million

In this chapter

- 25 Our Harm Reduction Priorities
- 26 Innovative New Category Products
- 28 Enabling Consumer Choice
- 29 Our World-Class Science
- 31 Leading Standards and Responsible Regulation
- 33 Our New Categories Portfolio
- 37 Our 2020 Progress and Performance

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Our Harm Reduction Priorities



Harm Reduction

To build A Better Tomorrow™, we must reduce the health impact of our business. We can do this by investing in and innovating our New Category products, offering a greater choice of enjoyable, potentially less risky products.*†

By 2030, we aim to increase consumers of non-combustible products to 50 million.

By 2025, we aim to grow New Category revenues to £5 billion.

Our management approach

Our operations: We are moving more and more of our revenues from cigarettes to non-combustible products. We remain committed to cutting-edge research that contributes to tobacco harm reduction.

We believe there are three key ways to become a less harmful business:

- Giving consumers less risky, satisfying products they would be happy to switch to completely.
- Harnessing world-leading research that holds up to regulatory and consumer scrutiny.
- Raising industry standards, allowing New Category products to thrive in all markets.

Our supply chain: Many New Category products still rely on a resilient tobacco supply chain. For each product material, we require the highest quality and safety standards, as well as robust environmental and human rights standards from tobacco and beyond tobacco suppliers.

We also have strict requirements for any agencies we work with to align with our International Marketing Principles for New Category marketing materials. Our Marketing teams and external agencies receive regular training to effectively apply our approach.

Our policies and standards

Our operations:

- [Our Group Strategy](#)
- [Our Group Circular Economy Position Statement](#)
- [Our International Marketing Principles](#)
- We follow standards set by the OECD and the Consolidated Standards of Reporting Trials (CONSORT) Group
- We govern all our clinical studies according to the ethical principles of the Declaration of Helsinki (2008)

Our supply chain:

- [Our Group Strategy](#)
- [Our Group Circular Economy Position Statement](#)
- [Our International Marketing Principles](#)
- [Supplier Code of Conduct](#)
- [Leaf Supplier Manual](#)



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

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

Innovative New Category Products*†

Our Approach at a Glance

Building A Better Tomorrow™ is at the core of our Group strategy, and we aim to generate an increasingly greater proportion of our revenues from products other than cigarettes, thereby reducing the health impact of our business.

1. We are committed to providing adult consumers with a wide range of enjoyable and less risky products.
2. We continue 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.
3. We encourage those who otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk alternatives.
4. We will track and share progress of our transformation.



We believe there are three key enablers to make this a reality: enabling consumer choice, substantiating the reduced-risk profile of New Category products through world-class science and responsible regulation.

Why Harm Reduction Matters

Tobacco harm reduction is a public health strategy that is about minimising the negative health impact of smoking.

We have been clear for many years that our business needs to be built on outstanding products, informed consumer choice and a drive towards a reduced-risk portfolio, underpinned by world-class science. We are doing this by providing consumers with diverse and less risky ways of consuming nicotine if they do not want to quit.

We aim to

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

We aim to

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

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

UK Royal College of Physicians²

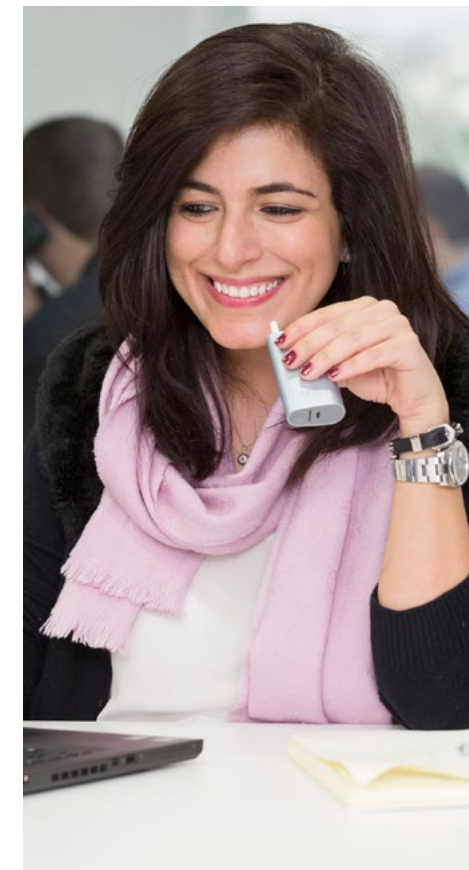
Policies and Accountability

Our Board is responsible to our shareholders for Company performance, as well as the Group’s strategic direction. Our Management Board, chaired by the Chief Executive, oversees the implementation of our strategy, policies and controls across our subsidiary companies. We regularly update both the Board and Management Board on our progress and performance.

Our corporate purpose is underpinned by our key policies, which set out how we will deliver A Better Tomorrow™ responsibly, with integrity and excellence in other ESG areas at the core. These policies include our **International Marketing Principles (IMP)** – also setting out our commitment to only sell our products to adult consumers – and our **Group Circular Economy Strategy**.

For details about our policies and programmes, see [pages 112–119](#).

Non-combustible products offer a compelling option for the estimated over 19% of the world’s adult population who smoke¹



¹ Euromonitor International (2019). ‘World market for cigarettes: October 2019’.

² Royal College of Physicians, Tobacco Advisory Group (2016). ‘Nicotine without smoke: Tobacco harm reduction’.

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

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

The Key Enablers for Harm Reduction

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



Consumer choice

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



World-class science

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



Standards and regulation

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


Our Management Approach

Satisfying consumer needs is at the heart of what we do. We are committed to building A Better Tomorrow™ by reducing the health impact of our business. Central to that purpose is offering a greater choice of enjoyable and less risky products to our consumers. Still, consumers need to be enabled to make informed decisions based on the comparative risk profile of these products and encouraged to switch completely from smoking.

With a diverse portfolio, we are accelerating progress towards our target to have 50 million consumers of our non-combustible products by 2030. We are doing this by a step change in our product portfolio, underpinned by sound science and a deep understanding of consumers.

While we are absolutely committed to delivering A Better Tomorrow™, we know we can't do this alone. Our success depends on building an acceptance of tobacco harm reduction, with consumers, regulators and society understanding the reduced-risk potential of these products.

We strongly believe there are three key enablers to make this a reality: enabling consumer choice to meet diverse needs of consumers, substantiating the reduced-risk profile of New Category products through world-class science and a collaborative approach to responsible regulation.

 Find out how we are supporting regulatory authorities with robust science on [page 35](#).

We are on a journey to become a business that defines itself not by the products it sells but by the consumer needs its products meet

We are increasingly transitioning our revenues from cigarettes to non-combustible products

Applying Best Practice Research Standards

There is broad agreement among policymakers and the public health community on the need for, and importance of, developing an appropriate science base to inform policies and educate consumers about potentially reduced-risk products. The science associated with tobacco harm reduction plays an important role within the industry in terms of building consumer trust in potentially reduced-risk products. The purpose of world-class science is to establish whether products are safer, or less risky, compared with cigarette smoking.

We follow strict best practice standards for all our scientific research. These include standards set by the OECD and the Consolidated Standards of Reporting Trials (CONSORT) Group. We govern our clinical studies according to the ethical principles of the Declaration of Helsinki (2008), as defined by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use and CONSORT's Good Clinical Practice Standard.

These principles require each study to be publicly registered, recommend that its protocol is published and that a data-handling plan is agreed before data is acquired. As well as following this guidance, we register each study with the International Standard Randomised Controlled Trial Number registry before they begin. We also require all collaborators or partners to openly acknowledge BAT's role – whether it is funding or expertise – when discussing the work they've done with or for us.

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

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Enabling Consumer Choice

Consumers want products with reduced risk that they can also enjoy. Our products give adult consumers greater and more satisfying choices when they are looking for alternatives to cigarettes. We are constantly innovating so we can offer products that encourage as many adult smokers as possible to switch completely.*†

We are proud of the progress we have made since launching our first vapour products in 2013. Our diverse range of non-combustible products already offer 13.5 million consumers the widest range of enjoyable and potentially lower-risk alternative nicotine products.

Innovating to meet consumer preferences

Fuelled by our deep consumer insights, innovation is a driving force within our business, enabling us to anticipate trends to meet evolving needs. For example, our recently launched glo Hyper features our advanced induction heating technology along with our signature boost feature that speeds ramp-up time. Designed to work with the new Neo demi-slim range, it offers an elevated taste.

We are also significantly revamping how we innovate as consumer preferences and technology evolve rapidly. We rely on our growing global network of digital hubs, innovation super centres, world-class research and development (R&D) laboratories, external partnerships and an upcoming corporate venturing initiative to stay ahead of the curve.

To help us achieve our goals, we are also simplifying our range into three strong, trusted international brands that can compete on the global stage: Vuse in vapour, glo in tobacco heating and Velo in modern oral product categories. As well as giving us a clear focus for our growing marketing investments, this change will make it easier for consumers to recognise and navigate our product portfolio.

Although this shift has been slowed from the timing we originally announced in early 2020 due to the disruption caused by COVID-19, we are already accelerating our New Categories brand awareness through a truly global partnership with McLaren.

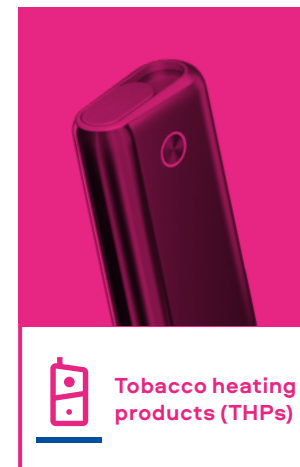
[Find out more about our range of New Category products on pages 33–36.](#)

13.5

million consumers already use one of our non-combustible products over 50 markets



Vapour products (E-cigarettes)



Tobacco heating products (THPs)



Modern oral products

60+
Years of R&D

An important part of BAT for more than 60 years

100+
Scientists

Designers, engineers and tobacco specialists helped design our THPs

95%
Fewer toxicants

Emitted by our Vype product, compared to cigarettes**

1,500
R&D specialists

who predominantly focus on New Category products

SPOTLIGHT

Open Innovation and BTomorrow

In February 2020 we created Open Innovation, a new team inside our New Categories R&D function. In partnership with BTomorrow Ventures, the Group's corporate venture capital unit, we are building an ecosystem of partners to help us access world-class technology and increase collaboration with start-ups and leading inventors.

Our aim is to gain early access to innovative technologies or products, and

enable greater collaboration or sharing of strategic IP.

To realise that goal, we scout for partners (including start-ups) that have technologies and materials that hold promise for our product pipeline.

Across vaping THPs, modern oral and new areas, we consider how we can fill our technology gaps, integrate new technologies and take advantage of investment opportunities.

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

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

** This product is not risk free and contains nicotine, an addictive substance. Comparison of smoke from a scientific standard reference cigarette (approximately 9 mg tar) and vapour from Vype ePen3 in terms of the average of the nine harmful components the World Health Organization (WHO) recommends to reduce in cigarette smoke.

Our World-Class Science

We are gaining significant momentum with consumers, as satisfying consumer needs effectively is a key indicator of how rapidly we can achieve A Better Tomorrow™. Consumers also want products they can trust are manufactured to the highest quality and safety standards.

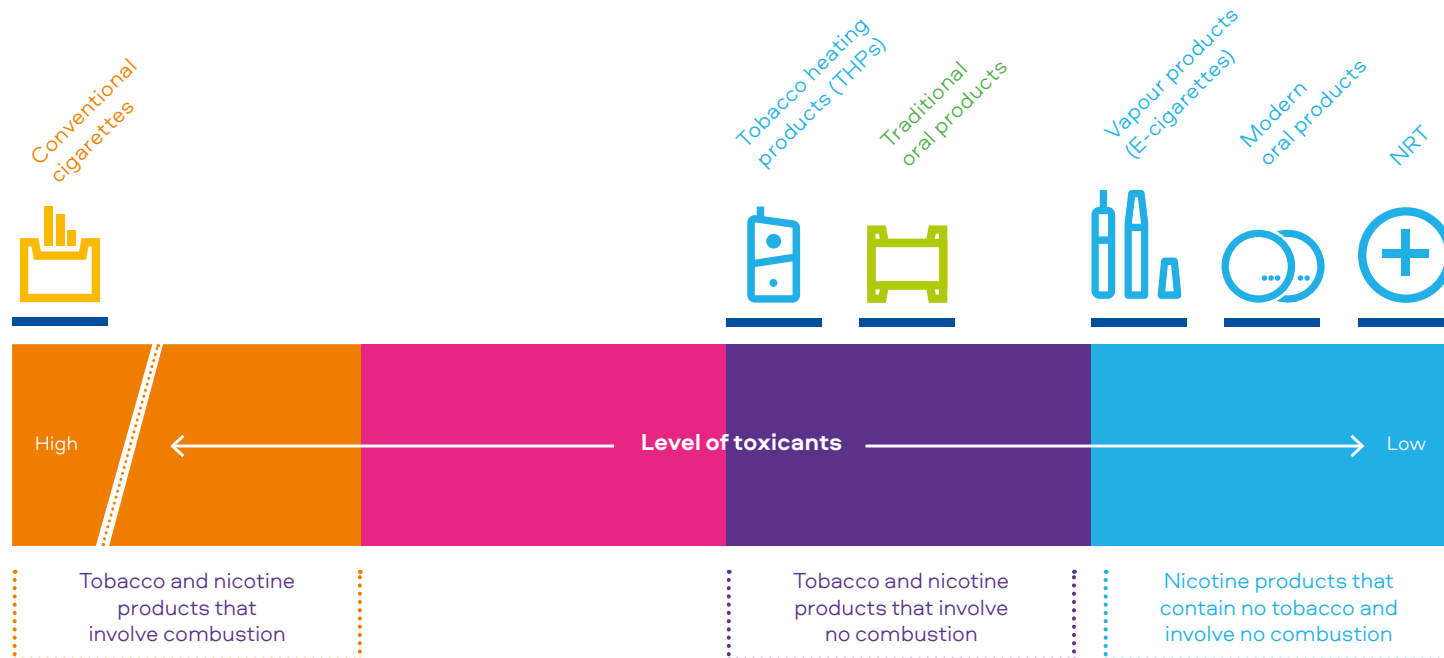
Over the last decade, we have built a team of the best scientific talent. Today, we have over 1,500 dedicated scientists and engineers generating world-class science to demonstrate the reduced-risk profile of our New Category products compared to smoking.

Our latest clinical trial for our tobacco heating product, glo, is the first ever to show that switching to exclusive use of glo instead of continued smoking is comparable to smoking cessation. We know scientific substantiation is essential for our New Category products to make tobacco harm reduction a reality. And we are proud to be leading the way with our world-class science.

Understanding the products and risks

It is widely accepted that most of the harm associated with tobacco is caused by inhaling the smoke produced by the combustion of tobacco. Products that contain nicotine but involve no burning of tobacco are likely to emit far fewer and lower levels of toxicants compared to conventional cigarettes and have the potential to be significantly less harmful to health. Nicotine has been used for decades in licensed medicinal products. However, in order for harm reduction to be more effective, there needs to be alternatives to cigarettes that smokers want to use.

The Toxicant Continuum^{3,*†}



Our research suggests that our existing New Category products have the potential to be significantly less risky than cigarettes. We are very proud to be leading the way in substantiating the reduced risk of THPs with results from our latest glo clinical study, published in November 2020.

[Find out more on page 34.](#)

“There is no better time to be a scientist, as the data we are generating on our products is having such a profound effect on our transformation. To drive the business forward we are using our scientific data in many ways and the scientific assessment of our portfolio is showing very promising results in terms of their reduced-risk profile relative to smoking.”

James Murphy

Executive Vice President of Research and Development (R&D) and Scientific and Regulatory Affairs, US

³ Substantially reduced toxicants are not sufficient alone to determine reduced risk. We use the term potentially reduced-risk products (PRRPs) to cover tobacco and nicotine products that, based on available science, have been shown to be reduced risk; are likely to be reduced risk; or have the potential to be reduced risk, in each case if switched to exclusively as compared to continuing to smoke cigarettes.

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

Understanding the products and risks (continued)

Playing our part in building trust in our New Category products.*†

We believe in regulations that are founded in science, not opinion. It is because we are so committed to transformation through collaborative science, education and information exchange that it is crucial we share this world-class science in areas such as chemistry, toxicology, clinical trials and population modelling with consumers, governments and regulators alike. We do this in a number of ways.

Regardless of the results, we submit all our research to high-quality, peer-reviewed journals owned by leading publishers, with well-respected standards for how they run the peer-review process. We also present at scientific congresses and to the technical advisory committees of governments and invite stakeholders to visit our global R&D centre in the UK.

We make our science accessible to a wider audience by publishing details on our dedicated [bat-science.com](https://www.bat-science.com) website and, every two years, in our Science and Technology Report (the next one will be published later in 2021).

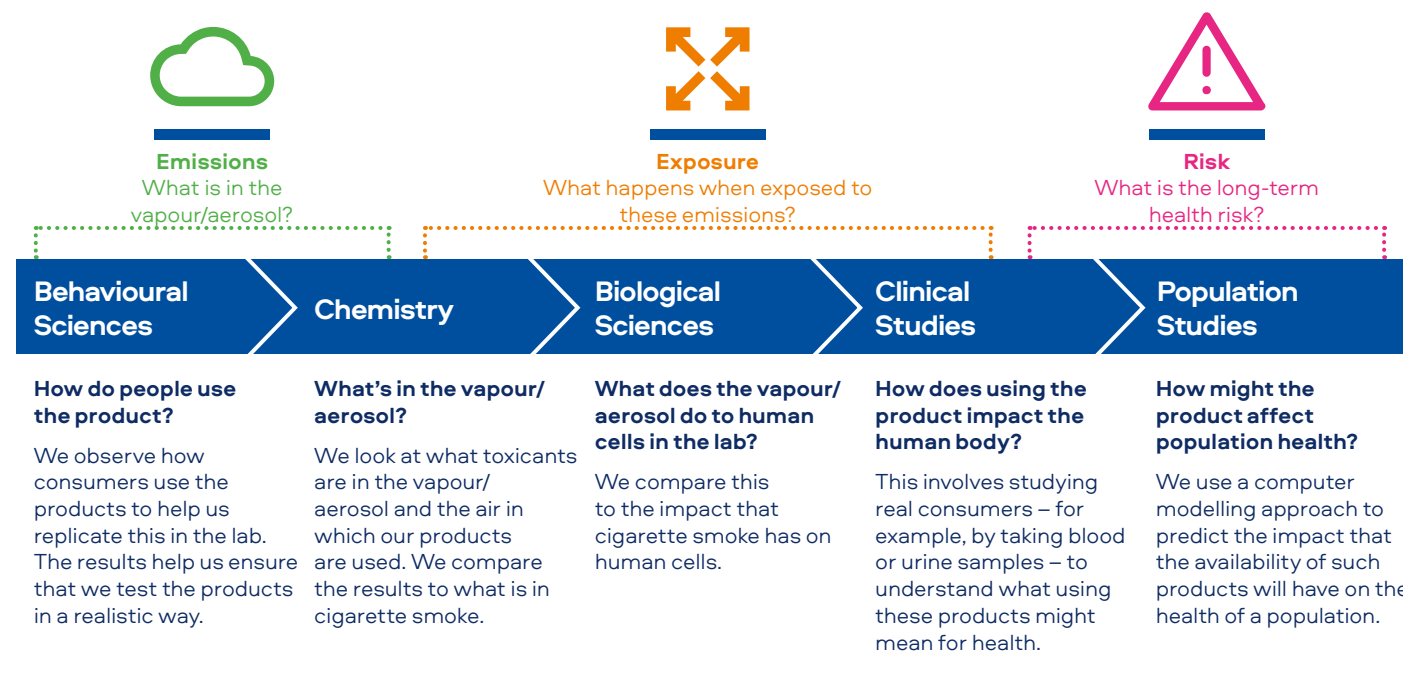
Product safety standards catalysed by sound science

Before any of our products reach a consumer, we invest thousands of hours testing them. We also carefully scrutinise all ingredients, and our e-liquids are manufactured using pharmaceutical-grade nicotine.

For each vapour product, we rigorously test what it contains and produces, and

Our Multi-Disciplinary Risk Assessment Framework

Our rigorous, peer-reviewed, multi-disciplinary risk assessment framework is at the core of our approach to substantiate reduced-risk profiles. As recommended by the US Institute of Medicine⁴, this uses a weight-of-evidence approach to assess emissions, exposure and risk.



its biological effects, using a wide range of analytical techniques and specialised laboratory technology. We conduct toxicological risk assessments of all the ingredients in, and emissions from, our products.

We also methodically assess all physical elements of a device, including the battery and electronics. To progress this work, we

opened a new world-class battery and product safety laboratory in our R&D centre in the UK in 2019.

Find out what **best practice scientific research means at BAT** and international standards we follow on [page 27](#).

Peer-reviewed articles and manuscripts published by category

	To date	2020	2019	2018
Vapour	71	14	9	23
Oral products	15	3	3	4
THP	65	12	10	26
New Category products	114	23	15	31

⁴ Stratton, K. et al. 'Clearing the smoke: assessing the science base for tobacco harm reduction', Institute of Medicine. National Academy Press (2001).

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

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

Leading Standards and Responsible Regulation

A Growing Global Market

The popularity of New Category products*† is growing rapidly across the world.

Encouraged by the growing body of independent evidence pointing to the reduced-risk potential of New Category products, many governments are passing laws that allow and encourage their use, while balancing concerns about increased youth usage.

As the science continues to move towards confirming the potential of these products to offer lower risk, we expect to see more countries passing similarly progressive regulations, further accelerating New Category product growth.

We believe a stakeholder-inclusive, whole-of-society dialogue that includes regulators, policymakers, consumers and the industry is key to developing effective policies that can accelerate tobacco harm reduction as fast as possible. Any regulation around New Category products should be founded in science, not opinion.

Everywhere we operate, we want to see the standards we hold ourselves to become the industry benchmark and the basis for future regulation. That's why we share our approach, information and expertise with industry groups, governmental technical advisory committees, standards bodies and other key stakeholders.

To achieve this goal, we engage with task forces, such as those of CORESTA, an organisation that promotes international cooperation in tobacco science, and make presentations on the global implications of product standards at conferences such as those of the Food and Drug Law Institute (FDLI) and the Global Tobacco and Nicotine Forum (GTNF).

We contribute to the development of international standards by working bodies such as the British Standards Institute (BSI), the International Organization for Standardization (ISO) and the European Committee for Standardization (CEN), which we have collaborated with on new vaping standards.

50m and 25m

An estimated 50 million vapour consumers and 25 million THP consumers around the world

 Find out more about our youth access prevention activities on [page 97](#).

⁵ Public Health England (2019). 'Tobacco control legislation for United Kingdom Overseas Territories.'

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

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

How We Think New Category Products Should Be Regulated

We are not against regulation of New Category products. In fact, we believe good regulation is critical for creating a fertile ground for responsible growth. We are engaged with stakeholders around the world to advocate for:



An evidence-based approach

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



Proportionate regulation

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



Freedom to innovate

to ensure products can evolve to meet changing consumer preferences.



Engagement, dialogue and communication

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



Responsible marketing freedoms

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

“Including e-cigarettes in the definition of smoking causes confusion and is increasingly unjustifiable in light of the evidence on health risks and their widespread use as an alternative to smoking. E-cigarettes contain no tobacco and should not be classified as a tobacco product.”

Public Health England⁵

SPOTLIGHT

Plant-Based Science and Cutting-Edge Research**A novel approach to a global challenge**

Our US biotech subsidiary, Kentucky BioProcessing (KBP), is a world leader in using plants to express, extract and purify proteins for use as vaccines and therapeutics for other diseases.

This advanced knowledge means KBP is uniquely positioned to develop a plant-based candidate vaccine for COVID-19

Since April 2020, we have completed pre-clinical testing, which showed the potential of the candidate vaccine to produce an immune response.

To develop the vaccine we are using innovative fast-growing plant-based technology that enables rapid production of the vaccine's active ingredients in around six weeks, compared to several months using conventional methods. This enhanced speed of production of the active ingredients has the potential to reduce the time between identifying new viruses and strains and vaccine development and deployment to those who need it. Another potential

advantage of our candidate COVID-19 vaccine is stability at room temperature, which, if the vaccine is licensed, could be a significant advantage for healthcare systems.

Commitment to science and innovation

In December 2020, KBP's Investigational New Drug Application was approved by the US Food and Drug Administration (FDA). KBP has now progressed into the first Phase I study of its COVID-19 vaccine candidate.

The study is designed to enroll a total of 180 healthy volunteers, who will be divided into two age cohorts: 18–49 and 50–70. As a company we have committed that should we be successful, we will make our vaccine available at not-for-profit during this pandemic. It is essential that during this global crisis, everyone who can is playing their part and working together to find a global solution. We believe that making it available at not-for-profit is the right thing to do.

KBP is also conducting a Phase I clinical study of its quadrivalent (four-strain) influenza vaccine candidate, which uses the same *nicotiana benthamiana* plant-based technology platform. With both vaccines reaching these important milestones, the science around tobacco-plant-based vaccine development and this unique platform continue to gain momentum.



Our New Categories Portfolio



Vapour Products*†

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

Our products

We launched our first vapour product – a Vype e-cigarette – in 2013 and today we are one of the world's leading vapour companies, with our Vuse and Vype brands.

The scientific evidence

There is growing consensus among public health bodies and academics that vapour products can have a significantly reduced risk compared to smoking.

For example, in the UK, Public Health England has published a series of reviews, drawing on the latest peer-reviewed literature, surveys and other reports. It concluded that **"based on current knowledge, vaping is at least 95% less harmful than smoking"**⁶.

This finding is supported by a wealth of other evidence reviews, studies and reports by public health bodies, regulators and academics in countries such as Australia, Canada, France and New Zealand.

27

Number of markets where our vapour products are sold

95%

fewer toxicants emitted by our vapour product, compared to cigarettes¹⁰

We recently published results from a clinical study on Vuse⁷. The study investigated the biochemical effects of switching completely from cigarettes to a Vuse vapour product. The global metabolomic profiles of smokers were assessed over a seven-day study period. The results suggested that those using Vuse had reduced toxicant exposure, reduced oxidative stress and potential improvements in vitamin metabolism within five days of completely switching from traditional cigarettes to Vuse.

“... e-cigarettes are substantially less harmful than smoking tobacco ... for smokers who find it difficult to quit smoking, vaping is the obvious next best option.”

Prof John Britton, Former Director of the UK Centre for Tobacco & Alcohol Studies⁹

“It is well accepted within the public health community that, while the precise long-term effects of vaping are unknown, it is nevertheless substantially safer than smoking traditional cigarettes.”

The Royal Society for Public Health⁸

ePen 3

We have carried out more than:

- 80 chemistry tests
- 35 biological tests

Vuse/Vype No. 1 in device sales in all Top 5 markets



Vype wins Product of the Year award

In 2020, the Vype ePod won the e-cigarette category in the UK's Product of the Year – the largest consumer survey about product innovation. That's the second consecutive year that Vype has won the category, after our success with the ePen 3 in 2019.

We are incredibly proud of our continued success. It highlights the strength of our New Category products pipeline and the expertise of our Research and development (R&D) team.

⁶ Public Health England (2018). 'Evidence review of e-cigarettes and heated tobacco products 2018'.

⁷ Gang Liu, PhD, Chi Jen Lin, PhD, Charles R Yates, PhD, G L Prasad, PhD Author Notes *Nicotine & Tobacco Research*, ntaa225, <https://doi.org/10.1093/ntr/ntaa225>

⁸ Royal Society for Public Health (2018). 'Health on the High Street: Running on empty'.

⁹ Prof John Britton, former Director of the UK Centre for Tobacco & Alcohol Studies and Consultant in Respiratory Medicine, University of Nottingham <https://www.sciencemediacentre.org/expert-reaction-to-committee-on-toxicity-report-on-ecigs/>

¹⁰ This product is not risk free and contains nicotine, an addictive substance. Comparison of smoke from a scientific standard reference cigarette (approximately 9 mg tar) and vapour from Vype ePen3 or Vuse ePen in terms of the average of the nine harmful components the World Health Organization (WHO) recommends to reduce in cigarette smoke.

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

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

Tobacco Heating Products*†

THPs heat tobacco to generate a nicotine-containing aerosol, with a tobacco taste, which the user inhales. Because the tobacco is heated instead of burned, the resulting aerosol comprises mainly water, glycerol, nicotine and tobacco flavours – dramatically different to cigarette smoke.

Our products

Our THPs are available under our flagship glo brand. Our range includes battery-powered devices that heat specially designed tobacco sticks.

glo

More than 100 scientists, designers, engineers, tobacco specialists and toxicologists helped design our THP.

We have carried out more than:

- 160 chemistry tests
- 70 biological tests

5.9%

glo has reached a 5.9% volume share of total nicotine in Japan

The scientific evidence

A year-long real-world study where people either continued to smoke, switched completely to glo or stopped smoking completely, delivered very promising data from the first three-month analysis. It is the first study to be able to show that in those people switching completely to glo, changes in a number of their key biomarkers, indicators of potential diseases, were similar to cessation.

Specifically, the research, which was published in *Nicotine & Tobacco Research*, found smokers who switched completely from smoking cigarettes to using glo substantially reduced their exposure to certain cigarette smoke toxicants. For many of the toxicants measured, the levels found in participants were similar to those in people that stopped using tobacco completely. The results were presented at scientific and media events in Japan and Korea.

We also welcome an increasing number of independent reports that are broadly aligned with our own findings.

90–95%

Recent studies we have conducted for glo show that emissions are reduced by 90–95%, toxicity by 95% and indoor air quality improved by 95%. In a recent study we have also been able to show that the change in assessed biomarkers from completely switching to glo was equivalent to smoking cessation.¹²

“Tests on heated tobacco carried out by the tobacco industry and scrutinised by the committee ... found a reduction of up to 90% in the number of toxic chemicals emitted by heated tobacco compared with combustible cigarettes.”

David Jones

MP and honorary life fellow of Cancer Research UK¹¹

20

Number of markets where our THPs are sold

Leading innovation

In 2020, we continued to expand our portfolio with the launch of glo Hyper and Neo demi-slimes. We went far beyond the traditional quantitative and qualitative studies as we radically re-engineered not just the glo range of products, but our entire way of working.

Our first step was to place consumers at the centre of the process, with insights gathered from thousands of consumers in person, across key markets. Each person's feedback informed how we optimised the filter feel, puff satisfaction and flavour sensation.

After over 75,000 prototype sticks, we landed on an experience that we knew resonated with the target consumer because it had been built in collaboration with them. The pivotal breakthrough was in harnessing our advanced induction heating technology, to unlock record heating times, delivered by our signature boost feature.

The 150-strong global community of engineers, product developers and operations teams came together across borders and time zones to build the Hyper device. It is designed to work with the new Neo demi-slimes range, which offer an elevated taste and the widest range of flavours in the market.

Launch feedback from key markets suggests consumers really like the new Neo stick format and the benefits that come from combination with the Hyper device.

¹¹ UK House of Commons Hansard, 26 June 2019, referencing Committee on Toxicity of Chemicals in Food, Consumer Products and the Environment (COT), Department of Health UK (2017). 'Statement on the toxicological evaluation of novel heat-not-burn tobacco products'.

¹² This product is not risk free and contains nicotine, an addictive substance. Comparison of smoke from a scientific standard reference cigarette (approximately 9 mg tar) and emissions from glo™, in terms of the average of the nine harmful components the World Health Organization recommends to reduce in cigarette smoke.

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

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

Modern Oral Products*†

In recent years, a new category of modern oral products has emerged. These come in the form of nicotine pouches that are placed under the lip so that nicotine can be absorbed by the body.

Our products

Our modern oral products are white in colour and contain high-purity nicotine, water and other high-quality food-grade ingredients, including eucalyptus and pine tree fibres, flavouring and sweeteners.

Originating in Scandinavia, Velo is now a leading global brand of nicotine pouches. These typically appeal to a broader audience than traditional oral tobacco, and because of their affordability and lack of batteries, they can be particularly popular in low- to middle-income countries. For example, our subsidiary in Indonesia has delivered great results from its expansion activities in Jakarta. Following a promising performance in June 2020, the test has been expanded to 5,000 consumers, who are being closely monitored to gain consumer insights to be used on wider rollout plans.

We are also delivering a step change in modern oral manufacturing. Truly living our ethos, our modern oral factory in Pécs put together a bold plan.

With quality, production, engineering and environmental, health and safety (EHS) teams delivering technical changes and process improvements, Pécs became the first site in BAT's history to obtain the ISO 22000 certification for food safety standards.

The scientific evidence

There is a wealth of epidemiological evidence from Sweden, spanning many decades, that shows that use of snus, a type of traditional oral tobacco, is considerably less risky than smoking. In 2019, the US FDA approved a Modified Risk Tobacco Product (MRTTP) Application by Swedish Match that provided evidence that showed that switching completely from cigarettes to those snus products could significantly lower the risks of mouth cancer, heart disease, lung cancer, stroke, emphysema and chronic bronchitis¹³.

Our own chemical studies show that our modern oral products have even fewer and lower levels of toxicants than snus. Our toxicological studies show that the effect of this is to have even lower toxicological impact on human cells than snus. We are confident that further research will confirm our findings.

Findings from a recent study of Velo found it to be less biologically active than cigarette smoke and snus, even at greater

concentrations of nicotine, across a range of tests. In many cases, Velo didn't elicit a biological response at all, supporting the view that modern oral products are likely to be less risky than traditional cigarettes and Swedish-style snus for users who switch completely¹⁴.

Traditional Oral Products

We also sell a range of traditional oral products, including Swedish-style snus and American moist snuff, available in loose tobacco form or as prepacked pouches. We have long sold snus in Sweden and Norway through our Fiedler & Lundgren business, whose brands include Granit and Mocca, and in the US we market snus under the Camel brand. Our American moist snuff products include our flagship Grizzly brand, as well as the premium moist snuff brand Kodiak.

The MRTTP Applications for Camel Snus were discussed by the Tobacco Products Scientific Advisory Committee in September 2018. We continue to work closely with the FDA, which announced in December 2020 that it had reopened the comment period after our filing of additional information.

Clear market leader with 71% volume share of Modern Oral in the key markets¹⁵

23

Number of markets where our modern oral products are sold

“ST [smokeless tobacco] products are much cleaner and less hazardous than cigarettes. Their use could reduce harm to smokers if they switched entirely to these products. This appears to be the case with snus use in Sweden.”

Professor Neal Benowitz
Professor of Medicine at the University of California, San Francisco¹⁶

¹³ <https://www.fda.gov/news-events/press-announcements/fda-grants-first-ever-modified-risk-orders-eight-smokeless-tobacco-products> (accessed March 2020).

¹⁴ Bishop E, East N, Bozhilova S, Santopietro S, Smart D, Taylor M, Meredith S, Baxter A, Breheny D, Thorne D, Gaca M, An approach for the extract generation and toxicological assessment of tobacco-free 'modern' oral nicotine pouches, *Food and Chemical Toxicology*, Volume 145, 2020, 111713, ISSN 0278-6915, <https://doi.org/10.1016/j.fct.2020.111713>.

¹⁵ This relates to Europe and North Africa area, and key markets include Norway, Sweden, Denmark, Switzerland and Germany.

¹⁶ Benowitz, N. L. (2011). 'Smokeless Tobacco as a Nicotine Delivery Device: Harm or Harm Reduction?' *Clinical Pharmacology & Therapeutics* 90, no.4: 491–93. doi:10.1038/clpt.2011.191.

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

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

Our Strategy for Accelerated Growth

Already, non-combustible alternatives*† to cigarettes account for 10% of our revenue. These products have a large and growing worldwide consumer base – around 13.5 million in 2020.

We are proud of what we have already achieved. But to accelerate our harm reduction work and deliver on our purpose, we need to go further.

Driving innovation and enabling consumer choice continue to be key priorities. In 2020, we invested an additional £426 million in New Categories. While COVID-19 has disrupted our supply chains, our business and partners have shown remarkable resilience, and we are making strong progress against our growth target.

In 2020, we grew our New Categories business by 15% to £1.4 billion¹⁷

We aim to

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

¹⁷ At current rates of exchange.

¹⁸ Based on World Bank data (2018) measuring smoking prevalence as a percentage of the total adult population. The 19 countries and smoking rates are: Serbia (40.6%), Greece (39.1%), Bulgaria (38.9%), Indonesia (37.9%), Cyprus (36.7%), Croatia (36.6%), France (34.6%), Slovakia (32.3%), Czech Republic (31.5%), South Africa (31.4%), Hungary (30.6%), Estonia (30.5%), Austria (29.1%), Sweden (28.8%), Russia (28.3%), Germany (28%), Spain (27.9%), Belarus (26.6%) and Poland (26%). <https://data.worldbank.org/indicator/SH.PRVS.MOK> (accessed February 2021).

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

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

Opportunities for growth

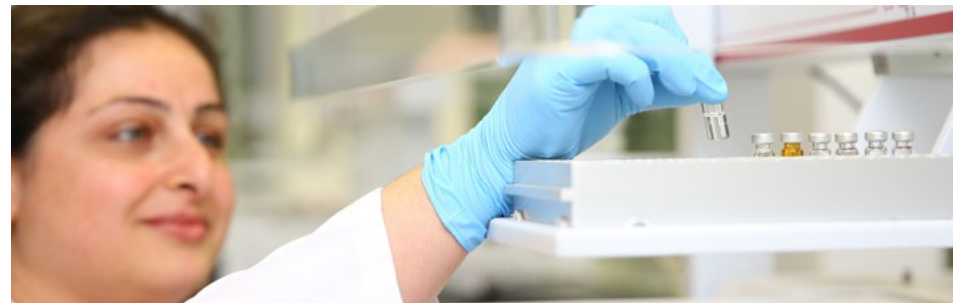
- New Category products have grown rapidly across the world, with a global market estimated at 50 million vapour consumers and 25 million THP consumers.
- With the right regulation supported by technological innovation, we expect that growth of New Category products will continue to accelerate.

More innovation, greater choice

- Consumer preferences and technology are evolving rapidly. To stay ahead of the curve we are building new science and innovation capabilities around the world.
- We are strengthening our world-class R&D capabilities through our partnerships, such as with McLaren Applied, which is enhancing our future product pipeline.
- Our new corporate ventures team will also accelerate the creation, development and commercialisation of new innovations.

Growing reach and availability

- Of the 50+ markets where our New Category products are currently available, 19 are among the top 50 countries with the highest smoking prevalence globally.¹⁸
- We are committed to expanding to further markets as quickly as we can.
- We prioritise markets with the right regulatory frameworks and where there is consumer awareness and demand. For example, our subsidiary in Indonesia has delivered great results from its expansion activities in Jakarta.



SPOTLIGHT

Growing Need for Robust Science and Accessible Communications

The future of tobacco harm reduction has always depended on robust science, and for this to be accessible to wider audiences outside the scientific community. This need is growing stronger than ever – with a number of cases of acute lung diseases among vapers reported in the US in 2019 (referred to as EVALI), consumers want to be clear on the risk profile of these products. In addition, consumer perceptions of nicotine are evolving, with many consumers over-estimating the risks associated with nicotine generally.

This also demonstrates the importance of having, and enforcing, robust and effective regulations that ensure high product standards and prevent access and appeal to youth – things we have long advocated. Robust science has to be at the centre of any regulatory development and engagement.

That's why we welcomed the US Food and Drug Administration's (FDA) previously announced requirement to submit Premarket Tobacco Product Applications (PMTAs).

PMTAs are based on a summary of all research findings to demonstrate that the products meet the FDA's criteria as "appropriate for the protection of the public health". We filed PMTAs for four Vuse products (and our modern oral Velo portfolio) ahead of the deadline of 9 September 2020 and have continued to work with the FDA throughout the implementation of this new regulatory framework. While COVID-19 has caused some delays, we expect to hear more on their progress over the course of 2021.

Each of our applications consists of between 100,000 and 150,000 pages, with over 150 employees contributing to each one. They represent a major milestone for us, and include results from numerous clinical, non-clinical and behavioural research studies; chemical analyses; and toxicological reviews of individual ingredients. Detailed information on product design, operation and manufacturing is also included.

In the US, we believe all of our Vuse (and Velo) products will be shown to be appropriate for the protection of public health, and we expect to receive progress updates related to our PMTA submissions over the course of 2021.

Our 2020 Progress and Performance

Today, 13.5 million consumers regularly use one of our non-combustible products*† across over 50 markets. And we are expanding to further markets as quickly as we can.

The global COVID-19 pandemic caused some disruptions. These included product, sales or supply chains restrictions, and the restriction in sales of vapour products in 2020 in South Africa in response to COVID-19. Despite these, we are proud of the resilience our teams on the ground have demonstrated to continue delivery.

The pandemic also impacted our consumer-activation plans in some key markets

including Japan, the US and Europe. Even under these challenging circumstances, we continued to deliver against our strategy and grew our New Categories business by 15%.

In 2019, we announced our plans to simplify the New Categories portfolio by consolidating all our products under flagship brands Vuse, glo and Velo. We made good progress, but the disruption caused by COVID-19 means we have had to defer those plans until 2021 in a number of markets.

Pilot schemes in emerging markets are ongoing, with initial encouraging results in Pakistan and Indonesia. In Kenya, we

have temporarily suspended sales due to local regulatory challenges and continue to engage with the local authorities.

In the US, we strengthened our portfolio of modern oral products by the acquisition of certain assets from Dryft, with national roll-out continuing in early 2021.

We are proud of how much we have already achieved, but there is more to do. We will accelerate our progress to generate a larger proportion of our revenue from products other than cigarettes, in turn reducing the health impact of our business.

Revenue breakdown across non-combustible products, by category¹⁹

	2020 £m	vs 2019
Vapour	615	+53.4%
Tobacco Heating Products	636	-12.7%
Modern Oral	198	+57.1%
Traditional Oral	1,165	+7.7%



¹⁹ In constant currency.

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

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

Resourceful

A Greener Tomorrow

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

In 2020:

37.4%

reduction in direct carbon emissions since 2017

22.5%

less water use since 2017

99%

of wood used by our contracted farmers for curing are from sustainable sources since 2016

In this chapter

39 Our Environmental Priorities

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52 Waste

58 Biodiversity and Afforestation

Our Environmental Priorities

Our approach to our priority focus areas is summarised here. These priority focus areas are outlined in our Sustainability Agenda and are at the heart of how we are delivering A Better Tomorrow™.



Climate Change

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

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

See more carbon reduction and renewable energy targets on page 42.

Our management approach

Our operations: We are minimising our climate impact and preparing our business to mitigate risks. This includes sourcing renewable energy, pursuing ambitious science-based targets and setting a shadow internal carbon price.

Our supply chain: We support our contracted farmers in adopting more sustainable agriculture techniques, and less carbon intensive curing methods. We are also engaging direct material suppliers that represent a significant proportion of our Scope 3 emissions. This will help us improve reporting accuracy and identify reduction opportunities.

Our policies and standards

- [Group Environmental Policy](#)
- Climate and Energy Efficiency Standard
- Environmental Aspects and Impacts Standard

- [Supplier Code of Conduct](#)
- [Sustainable Tobacco Programme](#)
- [Leaf Supplier Manual](#)
- [Thrive programme](#)



Water

Access to safe water and sanitation is a fundamental human right. As water-scarcity risks may increase with the changing climate, we must drive water efficiencies across the value chain.

By 2025, we aim to reduce the total amount of water we withdraw by 35% for our own operations.

See more water-related targets on page 51.

Our management approach

Our operations: We conduct water stewardship assessments across our factories and sites. We take a holistic approach, from assessing each site's water risk to finding process improvements and recycling water.

Our supply chain: Water risks are more material for our tobacco suppliers. That's why we roll out water-efficient technologies to our contracted farmers and expect our third-party suppliers to adopt a similar approach. We also support community projects that provide access to clean water and sanitation.

Our policies and standards

- [Group Environmental Policy](#)
- Environmental Aspects and Impacts Standard
- Water Security Standard
- Soil and Groundwater Protection Standard

- [Supplier Code of Conduct](#)
- [Sustainable Tobacco Programme](#)
- [Leaf Supplier Manual](#)
- [Thrive programme](#)





Waste

Circularity is at the heart of how we manage resources. From minimising operational waste to innovative New Category product designs, we are addressing a growing global concern about plastic and other waste.

By 2025, 100% of our plastic packaging will be reusable, recyclable or compostable.

See our operational and other plastic waste targets on pages 52–54, 57, 60.

Our management approach

Our operations: We apply the circular economy principle to all our operations – from the design of our New Category products and eliminating unnecessary single-use plastics to eliminating waste sent to landfill.

Our supply chain: We work with our suppliers on alternative materials and design to help reduce their environmental impact. We also collaborate with governments and consumers to support proper disposal of waste.

Our policies and standards

- Our operations:**
- [Group Environmental Policy](#)
 - [Group Position on Circular Economy](#)
 - Environmental Aspects and Impacts Standard
 - Downstream Waste Treatment and Reverse Logistics Standard

- Our supply chain:**
- [Supplier Code of Conduct](#)
 - [Group Position on Circular Economy](#)



Biodiversity and Afforestation

Our business now and in the future depends on biodiversity and natural resources. Sustainable agriculture practices help farming communities thrive and defend against deforestation and other environmental degradation.

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

Our management approach

Our operations: Through our wider community-based initiatives, we support afforestation, biodiversity and environmental conservation programmes. We only source paper and board from reputable suppliers, many of which are certified to Forest Stewardship Council or Programme for the Endorsement of Forest Certification standards.

Our supply chain: We have a proud history of advancing sustainable agriculture. We help our contracted farmers to deploy techniques that help reduce agrochemical use and promote crop diversity. These include drip irrigation and integrated pest management. We have also rolled out innovative curing technologies and aim for all our contracted farmers to use sustainable wood for curing fuels.

Our policies and standards

- Our operations:**
- [Group Biodiversity Statement](#)

- Our supply chain:**
- [Supplier Code of Conduct](#)
 - [Sustainable Tobacco Programme](#)
 - [Leaf Supplier Manual](#)
 - [Thrive programme](#)
 - Standards for Organic Tobacco Production



Tackling Climate Change

Our Approach at a Glance

Addressing climate risks and opportunities across our value chain is key to the sustainability of our business. We have set ourselves an ambitious target to reach carbon neutrality by 2030 for our operations, and are already making great progress through:

- Improving the energy efficiency of our factories, such as by upgrading to more efficient and lower-impact equipment;
- Increasing our use of renewable energy through renewable energy purchases and on-site energy-generation projects; and
- Optimising our logistics and fleet, such as through improving vehicle performance and fuel efficiency.

Given our supply chain (Scope 3) emissions represent around 90% of our total carbon footprint, we are engaging with our largest direct product materials suppliers and conducting climate change impact assessments for our major tobacco-leaf-sourcing countries. We have also set ourselves a new stretching target for carbon neutrality for our Scope 3 emissions by 2050.



Why Tackling Climate Change Matters

Climate change impacts will be felt more strongly in the coming years. This can impact the natural environment and communities in which we operate, as well as our business and our supply chain. To secure access to natural resources, we need to build a climate-resilient business and work with our suppliers closely to address any risks arising from climate change.

These risks are increasingly getting more complex, with potential impacts on crop yields, disruption to distribution networks and the livelihoods of communities, and reduced access to drinking water – a fundamental human right. While some impacts of climate change will be common everywhere, it is essential we understand and manage localised risks. Supporting people in our supply chain and preparing for the future are vital aspects of our business's sustainability.

Policies and Accountability

Our **Environmental Policy** outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

We have a well-established **Environment, Health and Safety (EHS) management system** based on international standards, including ISO 14001, which supports the implementation of the overarching Environmental Policy.

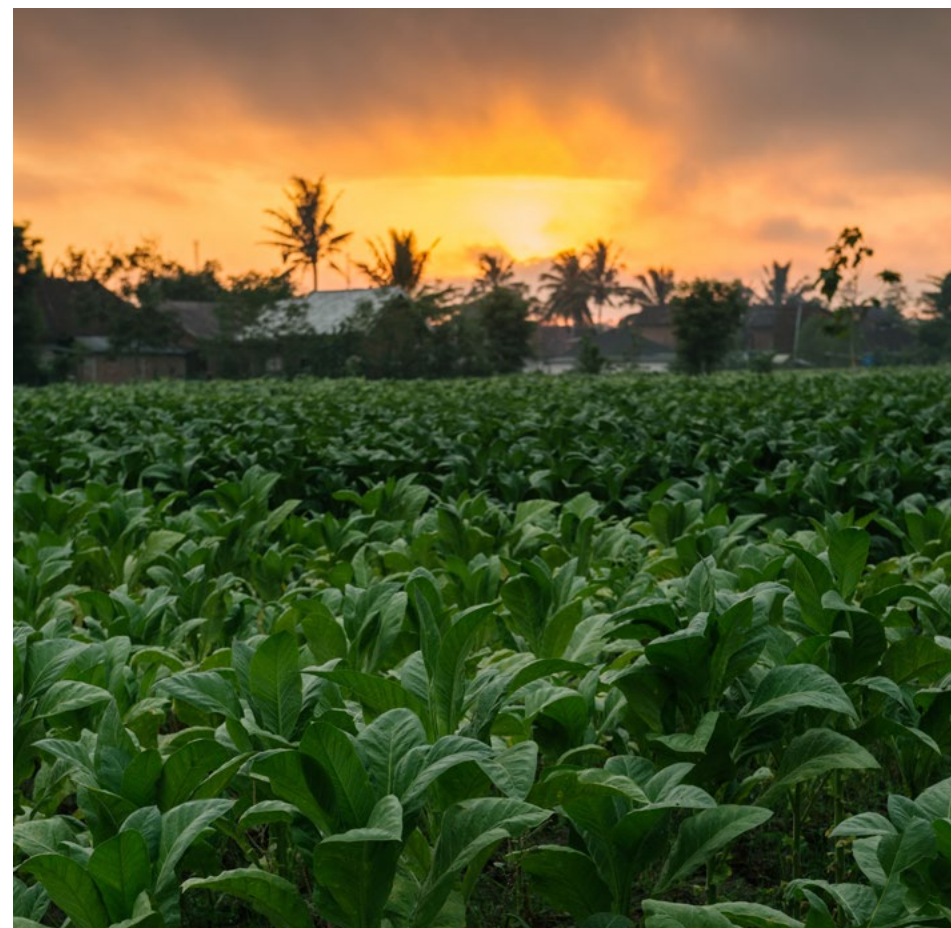
Our **Supplier Code of Conduct** defines the minimum standards expected of our suppliers and is incorporated into our contractual arrangements.

[+](#) For more details about these, see [pages 112–119](#).

The Board reviews Group performance against our environmental targets twice a year. In 2019, the Board endorsed plans for enhanced climate change reporting, and we will fully align our 2021 reporting with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

[+](#) [Find out more about our TCFD disclosures on page 48.](#)

We also have a suite of issue-specific standards, including our Climate Change and Energy Standard. We launched this standard in 2019 to support our markets in implementing five-year energy plans and increase our renewable energy use. The Standard aims to accelerate our progress, with clear guidance on implementing renewable energy opportunities.



Our Management Approach

As we transform our business to build A Better Tomorrow™, we have accelerated our previous science-based targets for reducing our carbon emissions and set ourselves a bold target to be carbon neutral by 2030 for our business activities.

Driving environmental excellence and delivering against robust carbon-reduction targets have been a focus for us since 2000. Still, we know a bold ambition requires an accelerated approach to emissions reduction and adopting various climate solutions.

We are already stepping up on-site energy generation and purchasing more renewable energy. This year, we also expanded our carbon neutrality target to cover our Scope 3 emissions by 2050. Our carbon neutrality targets are supported by our accelerated target to reduce Scope 1 and 2 emissions by 50% by 2025, and our new target to reduce Scope 1, 2 and 3 emissions by 30% by 2030.

We aim to

be **carbon neutral** for Scope 1 and 2 emissions by 2030, and Scope 3 emissions by 2050

We aim to

source 100% renewable electricity in operations sites by 2030

To ensure our targets reflect best practice, in 2021, we will review our climate-related targets. Our ambition is to fully align with a 1.5 degree pathway and the latest methodology of the Science Based Targets initiative.

Our strengthened climate strategy



Our Management Approach (continued)

Decarbonising our business activities

We use energy efficiency assessments to identify opportunities to reduce emissions, such as by installing on-site energy generation and buying renewable electricity. We already have a strong portfolio of low-carbon energy solutions and we continue to build on it. For example, in 2020, we delivered on-site solar energy generation at our factories in eight countries. These include Brazil, South Africa and Pakistan, with new installations planned for two more sites in 2021.

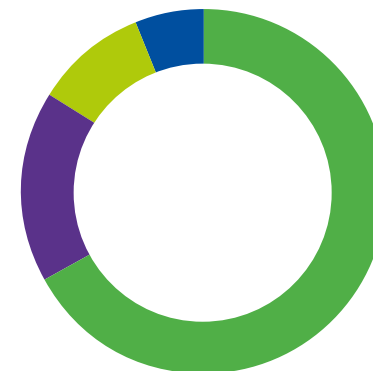
As we accelerate our efforts, we are formalising a requirement in our Climate and Energy Efficiency Standard for carbon-impact calculations to be done for all capital expenditure engineering proposals. We have also introduced a nominal internal carbon price to elevate climate change impact as a core consideration – alongside financial and quality criteria – in line with TCFD requirements.

We continue to optimise our logistics and fleet. Some of our key initiatives include improving vehicle performance and fuel efficiency. Each of our vehicles has a telematic system that monitors driver behaviour and alerts both the driver and management to any driving patterns that consume excessive fuel (and may also be risky).

We have already started introducing hybrid or green vehicles in a selection of markets. These include fully electric vehicles in Colombia, and hybrid vehicles in Mexico and Malaysia, used in our trade marketing and distribution. We will continue to progress this as recharging infrastructure becomes more readily available and accessible across the globe.

We are also training our Procurement department to enable them to identify low-carbon decision-making opportunities that will help reduce carbon emissions in our supply chain.

Overview of our Scope 1 and 2 carbon emissions



Factories	67%
Fleet	17%
Commercial sites	10%
Green leaf threshing sites	6%

SPOTLIGHT

Enabling Low-Carbon Decision-Making

In response to global efforts to combat climate change, carbon pricing has emerged as one of the tools that can be used to support and promote low-carbon decision-making.

At BAT, we operate in some countries where carbon pricing already exists or where it affects our cost of operations, and we expect this trend to continue.

To deliver on our promise of putting sustainability front and centre, we have introduced a shadow internal carbon price to enable sites to consider

the carbon-intensity implications of investment and purchasing decisions around utilities and fleet. This includes capital expenditure for on-site generation projects and route-to-market strategies.

The shadow internal carbon price complements each site's existing decarbonisation plan, each of which already incorporates energy-efficiency measures and green power purchases.

To support our roadmap for carbon neutrality for our business activities by 2030, we plan to introduce shadow internal carbon pricing beyond utilities and fleet to all business decisions.

Our Roadmap to a Green Fleet

1. We optimise our transport routes.
2. We have telemetry in all our vehicles, helping drivers to champion both safety and fuel efficiency.
3. We continue to review vehicle requirements and encourage our purchasing functions to prioritise hybrid or lower-emission alternatives.
4. We are working towards enabling low-carbon decision-making through a shadow internal carbon price.
5. We have already started introducing hybrid and electric vehicles in our trade fleet. We are also considering offering these as part our employee benefits programme.

Our Management Approach (continued)

Decarbonising our supply chain

With our Scope 3 emissions representing around 90% of our total carbon footprint, addressing impacts in our supply chain is crucial for building a climate-resilient business.

In our **tobacco supply chain**, which represents 32% of our Scope 3 emissions, we are helping our contracted farmers to reduce emissions through more efficient curing technologies, smarter use of fertilisers and increasing yields. These all contribute to reduced emissions.

We also provide guidance and techniques on preserving soil and water health, such as crop rotation, mulching, green manure, irrigation, drainage and the reduced use of pesticides, as well as reducing water use through new techniques and technologies, such as drip irrigation.

Our global leaf agronomy centre continues to develop innovative curing technologies and a range of alternative fuels that help reduce the carbon impact of our contracted farmers:

- **Improving energy efficiency:** Upgrading curing barns to automated 'loose leaf' models can enable at least a 30% reduction in fuel use. These innovative curing technologies have now been introduced to our contracted farmers in five countries. For example, in Brazil, 77% of our contracted farmers benefit from this technology. It not only makes the curing process more efficient, but also is 50% less labour intensive for farmers. In addition, how the land is prepared for growing crops and fertiliser application techniques can reduce carbon emissions.

In Sri Lanka, where the farmers already had sustainable sources of curing fuel, implementing an automated leaf feeder has delivered a 37% reduction in fuel use in the first year of trial. This also helps reduce farmers' operating costs.

- **Using a range of alternative and more sustainable fuels:** This includes using sugarcane bagasse briquettes in Kenya; jute sticks, rice husk briquettes and other agricultural waste in Bangladesh; candle nut shells in Indonesia; and rice paddy husks in Sri Lanka and Vietnam.
- **Eliminating use of non-renewable fuels used in curing:** with particular focus on removing the use of coal for curing. For example, our strategic supplier in Zimbabwe is working to shift their farmers from reliance on coal to the use of sustainable wood over a three-year period.

[Find out more on our climate scenario analysis and how we are assessing potential impact of climate risks on our tobacco supply chain on page 46.](#)

In our **supply chain beyond tobacco**, emissions from purchased goods and services represent 27% of our Scope 3 emissions. Currently, we are engaging with our largest direct product materials suppliers to raise awareness of the need to reduce carbon emissions in our supply chain and help us more accurately calculate Scope 3 emission reductions associated with the materials we purchase.

To further our supplier engagement on climate change and other environmental issues, we plan to start conducting environmental audits. By 2025, we are aiming for all our high risk suppliers of product materials to have undergone at least one independent environmental audit within a three-year cycle.

Decarbonising our products

We have adopted a Group-wide approach to accounting for the carbon and materials impact of our products. We have conducted life cycle assessments (LCAs) across a number of our key products in each product category – including cigarettes and New Category products. These assessments have already enabled us to identify key areas to focus on to reduce our Scope 3 carbon emissions, including optimising freight and moving to sea freight with lower emissions where possible.

LCAs are now adopted as a key stage in our new-product-development processes for all of our product categories. These also feed into the wider circular economy metrics we use to measure the environmental sustainability of our products, set targets and drive continuous improvement.

[Find out more about our approach to driving the environmental sustainability of our products on pages 52–57.](#)



Our Management Approach (continued)

Governance of our climate strategy



Board of Directors: Our Scope 1 and 2 carbon neutrality and other environmental targets have been endorsed by our Board. We report progress against these targets to the Board twice a year.

The **Audit Committee** of our Board reviews specific risks and their mitigations, including climate change, as noted on [page 48](#). The Committee is updated on stakeholder expectations for climate change reporting. In 2020, the risk topics considered by the Committee included risk in relation to

climate change and its impact on the Group, to ensure robust processes are in place to manage both physical and transition risks from climate change, and in recognition of a new risk relating to climate change in the Group's Risk Register.

Management Board: The Operations Director is responsible for overseeing the delivery of our environmental targets. Relevant Management Board Directors regularly review our climate change and environmental performance.

Operational level: All sites report performance on a monthly basis; this is monitored by our central EHS function. Performance against carbon neutrality and other environmental targets, as well as any major non-compliances with our environmental standards, are reviewed regularly by our **Operations Sustainability Forum**.

The Group Head of EHS has overall responsibility at the operational level for delivery of our climate change targets. Members of the Forum (as outlined in the

infographic above) jointly work together to ensure timely delivery.

The Group Risk Management Committee reviews the impact of major acquisitions on sustainability and climate change.

We also run a management-level **Innovations Committee** with our global category brand managers helping us to incorporate consumer input and insights from external stakeholders. This helps BAT in developing products with improved climate impacts.

Our Management Approach (continued)

Climate-related risks

Identifying climate-related risks

In early 2020, we updated our Group Risk Register to incorporate transition risks of climate change as a principal risk to be mitigated. To support the Group-wide review of level of risk and potential financial impact, we commissioned an independent study on the risks of climate change on tobacco leaf growing to model material risks to the Group up to 2050.

Aligned with the UN Intergovernmental Panel on Climate Change (IPCC) methodology, we commissioned a study of physical and transition risks and opportunities for 10 of our key tobacco-growing markets. Firstly, climate-related risks to tobacco-growing conditions were assessed based on two scenarios, examining the impact of possible changes in temperature, rain and water balance in the soil.

We are now building on the findings of the first phase. In this second phase, we are assessing any potential impact of the climate-related risks on crop yields, the

cost of and access to tobacco supply, and farmer livelihoods in each of the 10 countries. We expect to complete this in the first half of 2021.

The findings will then enable us to build bespoke mitigation plans for each country, with recommendations around agricultural best practice techniques. These would include soil management, seed development, adjusting crop calendars and irrigation solutions. We will continue to assess and manage any long-term business impacts and to support our contracted farmers and their communities.

We have updated and expanded our internal environmental reporting tool to capture climate change risks and opportunities from our reporting sites. The analysis covers both physical (acute and chronic) risks as well as transition risks (related to regulatory, policy and market changes, among others) and opportunities, such as efficiency gains and demand for low-carbon products.

We are now conducting the second phase of this analysis, and once it is concluded we will report on any material financial impact. In financial terms, substantive risk would be defined as any risk that could lead to revenue impacts of 1% or more.


Managing climate-related risks


To effectively manage climate-related risks, we leverage input from various functions within the business. These include EHS, Leaf, Product Development, Manufacturing, Procurement, Finance and Marketing.

At the Group level, specific responsibility for managing each identified risk is allocated to a member of the Management Board. The Group Risk Register is reviewed regularly by a committee of senior managers, chaired by the Finance and Transformation Director. In addition, it is reviewed annually by the Board, and twice yearly by the Audit Committee. The Board and the Audit Committee review changes in the status of identified risks.

Metrics and targets

Each BAT site has a set of environmental performance targets, in line with our global targets. Each end market's general manager has the ultimate responsibility for the site performance delivery in their market. These would be incorporated in their personal objectives, and can have an impact on their performance-based incentives.

 Find out more about executive remuneration and ESG performance on [page 103](#).

 Find out more about our wider ESG disclosures against leading reporting frameworks at bat.com/sustainabilityreport.

Climate Risk Review for Our Tobacco Supply Chain

Phase 1 (concluded)

Climate risk and scenarios analysis: regional temperature behaviour over time, precipitation and soil water levels (surplus or deficit) were assessed and risks calculated relative to favourable growing conditions.

The review was conducted in line with Representative Concentration Pathways (RCP) 2.6 and 8.5 – greenhouse gas concentration trajectories adopted by the UN IPCC. Two scenarios were considered:

A global temperature rise below

2°C

(as per RCP 2.6)

and around

4°C

(as per RCP 8.5)

The outcomes were detailed maps of climate-related risks to tobacco-growing conditions in relation to temperature, rain and soil water balance for 10 of our key tobacco-growing markets.

Phase 2 (to complete in 2021)

We are assessing the impact of crop yields and any associated financial impact of each climate scenario, helping us determine the highest-risk countries and develop specific mitigation plans.

We continue to apply the IPCC methodology. This will help us ensure that the scenario predictions will be accurate, reliable, verifiable and objective, and that the recommended mitigation actions will be impactful and cost effective, and reflect agricultural best-practice techniques.

Our 2020 Progress and Performance

In 2020, we made notable progress towards our carbon neutrality target.

While our energy use continued to decrease in 2020, we recognise this is driven by engineering and efficiency improvements at our factories, such as boiler overhauls and LED lighting installations, as well as reduced production volumes and a reduced number of people in some sites due to COVID-19. We anticipate the return to on-site working in 2021 may lead to a slight increase in our carbon emissions and energy use next year. Still, we remain on track for delivering against our carbon neutrality target.

We continued to digitally transform manufacturing in order to reduce tobacco and other waste, lessen energy usage,

limit stoppages to production and save personnel time. A range of scalable solutions support this focus, including advanced analytics, machine learning, robotic process automation, remote virtual engineering and smart infrastructure services. This transformation delivers a multitude of benefits, from a 5–10% reduction in waste to a smaller carbon footprint, lower utility costs and a significant reduction in costly stoppages, while saving thousands of working hours.

We also continued to deploy our energy-conservation daily management system – a key element of our Integrated Work Systems (IWS), a resource management system aimed at identifying and eliminating losses in factory processes.

Further reductions in carbon emissions have been driven by increasing renewable

energy sourcing in nine countries, including the US, Brazil and Romania, increased use of biodiesel in Brazil and on-site solar panels installed in for the first time in seven sites, while two sites significantly expanded their solar energy generation. We are also proud that three of our major sites are already going through external certification for carbon neutrality.

In addition, we have made improvements in energy use for both our owned and leased fleet vehicles. These include changes to distribution routes and models in Indonesia, Brazil and Turkey, and improved itinerary planning in the US.

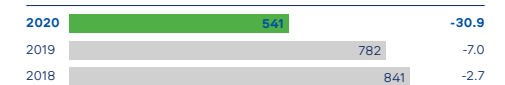
Reduction in our Scope 3 emissions was driven by a reduction in purchase volume and decreases in fuel use for tobacco leaf curing.

Scope 1 and 2 CO₂e emissions

37.4% lower than 2017 baseline

Target: Reduce our absolute Scope 1 and 2 CO₂e emissions by 50% by 2025, and achieve carbon neutrality by 2030.

(*'000 tonnes)

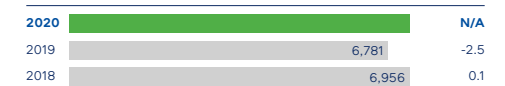


Scope 3 CO₂e emissions

2.5% lower than 2017 baseline

Target: Reduce Scope 1, 2 and 3 emissions by 30% 2030, and achieve carbon neutrality by 2050.

(*'000 tonnes)

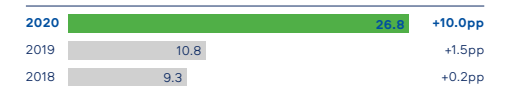



Renewable energy


26.8% of our total direct energy use in 2020 was from renewable sources¹

Target: Increase the amount of renewable energy we source to 30% by 2025.

(as a % of total direct energy use)



 Data definition and scope are outlined on pages 126–127.

 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.



We are honoured to be named on CDP's prestigious A List for climate change. This recognises our actions to cut emissions, mitigate climate risks and develop the low-carbon economy, based on the data we submitted to CDP's 2020 climate change questionnaire. BAT is one of the 273 top-performing companies out of over 5,800 that were scored.

We were once again included on CDP's Supplier Engagement Leaderboard. This recognises our actions to engage our suppliers to manage climate risk and reduce carbon emissions in our supply chain.



¹ In 2020, our total direct energy consumption was 2,568 GWh, and renewable energy use was 688 GWh.

Aligning Our Climate Disclosures With TCFD

We recognise the importance of providing consistent and reliable climate-related information to investors and other stakeholders.

We are in the process of fully aligning our reporting with the TCFD framework for FY 2021. This year, for the first time,

we have included a 'TCFD alignment at a glance' feature in our report, and have expanded both our management approach and disclosures.

In 2019, we commissioned an analysis of our readiness to align with the TCFD

framework. While the assessment concluded that we perform well across criteria such as governance and targets, further work is needed to better quantify climate change risks and to better incorporate climate change into Group risk assessment processes.

We have worked to address many of these gaps in 2020 and have already commissioned climate scenario assessments to help define material climate change risks.

TCFD	BAT's progress	See page
Governance	<ul style="list-style-type: none"> The Board approves environmental targets, including in relation to climate change, and, with the Audit Committee, reviews climate change risks and impact on the Group. The Board reviews progress against environmental targets twice a year. The Management Board is responsible for overseeing the implementation of Group Strategy and delivery against ESG performance metrics. Our carbon neutrality, water and waste reduction, and sustainable agriculture targets fall under the responsibility of the Operations Director. The Operations Sustainability Forum, led by the Operations Director, reviews performance on a quarterly basis. The Group Risk Management Committee reviews the impact of acquisitions on climate change risks. 	<u>45</u>
Disclose the organisation's governance around climate-related risks and opportunities.		<u>45</u>
Strategy	<ul style="list-style-type: none"> Strengthened our climate strategy focused on the environment, our supply chain and our people and culture. Climate scenario risk assessments conducted to two different climate scenarios including a 2-degree Celcius or lower scenario. The assessment is helping BAT identify most material climate-related risks and opportunities for the Group, and calculation of the resulting financial risk is ongoing. Significant climate risks to tobacco-growing conditions identified as a result of climate change with a comprehensive action plan to address risks being developed. Already, BAT has developed and rolled out innovative curing technologies that reduce carbon emissions to contracted farmers in five countries. 	<u>42</u>
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.		<u>46</u>
Risk management	<ul style="list-style-type: none"> Modelled material risks to the Group up to 2050, covering physical risks for 10 tobacco-growing markets, with transition risks being reviewed in 2021. Local short- to medium-term risk-prevention and -mitigation assessments performed at least twice a year. Group Risk Register includes both physical and transition risks of climate change as risks to the Group, and is reviewed regularly by senior managers. Expanded internal environmental reporting tool to capture climate change physical and transition risks and opportunities. 	<u>46</u>
Disclose how the organisation identifies, assesses, and manages climate-related risks.		<u>46</u>
Metrics and targets	<ul style="list-style-type: none"> Greenhouse gas (GHG) emissions and energy use are the primary climate change metrics for BAT. Other climate-related metrics are water use and waste management. Targets to reduce Scope 1, 2 and 3 emissions, including encouraging supply chain to set own targets. Introduced a shadow internal carbon price to facilitate certain operational decisions. 	<u>47</u>
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.		<u>51, 57</u>
		<u>47</u>
		<u>43</u>

Innovating for Water Stewardship

Our Approach at a Glance

We have a long-established approach to driving water stewardship across our own operations and tobacco supply chain.

While our industry is not particularly water intensive, with the changing climate, water scarcity is a growing concern. We need to make informed, risk-based decisions to effectively manage this essential natural resource.

We are further strengthening how we review water risk across our value chain, in line with best practice standards.

We are using water much more efficiently in our sites.

And with our world-class global leaf agronomy centre, we are driving innovation and rolling out sustainable farming practices for our contracted farmers.



Why Water Stewardship Matters

As global concerns grow around the impact of climate change on access to water, its importance to our business and to the communities in which we operate continues to increase. It is both our responsibility and good business conduct to use water efficiently and to address our impacts. By making decisions with consideration for our water use and needs, we can address both our immediate footprint and the likely pressures on the business in the future.

Policies and Accountability

Our **Environmental Policy** sets out our commitment to environmental protection, adhering to principles of sustainable development and protecting biodiversity.

Our **Supplier Code of Conduct** defines the minimum standards expected of our suppliers and is incorporated into our contractual arrangements.

For our tobacco suppliers, this is complemented by our **Leaf Supplier Manual**. It includes requirements around agricultural practices, water protection planning and water extraction for irrigation that we expect our suppliers to follow.

The industry-wide **Sustainable Tobacco Programme (STP)** includes water and natural habitat criteria.

[+](#) For more details about these and other policies and programmes, see [pages 112–119](#).

For our own operations, these are supported by our **Water Security Standard** – aligned with CDP's requirements around managing water risk effectively – and **Soil and Groundwater Protection Standard**. These define the controls and standards required to prevent and protect against spillages and leakages that may contaminate the groundwater or soil.

Our Management Approach

Driving water stewardship in our own operations

Through our long-standing environmental management systems, we have been steadily decreasing water use and increasing water recycling for several years. As we already achieved our 2025 target this year, we have set an accelerated one.

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

- We are further assessing water risks through Alliance for Water Stewardship (AWS) pre-assessments – we established an initial assessment using the global benchmark AWS Standard 2.0. With the global COVID-19 pandemic, any initial visits planned have been postponed and we anticipate starting these as soon as site visits are possible.
- We delivered training on the AWS Standard 2.0 for EHS practitioners from most Operations sites, and plan to deliver further training to equip key regional teams as specialist assessors to support the Group in meeting the governance and compliance requirements of AWS.
- We also map our own sites against the World Resources Institute's (WRI) Aqueduct Water Risk Atlas to define the sites at water stress zones. For these sites, there are higher expectations in terms of the water roadmap score and water-recycling rate as per our Water Security Standard.

We aim to

increase the amount of **water recycled** to **30%** by 2025

Our Integrated Work Systems (IWS) help to optimise water use in all of our factories, and our sites implement a range of initiatives to save water, such as by eliminating leakages, and to increase water recycling, including reusing the water from manufacturing processes for utilities, cleaning and bathroom facilities.

[+](#) Find out how we are using IWS to drive circularity and resource efficiency in our Pakistan factory on [page 57](#).

100%

manufacturing sites to be Alliance for Water Stewardship certified by 2025



SPOTLIGHT

Driving Water Reduction in Agriculture

Reducing water consumption in tobacco growing is a key focus for us throughout the world. It is particularly important in locations where the risk of water scarcity is an issue, and where crops need irrigation, which account for around 30% of contracted tobacco volumes. All our leaf operations are actively looking at ways to work with our contracted farmers to reduce water usage, with different techniques applied depending on the local circumstances and growing conditions.

For example, in Bangladesh we have worked with the Bangladesh Agricultural Research Institute to identify ways to reduce the amount of water used in

irrigation techniques. A pilot study found that by irrigating every other row of crop, a method known as alternate furrow irrigation, farmers could achieve the same quality yield and income, but with a reduction in water use.

In 2020, our Extension Services in Bangladesh began rolling out this technique to our contracted farmers, with over 400 field demonstrations held. We are aiming to have introduced this new approach across 30% of the contracted crop in 2021. This will provide a larger sample size to study the impact on reducing farmers' water use, informing decision-making for a wider roll-out across our contracted farmer base in the country.

Our Management Approach (continued)

Driving water stewardship in our supply chain

While we do not own tobacco farms or directly employ farmers, we have a long and proud history of working with farmers around the world to advance sustainable agriculture. Water management is vital to sustainable farming, especially as agriculture accounts for nearly 70% of freshwater withdrawals globally, and up to 90% in some developing countries.

Rainwater is commonly sufficient for many tobacco crops. Due to the variety of locations in which we source our tobacco leaf, only 30% requires irrigation.

In these situations we support the farmers to find more sustainable ways to water their crops while also protecting the access of local communities to water. For example, we have introduced farmers to drip irrigation technology in seven countries. These include Brazil, Mexico and Pakistan, with upcoming trials planned for the next crop cycle in three more countries. This has been shown to increase water-usage efficiency by up to 90%, as well as reducing soil erosion and salination, ultimately boosting yields.

A comprehensive approach to managing water risk

Our *Thrive* programme focuses on identifying and addressing long-term risks that could impact on the sustainability of agriculture and farmer livelihoods. These include monitoring and promoting best practice soil and water management plans, and water use.


Through *Thrive*, we assess water risks for our directly contracted farmers, based on WRI's Aqueduct Water Risk Atlas. Similarly, this approach is incorporated in the industry-wide STP. This includes requirements that we expect tobacco suppliers to meet while


assessing water risk in line with the WRI methodology, where applicable.

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

Through our global leaf agronomy centre, we have developed 'floating' systems for growing tobacco seedlings, based on hydroponics, that use about 85% less water per hectare and have the potential to increase the yield by up to 36% compared to traditional systems. These have been successfully introduced to our contracted farmers in eight countries, and we have plans to expand to more.

We also provide training for farmers on best practice soil management. We review their irrigation dependency, and offer guidance on how to reduce water use through new techniques and technologies.

 Find out how our *Thrive* programme enables us to identify and address the long-term risks that could impact on the sustainability of agriculture and farmer livelihoods, on [page 117](#).

 Find out more on how we are assessing the climate impacts on tobacco-growing conditions, including the availability of water, on [page 46](#).

Digital Farm Monitoring

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

 Find out how our Farmer Sustainability Management (FSM) system enables us to work with farmers in developing local action plans, including on water stewardship, on [page 118](#).

Our 2020 Progress and Performance

Our own operations

All our operational sites are required to continually review their water use and drive water-saving initiatives. From eliminating loss and leakages to increasing water-recycling, a number of our sites saw significant reductions in water withdrawn in the year – for example:

- Our green leaf threshing site in Chile, by 56%, as the site only uses recycled water now for on-site irrigation purposes;
- Our factory in Indonesia, by 28%, through process optimisation, as the activities were consolidated into one site with an improved leakage-prevention technique and better monitoring and control of water use; and
- One of our US factories, by 9%, following implementation of water-saving measures and optimisation of cleaning processes.

We also increased water recycling. Many factories started recycling or upgraded existing systems, building on the good-practice examples across the Group. We also improved process mapping and recycling processes, such as capturing condensate water returns in our reporting.

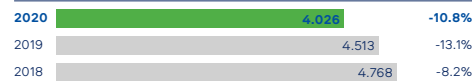
As we achieved our water recycling target, we have set an accelerated one, and are working with AWS to deliver further water stewardship opportunities.

Total water withdrawn

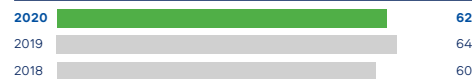
22.5% lower than 2017 baseline

Target: Reduce the total amount of water withdrawn by 35% by 2025.

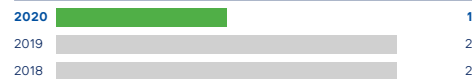
(million cubic metres)



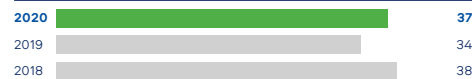
Of which, from total water utility supplies (%)



Of which, from fresh surfacewater sources (%)



Of which, from fresh groundwater sources (%)

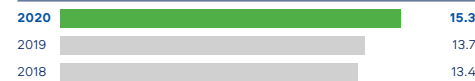


Water recycled

15.3%

Target: Increase the amount of water we recycle to 30% by 2025.

(%)



Other updates in 2020

Our sites did not report any non-compliance incidents or fines issued in relation to water management practices.



We are pleased that our efforts in driving water stewardship have been recognised by CDP, as our score in CDP's 2020 water questionnaire has improved to A-, from B in 2019.

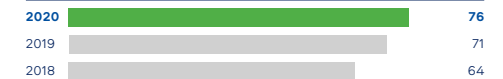
Our tobacco supply chain


In addition to best practice soil and water management plans, we also monitor water used for irrigating tobacco crops and use the results to inform where we focus our efforts. For example, if water scarcity is identified as a potential issue, this means introducing farmers to more sustainable methods of irrigation or other land-management practices that reflect best practice in soil and water management plans.


Best practice soil and water management plans


76%

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



 Find out about incidents reported that required prompt actions around water management in our tobacco supply chain on [page 118](#).

 Data definition and scope are outlined on [page 127](#).

 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

Going Full Circle on Waste

Our Approach at a Glance

We are helping the planet and generating competitive advantage with our circular economy strategy.

We are reducing waste today, from innovative product design to responsible waste management across our operations.

And we are equipping ourselves with insights and innovation, led by a cross-functional leadership team. To deliver a greener tomorrow, we have established a circular economy strategy for all our product categories. We are already adopting innovative, greener design opportunities.

We have ambitious goals for 2025 in line with the UK Government's 'Plastic Pact':

- Eliminate unnecessary single-use plastic packaging;
- 100% of plastic packaging to be reusable, recyclable or compostable; and
- 30% average recycled content across all plastic packaging.

Why Responsible Waste Management Matters

By using resources efficiently and in an innovative way, and by making decisions with consideration for the environment, we can address both our immediate impacts and the likely pressures on the business in the future.

There is growing global concern around the use and disposal of plastics and other materials. Stakeholders are concerned about the unsustainable use of the earth's resources and about discarded plastics damaging the environment and wildlife. Consumers are increasingly interested in products with a better environmental footprint.

For BAT, adopting circular economy principles will deliver better products for our consumers, create efficiencies in our operations, offer our employees opportunities to innovate and reduce our overall environmental impact on the planet.

Our Policies and Accountability

Our **Environmental Policy** outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

We have a well-established **Environment, Health and Safety (EHS) management system** based on international standards, including ISO 14001 and 50001, which supports the implementation of the overarching Environmental Policy.

Our **Supplier Code of Conduct** defines the minimum standards expected of our suppliers and is incorporated into our contractual arrangements.

 For more details about these, see [pages 112–119](#).

To further our commitment to driving a circular economy, earlier in 2020 we developed our **Circular Economy Position Statement** – which sets out how we will deliver better products for our consumers, create efficiencies in our operations and innovate to reduce our overall environmental impact on the planet. It sets out key principles of what we will do, as well as how we will do this.

A Management Board-led cross-functional project team oversees our Group-wide circular economy strategy and its implementation across all product categories. Our performance against waste-reduction targets is reported to the Board twice a year.

Our Management Approach

Circularity – and driving a zero-waste economy – is at the core of our bold stance to deliver a greener tomorrow. We have done extensive work to date to better understand how we are using materials, from life cycle assessments for our products to waste footprints. Still, with innovation driving the transformation of our business, we are stepping up how we approach circularity.

And this doesn't just mean using less plastic, creating less waste and recycling more. It also means being smarter in how we design our products and supporting our consumers with responsible disposal – whether it's helping them understand the adverse environmental impacts of not doing so or having take-back schemes in place for our New Category devices.

Our Group-wide circular economy strategy for all our product categories is guided by three strategic priorities:

- **Simplify:** simplifying the design of products to improve recyclability and to reduce our use of virgin materials and resources;
- **Maximise:** maximising the longevity of our products to improve the experience for our consumers; and
- **Recover:** minimising waste through increased product recovery and recycling.



Our Management Approach (continued)

We aim to

- **eliminate unnecessary single-use plastic packaging by 2025**
- **have 30% average recycled content across all plastic packaging by 2025**
- **have 100% of plastic packaging be reusable, recyclable or compostable by 2025**

Product sustainability is a priority in our new circular economy strategy, but we will not lose sight of other opportunities to be more circular across our business. We will continue to strive for efficiencies in our manufacturing and logistics, we will use our purchasing power to promote goods and services that have a positive environmental impact and we will seek out the technology that can accelerate our journey.

Innovative designs

Changing external expectations and our growing product portfolio means that a renewed focus is required to develop and evolve our approach to the circular economy.

Although our overall approach to circular economy is still under development, we have established product sustainability workstreams for each of our product categories. Each workstream looks at the life cycle of our product categories – from opportunities to redesign packaging or products to moving our logistics from air freight to sea freight where possible.

Through these workstreams, we have already identified a number of opportunities and seen environmental benefits, such as reductions in carbon footprint.



Our vapour products

Our Vuse and Vype vapour products use e-liquid pods that are inserted into the device and heated to create the vapour, which is then inhaled by the consumer. Sold separately to the device and replaced as and when needed by the user, these pods are sold in a blister pack and originally included additional silicone caps on the top and bottom of the pod.

An in-depth review of our product-manufacturing process, stock management practices and design requirements allowed us to remove the silicone cap from our e-liquid pods in 24 of our 26 markets where ePen is sold². We are also eliminating the plastic film from Vuse/Vype packaging. We have already completed this in all but one of the 26 markets where the products are sold. These steps have so far saved more than 1,000 tonnes of CO₂e per year.

We also plan to remove plastic trays from Vuse ePen device packaging by the end of 2021.



Our tobacco heating products

For our glo products, a number of key projects are underway. We are prioritising removal of unnecessary plastics from our insert trays and polypropylene overwrap, and increasing the recycled material content of our packaging.

We will also aim to identify opportunities to remove non-biodegradable elements, such as plastic or aluminium, from our glo products over the coming years.



Our modern oral products

As part of our product sustainability workplan, in 2020, we launched our new, recyclable packaging in all markets where our Velo mini product is available. This packaging is now made of a single polymer – polypropylene (PP) – rather than a combination of materials. PP recycling is widely accessible for households in many parts of the world.

We believe the pouch content is biodegradable, and are gathering data to confirm. However, the fleece used in most of our markets contains viscose, and in some markets polyester, and a binder. As part of the product sustainability workstream, we are looking to develop alternatives to replace the polyester and binder.

² Due to high altitude in two markets, silicone caps were kept for product integrity.


Our Management Approach (continued)

A zero waste to landfill mindset across our operations

Delivering against our waste reduction and recycling targets can be more challenging in locations with limited recycling and waste-management facilities. Nevertheless, 27% of our manufacturing sites have already achieved zero waste to landfill and another 27% are recycling at least 95% and are close to achieving zero waste to landfill.

We have issued a call to action to all our Operations sites to achieve zero waste to landfill, starting by identifying key gaps (such as infrastructural, regulatory or financial challenges) and developing accelerated action plans.

In 2020, we also continued to deploy our energy-conservation daily management system – a key element of our Integrated Work Systems (IWS), a resource-management system aimed at identifying and eliminating losses in factory processes.

 Find out how we are digitally transforming manufacturing to reduce waste and wider environmental impact on [page 47](#).

We are striving for best practice and are working to align with the new Global Reporting Initiative waste standard. From 2021, waste to energy will no longer be classified as a form of recycling and we will report in line with this new scope. However, we recognise this will impact our performance against our waste-recycling target in the short term. To mitigate this, we are looking at ways to divert waste sent for energy recovery that will enable us to repurpose it.

100%
of operations sites to be **zero waste to landfill** by 2025

95%
We are committed to **recycling at least 95%** of our total waste generated

Responsible disposal of our New Category products

We have already implemented 'drop the pod' pilot schemes in France, Mexico and the UK for consumers to return their e-liquid pods. This has been positively received by our consumers – for example, in the UK the return rate as a percentage of sales in participating stores was 18%. In Mexico, the return rate was 30%, with 13% of total pods sold in 2020 having already been collected. We are planning to launch our global take-back scheme in 2021, starting with our key markets.

We plan to implement take-back schemes for New Category devices, in all markets where these are sold, by the end of 2021.

Building on the trials in 2019, we have now expanded the schemes for consumers to return tobacco heating product (THP) devices in Japan, alongside a local partner that specialises in metal and electronics. In addition, we are piloting an industry collaboration in Japan where THPs can be returned to a collection point in retail stores.



Our Management Approach (continued)

Reducing the environmental impacts of cigarettes

As we research, develop and manufacture our products, we continue to look at opportunities to reduce the environmental impact of cigarette filters.

For decades, we have invested in developing and testing products with the aim of replacing cellulose acetate filters alongside our suppliers. We have commissioned more than 20 different projects exploring the potential development of such alternatives. There are strict requirements to be met before we can roll out any alternatives. These include consumer acceptance, whether the solution is commercially scalable and ensuring that priority toxicant emissions in mainstream smoke do not increase. We continue to collaborate with our suppliers to investigate this further.

A closer look at the single-use plastics legislative framework

In 2019, the EU adopted a Directive on single-use plastics that obliges member states to set up Extended Producer Responsibility (EPR) schemes for cigarette filters by 2023. It will require producers to cover the costs of the collection, transport, treatment and clean-up of tobacco filter waste as well as relevant consumer-awareness-raising measures. It will also require the packaging of all tobacco products with cellulose acetate filters to bear environmental markings from the second half of 2021. This is one of the first times that a mandatory EPR scheme has been imposed on a mass-consumption product that is disposed of daily, has a low end-of-life value and is collected with municipal waste. This makes the process of collecting waste separately, as well as the assessment and allocation of costs, more complex. BAT is leading industry collaboration and working with municipal waste-management specialists to define

what an EPR model for cigarette filters could look like in order to support member states when developing national EPR legislation. And we are already collaborating with our suppliers, standards bodies, recycling partners and government organisations to tackle cigarette butt littering at the source.

Need for standardisation

We also continue to explore the impact that variables such as the physical environment can have on the biodegradability of cigarette filters. Variations in testing conditions can have a large impact on biodegradability

estimates, and we are calling for the creation of internationally recognised standards – such as from the International Organization for Standardization (ISO), the European Committee for Standardization (CEN) or ASTM International, formerly the American Society for Testing and Materials – to assess the biodegradability of cigarette and tobacco waste. With externally established and internationally recognised standards, manufacturers and governments can evaluate and compare materials on a consistent basis.

A Closer Look at Cigarette Filters

What are cigarette filters made from?

Cellulose acetate makes up more than 90% of a cigarette filter, and has remained our primary filter material due to its filtration characteristics. Cellulose is first obtained from natural and sustainable wood pulp sources and then acetylated, hydrolysed and spun to form cellulose acetate fibres. Under the definition for 'plastic' in the EU Single-Use Plastics Directive, 'modified natural polymers' like cellulose acetate are grouped together with petrochemical-derived

plastics (e.g. PET, PP, HDPE or LDPE). Unlike petrochemical-derived plastic products such as straws and plastic cutlery, cigarette filters do biodegrade, but not quickly enough currently to avoid any short-term littering problems.

Why are filters important?

Filters are an important part of cigarette design, as they filter and reduce the level of some of the toxicants inhaled by consumers and help ensure cigarettes do not exceed regulated levels of, for example, tar and nicotine.



Our Management Approach (continued)

Collaborative solutions to address littering

Cigarette butt littering is a complex topic with no single, easy answer. For our part, we believe the most effective way to address it is through collaboration with other stakeholders to find suitable solutions.

We are seeking effective ways to address the problem, but it also requires input from governments, municipalities and consumers. We are committed to working with consumers to enhance their understanding and ability to address the proper disposal of cigarette and tobacco waste.

Research shows that consumer education and awareness-raising initiatives are likely to be some of the most effective measures. At BAT, we support a number of such initiatives and education campaigns that have been effective in reducing butt littering.

For example, in New Zealand, we provide funding for Keep New Zealand Beautiful to assist its anti-litter consumer-education campaigns. In Australia, we are part of the Tobacco Product Stewardship Industry Group, which engages with Keep Australia Beautiful. In the US, our subsidiary donates US\$1 for every pound of cigarette waste collected to the Keep America Beautiful cigarette litter-prevention programmes. In the UK, as part of the Tobacco Manufacturers' Association, we organised a 'Bin Your Butts' campaign across five major cities, encouraging smokers to dispose of their cigarette butts responsibly.

In addition, we distribute portable ashtrays in six of our markets, including Japan, Germany and Switzerland. In the US, we have a partnership with TerraCycle, a global leader in recycling hard-to-recycle materials. Consumers can order receptacles designed specifically for recycling cigarette waste and the butts are then recycled into a variety of industrial products, such as plastic pallets. To date, over 189.5 million cigarette butts have been recycled through the scheme.



SPOTLIGHT

Working in Partnership in Italy to Address Cigarette Littering

In July 2020, we supported a new anti-cigarette-littering consumer-awareness campaign in Sorrento, in south of Italy. This was in collaboration with Marevivo (an Italian environmental NGO), the Sorrento municipality and the Italian Ministry of the Environment.

Innovative technology, provided by our partner [Ellipsis Earth](#), enables us to measure the effectiveness of the campaign with scientifically robust data on specific quantities of cigarette and other litter before and after

implementation. This is an excellent example of how technology – and artificial intelligence – can be used to address environmental challenges.

The results demonstrate the success of the campaign in reducing cigarette littering in Sorrento. Post-campaign impacts measured a significant and impressive reduction in both cigarette and other litter, with an average reduction in cigarette littering of 70%.

In the future, we will be planning similar consumer-awareness campaigns for other cities.

Our 2020 Progress and Performance

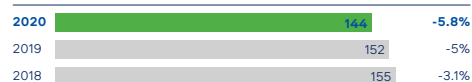
Across our operations:

Waste generated³ ⓘ

10.3% lower than 2017 baseline

Target: Reduce the absolute volume of waste generated by 15% by 2025.

('000 tonnes)

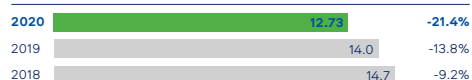


Waste to landfill⁴ ⓘ

21.4% lower than 2017 baseline

Target: 100% of operations sites to be zero waste to landfill by 2025.

('000 tonnes)

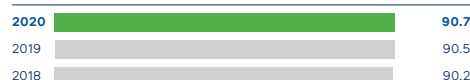


Waste recycled ⓘ

90.7%

Target: Recycle at least 95% of our total waste generated each year.

(%)



Other updates in 2020

Our sites did not report any non-compliance incidents or fines issued in relation to waste-management practices.

Across our supply chain:

🔍 Find out about incidents that required prompt actions around farm waste on [page 118](#).

Across our products⁵:

Total weight of unnecessary single-use plastics used in our packaging ⓘ

3,580 tonnes

Target: Eliminate all unnecessary plastics in our packaging by 2025.

(tonnes)



% recycled content in plastic packaging ⓘ

2%

Target: Have 30% average recycled content across all plastic packaging by 2025.

(%)



% share of reusable, recyclable or compostable packaging ⓘ

82%

Target: 100% of our plastic packaging reusable, recyclable or compostable by 2025.

(%)



📈 Data definition and scope are outlined on [page 127](#).

ⓘ Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

SPOTLIGHT

Driving Circularity in Pakistan

Our Integrated Work System (IWS), implemented across our operational sites, is not only driving manufacturing efficiency. Through IWS, we are also rethinking how we are driving environmental excellence.

Our factory in Pakistan is a great example of this: here, in 2020 we applied the IWS approach for piloting a new sustainability loss analysis. This involved detailed mapping and data analysis to identify and eliminate any losses of natural resources, as well as opportunities to enhance environmental management.

The team had a clear vision: working towards our environmental targets while delivering business savings and effective resource management. The review identified many opportunities – from eliminating excessive water use and upgrading water pipelines to installing on-site solar energy generation. In addition, we identified opportunities for recycling by-products that were previously incinerated.

A comprehensive action plan has been developed for the factory. This includes clear steps for achieving zero waste to landfill in 2021 and a five-year roadmap for achieving our carbon, energy, water and waste targets.

Following the success of this pilot, we are looking at gradually rolling out this methodology to other manufacturing sites across the Group.

3 Of which 140,992 tonnes was non-hazardous and 2,467 tonnes was hazardous waste in 2020. In addition to the waste recycled and sent to landfill figures disclosed for 2020, 15,095 tonnes of waste was sent for incineration with energy recovery and 635 tonnes was sent for incineration without energy recovery. The waste disposal methods were determined based on a range of factors, including local infrastructure available and waste properties.

4 Metric tracked against our previously reported aim to reduce waste sent to landfill by 40% by 2025.

5 In 2020, 13% of our product packaging was plastic, with another 80% sourced from wood fibre or paper and 7% from metal.

Preserving and Protecting Biodiversity

Our Approach at a Glance

Our business now and in the future depends on biodiversity, as we rely on natural resources like clean water and healthy soils. We are advancing sustainable agriculture through our world-leading leaf science and a strong team of expert field technicians that support our 84,000+ directly contracted farmers and farming communities worldwide.

We have a comprehensive approach to address any biodiversity impacts of tobacco growing. We do this by:

- Rolling out tools and technologies developed by our global leaf agronomy centre, like integrated pest management that minimises the use of agrochemicals, and drip irrigation and floating seedbeds that help to reduce water and agrochemical use;
- Promoting the sustainable use of wood fuels for tobacco curing and helping farmers deploy more efficient curing technologies that use up to 30% less fuel, to tackle deforestation; and
- Providing ongoing training and capacity building on environmental best practice.



Why Biodiversity Matters

Conventional agricultural practices can be resource intensive, and may cause deforestation, pollution and environmental degradation. The integrity and quality of our products depend on securing our tobacco supply chain.

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

Policies and Accountability

Our **Environmental Policy** outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

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

Our **Supplier Code of Conduct** defines how we require suppliers to identify, understand and actively work towards minimising their impacts on the natural environment.

For our tobacco leaf suppliers, this is complemented by our **Leaf Supplier Manual**. This includes minimum standards relating to agricultural practices and environmental management. It also sets out a requirement for farmers to participate in the industry-wide **Sustainable Tobacco Programme (STP)**.

The **STP** includes water and natural habitat criteria, covering wood usage for tobacco curing, land clearing and the impact of tobacco growing to local flora and fauna.

[For more details about these policies and programmes, see pages 112–119.](#)

Our **Standards for Organic Tobacco Production** set strict requirements for organic tobacco growing. Although we do not currently source significant amounts of organic tobacco outside the US, this standard would apply to all our leaf operations and suppliers worldwide if purchasing organic tobacco. It requires a crop to be certified by an independent

third party against either the EU organic standard or the US National Organic Program standard to be classed as 'organic'. In the US, our subsidiary Santa Fe Natural Tobacco Company also has an organic tobacco-growing programme that requires growers to be inspected and certified annually by a US Department of Agriculture-accredited organisation.

Our Board regularly reviews our sustainable agriculture strategy, including details of programmes, initiatives and progress against our objectives; and our Operations Sustainability Forum, chaired by BAT's Operations Director, receives updates quarterly.



Our Management Approach

Our approach to managing biodiversity extends to our value chain – from tobacco sourcing to the packaging used for our products. We have a long and proud history of working with farmers around the world to advance sustainable agriculture. Though we don't employ farmers directly or own farms, we are working with our contracted farmers to help minimise their environmental impact.

For **our tobacco supply chain**, our global leaf agronomy centre based in Brazil drives leading innovative sustainable agriculture practices. The centre develops new farming techniques and technologies that help tackle various elements of biodiversity impact, such as integrated pest management and drip irrigation techniques, often in partnership with leading universities. Our expert field technicians provide our 84,000+ directly contracted farmers worldwide with on-the-ground support, technical assistance, best practice training and capacity building in farming communities.

“There is limited evidence of tobacco growing specifically contributing to forest or biodiversity loss, and we found evidence of the success of industry efforts to mitigate deforestation impacts as a result of tobacco leaf curing.”

Find the source and details of this quote in an [independent research study into the impacts of tobacco growing](#).

In addition to our sustainable agriculture efforts, we support afforestation, biodiversity and environmental conservation programmes around the world as part of our wider community-based initiatives.

A risk- and opportunity-based approach, growing strong

BAT has long recognised the importance of forests in reducing emissions and protecting biodiversity, as well as the importance of forest products in our supply chain.

Our Biodiversity Partnership, which ran from 2000 to 2015 with three leading conservation NGOs – Flora & Fauna International, the Tropical Biology Association and Earthwatch – helped us identify key deforestation risks. We developed a comprehensive biodiversity risk and opportunity assessment (BROA) tool through this partnership, alongside detailed guidance to our leaf operations on how to carry out these assessments.

With our partners and field technicians, we engaged 4,100 contracted farmers in nine countries to conduct BROAs during the partnership period.



SPOTLIGHT

Biodiversity in Indonesia

While our long-standing Biodiversity Partnership ended in 2015, the positive legacy continues today in our integrated approach to managing biodiversity across our leaf operations. Central to this is the importance of looking at the whole landscape and partnering with local communities and stakeholders.

The work of our business in Indonesia is a great example of this. In 2016, we collaborated with the University of Mataram to assess key biodiversity risks in tobacco-growing areas in the country. The research resulted in an extensive action plan focused on reducing our contracted farmers' use of agrochemicals through integrated pest management (IPM) and natural 'biocontrol' techniques.

Our Extension Services developed comprehensive IPM training that is delivered to our contracted farmers at

the beginning of each growing season. Additional, enhanced training is also provided to contracted farmers located in areas identified as high risk for biodiversity loss.

By 2020, around 50% of our contracted farmers' footprint had been successfully converted to natural bio-pesticides. We are aiming to increase this to 80% by 2023.


80%

of our contracted farmers' footprint in Indonesia to be converted to natural bio-pesticides by 2023

Our Management Approach (continued)

Preserving natural capital in tobacco growing

Conserving water, reducing deforestation, avoiding soil erosion and preserving soil fertility are all crucial for creating sustainable agriculture. We manage these interlinked issues by developing sustainable soil management practices and introducing these to our contracted farmers in all our leaf operations, appropriate to the growing conditions.

 Sustainable watering methods for crops can also reduce soil erosion and salination. Find out more about the success of our drip irrigation technology and how we are managing water risks, on [page 50](#).

Crop diversification

Growing the same crop continuously on the same land (known as 'monocropping') is also known to deplete soil nutrients, so crop rotation is recognised as a best practice approach to protecting and enhancing soil health.

We have always encouraged this crop diversification – it not only increases farmers' resilience by preventing reliance on just one crop but also helps to enhance food security and to preserve soil health.

93%

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

Reducing the use of agrochemicals

Our policy is that our contracted farmers and third-party suppliers use only approved agrochemicals with the lowest possible toxicity according to the World Health Organization classification. We identify the type and level of agrochemicals used and monitor compliance with our standard to avoid any highly hazardous pesticides (HHPs).

We are reducing agrochemical use and any contamination risk through:

- **Decreasing chemical run-off and water-pollution risks:** We deliver training to our contracted farmers on the correct and safe use, storage and disposal of agrochemicals. If they have a watercourse on their farm, we also advise them to maintain buffer strips that reduce sediment loss from higher terrains and mitigate the risks of water pollution.
- **Disposal schemes for empty agrochemical containers:** Our policy is that all our tobacco suppliers ensure these containers are safely disposed of. In some countries, we provide additional support schemes to collect and safely dispose of empty containers for pesticides and other agrochemicals. For example, in Brazil, we partner with an industry scheme that collects and recycles containers from over 100,000 farms across the country. More broadly, 92%⁶ of our contracted farmers reported in 2020 that they send empty agrochemical containers for recycling or incineration.
- **Integrated pest management and 'biocontrol' techniques:** We work with our contracted farmers to implement integrated pest management techniques. These include natural biocontrol agents. For example, we have introduced our contracted farmers in Bangladesh to


bio-fungicides in seedbeds and pheromone traps, and those in Brazil to the use of natural predators for specific seedbed pests for insect control. We are currently mapping commercially available biocontrol alternatives globally, and are looking to introduce these to our contracted farmers in the future. We will also deliver tailored training on integrated pest management techniques to support implementation of biocontrol techniques where available.

- **Higher-yielding and more disease-resistant tobacco seed varieties:** These are developed by our global leaf agronomy centre, and help to significantly reduce the use of agrochemicals in tobacco growing.

We have achieved significant results by implementing sustainable agriculture and leveraging our extensive research capabilities. A study by the University of São Paulo's College of Agriculture (2020) found that the level of active chemicals used per hectare of tobacco in Brazil is 1.01 kilograms – the second lowest among 19 crops analysed.

Eliminating risk of using new farmland

We want 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, through the STP, that all contracted farmers conduct a detailed environmental and regulatory evaluation. This process should factor in local legislation, the presence of rare or endangered species and the threat of deforestation.

 Find out how our *Thrive* programme enables us to identify and address the long-term risks that could impact on natural capital, sustainability of agriculture and farmer livelihoods, on [page 117](#).

Digital Farm Monitoring

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

 Find out how our Farmer Sustainability Management (FSM) system enables us to work with farmers in developing local action plans, including on water stewardship, on [page 118](#).



⁶ As reported via our *Thrive* assessments. See page 127 for the scope.

Our Management Approach (continued)

Sustainable fuels for tobacco curing

Our Biodiversity Partnership helped us identify the use of unsustainable wood fuel for curing tobacco as our most significant deforestation risk. We continue to work with our 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.

We have already introduced **innovative curing technologies**, developed by our global leaf agronomy centre, to our contracted farmers in five countries.

These technologies also help to reduce fuel use and carbon emissions.

In addition to the environmental benefits, innovative curing technologies also save the farmers time and money.

Find out more about how we are working to reduce carbon emissions from our tobacco supply chain on [page 44](#).

Find out more about how we are enhancing farmer livelihoods on [page 76](#).

In Bangladesh, we have introduced our farmers to more fuel-efficient designs for curing barns. The barn designs are now being adopted by other tobacco farmers in the area.

In Brazil, we are partnering with the Environmental Police of Santa Catarina state and Friends of the Native Forest Program.

The partnership is aimed at preserving native forests in tobacco-growing areas. It supports financing of legal wood sources to be used for tobacco curing. Over 7,300 farmers were trained on environmental issues and committed to use of legal wood only. Our field technicians and local police continue to monitor the use of legal wood by farmers.

Afforestation initiatives in farming communities

We support afforestation, biodiversity and environmental conservation programmes around the world as part of our wider community-based initiatives. In 2020, this included 14 projects in 9 countries.

For example, in Bangladesh, our afforestation programme, in partnership with the government's Forest Department, has been running since 1980. With over 109.7 million tree saplings distributed, it is recognised as the largest private-sector-driven programme in the country. An independent impact study⁷ found that it had resulted in a 50% increase in forest coverage in the area, as well as diversifying the types of trees available. In addition, 97% of local residents interviewed also said the ecology of the local habitat had improved. Every year, we work with selected contracted farmers in Bangladesh to establish 'biodiversity corners' on their land to conserve rare and endangered native medicinal species, and to raise awareness of the importance of biodiversity management in the local community.

In Pakistan, our afforestation programme has supported the planting of over 87 million trees since its launch in 1981. In Kenya, we plant over two million tree saplings each year in tobacco-growing areas and we also work with the government, the Forest Service and other local stakeholders on projects to restore habitats of key nature

conservation sites to enhance biodiversity. In Indonesia, we are working with local partners to plant trees in tobacco-growing areas to enhance biodiversity, preserve water catchment and reduce soil erosion. In Vietnam, our afforestation programme has seen more than 26 million saplings planted, covering more than 11,300 hectares of land, since 2002.

In Brazil, our afforestation efforts date back to the 1970s and, during the last 20 years, over 110 million tree saplings have been distributed to provide a sustainable source of wood fuel for our contracted farmers. And, in 2011, we became part of a multi-stakeholder partnership with the Tobacco Growers' Association of Brazil, the Brazilian Institute of Environment and the Ministry of the Environment for the preservation of the Atlantic Forest in the southern tobacco-growing states.

Sustainable sourcing of forest-based packaging materials

Deforestation can also be caused by unsustainable sourcing of paper and board for use in our products and packaging. To address this, we only source from reputable global suppliers, many of which are certified to Forest Stewardship Council or Programme for the Endorsement of Forest Certification standards, and where we have confidence in a supplier's ability to effectively manage its own environmental impact and adhere to the provisions of our Supplier Code of Conduct.





⁷ Nielsen (2017), *Responsible Business for Sustainable Future*, CSR impact assessment, the Nielsen Company (Bangladesh) Ltd.

Our 2020 Progress and Performance

Since 2016, our monitoring of our contracted farmers' wood use for curing has shown at least 99% was from sustainable sources.

In addition, our contracted farmers reported that no new forests were cleared for growing tobacco in 2020. This is with the exception of one non-conformance incident, where one farmer was found to be in breach. Subsequently that contract was terminated.

 Find out more about incidents reported that required prompt actions around biodiversity and afforestation in our tobacco supply chain on [page 118](#).

 Find out more about best practice soil and water management plans implemented by our contracted farmers on [page 50](#).

Sustainable wood sourcing


99%

Target: Eliminate the use of unsustainable wood sources by our contracted farmers.

(% of sources of wood used by our contracted farmers for curing of fuels that are from sustainable sources)

2020	<div style="width: 99%;"></div>	99
2019	<div style="width: 99%;"></div>	99
2018	<div style="width: 99%;"></div>	99

 Data definition and scope are outlined on [page 128](#).

 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

144,000+

attendances at farmer training sessions on best practice natural resource preservation, forest and soil management



SPOTLIGHT

Prestigious Recognition of Our Soil-Conservation Practices in Brazil

Soil conservation is crucial to biodiversity management. Around the world we have introduced our contracted farmers to best practice soil management techniques.

In Brazil, our global leaf agronomy centre has developed an innovative practice of planting crops in high, wide trapezoidal ridges, particularly on elevated ground. This helps to reduce soil erosion, increase water-retention capacity in the field and prevent waterlogging, especially when combined with crop rotation. It also contributes to an increase in yields of up to 20%, helping to boost farmers' incomes.

Thanks to the efforts of our Extension Services in Brazil, around 90% of our 20,000+ contracted farmers in the country are successfully applying this technique in their tobacco fields.

In 2020, this technique was officially recognised as a best practice in soil conservation by the Brazilian Agricultural Research Corporation – the country's most renowned government research company, which is linked to the Ministry of Agriculture. To validate it, a scientific study was carried out on a sample of tobacco fields in the south of Brazil. The results showed this method is capable of retaining, in the worst-case scenario, rainfall surplus from the last **250 years** – far surpassing the 10 years of rainfall baseline needed to be considered a conservation best practice.

Careful

Building A Better Tomorrow™ for All

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

In 2020:

390,000+

attendances at 38,000+ farmer training sessions on human rights

100%

of product materials suppliers assessed for human rights risks against Verisk Maplecroft indices

38%

female representation in management roles globally

27%

reduction in total work-related accidents across the Group from 2019

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Our Social Priorities

Our approach to our priority focus areas is summarised here. These priority focus areas are outlined in our Sustainability Agenda. We also outline our approach to other social focus areas later in this section.



Human Rights

Our business and supply chain touch several industries with important human rights impacts. We are committed to respect the human rights of our employees, the people we work with and the communities in which we operate.

Our ambitions are for zero child labour and zero forced labour in our tobacco supply chain by 2025.

All our product materials suppliers and high-risk indirect service suppliers will have undergone at least one independent labour audit within a three-year cycle by 2025.

Our management approach

Our operations: Our approach is aligned with the [UN Guiding Principles on Business and Human Rights](#), focused on strong policies, due diligence and remediation. We conduct annual human rights risk assessments of all our businesses worldwide. Group companies identified as high risk undergo detailed human rights reviews, monitored by the Audit Committee of our Board.

Our supply chain: We include human rights criteria in our supply chain due diligence procedures. We digitally monitor our contracted farmers and are conducting human rights impact assessments in selected countries. We take a long-term and collaborative approach to mitigating the risks and tackling the root causes. This includes participating in the [Eliminating Child Labour in Tobacco Growing \(ECLT\) Foundation](#) and [Slave-Free Alliance](#).

Our policies and standards

- Our operations:**
- [Workplace and Human Rights Policies in our SoBC](#)
 - SoBC Assurance Procedure
 - Operational standard on child labour prevention

- Our supply chain:**
- [Supplier Code of Conduct](#)
 - [Sustainable Tobacco Programme \(STP\)](#)
 - [Thrive programme](#)



Farmer Livelihoods

Rural poverty is recognised as a primary root cause for issues such as child and forced labour, as well as poor safety and environmental standards. Enhancing farmer livelihoods helps tackle such issues and strengthen our supply chain.

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

Our management approach

Our operations: Our global leaf agronomy centre develops innovative farming techniques and technologies, deployed to our contracted farmers by our Extension Services of expert field technicians. These include innovative technologies and hybrid tobacco seed varieties that offer greater yields and higher quality, helping boost farmers' profits.

Our supply chain: We provide support for our contracted farmers, helping to enhance their livelihoods and food security. And our wider community programmes help to build long-term resilience in farming communities. We have also worked to help our contracted farmers operate safely during the COVID-19 pandemic to secure their incomes.

Our policies and standards

- Our operations:**
- [Thrive programme](#)
 - Strategic Framework for Corporate Social Investment

- Our supply chain:**
- [Thrive programme](#)
 - [Supplier Code of Conduct](#)
 - [Sustainable Tobacco Programme \(STP\)](#)





People and Culture

Attracting and retaining an increasingly diverse workforce and providing a welcoming, inclusive working environment are key drivers in BAT's transformation journey to build A Better Tomorrow™.

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

See more our people and culture targets on [page 84](#).

Our management approach

Our operations: Our ethos guides and empowers our behaviours across the Group.

Through our diversity and inclusion (D&I) strategy, we drive ownership and accountability, build diverse talent pipelines and create enablers, underpinned by an inclusive culture.

We listen to, and learn from, our people through a range of well-established engagement channels.

Our supply chain: We support D&I campaigns and events that showcase best practice and provide platforms for role models to amplify their profiles. Examples include our campaigns for International Women's Day, and becoming signatories to the UK Race at Work Charter.

We also participate in independent reviews, such as the UK National Equality Standard, to benchmark our approach.

Our policies and standards

Our operations:

- [Respect in the Workplace Policy in our SoBC](#)
- 'Speak Up' channels
- [Employment Principles](#)

Our supply chain:

- [Supplier Code of Conduct](#)



Health and Safety

Health and safety risks can have serious impacts on our employees, contractors and contracted farmers. They can also interrupt Group operations if not effectively addressed. We are committed to providing a safe working environment for all our workers.

Our ambition is for zero accidents Group-wide.

Our management approach

Our operations: We commit to providing a safe working environment for all our employees and contractors.

Our risk-based approach to managing workplace safety enables us to focus and prioritise our efforts. We regularly deliver training to minimise and manage health and safety risks.

Our supply chain: Our operational standard for personal protective equipment (PPE) in tobacco farming requires the mandatory provision of PPE to all our contracted farmers and workers for agrochemical use and harvesting, as well as training and monitoring to ensure effectiveness.

We ask our third-party tobacco suppliers to guarantee that our standards have been implemented within their own practices and operations.

Our policies and standards

Our operations:

- [Respect in the Workplace Policy in our SoBC](#)
- [Group Health and Safety Policy](#)

Our supply chain:

- [Supplier Code of Conduct](#)
- [Leaf Supplier Manual](#)
- Operational standard on PPE in tobacco farming
- [Thrive programme](#)



Protecting Human Rights

Our Approach at a Glance

Our commitment to respect the human rights of our employees, the people we work with and the communities in which we operate is long-standing.

We work to keep ourselves – and our supply chain – aligned and accountable through strong policies, due diligence and remediation programmes aligned to the [UN Guiding Principles on Business and Human Rights](#).

We have a long and proud history of working in partnership with our contracted farmers around the world and take a holistic approach to addressing human rights risks and tackling the root causes.

Beyond the tobacco supply chain, we conduct human rights risk assessments and labour audits on our product materials suppliers. Group companies are subject to a robust set of compliance procedures and controls, supported by independent 'Speak Up' channels.



Why Protecting Human Rights Matters

Our business and supply chain touches several industries with important human rights impacts, including agriculture, electronics and manufacturing. Our tobacco supply chain is particularly vulnerable due to the inherent challenges in agriculture, including large numbers of temporary workers, use of family labour in small-scale farming and high levels of rural poverty. The International Labour Organization (ILO) also [estimates](#) that over 70% of all child labour incidents globally occur in agriculture.

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

By 2025

we aim for **zero child labour** and **zero forced labour** in our tobacco supply chain

Policies and Accountability

Our **Standards of Business Conduct (SoBC)** include our **Workplace and Human Rights policies**, detailing our support for the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work.

Our **Supplier Code of Conduct** (the Code) complements our SoBC, defines the minimum standards expected of our suppliers, including human rights criteria, and is incorporated into our contractual arrangements.

[+](#) Find out more about our policies on [pages 112–119](#).

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

- **'Speak Up' channels** that are independently managed and available in multiple local languages for anyone working for, or with, the Group to report concerns;
- Our **SoBC Assurance Procedure**, which defines how allegations and reports of SoBC breaches should be investigated and remediated fairly and objectively;
- Our **Employment Principles**, which set out a common approach for good employment practices and workplace human rights across the Group; and
- Our **operational standard on child labour prevention**, which provides detailed guidance and procedures for our leaf operations in tackling the risk of child labour in our tobacco supply chain.

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

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

Interrelated Impacts

Our salient human rights impacts include issues that are closely interrelated with other priority areas, including:



Harm Reduction on how we are working to reduce the health impact of our business;



Farmer Livelihoods on how we are enhancing farmer livelihoods and building climate change resilience;



People and Culture on how we are respecting freedom of association and collective bargaining and upholding equality, diversity and fair treatment; and



Health and Safety on how we are protecting the health, safety and wellbeing of our employees and contracted farmers.





Our Management Approach

We have a long-standing commitment to respect fundamental human rights as affirmed by the Universal Declaration of Human Rights. Our human rights strategy is aligned to the [UN Guiding Principles](#) and focuses on strong policies, due diligence and remediation programmes, as detailed in the graphic opposite.

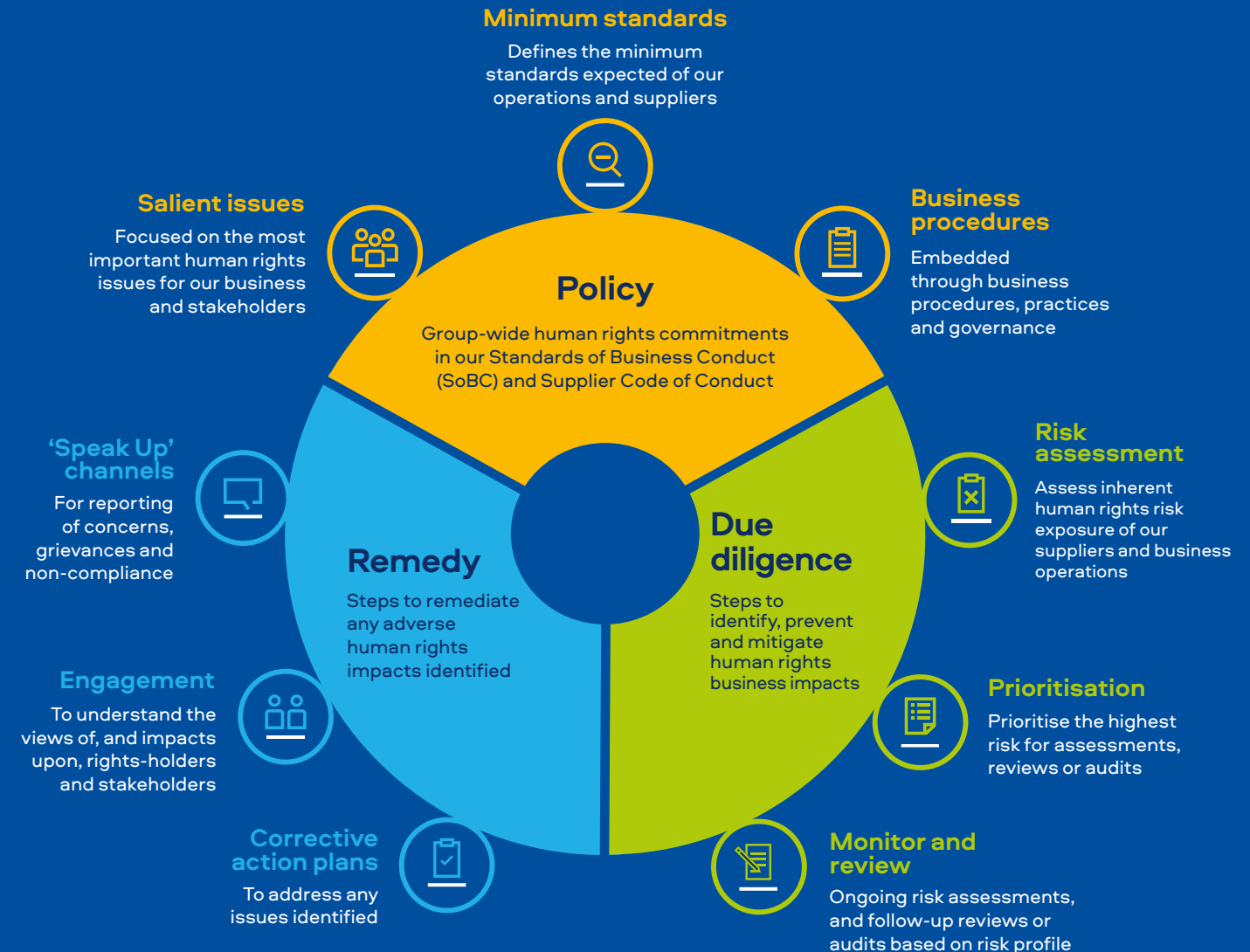
We aim for best practice in all that we do. For human rights that means undertaking a defined process to identify our most important and salient human rights impacts:

- **We engage** to understand the views of, and impacts upon, our key stakeholders and rights-holders across our value chain, including extensive engagement with over 900 rights-holders in tobacco-growing communities as part of our human rights impact assessments;
- **We research** to understand our place in the big picture and identify emerging risks, trends and best practice; and
- **We prioritise** to focus on the issues of greatest importance to our stakeholders and rights-holders.

 Find out more about our saliency assessment and our full list of salient human rights impacts on pages 14–15 of our [2020 Human Rights Report](#).

 Find our spotlight on our engagement on human rights on [page 109](#).

Our human rights strategy



Our Management Approach (continued)

We have human rights due diligence in place for all our tobacco leaf operations and third-party suppliers through the industry-wide Sustainable Tobacco Programme (STP)

Tobacco supply chain

Our human rights due diligence is supported by farm-level monitoring and our *Thrive* programme, as well as human rights impact assessments in selected countries.


We also take a long-term and collaborative approach to mitigating the risks and tackling the root causes, including rural poverty.

Supplier due diligence

It is our policy that all of our leaf operations and third-party suppliers participate in the industry-wide STP and conduct

farm-level monitoring. The STP includes industry-wide criteria on a wide range of topics, including human rights, aligned to international standards.

Suppliers complete an STP self-assessment against the criteria each year, including child and forced labour, health and safety, and income, working hours and benefits. In addition to the self-assessments, an independent third party conducts on-site reviews. In the first three-year cycle, ending 2018, these were completed for 100% of our leaf operations and suppliers.

 Find details of STP and our *Thrive* programme and on [pages 116–117](#).

Our Supply Chain at a Glance

The majority of our tobacco is sourced by our own BAT leaf operations through direct contracts with over 84,000 farmers. The remainder is from third-party suppliers that, in turn, contract with an estimated 250,000 farmers. We also purchase a small amount from India where the tobacco is bought over an auction floor.

The vast majority of tobacco farms in our supply chain are smallholder family farms.

Our long-term sourcing model provides our farmers and strategic suppliers with stability and security, enabling them to invest for the future, as well as securing a sustainable, efficient and reliable supply chain for our business.

Beyond tobacco, we source product materials like paper and filters for cigarettes and, for our New Category products, we have a growing supply chain in consumer electronics and e-liquids. We also have a vast number of suppliers of indirect goods and services that are not related to our products, such as for IT services and facilities management.

Our Supply Chain Structure

TOBACCO

Subject to the industry-wide **Sustainable Tobacco Programme**, supported by **farm-level monitoring** and, in selected countries, **human rights impact assessments** (see [page 69](#))



BAT leaf operations
61% of tobacco volumes



Third-party suppliers
39% of tobacco volumes



84,000+ farmers



250,000+ farmers

BEYOND TOBACCO

Subject to **human rights risk assessments** and **independent audits** by Intertek for those with the highest risks (see [page 71](#))



Direct product materials
1,500+ suppliers of filters, paper, adhesives, vapour devices, e-liquids etc.



Indirect goods and services
30,000+ suppliers of logistics, marketing, IT services, facilities management etc.



Strategic tier 2
Batteries, packaging etc.

Our Management Approach (continued)

Tobacco supply chain (continued)

Farm monitoring


We conduct farm monitoring of our 84,000+ directly contracted farmers, and our third-party suppliers are responsible for monitoring the farmers they source from. Our field technicians visit our contracted farmers approximately once a month during the growing season, acting as a direct link between the farmers and BAT, building trusted relationships and gaining unique insights into the challenges they face.

If any issues are identified, our leaf operations and third-party suppliers work with the farmer to implement a remediation plan that considers the individual circumstances.

We acknowledge the limitations of our monitoring system. We cannot be present on every farm every day of the growing season, so incidents may be hidden or under-reported. That is why it is so important to

take a holistic and collaborative approach, and not rely on policies and due diligence alone. We maintain a relentless focus on addressing the root causes, such as poverty and lack of awareness.

In 2020, we commissioned an independent, expert-led review of our human rights policies and practices for our tobacco supply chain. This included a range of recommendations designed to help transform how we address child and forced labour. In response to the review, we are developing a long-term work plan for accelerating progress towards our ambitions for zero child labour and zero forced labour in our tobacco supply chain by 2025.

 [Find out more about our monitoring and remediation procedures on pages 17–29 of our 2020 Human Rights Report.](#)

Human rights impact assessments (HRIAs)

To complement our farm monitoring and STP assessments, we conduct HRIAs in selected countries. These follow a defined process for identifying, assessing and responding to actual and potential human rights impacts, including the root causes and how they manifest. The assessments are aligned with the UN Guiding Principles and conducted by independent human rights experts from twentyfifty Ltd.

HRIAs are a significant undertaking, often lasting several months and involving extensive engagement with rights-holders and other stakeholders in tobacco-growing communities. Particular care is also taken to engage the most vulnerable people, such as women, youth and the elderly.

In this way, HRIAs can help to identify sensitive or hidden issues that may not always be obvious from standard due diligence or monitoring.


Longer-term solutions

Human rights issues can be complex, and we know that the situation on the ground can be nuanced and that remediation requires cooperation and dialogue, rather than confrontation. This complexity is why our approach emphasises working with families and communities to find sustainable solutions while respecting local context and the challenges of operating small, family-run farms.

We continuously work to improve and strengthen our approach, and to respond to changing situations. This includes strengthening the reliability of our monitoring data and examining new ways to train our field technicians to help them better identify issues and spot early warning signs. Our training and communications programmes help to raise farmers' awareness and increase understanding of human rights, tailored to the local context.

Rural poverty is also recognised as a primary root cause of human rights issues in agriculture and so enhancing farmer

livelihoods is central to our tobacco supply chain strategy. In this way, if farmers have profitable farms and good incomes, they are less likely to use cheaper forms of labour (including their children) and are less vulnerable to exploitation. They are also more likely to adhere to safety standards and look after the environment.

 [Find out more about how we are enhancing farmer livelihoods on pages 76–79.](#)

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



Digital Farm Monitoring

Our Farmer Sustainability Management (FSM) system is a digital platform that supports the work of our field technicians by enabling a consistent approach to monitoring our contracted farmers. Around 25% of the FSM criteria are specific to human rights. There are unannounced visits, and FSM tracks the prompt actions that are needed to remediate any issues identified. It includes 'red flags' for serious issues, such as relating to child and forced labour, and the data is tracked and analysed centrally to ensure senior oversight and drive management action.

SPOTLIGHT

Assessing Human Rights Impact in Mozambique

Mozambique is a significant tobacco-producing country. Our Mozambique tobacco is sourced by [Mozambique Leaf Tobacco \(MLT\), Limitada](#), through purchase contracts with over 100,000 smallholder farmers.

Working in partnership across the industry, an HRIA was conducted in 2020 by independent human rights experts from [twentyfifty Ltd.](#) Over 260 rights-holders in tobacco-growing communities were engaged, including farmers, labourers, women and children, as well as community leaders and teachers.

Mozambique is a particularly challenging country with a number of inherent and systemic human rights challenges, including widespread poverty. The HRIA identified a range of impacts linked to poverty and gender inequality, as well as poor school infrastructure and access to basic services. For example, within the communities visited, there were signs of poverty, with poor access to clean water and sanitation and, as is common across all types of agriculture in Mozambique, there were instances where children were observed working on tobacco farms.

Prior to the HRIA, MLT already had programmes focused on addressing these issues, including:

- Extensive farm monitoring to identify child labour and, if any is found, processes for working immediately with the farmer and, where appropriate, with community leaders and local schools on a remediation plan;

- Support for school building to address poor school infrastructure;
- A community leaders accountability programme to promote greater understanding, support and compliance among communities on child labour; and
- A programme to dig new boreholes which, to date, is providing access to clean water for approximately 250,000 people.

The HRIA also identified a small number of migrant workers in a subcontracted arrangement, where they took charge of a piece of land, grew tobacco and sold it to a farmer contracted by MLT, reducing visibility of this part of the supply chain. In addition, some farmers and labourers reported not always having a sufficient amount of personal protective equipment (PPE) available and some reported not always using it.

MLT has developed a comprehensive action plan to address the issues identified in the assessment. This includes targeted monitoring and training of subcontracted farmers and a plan to bring them under direct contracts; further expanding child-labour-prevention programmes and piloting a new child-labour-monitoring system with the [ECLT Foundation](#); and reinforcing its long-standing programme of PPE provision.

These actions complement ongoing efforts by MLT to enhance livelihoods, empower rural women and build community resilience.

Partnerships and communities

We believe that partnerships and community-based programmes are the best way to protect human rights. By bringing together all the relevant stakeholders, we can co-develop solutions to help bring about lasting change.

We support a range of programmes in collaboration with local stakeholders across our tobacco-growing regions. Examples include child-labour-prevention programmes in Mexico, Brazil and Pakistan, and many more programmes focused on solutions, such as women's empowerment and poverty alleviation.

In Mexico, for example, our *Florece* ('blossom') programme has worked in partnership with the government and local stakeholders since 2001. It has helped over 17,000 children of migrant workers from being exposed to the risks of child labour.

Since 2000, we have worked as part of the [Eliminating Child Labour in Tobacco Growing \(ECLT\) Foundation](#) alongside our peers, suppliers, and the International Tobacco Growers' Association. The ILO acts as an advisor to ECLT's board.

Since 2011, ECLT has helped over 200,000 children escape child labour. But this is only part of the story. To end the vicious circle, it has also financially empowered over 95,500 families by establishing village-based saving schemes and loans, which have helped to reduce poverty, a root cause of child labour. Training and advocacy have helped to raise awareness of the issue among 658,000 people, while model farm schools, on-the-job training and apprenticeships have helped 33,600 rural young people secure work.

Find out more about the ECLT Foundation and its work and impact at www.eclt.org.

920,000+

children, farmers and families in tobacco-growing communities helped by ECLT since 2011





SPOTLIGHT

Mitigating Human Rights Risks During the COVID-19 Pandemic

The COVID-19 pandemic has placed human rights issues in sharper focus. For example, immediate risks can relate to issues such as access to PPE or clean water and sanitation. There are also fears the crisis could increase poverty and lead to greater risks of child and forced labour.

We have helped manufacture and distribute thousands of items of PPE, sanitisers and other essential items to employees, suppliers, farmers, key workers and vulnerable people across 54 countries.

In some countries, we have worked with local partners to enhance access to clean water and sanitation, such as in Kenya where we have installed handwashing facilities in tobacco-growing communities.

In Sri Lanka, we are installing water filtration plants in partnership with the Sri Lankan Navy. Over the next three years, we plan to install over 30 plants, bringing clean water to around 52,000 people.

To help ensure human rights standards are upheld for our product materials suppliers, we worked with our audit partner, Intertek, to implement alternatives for when on-site audits were not possible during travel and lockdown restrictions. These included self-assessment questionnaires and 'virtual audits', where the supplier is provided with a camera unit, enabling Intertek to 'walk' round the facility, ask all the audit questions and review evidence.

We also helped suppliers struggling with cash flow issues by ensuring that, where needed, they were paid earlier than existing payment terms require.

Our Management Approach (continued)

Beyond the tobacco supply chain

Before we start working with a new product materials supplier, it must undergo an independent audit performed by our partner Intertek. The audit assesses workplace conditions covering forced labour, child labour, wages and hours, health and safety, environment and management systems. The audit is aligned with international standards, including those of the ILO, and we expect suppliers to achieve a minimum score of 70% to qualify.

We maintain a rigorous focus on human rights in the supply chain and conduct an annual risk assessment on 100% of our existing materials suppliers. Using independent human rights indices developed by Verisk Maplecroft, we assess suppliers' inherent risk exposure based on their country location and the goods or services they provide. Suppliers identified as high risk are then prioritised for audits.

How a supplier performs in its audit determines when it will be assessed next. A 'gold-class' score of 95% or more means it has demonstrated that it has strong practices and procedures in place to manage and mitigate the inherent human rights risks,

and so will be re-audited at least every four years. Those with a 'bronze class' score, between 70%–84%, will be re-audited every two years.

Beyond our 100% coverage of tier 1 materials suppliers, we continue to take a risk-based approach to our wider supply chain. Since 2018, tier 2 product materials suppliers in business-critical areas for packaging materials and New Category products have been subject to Intertek audits too.

We also have a vast number of suppliers of indirect goods and services that are not related to our products – we have been expanding the Intertek audit to those in higher-risk categories, including production machinery and marketing point-of-sale materials since 2018, and facilities management since 2019.

By 2025, we are aiming for all our product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle.

 Find out more about our supply chain due diligence procedure on page 31 of our [2020 Human Rights Report](#).

At a Glance: Electronics Supply Chain

Our electronics supply chain for our New Category business can have many layers of suppliers between the raw materials and the final product. This complexity can increase risks for both the security of supply and human rights. So we are focused on mapping our supply chain and building relationships with critical lower-tier suppliers.

We are also working with our suppliers to identify the origin of 'conflict minerals' in our New Category products, aligned to the OECD's internationally recognised guidelines for responsible mineral supply chains. We report on our findings annually in our [Conflict Minerals Report](#).

 Find out more on page 33 of our [2020 Human Rights Report](#).

Our Management Approach (continued)

Group companies

Our Group-wide policies, procedures and controls help to substantially mitigate human rights risks in our own businesses. For example, in 2019, an independent assessment by the [Slave-Free Alliance](#) recognised the robustness of our policies, compliance and recruitment procedures in helping to mitigate the risks of child labour, modern slavery and unethical recruitment.

We continually work to ensure our standards are understood and implemented effectively by everyone across the business. Every year, all our employees and business entities must formally confirm that they have complied with the SoBC. Individuals must complete our annual SoBC sign-off, in which they reaffirm their commitment and adherence to the SoBC and declare or re-declare any personal conflicts of interest. Our business entities complete an annual assessment against our key audit controls in which they confirm that their area of business, or market, has adequate procedures in place to support SoBC compliance.

The audit controls also require human rights risk assessments and risk-mitigation action plans to exist in high-risk countries where we operate, and for processes to be in place to demonstrate that human rights are managed effectively in the workplace and supply chain.

Human rights due diligence

We recognise that circumstances in some countries present a higher risk for human rights issues, such as where regulation or enforcement is weak, or there are high levels of corruption, criminality or unrest. So, in addition to Group-wide procedures and controls, we have a defined process in place to identify and carefully monitor BAT operations in high-risk countries.

This process includes an annual risk assessment of all countries with Group companies present, using Verisk Maplecroft's human rights indices (including its Modern Slavery Index). Our businesses in each high-risk country identified must complete a human rights assessment, confirming compliance with Group policies, standards and controls and providing details of measures in place to enhance human rights management.

The process is reviewed by the Audit Committee of our Board at each stage, including details of action plans for any areas for improvement identified. In 2020, our operations in 24 countries¹ were identified as high risk and underwent the assessment and Board reviews.

Investigating and remediating

Our SoBC Assurance Procedure sets out in detail how allegations of wrongdoing or breaches of the SoBC should be investigated and dealt with fairly and objectively. Details of all reported allegations are monitored through the year by our Regional Audit and CSR Committees, and quarterly by the Audit Committee of our Board.

[Find out more about our SoBC procedures on pages 112–113.](#)



SPOTLIGHT

Diligence at Every Level

In 2020, we introduced new, enhanced due diligence procedures for mergers, acquisitions and corporate ventures, including specific human rights criteria.

Our extensive resources and experience mean we can help businesses we invest in, but do not control, to apply similar standards to BAT's within their own organisations.

A good example of this can be seen when we applied the new due diligence procedure for a potential minority investment in 2020. A 'red flag' was triggered relating to the company's

use of factories in China for contract manufacturing – a high-risk sector for human rights and modern slavery issues.

We requested detailed information from the company about its due diligence and risk-mitigation efforts, and we examined the results of a recent independent audit conducted at the factory.

We were reassured the audit was aligned to international standards and included inspections of working conditions and workers' housing. We subsequently supported the company in developing and implementing new policies, including those relating to human rights.

¹ Bangladesh, Burkina Faso, Cameroon, China, Colombia, Democratic Republic of Congo, Egypt, Indonesia, Iran, Iraq, Lebanon, Mali, Mozambique, Myanmar, Niger, Nigeria, Pakistan, Papua New Guinea, Russia, Saudi Arabia, Sudan, Turkey, Uzbekistan and Venezuela.

Our 2020 Progress and Performance

Our tobacco supply chain

In 2020, child labour incidents were identified on 0.5% of farms. A total of 1,308 incidents were identified, the majority of which related to preparing bales, watering and weeding, and harvesting and stitching tobacco. Of these, 98.5% were reported as resolved, where a remediation plan that considers the individual circumstances is implemented with the farmer. Wherever possible, this plan involves local community or school support.

In a small number of cases, where there is persistent non-compliance, the farmer's contract is not renewed for the next growing season – this is the case for six outstanding unresolved incidents. The remaining 13 cases occurred at the very end of the growing season, and had remediation plans implemented that will be verified at the start of the next season.

While no incidents of modern slavery were identified, one third-party supplier reported identifying five incidents of forced-labour-related non-compliances. In one case a farm labourer reported being forced to undertake tasks they hadn't agreed to, one case related to unfair deductions from a labourer's wages and a further three cases related to withholding of agreed benefits.

All incidents were immediately investigated and resolved by our supplier as part of their formal due diligence procedures.

If a farmer or farm labourer has a grievance, it is crucial they have a way to air and resolve it. We track access to grievance mechanisms via our *Thrive* assessments.

Regular meetings with farmers/workers or their representatives were reported as the most widely available grievance mechanism, followed by farmer associations and unions, local NGO/government-led mechanisms and telephone hotlines. 100% of grievances raised by workers were reported as resolved.

We completed HRIAs in India and Indonesia in 2019, and in Mozambique in 2020. In recognition of the fact that cross-industry action is needed to effectively address human rights issues in the tobacco supply chain, the assessments in India and Mozambique were in collaboration with the wider industry.





Two additional assessments in Mexico and Zimbabwe were delayed due to COVID-19 – the Zimbabwe assessment has now resumed and Mexico will recommence when it is safe to do so.

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

Child labour and forced labour


99.5% of farms monitored had **no child labour** identified in 2020.


Our ambitions are for zero child labour and zero forced labour in our tobacco supply chain by 2025.

	2020	2019
% of farms monitored for child labour 	99.7%	99.6%
% of farms with incidents of child labour identified 	0.50%	0.57%
Number of child labour incidents identified (proportion reported as resolved) 	1,308 (98.5%)	1,812 (100%)
% of farmers that received training/capacity building on child labour issues 	87.7%	77%
Number of forced labour incidents identified (proportion reported as resolved)	5 (100%)	0

Grievance mechanisms


	2020	2019
% of farms monitored for grievance mechanisms	59.6%	56%
% of farmers reported as having access to at least one type of grievance mechanism	100%	99%
% of farm labourers reported as having access to at least one type of grievance mechanism	98%	96%

 Data regarding all types of ESG incidents identified in our farm monitoring that required prompt actions can be found on [page 118](#).

 Details of findings for the Mozambique HRIA can be found on [page 70](#).

 Findings for the India and Indonesia HRIAs can be found on pages 21–22 of our [2020 Human Rights Report](#).

 Data definition and scope are outlined on [page 132](#).

 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

Our 2020 Progress and Performance (continued)

Beyond the tobacco supply chain

Supplier audits in 2020

In 2020, 93 audits were conducted by Intertek on our suppliers in 17 countries². In the small number of cases where on-site audits were not possible due to COVID-19 restrictions, we worked with Intertek to implement alternatives, including nine self-assessment questionnaires, with detailed evidence reviews and verification by Intertek, as well as three 'virtual audits' of product materials suppliers. In addition to the 93 Intertek audits, we were able to accept the findings of equivalent audits for 11 suppliers under the Sedex Members Ethical Trade Audit (SMETA) methodology.

Of all the issues identified, 87% were classified by Intertek as 'moderate' and, in total, 40 suppliers had issues categorised as 'major'. Despite delays due to COVID-19 restrictions, we are pleased that, by year-end, 67% of corrective actions were fully completed and verified by Intertek – in desktop reviews for the moderate issues and 13 on-site follow-up audits for the major issues.

All outstanding actions are in progress and will be verified by Intertek in the first quarter of 2021.

Supplier human rights risk assessments and audits

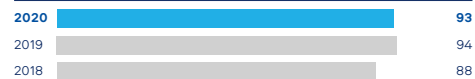
100%

of product materials suppliers assessed for human rights risks every year

(% of product materials suppliers assessed for human rights risks against independent indices)



(Number of independent supplier audits conducted)



(% of suppliers' corrective action plans completed by year-end and verified by Intertek)



We are strongly encouraged by the high level of supplier engagement and willingness to work together to improve performance and raise standards. On average, suppliers that required a follow-up audit improved their overall scores by 51%.

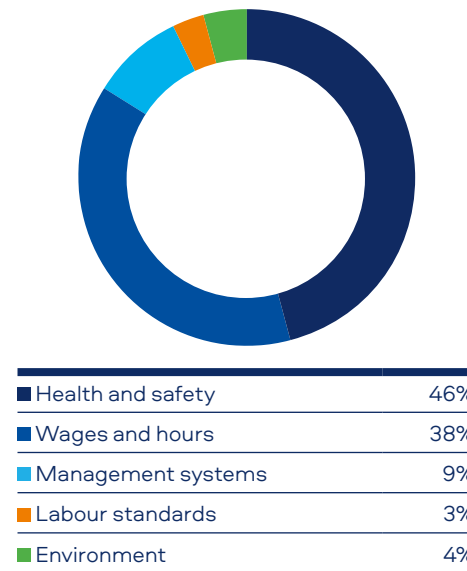
By 2025, we are aiming for all our product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle.

Supplier audit findings 2020

67%

of corrective actions were fully completed and verified by year-end

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



Data definition and scope are outlined on page 132.

SPOTLIGHT

Better Together – Helping Suppliers Improve

Many of our suppliers are smaller businesses operating in developing countries where standards are not as well developed. That does not mean, however, that we just walk away if issues are found. By working together, allowing suppliers to benefit from our resources and experience, we can increase awareness and capacity, and help our suppliers to change their practices and achieve continuous improvement.

A powerful example of this is our work with a supplier in Vietnam in 2020. The initial audit revealed some serious issues, including blocked emergency exits and excessive working hours. As a result, the supplier received an overall audit score of just 57%. We helped our supplier implement corrective actions. This included specialist health and safety guidance and training from our EHS experts, as well as ongoing support by our Procurement teams in raising awareness and understanding of best practice standards and our expectations.

The supplier was highly engaged throughout the process and, when they were re-audited just two months later, achieved an impressive score of 93%. The auditors noted that not only had all issues identified in the initial audit been addressed, but the supplier also demonstrated best practice in its COVID-19 safety procedures.

² Bangladesh, China, Denmark, Germany, India, Indonesia, Italy, Kenya, Malaysia, Netherlands, Pakistan, Poland, Russia, Taiwan, UK, US and Vietnam.

Our 2020 Progress and Performance (continued)

Group companies

In 2020, our subsidiary operations in 24 countries were identified as high risk against independent human rights indices. All completed a detailed human rights review, and underwent enhanced monitoring by the Audit Committee of our Board, as described on [page 72](#).


In 2020, we received 140 SoBC allegations relating to our Respect in the Workplace policy, such as concerning discrimination, bullying and harassment. Breaches were found in 54 cases and appropriate actions were taken, including disciplinary actions that resulted in dismissals. In 73 cases, no evidence of wrongdoing was found, and the remaining cases were still under investigation at year-end.

In addition, one case was reported relating to the SoBC Human Rights and Our Operations policy. This concerned alleged child labour on a contracted farm, for which a detailed investigation found no evidence of any wrongdoing.

Human rights performance in our own operations

	2020	2019
Percentage of BAT subsidiary operations assessed for human rights risks against Verisk Maplecroft indices	100%	100%
Percentage of high-risk Group companies identified that underwent enhanced human rights monitoring and Board reviews (number of countries)	100% (24)	100% (25)
Number of SoBC allegations relating to workplace and human rights (number established as SoBC breaches)	141 (54)	152 (51)

 Full details of all reports of alleged SoBC breaches can be found on [page 96](#).

 Data definition and scope are outlined on [page 132](#).



Enhancing Farmer Livelihoods

Our Approach at a Glance

Our contracted farmers are valued business partners. We want them to have prosperous livelihoods and for farming communities to thrive. We provide support, technical assistance and capacity building for over 84,000 contracted farmers worldwide, helping to enhance their livelihoods and build their long-term resilience. Our third-party suppliers provide similar support for their contracted farmers.

We develop new tobacco seed varieties that offer greater yields, as well as higher quality and resistance to diseases, and so help boost farmers' profits. In addition, we help our contracted farmers to increase efficiency and productivity with new, sustainable technologies, such as fuel-efficient curing barns, irrigation technologies and mechanisation.

Educating and supporting our contracted farmers to grow other crops for food or as additional sources of income is also a key part of our approach. And we invest in a wide range of community-based programmes, in collaboration with local stakeholders, to help enhance rural livelihoods.



Why Farmer Livelihoods Matter

Maintaining a stable income in agriculture can be challenging in the face of an unpredictable climate and changing market forces. Rural poverty is recognised as a primary root cause for issues such as child and forced labour, as well as poor safety and environmental standards.

If farmers have profitable farms and good incomes, they are less likely to use cheaper forms of labour (including their children) and are less vulnerable to exploitation. They are also more likely to adhere to safety standards and look after the environment.

In many rural farming communities, poverty and lack of easy access to basic services and infrastructure, such as clean water, electricity, schools, transport and healthcare, can lead to young people moving away to find jobs in the cities. Without a new generation of farmers, the future of agriculture could be under threat – and that presents a major long-term risk for our business.

Policies and Accountability

Our Board reviews our tobacco supply chain strategy regularly. This includes reviewing progress against our global priorities and *Thrive* indicators.

The industry-wide **Sustainable Tobacco Programme (STP)** includes a wide range of farmer income and livelihoods criteria that our leaf operations and third-party suppliers are expected to adhere to.

Our **Strategic Framework for Corporate Social Investment** sets out detailed guidance for our community investment programmes, aligned to the UN Sustainable Development Goals.

[Find out more about our policies and programmes on pages 112–119.](#)

Helping Farmers to Thrive

Our *Thrive* programme is based on the internationally recognised 'Five Capitals' framework, as shown below. Each year, we collect data against key indicators for each Capital for all BAT contracted farmers and farmers contracted to our strategic third-party suppliers. This enables the development of local action plans focused on addressing some of the

Thrive
SUSTAINABLE AGRICULTURE
AND FARMER LIVELIHOODS

longer-term challenges impacting the sustainability of farming communities.

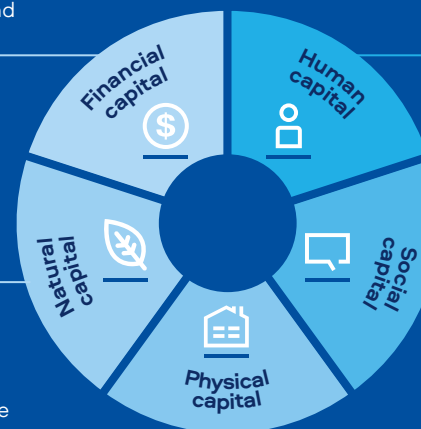
[Find out more about *Thrive* on page 117.](#)

The 'Five Capitals' farming communities need to thrive

Profitable farms and stable incomes

The natural resources upon which farming and landscapes rely

Basic infrastructure needed for viable places to live and work



Skills, knowledge, labour and human rights

Resources and 'safety nets' for self-sufficiency and resilience

Our Management Approach

We take a holistic approach to enhancing farmer livelihoods and helping to build the long-term resilience of farming communities. Our third-party suppliers provide similar support services for their contracted farmers.

We measure progress via our *Thrive* programme and use the insights to tailor our approach to local circumstances.

Extending support to our farmers

Our global leaf agronomy centre, based in Brazil, develops innovative farming techniques and technologies that help increase crop yields, farm efficiency and productivity. These are deployed to our contracted farmers by our Extension Services of expert field technicians.

A powerful example is our hybrid tobacco seed varieties that offer greater yields and higher quality, helping to boost farmers' profits.

BAT Extension Services are clearly doing a good job of providing farmers with best practice information – resulting in the most pronounced and positive behaviour change.

Find the source and details of this quote in an independent research [study](#) into the impacts of tobacco growing.

We have also introduced our contracted farmers to technologies that help increase efficiency and productivity. For example, automated curing barns reduce fuel use up to 30% and make the curing process more efficient and 50% less labour-intensive.

These sustainable farming practices not only bring environmental and livelihood benefits, but also help to build farmers' resilience to the impact of climate change. 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 rural youth development, farm business management and women's empowerment.

For example, our Sustainable Farm programme in Brazil works with selected contracted farmers to conduct a comprehensive farm management and financial analysis that considers a crop diversification matrix and environmental and social matters. The results are used to generate recommendations and training for all our 20,000+ contracted farmers in the country to help them have profitable businesses.

Overall, the support and technologies provided to our contracted farmers in Brazil over the last 10 years have led to a 40% increase in yields.

Find details of our Farmer Sustainability Management (FSM) digital farm monitoring system on [page 118](#).

How we support farmers throughout the growing cycle

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, promote better yields and maintain standards, including:





SPOTLIGHT

Diversification and Food Security

Growing a diverse portfolio of crops alongside, or in rotation with, tobacco is crucial to enhancing farmer livelihoods. It improves food security and increases farmers' resilience by providing additional sources of income.

There are environmental benefits too. Growing the same crop continuously on the same land depletes soil nutrients, so crop rotation is recognised as one of the best ways to protect and enhance soil health.

Our leaf operations and third-party suppliers educate and support tobacco farmers on crop diversification, with over 24,000 training sessions held in 2020, with around 150,000 attendances.

Our diversification programmes around the world are tailored to local contexts and include providing free seeds, crop

inputs and training, as well as help accessing markets to sell produce.

In Brazil, for example, we first launched our diversification programme in 1985 and, in 2014, it was launched across the industry under the management of the tobacco interstate union. In 2020, the programme generated more than R\$630 million (£83.6 million) in additional income for farmers in the southern states through cultivating corn, wheat and pastureland after the tobacco harvest.

In Bangladesh, we promote crops like rice and vegetables through farm demonstrations and distributing seeds among tobacco-growing communities. We are also helping our contracted farmers to utilise tobacco-curing barns for mushroom cultivation during the 10 months of the year when they are usually left idle after the tobacco season.

Building community resilience

As well as the direct support we provide our contracted farmers, in many parts of the world we partner with NGOs and other stakeholders on projects to support the wider rural communities where we operate. These focus on a wide range of livelihood issues, including women's empowerment, rural youth development, micro-financing, village savings and loans, access to healthcare, clean water and sanitation and many more.

For example, in Kenya we support independent savings and credit cooperatives to help our contracted farmers better manage their income and save for the longer term. In Brazil, we support the Growing Up Right Institute's rural professional apprenticeship programme. This provides entrepreneurial training for young people and supports our aim of farming being seen as an attractive future profession for rural youth.

Where needed, we stepped up our efforts to help support communities during the COVID-19 pandemic. For example, our mobile doctor units have been providing much-needed healthcare services for remote tobacco-growing communities in Pakistan since 1985. In 2020, five additional units were introduced, nearly doubling coverage to more than 150,000 people.

Many of our third-party suppliers also run their own community-based programmes. For example, in Mozambique our supplier has a range of initiatives such as for financial inclusion through a rural banking scheme and for food security through distributing maize seeds. The latter has benefited more than 100,000 people over the last five years.

93%

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

“Our research found tobacco farmers are highly diversified, engaging in a mixed portfolio of crops and activities. This helps ensure they're not overly reliant on one crop and are therefore more resilient.”

Find the source and details of this quote in an independent research [study](#) into the impacts of tobacco growing.

£21.7m

in Group cash spend and in-kind donations for community programmes in 2020





SPOTLIGHT

Empowering Rural Women

Empowering rural women is recognised by the ILO as crucial for inclusive and sustainable economic growth, and is a key focus of our *Thrive* programme.

Across our contracted farmer base, around 11% are women but many more women also play a vital role on the other family farms we work with. Our leaf operations and many of our third-part suppliers run rural women's empowerment training sessions each year. In addition, we deliver wider community investment initiatives. In 2020, this included 27 programmes supporting agrobusiness development, food security and women's empowerment in 14 countries.

For example, in Sri Lanka, since 2006 we have been helping women make the

most of their gardens for the organic cultivation of vegetables and other food and income sources, such as goat-rearing. Similarly in Pakistan, we are providing training on good agricultural practices, farm management and free seeds for kitchen gardening through our programme since 2019.

“ We derive great pleasure from our home garden and I have now increased my income by around Rs.10,000 (£50) a month. This programme has truly changed our lives. ”

DB Wathasalam
programme beneficiary, Sri Lanka

Our 2020 Progress and Performance

In 2020, over 50% of tobacco hectares grown by our contracted farmers were from our hybrid seed varieties, contributing to an increase in yields up to 20%, depending on growing conditions.

The COVID-19 pandemic highlighted the vulnerability of some tobacco-growing communities to both the virus and its long-term economic implications. During 2020, we worked to keep contracted farms operating and trading floors open through the crisis to help secure farmers' incomes.

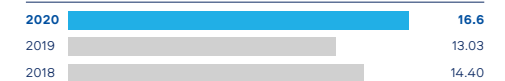
Where needed, we implemented measures such as 'virtual' crop negotiations, contracting and farmer support, as well as 'COVID-19-secure' measures at leaf-buying stations. In Brazil, for example, we implemented an electronic signature system enabling over 16,000 farmer contracts to be renewed for the 2021 crop, guaranteeing their access to the inputs they need to start growing and secure their incomes.

Across the Group, £21.7 million was reported for community investment programmes in 2020, including £16.6 million in cash spend and a further £5.1 estimated for in-kind donations. These included programmes focused on sustainable agriculture and rural communities, accounting for 22% of the total spend (£4.8 million), and 47% (£10.3 million) focused on COVID-19-related support.

+ Find out how we worked to mitigate human rights risks for farmers during the COVID-19 pandemic on [page 71](#).

Community investment [Ⓢ]

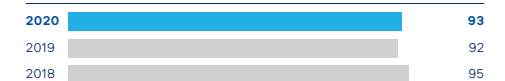
£21.7m cash and in-kind in 2020
(total Group cash spend on community investment programmes in £m)



Crop diversification/food security [Ⓢ]

93%

(% of tobacco farmers in our supply chain that grow other crops, including rice, vegetables, corn, wheat and soy beans)



Farmer training

(Number of farmer training sessions reported via our 2020 *Thrive* assessments)

	2020	2019
Farm business management:		
Sessions	1,649	2,709
Attendances	68,928	76,656
Women's empowerment and leadership:		
Sessions	2,887	298
Attendances	16,658	24,368

📈 Data definition and scope are outlined on [page 133](#).

Ⓢ Indicates independently assured data. Read the full assurance statement in [Independent assurance on page 137](#).

Protecting Our People's Health and Safety

Our Approach at a Glance

We commit to ensuring a safe working environment for our employees and contractors, and expect our third-party suppliers to do the same.

We do this through:

- Group-wide health and safety programmes and employee training;
- Tailored initiatives for higher-risk areas of our business, such as manufacturing and Trade Marketing & Distribution (TM&D);
- Providing our contracted farmers with best practice health and safety training and access to personal protective equipment (PPE); and
- Requirements across our tobacco supply chain on PPE provision for agrochemical handling and harvesting



Why It Matters

Any risk of injury, death or ill health to employees and those who work with the business is a huge concern and one we take extremely seriously.

Safety risks vary across our value chain and the locations we operate in. For example, our own manufacturing sites have much lower accident rates than in TM&D. This is because TM&D involves the distribution and sale of our products in environments outside of our direct control – particularly while driving.

Another example is our tobacco supply chain. Here, farmers and workers are at risk of pesticide poisoning from handling agrochemicals and green tobacco sickness (GTS) from handling wet green tobacco leaves during harvesting.

Therefore it is essential that we adopt a risk-based approach.

Policies and Accountability

We have a robust set of policies that work together to make BAT a safe and healthy place to work.

Our **Respect in the Workplace Policy in our SoBC** outlines how all Group companies safeguard employee wellbeing and provide a safe working environment. This is complemented by our **Supplier Code of Conduct**, which sets out our minimum standards for suppliers.

Our **Health and Safety Policy** is endorsed by our Board, and our Operations Director owns the Policy on behalf of the Management Board. It prioritises the health, safety and welfare of all our employees and third-party personnel and others who may be affected by our business activities. The Policy applies to all Group companies where our shareholding is 50% or greater. The Policy Furthermore, it is supported by

our Environment, Health and Safety (EHS) management system.

Each of our business operations has an EHS Steering Committee, with overall responsibility held by the relevant general manager or site manager. EHS is always on the agenda at management meetings and governance committees. This applies at area, regional and global levels.

The Board reviews performance against our health and safety targets and key performance indicators twice a year, and the Corporate Audit Committee three times a year. In addition, our Board reviews our tobacco supply chain strategy regularly. This includes reviewing progress against our global priorities and *Thrive* indicators.

For tobacco suppliers, it is our policy that our suppliers formally agree to specific health and safety requirements, as set out in our **Leaf Supplier Manual**, each year.

For more details about these and other policies see [pages 112–119](#).

In addition, our **operational standard for PPE in tobacco farming** applies to all 84,000+ farmers directly contracted by BAT leaf operations. It requires all farmers and their workers to have access to PPE for agrochemical use and harvesting. Also, training and monitoring must be carried out for all farms on PPE, agrochemical use and GTS.

We are constantly working with our wider supply chain to help create improvements. We ask our third-party leaf suppliers to implement similar standards to ours within their own practices and operations.



Our Management Approach

We have an ambitious goal for zero accidents across the Group

Ensuring safety across our business

Our goal for zero accidents is supported by a risk-based approach, and tailored initiatives for high-risk areas of the business.

Across our manufacturing sites, our accident-prevention programmes focus on preventing injuries when using or maintaining equipment or machinery.

In TM&D, there is a higher risk of road traffic accidents or attacks and assaults. We have close to 30,000 vehicles and motorcycles on the road every day, often in environments with difficult social or economic conditions. Our goods have a high street value, which in a few markets risks armed robbery and assaults. Further challenges are poor road infrastructure and traffic management, as well as differences in driving standards and behaviour.

With our comprehensive driver safety and security programmes, we monitor, analyse and improve driver behaviour. This is supported by locally appropriate measures, such as:

- Using technology to improve vehicle safety;
- Placing limits on the load carried; and
- Enhancing safety training and changing routes to avoid predictability.

In high-risk locations, we constantly assess threats. This ensures appropriate security protocols and escorts are in place.

We track safety performance across all our sites. To help with this, a dedicated team regularly analyses the information to identify trends or high-risk areas that require action.

If a serious incident or fatality occurs, we help the relevant authorities with their investigations. We are also legally obliged to report fatalities to the Board. To prevent similar incidents from happening again, we always conduct rigorous internal investigations to determine the cause, identify lessons and develop an action plan. We make sure our Board reviews all investigation outcomes, and also receives updates on action plan implementation.

Protecting occupational health and wellbeing

We focus on identifying hazards, assessing risks to people's health at work and introducing appropriate controls.

We also have programmes around the world that protect and promote health and wellbeing for employees, their families and local communities. These include:

- Medical services and insurance;
- Healthy lifestyle and fitness schemes; and
- Family-friendly policies and initiatives, such as flexible working and help with childcare.



Our Management Approach (continued)

Looking after health and safety during the COVID-19 pandemic

In 2020, health and safety at work took on an even greater significance. Throughout the world, we have seen many markets return to work with an absolute focus on the health and safety of our employees. And it is thanks to the efforts of our people that our company is emerging from this crisis stronger and more prepared for the challenges of the future. We are making sure all our employees are aware of the extensive wellbeing support available to them, including online medical consultations and counselling services.

We have implemented 'COVID-19-secure' workplace measures for employees who are unable to work remotely and those in countries where restrictions are not in place. These measures include regular cleaning and sanitising of the workplace, temperature checkpoints, the use of face masks, one-way systems and signage to ensure social distancing.

Protecting the communities within which we operate is important to us too. We have helped manufacture hand sanitisers and PPE in Bangladesh, Indonesia, South Korea and the US. In Brazil and Kenya, we have used our vast distribution networks to help get PPE, sanitisers and other essential items to front-line workers and vulnerable people. In Brazil and the UK, we have loaned specialist equipment for COVID-19 testing. Across the Group, we have also donated to many funds around the world supporting local efforts.

As the COVID-19 situation evolves, the type of support our people, and those in the communities where we operate, need will undoubtedly change. We will adapt and evolve, responding to the ever-changing needs this crisis creates.



SPOTLIGHT

Observing World Day for Safety and Health at Work During the COVID-19 Pandemic

For over a decade, the ILO's [World Day for Safety and Health at Work](#) has been promoting safe, healthy and decent work. Each year, we observe this day at BAT with global campaigns and events to raise awareness and showcase best practice.

In 2020, the ILO's theme focused on the COVID-19 pandemic and addressing the outbreak of infectious diseases at work. This provided an opportunity to reinforce awareness and understanding of the many measures we have introduced around the Group to protect the health and safety of our people while keeping the business operating during such unprecedented times.

Our Asia-Pacific and Middle East region was the first to be impacted early in

2020, and our teams rapidly implemented 'COVID-19-secure' measures. With PPE and sanitisers being in such short supply early in the crisis, our factories in Bangladesh, Indonesia and South Korea quickly took the initiative to start manufacturing our own. Not only did this benefit our employees and their families, but in many cases we were able to supply our local business partners, contracted farmers and communities too.

“In Indonesia, our factory took the initiative to manufacture our own sanitisers. We were also able to respond to a request to supply sanitisers and masks for public authorities in the country, including the Indonesia National Board for Disaster Management.”

Bora Gulpinar, Regional Head of EHS, Asia-Pacific and Middle East

Growing tobacco safely

The main safety risks in tobacco growing relate to exposure to pesticides and GTS, which can be contracted by handling wet green tobacco leaves during harvesting. Research shows that the proper use of PPE when harvesting can minimise the risk of GTS.

As a result, ensuring our contracted farmers and their workers have access to PPE when using agrochemicals and harvesting is crucial. Our operational standard for PPE in tobacco farming details our mandatory requirements for the 100% provision of PPE for contracted farmers and their workers. Ensuring the PPE is consistently and properly used is also essential, so our standard also requires 100% training and monitoring on PPE use. We expect our third-party suppliers to have similar requirements for the farmers they buy tobacco from.

“Use of PPE is high among BAT farmers, and they appear to be effectively mitigating health and safety risks.”

Find the source and details of this quote in an independent research study into the impacts of tobacco growing.

Our 2020 Progress and Performance

How we supported safety across our business

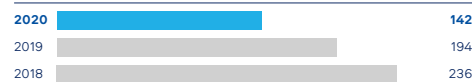
Since 2017, we have implemented a range of health and safety initiatives – from providing training programmes on driver behaviour to in-vehicle telematics monitoring systems. We are pleased to report that our actions are producing improvements across most accident categories.

The number of serious injuries resulting from attack and assault incidents in TM&D have declined in 2020, showing the positive impact of our security initiatives during the last two years. Road traffic accidents fell by 50% compared to 2019. We regret to report three contractor fatalities, up from one in 2019.

Total accidents

142

(Number of accidents to employees and contractors)



Fatalities

(Number of fatalities to employees, contractors and members of the public involving BAT vehicles)

	2020	2019	2018
Employees	0	0	3
Contractors	3	1	9
Members of the public, involving BAT vehicles ³	2	8	6

Serious injuries

(Number of serious injuries to employees and contractors)

	2020	2019	2018
Employees	28	26	26
Contractors	8	11	16

Lost workday cases

131

(Work-related accidents resulting in injury, causing absence of one shift or more)



Lost workday case incident rate (LWCIR)

0.21

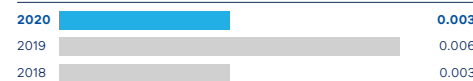
(LWCIR)




Occupational illness rate (OIR)


0.003

(OIR)



 Find out about incidents that required prompt actions around health and safety in our tobacco supply chain on [page 118](#).

 Data definition and scope are outlined on [page 134](#).

 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

How we supported safety across our supply chain

382,000+

attendances by farmers, labourers and other community members at farmer health and safety training sessions

Provision of PPE for farmers and their workers

(% of farms reported to have sufficient PPE for agrochemical use and harvesting)

	2020	2019	2018
PPE for agrochemical use	95	93	89
PPE for harvesting	99	97	96

Farmer health and safety training

(Number of farmer training sessions and total attendances)

	2020	2019
GTS and harvesting health and safety:		
Sessions	26,245	2,608
Attendances	191,245	196,982
Agrochemical health and safety:		
Sessions	26,247	2,871
Attendances	191,244	201,374

³ In addition, there was a third fatality in 2020 of a member of the public, which was not related to a BAT vehicle, but which occurred at a BAT subsidiary's site, not arising from our business activities.

Creating an Inclusive Culture for our People

Our Approach at a Glance

At BAT, we employ 55,000+ people worldwide. Attracting and retaining an increasingly diverse workforce and providing a welcoming, inclusive working environment are key drivers in BAT's transformation journey to build A Better Tomorrow™.

We focus on providing a fair and inclusive workplace where all our people can flourish and thrive.

Our diversity and inclusion (D&I) strategy is embedded across the Group worldwide and focuses on driving ownership and accountability, building diverse talent pipelines and creating enablers – all underpinned by an inclusive culture.



Why an Inclusive Culture Matters

As we continue to transform our business to develop new technologies and product categories, we need to unlock the best talent and bring different perspectives to innovation and problem-solving. To stand out in an increasingly competitive international employment market we must value all our stakeholders. An integral part of valuing our people is to ensure we represent the views, skills, needs and expectations of our global workforce by ensuring a diverse and inclusive culture.

Policies and Accountability

Our **Standards of Business Conduct (SoBC)** include our Respect in the Workplace Policy, outlining our commitments to equality, diversity, preventing bullying and harassment, and safeguarding employee wellbeing.

Our **Employment Principles** include our commitments to reasonable working hours, a family-friendly work environment, employee wellbeing, talent, performance and equal opportunities, and fair, clear and competitive remuneration and benefits.

[+](#) Find more details about these policies on [pages 112–119](#).

Our Board is responsible for assessing and monitoring culture and its alignment with Group purpose, values and strategy. This includes an annual Group culture dashboard review, as well as regular reviews of the Group's approach to talent and diversity. As part of its annual workforce-engagement review, the Board also receives feedback from a range of mechanisms across the Group, including outcomes from our employee survey and plans for addressing and responding to feedback.

Our Director for Talent, Culture and Inclusion has overall responsibility for all employee and human resources matters, while our Management Board oversees the development and management of talent within the Group's regions and functions.

In 2020, we realigned our D&I governance structure to ensure clear accountability for our business leaders and leadership teams. This included developing a new D&I dashboard and introducing quarterly reviews by our Management Board to ensure close monitoring of progress and plans. Diversity also remains fully embedded in our talent-review processes and meetings across all levels of the Group.

Our Ethos

Developed with significant input from our employees, our ethos guides the behaviours of our people across the Group and plays a key role in delivering our purpose to build A Better Tomorrow™.



We are **BOLD**



We are **FAST**



We are **EMPOWERED**



We are **DIVERSE**



We are **RESPONSIBLE**

By 2025, we aim to

- increase the proportion of **women in senior leadership** teams to **40%**
- increase the proportion of **women in management** roles to **45%**
- achieve at least **50%** spread of **distinct nationalities** in all key leadership teams



GLOBAL TOP EMPLOYER

BAT has been accredited as a Global Top Employer for the last four consecutive years



FINANCIAL TIMES DIVERSITY LEADER

BAT has been ranked in the top 10% of companies for two consecutive years for achieving a diverse and inclusive workforce

Our Management Approach

Investing in leaders

We are focused on attracting and retaining the capabilities needed to deliver our global strategy, driven by our purpose of A Better Tomorrow™. Our increasingly data-led and digitally enabled approach focuses on bringing new skills and capabilities to our teams.

Our digital learning platform, The Grid, continues to provide personalised digital opportunities for upskilling our employees. In 2020, we expanded our use of learning content from our partner, LinkedIn Learning, which is open to all BAT employees.

We also launched 'Leadermeter' in 2020, a new leadership capability assessment focused on identifying employees' strengths and development areas. The insights

help to identify further candidates for our development programmes, such as our Women In Leadership training.

Diversity and inclusion

We are proud to be a diverse global company and, as our *ethos* shows, diversity is one of our core values. As we evolve as a business with our new corporate purpose and strategy, diversity becomes even more critical to our success.

We first launched our D&I strategy in 2012, focused on ensuring our employees can flourish regardless of their gender, ethnicity, culture or other differences. Over that time, we have implemented a range of initiatives under our key strategic pillars to drive ownership and accountability, build diverse talent pipelines and create enablers – all underpinned by an inclusive culture.

From the beginning of an employee's journey with BAT, our commitment to fairness and inclusivity is embedded throughout the recruitment process, helping to ensure equal access to opportunities at BAT. We require all recruitment agencies we work with to provide gender-balanced longlists of candidates.

Our Women in Leadership programme, participation in the INSEAD business school's programme, and range of mentoring and coaching opportunities support the development of our future female leaders.

In 2020, we implemented *IGNITE*, our new programme for experienced professionals returning to the workplace after a career break. *IGNITE* identifies, recruits and supports returners, helping them reintegrate into the workplace and build back their confidence. The programme includes flexible working, training and coaching opportunities for the returners, as well as training for line managers on how to best support them.

So far, we have successfully supported women into roles in our Research and Development (R&D) Centre and UK business who had taken breaks ranging from 18 months to 4 years.

D&I Strategy Overview



Driving ownership and accountability

- Board Diversity Policy
- D&I dashboard for tracking progress
- Quarterly Management Board reviews
- Diversity Champions



Building diverse talent pipelines

- Inclusive recruitment
- Women in Leadership training and mentoring
- *IGNITE* returners' programme
- Women in STEM initiative



Creating enablers

- *Parents@BAT* global standards for new parents
- Employee networks and communities
- Independent certifications



Supported by an inclusive culture

- D&I events and awareness campaigns
- 'Mastering Inclusion' D&I training, including for unconscious bias
- Employee engagement and listening sessions

“I came across the returner programme at BAT and jumped at the chance. The prospect of a supportive line manager, a small network of returners, and key internal and external support was an appealing prospect.”

Samantha Higgins

IGNITE beneficiary, R&D



UK NATIONAL EQUALITY STANDARD (NES)

We underwent the UK NES pre-certification assessment in 2020. We are committed to acting on these insights in 2021.

Our Women in Science video won a platinum award in the long-form video category at the 2020 dotCOMM Awards. Watch our video [here](#).



SPOTLIGHT

Empowering Women in STEM

We are transforming BAT to create A Better Tomorrow™ and reduce the health impact of our business. To do that, we need fresh, diverse thinking in science and innovation. That is why, in 2019, we launched our Women in STEM (science, technology, engineering and maths) initiative.

We are working with external partners, as well as developing our own internal learning to attract, develop and retain more women in our R&D, Operations and Information & Digital Technology functions.

In the UK, we became members of the multi-stakeholder group [WISE](#) in 2019. In 2020, we became official signatories to its 10-step framework, which provides evidence-based action, knowledge and tools for achieving gender balance in the STEM workforce.

We marked International Day of Women and Girls in Science 2020 by celebrating the achievements of our female scientists and shining a spotlight on their world-class research. Our pioneering women were also showcased in a national [Women in STEM campaign](#) in 2020.

Our Management Approach (continued)

Diversity and inclusion (continued)

We provide women and diverse groups with an opportunity to connect, engage and share experiences. Currently, we have 19 employee networks across all levels of the Group, including our Women in BAT UK and our B United LGBT+ communities. During the COVID-19 pandemic, with a heightened focus on mental wellbeing, these networks had an even more important role to play in keeping our people connected and supporting one another.

We marked the Global Day of Parents 2020 with a virtual panel discussion with our senior leaders. They discussed the challenges of being a parent during the COVID-19 pandemic, and how it has affected them and their families, and shared top tips for coping during lockdowns.

Our *Parents@BAT* programme, launched at the end of 2018, continues to provide a range of benefits to support new parents working in all BAT businesses worldwide. This includes minimum requirements for fully paid leave for new mothers and adoptive parents and a return-to-work guarantee, exceeding legal requirements in many countries. It also provides flexible working opportunities and an online advice service offering coaching support for all parents whenever they need it.

We work to continually raise awareness of diversity issues through campaigns and events that showcase best practice and provide platforms for role models to amplify their profiles across the Group.

Championing LGBT+ Equality

Our global B United network is a safe forum for our LGBT+ employees to share experiences, mentoring opportunities and help with overcoming hurdles, such as adoption or travelling abroad with same-sex partners. During 2020, the network adapted to challenges of COVID-19, moving all face-to-face meetings online and holding virtual Pride celebrations around the world.

We are proud to have been recognised as a **Best Place to Work for LGBTQ Equality** in the US and Mexico by the Human Rights Campaign Foundation's [2021 Corporate Equality Index](#).

Each year, we celebrate International Women's Day (IWD) and our businesses hold events around the world, including talks from inspiring female business leaders – from both within BAT and the wider business community. This global approach has been recognised as best practice by the IWD Association for two consecutive years.

Our 'Strength from Diversity' training workshops have long helped our management-level employees understand unconscious, conscious and organisational bias. For 2021, we have relaunched this training as 'Mastering Inclusion', in a new learning format, and opened it up to all our other non-management employees too.

This training will help to enhance awareness and understanding of key D&I topics, provide practical ways to foster inclusive working environments and further empower our people. It will be compulsory for all new hires and new managers from 2021.

Our Management Approach (continued)

Workforce engagement

Ensuring we have open engagement, where we can listen and learn from our employees, is crucial to an inclusive culture.

We have a range of well-established workforce-engagement channels to ensure the Board understands the views of the Group's workforce worldwide. These include market and site visits by our Directors and Management Board members to meet local employees, town hall sessions, works councils, European Employee Council meetings and global, functional and regional webcasts with the Chief Executive. These engagement channels are implemented as appropriate for the composition of the local workforce at all levels of the business.

We also undertake our 'Your Voice' global employee opinion survey every two years, with the most recent taking place in 2019.

In accordance with our SoBC, we respect freedom of association and collective bargaining. Our employees have the right to be represented by local company-recognised trades unions, or other bona fide representatives. Such representatives should be able to carry out their activities within the framework of law, regulation, prevailing labour relations and practices, and agreed company procedures.

Our Employment Principles also make clear that, where restructuring is necessary, we are committed to doing so in a responsible manner. Where such situations do occur, our companies adopt responsible local approaches and procedures to address each instance. For example, this includes employee consultation periods, severance pay and any other measures as may be appropriate to the situation and location, including outplacement support to help displaced employees to find alternative employment.

Global map built from employee selfies taken during our #StrongerTogether event



SPOTLIGHT

#StrongerTogether

We have long said our employees are our greatest asset and, during the COVID-19 pandemic, this has proved to be truer than ever. We have seen our ethos in action around the world with employees building on each other's ideas, knowledge and experiences to guarantee business continuity.

Our digital transformation over recent years meant we were well-placed to move to remote working where needed. To keep employees engaged, we introduced a series of webinars to help them make the most of our digital tools. In July 2020, we held a #StrongerTogether virtual 24-hour event for all our employees worldwide. Hosted from different parts of the world by BAT colleagues, it included a mixture of fun sessions, such as workouts and quizzes, as well as stories and experiences about how BAT employees had coped with lockdowns.

Travel restrictions, lockdowns or working from home did not stop our global

learning and development programmes either. For example, our 2020 Grad Academy, an intensive formal learning experience central to our Global Graduate programme, was successfully adapted to the virtual environment. The 239 grads from 51 markets were, over three weeks, challenged with new business topics, refreshed leadership modules and exciting interactive sessions.

“The #StrongerTogether event was a fantastic example of our digital transformation in action – connecting the BAT community in an informal, innovative way and showing the diversity, creativity and resilience of our people.”

Marina Bellini
Director, Digital & Information

Black Lives Matter

In response to the protests of 2020, our Chief Executive sent an open letter to all Group employees, reminding them that BAT will not tolerate discrimination in any shape or form, reaffirming his confidence in the strength of standing together.

In the UK, we became signatories to the [UK Race at Work Charter](#) for supporting racial equality in the workplace.

In the US, we conducted a listening session with our African-American Employee Resource Group and held town hall sessions. Employees shared their

views and experiences related to racial injustice. Our US business also pledged US\$3 million over the next three years to organisations and groups that combat racism and inequality.

US\$3m

pledged by our US business to organisations that combat racism and inequality

Our 2020 Progress and Performance

Since introducing our D&I strategy in 2012, we have made great strides, including more than doubling female representation in senior roles.

We also have 139 different nationalities, from a wide range of ethnic backgrounds, in management roles across the Group.

Our D&I strategy is truly global and we are proud that our businesses around the world have received over 80 different awards and recognition in 2020 for their diversity efforts and achievements.

Our SoBC includes our commitment to respect employees' rights to freedom of association and collective bargaining. In 2020, our companies reported that 30% of our employees were covered by an independent trade union or collective bargaining agreements.

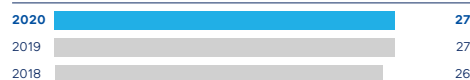
Total voluntary turnover rate for employees in 2020 was 5.1%, down from 7% in 2019.

Female representation

27% on senior leadership teams

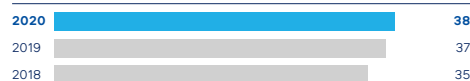
Ambition: Increase the proportion of women in senior leadership teams to 40% by 2025.

(% female representation on senior leadership teams)

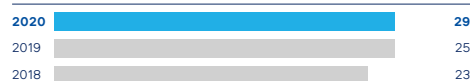



Ambition: Increase the proportion of women in management roles to 45% by 2025.

(% female representation in management roles)



(% female representation in non-management roles)



 [Find out about Board diversity on pages 101–102.](#)

Distinct nationalities

92%

Ambition: Achieve at least a 50% spread of distinct nationalities within all key leadership teams by 2025.

(% of key leadership teams with at least a 50% spread of distinct nationalities)




'Your Voice' survey

Target: Achieve more positive scores in our global 'Your Voice' employee survey than the norm for FMCG companies in our comparator benchmark group.

(% favourable scores in our most recent 'Your Voice' survey in 2019, compared to the FMCG benchmark)

	BAT	FMCG
Employee Engagement Index	82	75
High Performing Index	80	74
Corporate Responsibility	86	74
Diversity and Inclusion	83	70
Empowerment	84	79
Innovation	74	67
Leadership and Strategy	73	67
People Management	82	80
Reward and Recognition	74	64
Talent Development	69	64
Transformation	76	71

 Data definition and scope are outlined on page 133.

 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

SPOTLIGHT

Battle of Minds: Our Global Internship Competition

Our Battle of Minds invites submissions from bright young business minds from around the world. The contest proceeded in 2020 despite the logistical challenges due to COVID-19.

With 413 business cases submitted from around the world, it was a tough selection process. In a virtual ceremony, our judges announced the team from Kenya as the overall winners with their business case for Envo-Plastic. They proposed the concept of a plastic-waste recycling company that harnesses 3D printing technology to help provide affordable homes to low-income earners, with plastic waste as a major source of raw materials.

Envo-Plastic's team members – Eric Bakuli, Gerald Ayieye and Anthony Mathu – each received a £3,000 voucher towards online education from some of the world's top universities.

Anti-Illicit Trade

Our Approach at a Glance

Combatting illicit trade is a priority to safeguard our combustibles business. Illicit trade stifles the operation of the legitimate industry, erodes our market share and has wide-reaching negative societal impacts.

The economic fallout from COVID-19 may exacerbate this issue as consumers become increasingly stretched and governments seek to raise revenues through increases in tobacco excise duties.


Why It Matters

Euromonitor International estimates that approximately 400 billion cigarettes per year are smuggled, manufactured illegally or counterfeited. Illicit trade also cheats governments out of around US\$40 billion each year in taxes. This stolen revenue is also being used to fund other illegal activities. In addition, counterfeit cigarettes are not manufactured to stringent product health and safety standards.

We are tackling illicit trade head-on so we can stop profits going to illegal activities.

Policies and Accountability

The **Anti-Illicit Trade (AIT) Policy** in our **Standards of Business Conduct (SoBC)** sets out the controls all Group companies must put in place to stop our products from being diverted into illicit trade channels.

 For more about this and our other policies and programmes, see [pages 112–119](#).

In addition, our Supply Chain Compliance Procedure, updated in October 2020, provides guidance for complying with our AIT Policy. It sets out the minimum requirements for supply chain controls for our end-market operations, and covers tobacco leaf, as well as combustibles.

At every regular Board meeting, the Board reviews a report from our Legal & External Affairs Director. This includes anti-illicit trade initiatives.

Our Management Approach

We fully support regulators, governments and international organisations in eliminating all illicit tobacco trade. It is vitally important that governments establish workable tax regimes and economic policies that do not encourage illicit trade. Strong border controls and effective laws also help to fight the black market.

Our approach to fighting the black market in tobacco includes:

- Effective internal governance and supply chain security;
- Gathering market information on the scope of illegal trade;
- Working with authorities to ensure that appropriate enforcement action is taken;
- Engaging with international bodies like the World Customs Organization to increase understanding of the issue;
- Informing regulators about the impacts of the illegal tobacco trade; and
- Raising awareness of the topic among our employees, business partners and the public.

We actively engage with key external stakeholders across our industry and other sectors on a range of AIT priorities. We have dedicated AIT teams operating at global and local levels. Our AIT Engagement teams are always fully cooperative with enforcement agencies and local tax and customs authorities, where it is needed.

The global AIT strategy is supported by our research programme, which aims to further understand the size and scope of the problem.

Our 2020 Progress and Performance

Given the scale of the issue, it is vital we continue to work united as an industry and develop effective solutions to eliminate illicit trade and, in turn, its negative socio-economic impact in the markets.

We have developed industry-wide security systems by working alongside other international tobacco companies. These trace and authenticate our products, thus enhancing our supply chain controls – in digital coding technology, for example.

We support law enforcement agencies worldwide in gathering and sharing information. We monitor the destruction of seized products and machinery. And we analyse suspected fakes in our state-of-the-art laboratory in Southampton, UK.

We also ensure our business joins governments and other organisations, to make our combined efforts more effective. As part of our cooperation agreement with the European Commission and its member states, we contribute to funding areas, such as training for border staff in new security systems.

In 2020, we further strengthened our AIT approach with the roll-out of our Group-wide engagement toolkit. This provides our operations with detailed guidance on effective stakeholder engagement – from how to better assess the size, nature and urgency of the illicit trade issue to building effective campaigns.

Infrastructure

A Tomorrow With Integrity

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

In 2020:

100%

Group employees completed our annual SoBC sign-off in one of the available formats

100%

alignment with our Youth Access Prevention Guidelines

In this chapter

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- 93 Business Ethics
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- 100 Regulation and Policy Engagement
- 101 Board Diversity
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Our Governance Priorities

Our approach to our priority focus areas is summarised here. These priority focus areas are outlined in our Sustainability Agenda. We also outline our approach to other governance focus areas later in this section.



Business Ethics

Unethical behaviour can damage our business, reputation and consumer trust. It can also distort markets, with developing countries especially vulnerable to the resulting economic, social and political impacts. We are guided by a robust, global set of principles and policies in everything we do, in all our markets.

We aim for 100% adherence to our Standards of Business Conduct.

Our management approach

Our operations: We have a strong culture of responsible behaviour, underpinned by our ethos. We will never compromise standards for the sake of results. Our Group-wide *Delivery with Integrity* programme helps everyone at BAT understand and play their role in maintaining those standards.

Our supply chain: Just as we expect all our employees to deliver with integrity, we have similar, clearly defined minimum standards for our suppliers. These include human rights and anti-bribery and anti-corruption-related requirements, built into our contractual arrangements.

Our policies and standards

Our operations:

- [Standards of Business Conduct \(SoBC\)](#)

Our supply chain:

- [Supplier Code of Conduct](#)

Our independently managed external 'Speak Up' channels are available online or via phone, 24 hours a day in local languages. We promote 'Speak Up' channels and how to contact these through employee training, on our SoBC app and in our Supplier Code of Conduct.



Responsible Marketing

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

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

Our management approach

Our operations: Our strict marketing requirements are detailed in our IMP. We apply these consistently everywhere we operate, even when they are stricter than applicable local laws.

Our value chain: We work closely with our trade partners and customers, building mutually beneficial relationships, characterised by integrity. We also support our retail partners in providing youth access prevention messaging wherever possible.

Our policies and standards

Our operations:

- [International Marketing Principles](#)
- [Youth Access Prevention Guidelines](#)

Our value chain:

- [Supplier Code of Conduct](#)
- [International Marketing Principles](#)
- [Youth Access Prevention Guidelines](#)





Regulation and Policy Engagement

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

We aim to have 100% adherence to our SoBC, including its Lobbying and Engagement Policy.

Our management approach

Our operations: We believe that all views – whether from businesses, NGOs or any other parties – should be communicated transparently to everyone. To support evidence-based regulation we offer expertise, information and ideas, especially around New Category products and tackling illicit trade.

As a responsible company, we maintain clear standards for the engagement activities we conduct. All Group companies and employees are required to act in accordance with these.

Our supply chain: We support third parties on policy issues of mutual interest. However, we will never ask a third party to conduct itself in any way that contravenes our Standards of Business Conduct.

Our policies and standards

Our operations:

- [Standards of Business Conduct Lobbying and Engagement Policy](#)
- [Standards of Business Conduct Political Contributions Policy](#)

Our supply chain:

- [Supplier Code of Conduct](#)
- [Principles for Engagement](#)



Delivering With Integrity

Our Approach at a Glance

Delivering with integrity and our ethos form the foundation of how we work. We are clear to all our employees, suppliers and partners that we will never compromise our ethical conduct standards for the sake of results.

We drive a consistent approach to managing key risks – and expect our suppliers to act with integrity too.

Through a robust suite of policies, standards and training, we empower our employees to make sure they understand what is expected of them and act responsibly. We set out clear expectations in our Standards of Business Conduct (SoBC). This is complemented by tools and procedures, enabling us to assess risks consistently and encouraging our employees to speak up when they suspect a breach.



Why Delivering With Integrity Matters

Unethical behaviour, such as corruption, money laundering or tax evasion, can be extremely damaging to a business. It can also distort markets, and developing countries are especially vulnerable to its associated economic, social and political impacts. Operating with honesty, integrity and transparency is not only the right thing to do – it is critical to the continuing success of our business.

In an organisation as diverse and multinational as BAT, it is essential that we work to a consistent set of rules and standards of behaviour across the Group. This is particularly relevant in the complex and challenging times we face today, such as political change, economic instability and increasing external expectations and legislation.

We aim to

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

Policies and Accountability

Our **SoBC** expresses the high standards we are committed to upholding, covering topics including 'Speak Up', bribery and corruption, political contributions, tax evasion and money laundering.

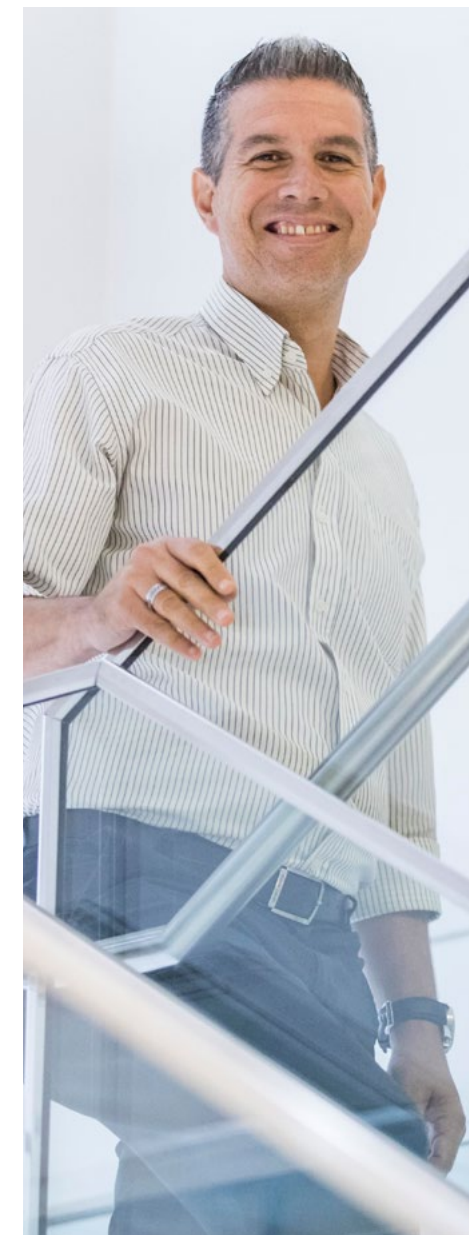
The SoBC is complemented by our **Supplier Code of Conduct**, which outlines the minimum standards expected of our suppliers. It includes provisions relating to bribery and corruption, sanctions, tax evasion and illicit trade.

We monitor and mitigate third-party risk as a key component of our compliance programme through our **Third-Party Anti-Bribery and Corruption (ABAC) Procedure and ABAC risk-assessment tool**.

[Find out more on the scope and governance of our business ethics policies on pages 112–119.](#)

In addition, our new **Mergers and Acquisitions (M&A) Transactions Compliance Procedure** consolidates and strengthens BAT's existing due diligence procedures in the context of corporate transactions. These procedures also apply to joint ventures that we control but are not the majority investor in, and include human rights criteria.

The Audit Committee of our Board is kept updated on SoBC allegations. The Committee reports to the Board to enable Board oversight of behaviour falling short of our standards and the corrective action taken, particularly where relevant to culture and values.



Our Management Approach

Delivery with Integrity is our global compliance programme, led by our Group Head of Business Conduct and Compliance (BC&C), reporting directly to the Director, Legal & External Affairs and General Counsel. Our BC&C team continues to build on our already strong foundations to drive a consistent approach to compliance across the Group. We empower our people to act with integrity, raise concerns whenever they suspect a breach and know that our standards of ethical conduct should never be compromised for the sake of results.


The programme promotes an ethical culture and communicates expected behaviours as set out in our SoBC. It also provides employees with ways to raise concerns without fear of retaliation and assurances that investigations will be fair and thorough. *Delivery with Integrity* also drives a consistent approach to identifying and mitigating risk in the areas of bribery and corruption, money laundering, tax evasion, competition law, sanctions and data protection through tools and guidance for employees and business units.

We monitor regulatory developments and best practice to ensure the continued evolution of our *Delivery with Integrity* programme. We continue to strengthen our suite of procedures and tools, enabling our employees to adopt a consistent approach to managing and mitigating any risks. One example is our newly launched Mergers and Acquisitions Compliance Procedure.

We also regularly review our SoBC to ensure our policies remain at the forefront of best practice. In the latest review cycle, which took effect as of 1 January 2020, this included:

- Incorporating our long-standing Principles for Engagement into the SoBC as a new Lobbying and Engagement Policy;
- Combining money laundering and tax evasion in one policy, including greater detail on the Group's obligations under the UK Criminal Finances Act;
- Setting out in more detail line managers' responsibilities as role models of the SoBC; and
- Updating various other policies in response to regulatory developments and to reflect areas identified for improvement through external benchmarking.

To further increase our employees' awareness, understanding and accessibility, we launched our SoBC app at the end of 2019. The app provides easy access to SoBC policies, procedures and guidance, and to our global 'Speak Up' channels. Ambassadors across the Group are now promoting it within their business areas.

 Our approach extends to our partners and third parties we work with. Find out more on [pages 112–119](#).

Annual SoBC Training and Sign-off

Every year, all our employees and business entities must formally confirm they have complied with the SoBC. Individuals complete an annual sign-off during which they undergo training and assessment, reaffirm their commitment to the SoBC and declare any personal conflicts of interest.

Our business entities also complete an annual assessment of audit controls to assess and confirm they have complied with SoBC controls and compliance procedures.

Our SoBC policies are available in 14 languages

Over 16,500 employees have downloaded the SoBC app

A Safe Place to 'Speak Up'

Our SoBC makes it clear that anyone working for – or with – the Group should speak up if they have a concern about actual or suspected wrongdoing. We will always listen to these concerns, even if the person is mistaken. BAT does not tolerate victimisation or reprisals of any kind against anyone raising a concern – such conduct is itself a breach of the SoBC and is a serious disciplinary matter. People can speak up in various ways, including talking directly to a designated officer, Human Resources or their line manager. And we have externally managed global 'Speak Up' channels available 24 hours a day online, by text or telephone. The channels can be used anonymously and are available in multiple languages.

We have worked hard to ensure 'Speak Up' is seen as a trusted tool by our people. So we were pleased that in our latest 'Your Voice' global employee survey, conducted in 2019, 79% of employees strongly agreed they felt able to report concerns about actual or suspected wrongdoing at work without fear of reprisal – 8% higher than the FMCG comparator norm.



SPOTLIGHT

Maintaining Highest Standards of Conduct During the Pandemic

We continue to review and evolve our approach to effectively respond to any compliance risks – and how we have supported our Group companies in assessing these as they supported local communities in COVID-19 relief is a great example. We mobilised our teams and resources quickly and we are proud of how we have supported local communities, farmers and suppliers, who may be vulnerable to both the virus and its long-term economic implications.


To enable us to act quickly, our central Business Conduct and Compliance (BC&C) team developed clear guidance for all our end markets on how to effectively identify and mitigate any compliance risks that could arise during our response to the global pandemic.

Our global guidance included:

- Recommending due diligence steps to mitigate bribery and corruption risks when making financial contributions to governments in support of efforts to combat COVID-19;
- Suggesting steps on how to minimise disruption to the management of new and ongoing 'Speak Up' investigations, such as how to progress investigations when face-to-face meetings or site visits were no longer possible;

- Highlighting data-privacy risks posed by BAT's response to COVID-19 and providing guidance to ensure the protection and confidentiality of the personal data of our employees;
- A reminder to consider the competition law risk if industry collaboration is proposed to assist in a country's response to COVID-19; and
- Sharpening the focus on the records-management risks, with the significant increase in remote working, and recommending steps to mitigate these risks.

The global pandemic has also meant that we had to find new suppliers to provide personal protective equipment (PPE) and other items to maintain the safety of our employees and the production and availability of our products. So, we deployed a fast-track due diligence approach to onboard new suppliers across the Group.

 We have also developed digital solutions to upholding our standards during the pandemic. Find out more about how we worked to implement virtual human rights audits, as an alternative to on-site supplier audits during travel and lockdown restrictions, on [page 71](#).

Our 2020 Progress and Performance

In 2020, over 26,000 Group company employees confirmed that they had complied with our SoBC, disclosed any conflicts of interest and completed our annual SoBC e-learning through the online SoBC portal. Other Group company employees who do not have easy online access were given various options to complete their SoBC sign-off (including via our SoBC app), to ensure that everyone could sign-off safely in light of the COVID-19 pandemic preventing the usual face-to-face gatherings in many of our markets.

We encourage anyone working for, or with, any Group company to raise concerns, including regarding accounting or auditing matters, through a variety of channels, including our independently managed 'Speak Up' online portal and telephone hotlines which are available 24 hours a day.

The 'Speak Up' channels can be used in confidence, and anonymously where preferred, and are available in multiple local languages. 'Speak Up' contact information is promoted through staff training and communications and through our SoBC app and Supplier Code of Conduct.

[Find out more about our SoBC app on page 94.](#)

Our 'Speak Up' policy makes it clear no one will suffer any direct or indirect reprisal for speaking up about actual or suspected wrongdoing, even if they are mistaken. The policy is supplemented by our SoBC Assurance Procedure and by local

procedures throughout the Group, providing staff with further guidance on reporting matters and raising concerns, and the channels through which they can do so.

We do not tolerate the harassment or victimisation of anyone raising concerns or anyone who assists them. Such conduct is itself a breach of our SoBC and a serious disciplinary matter.

Not all contacts made via our SoBC Portal involve SoBC allegations; some contacts relate to questions regarding the SoBC or other matters. There were 554 SoBC contacts in 2020, representing an 11% increase on the total number of SoBC contacts in 2019 (497 contacts).

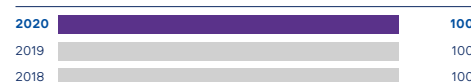
In the year ended 31 December 2020, 321 of the 554 SoBC contacts were assessed as SoBC allegations and reported to the Audit Committee, representing an 11% decrease on 2019 SoBC allegations (359).

Of the 321 SoBC allegations reported, 116 were established as breaches and appropriate action taken (2019: 130).

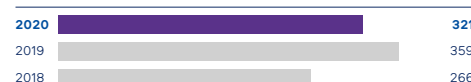
In 158 cases, an investigation found no wrongdoing (2019: 179). In 47 cases, the investigation continued at year-end (2019: 50), including investigation through external legal advisers of allegations of misconduct. The 116 established SoBC breaches resulted in 54 people leaving BAT (2019: 80). In 161 of the 321 SoBC allegations (50%), the person raising the allegation chose to remain anonymous.

SoBC compliance

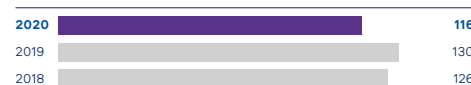
Target: 100% adherence to our SoBC
(% of Group employees who completed our annual SoBC sign-off in one of the available formats)



Number of SoBC allegations



Number of established SoBC breaches



100%

Group employees completed our annual SoBC sign-off in one of the available formats

Breakdown of all SoBC allegations in 2020

	2020	2019
Personal and Business Integrity	18	17
Workplace and Human Rights	44	42
Corporate Assets and Financial Integrity	26	28
National and International Trade	3	5
Other topics not relating to a specific SoBC policy	9	8
Lobbying and Public Contributions	0	<1

[Data definition and scope are outlined on page 136.](#)

Marketing Responsibly

Our Approach at a Glance

We have a powerful, remarkable brand portfolio that we are proud of. Our global brands are uniquely positioned, with leading-edge insights, science and innovation at speed behind our product pipeline. We are clear about our ambition – being the global leader in the transformation of our industry.

We are also clear that our products and marketing are aimed only at adult consumers and not designed to engage or appeal to children. This is a fundamental requirement of our International Marketing Principles (IMP).

Our IMP govern our marketing across all our product categories. They set out our minimum standard and are applied even when they are stricter than local laws.

We have a consistent and robust approach to prevent youth access, through retailer and consumer awareness campaigns, demonstrating high standards of corporate behaviour in every market we operate in.



Why Marketing Responsibly Matters

Tobacco and nicotine products should be marketed responsibly to adult-only consumers and not designed to appeal to youth. All companies selling these products should have consistent marketing principles and youth access prevention activities, as we do at BAT.

There is also growing concern around the world regarding youth access to New Category products – particularly vapour products and whether some e-liquid flavours resemble 'kid-friendly' products. These concerns clearly demonstrate the importance of having, and enforcing, robust and effective regulations that ensure high product standards and prevent access and appeal to youth – something we at BAT have long been advocating and have Group-wide policies and controls for.

Through a globally responsible approach to marketing, we are helping raise standards and prevent underage access, while growing our market share and encouraging adult consumers to choose our products over our competitors. Furthermore, New Category products can only maximise their contribution to tobacco harm reduction if adult smokers feel they have information available to be able to choose the right alternative product for them, and consumer marketing can play a key role in this.

Policies and Accountability

Our **International Marketing Principles (IMP)** define our approach to responsible marketing across all our product categories. They set out our commitment to continue to market our products responsibly and sustainably to successfully grow our global brands. Our IMP highlight 10 key themes that guide our business, including that our business is aimed at and marketed to adults only. Our IMP are applied consistently everywhere we operate, even when they are stricter than applicable local laws. We publicly report any instances of incomplete adherence each year.

To support our strict requirement to only direct marketing at adult consumers, our markets are also expected to adhere to our global **Youth Access Prevention (YAP) Guidelines**. These apply to all markets where our products are sold, including where they are distributed through third parties, and, unless there is a government ban in place,

include a mandatory requirement to provide retailers with point-of-sale materials with YAP messaging.

YAP adherence is monitored through internal audit procedures and overseen by the Audit Committee and Regional Audit and CSR Committees (RACCs) annually.

In 2020, we further strengthened our approach to ensure we only partner with third-party brands, authors and publishers where we can reasonably establish that the vast majority of their audience is adult.

We aim to

have **100% adherence** to our International Marketing Principles and Youth Access Prevention Guidelines



Our Management Approach

Our IMP were first introduced in 2001 and have been regularly updated to reflect developments in marketing, our product portfolio, technology, changing regulations and stakeholder expectations. The result of these long-standing standards is that responsible marketing is well embedded in the culture of the organisation and inherent to the way we operate. Our current IMP came into effect in January 2020, reflecting our growing multi-category product portfolio.

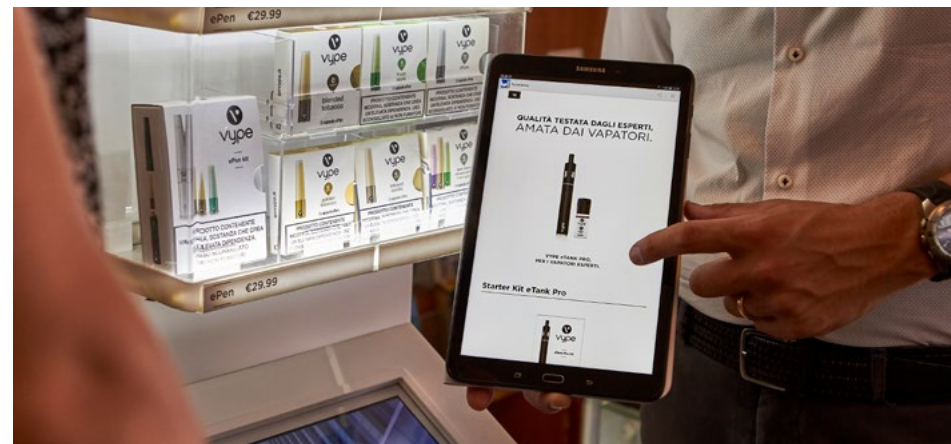
The IMP cover all aspects of marketing – from print and billboards to electronic and social media – and are complemented by internal training on marketing-related topics.

All marketing materials are subject to review and appropriate approval by the local Legal & External Affairs (LEX) function. Our Marketing teams and external agencies receive regular training to effectively apply our approach.

To complement our responsible marketing approach, we also require all markets to (unless there are legal restrictions in place):

- Work directly with retailers to uphold minimum-age laws and our own internal standards;
- Support distributors in providing training and point-of-sale materials for use by retailers; and
- Engage with governments in markets where there is no minimum-age law of 18 to see one introduced.

The Guidelines are supported by comprehensive training for our Trade Marketing & Distribution employees and robust governance procedures at Group level to monitor compliance.



SPOTLIGHT

Responsible Marketing in a Digital Age

With the growth of digital marketing and social media, the way consumers want to engage with us and learn about New Category products has changed. Online channels are increasingly important, and we use them to engage with adult consumers.

Since digital marketing is rapidly evolving, it is key we build capability with our business and support employees to apply the IMP effectively and consistently. We never use open social media to promote our cigarette brands; however, where legally allowed, we use social media to communicate information about our New Category products, which can support adult smokers who are looking for alternatives to smoking.

Our IMP continue to be at the centre of the way we market. In 2020, we have further strengthened our approach by applying strict requirements on how

third-party partners, including promoters, are selected. For example, where we use social media partnerships to promote New Category products, we use analytical tools to help us select third-party promoters who have a majority-adult following.

Our digital marketing hub supports all markets where New Category products are sold. The hub has responsible-marketing and consumer-engagement experts, helping our markets achieve long-term consumer satisfaction and product awareness in a responsible way.

Our responsibility extends beyond what we publish on social media; we are also mindful of how we conduct social media listening. We only use platforms where the vast majority of users are adult and, through the development and use of language-analysis algorithms, we are rapidly enhancing our ability to identify and exclude posts made by anyone underage, whatever the platform.

A Consistent Global Approach

Our International Marketing Principles (IMP) require that our marketing, across all our products, must be:

1. Responsible;
2. Accurate and not misleading;
3. Targeted at adult consumers;
4. Transparent; and
5. Compliant with all applicable laws.

Our 2020 Progress and Performance

We always endeavour to ensure our IMP are consistently applied, including through mandatory training, launched in early 2020, for all Marketing and relevant LEX employees across the Group, who sign off all marketing materials. We also strengthened our compliance controls this year, with more detailed checks around the governance process for all marketing activities, marketing material development spend approvals and requirements for third-party promoters.

In 2020, three cases of IMP non-compliance were identified through our internal procedures, as well as external reports and allegations. We conduct detailed investigations of all cases and, where a breach is found, implement immediate measures to address them.

In addition, our subsidiaries reported a total of approximately £1.75 million in fines or settlements associated with incidents of non-compliance with laws relating to marketing, labelling or advertising. As of the end of the year, some of these were still ongoing and subject to appeal.

We are pleased that 100% of our markets continued to report adherence to our YAP Guidelines. Examples of their activities include supporting proof-of-age schemes, training retailers to better understand minimum-age laws and their responsibilities in upholding them, and providing point-of-sale materials to display in retail stores with YAP messaging.

Established IMP breaches

3

Target: 100% adherence to our IMP.
(Number of established IMP breaches)




YAP Guidelines

100%

Target: 100% adherence to our global YAP Guidelines.
(% of markets aligned with our YAP Guidelines¹)



 **Data definition and scope are outlined on [page 136](#).**

 **Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.**



Engaging Responsibly

Our Approach at a Glance

We are committed to conducting all our engagement activities with external stakeholders with transparency, openness and integrity, such as by:

- Incorporating our long-standing Principles for Engagement into a new Lobbying and Engagement Policy in our SoBC, to highlight the importance of these principles along with all other Group policies;
- Applying robust procedures and controls for political contributions;
- Monitoring of regulatory engagement activities across the Group by our governance committees; and
- Respecting the World Health Organization Framework Convention on Tobacco Control (FCTC) 5.3 provision, which calls for transparent and accountable interaction between governments and the tobacco industry.

Why Engaging Responsibly Matters

Like any other large business, we seek to be part of the debate that shapes the regulatory environment in which we operate. But some tobacco control organisations may present us as part of an all-powerful 'Big Tobacco' lobby that uses secretive measures to influence government and regulation. This is not the case.

Truly effective regulation needs cooperation between governments and industry, and we have a legitimate role to play in policy-related debate that affects our business.

By conducting all our engagement with politicians, policymakers and regulators transparently and with high regard for accuracy and integrity, we can make a valuable contribution to policy development and help enable the best information to be used as a foundation for decisions in policy-making.

We aim to

have **100% adherence** to our SoBC, including its Lobbying and Engagement Policy

Policies and Accountability

We are committed to upholding high standards of integrity when engaging with external stakeholders, including regulators. This is governed by our SoBC and regulatory engagement by our businesses is monitored by our Regional Audit and CSR Committees (RACCs).

[Find out more on our SoBC Lobbying and Engagement Policies, and how regulatory engagement is governed on pages 112–113.](#)

The Group does not make contributions to UK or EU political organisations or incur UK or EU political expenditure. Any political donations outside these jurisdictions must be authorised in advance by the Board of the company making them be fully documented in the company's books and, if required by local law, be placed on the public record. Details must be notified in writing each year to the Group Head of Business Conduct and Compliance and reported annually to the Audit Committee.

Our Management Approach

For global regulatory priorities, the views we advocate are the same as those we publish on our [website](#), and we have long supported the OECD's Principles for Transparency and Integrity in Lobbying.

We are open about what we think and when we disagree with proposed regulations, we try to put forward alternatives that can still achieve governments' aims. We support regulation that is based on robust evidence and thorough research, respects legal rights and livelihoods and delivers on the intended policy aims, while recognising unintended consequences.

[Find out more about our support for regulation of New Category products in Harm Reduction.](#)

Our 2020 Progress and Performance

The Group does not make contributions to UK or EU political organisations or incur UK or EU political expenditure. The total amount of political contributions made to non-UK and non-EU political parties in 2020 was £4,851,616 (2019: £4,466,171) as follows:

Reynolds American Companies reported political contributions totalling £4,851,616 (US\$6,229,475) for the full year 2020 to US political organisations and to non-federal-level political party and candidate committees, in accordance with their contributions programme. No corporate contributions were made to federal candidates or party committees, and all contributions were made in accordance with applicable laws.

All political contributions made by Reynolds American Companies are assessed and approved in accordance with RAI's policies and procedures to ensure appropriate oversight and compliance with applicable laws.

In accordance with the US Federal Election Campaign Act, Reynolds American Companies continue to support an employee-operated political action committee (PAC), a non-partisan committee registered with the US Federal Election Commission that facilitates voluntary political donations by eligible employees of RAI companies. According to US federal finance laws, the PAC is a separate segregated fund and is controlled by a governing board of individual employee-members of the PAC. In 2020, Reynolds American Companies incurred expenses, as authorised by US law, in providing administrative support to the PAC.

No other political contributions were reported.



A Diverse Board of Directors

Our Approach at a Glance

We believe that talent is our competitive advantage and diversity is a critical component of our success, providing better understanding, connectivity and insight to our consumers and our employees.

'We are diverse' is one of the five core elements of the BAT ethos.

Diversity is taken into consideration in determining the composition of our Board and Management Board, through the application of our Board Diversity Policy.

Why Having a Diverse Board Matters

At BAT, we understand that diversity across our business is a competitive advantage and key to the continuing success of the Group. Setting the 'tone from the top' with a diverse Board of Directors is crucial to this.

A diverse Board brings in the right balance of skills and perspectives to help deliver our Group strategy and contributes to good corporate governance. It also helps foster an inclusive culture across the Group.

Policies and Accountability

Our **Employment Principles** include our commitment to diversity and are taken into consideration in determining the composition of our Board and Management Board.

Our **Board Diversity Policy** sets the Board's commitment to considering all aspects of diversity when reviewing the composition of, and succession planning for, the Board and Management Board.

The policy expresses how we think of diversity in its widest sense, as those attributes that make each of us unique.

We aim to

have at least **30% women** on our Board

These include our race, ethnicity, cultural and social background, geographical origin, gender, age, any disability, sexual orientation, religion, skills, experience, education and professional background, perspectives and thinking style.

The Nominations Committee is responsible for regularly reviewing the composition of the Board and Management Board to ensure both boards have an appropriate balance of skills, expertise and knowledge, and that all appointments are made on merit against objective criteria and with due regard for the benefits of diversity.

The Nominations Committee also has oversight of the development of a pipeline of diverse, high-performing potential Executive Directors, Management Board members and other senior managers.

Our Management Approach

The Nomination Committee considers all aspects of diversity when reviewing the composition of, and succession planning for, the Board and Management Board.

Succession planning considers potential internal and external candidates. Where appropriate, executive search firms are engaged to support that work, and we require them to provide gender-balanced shortlists of candidates. The firms we work with are accredited under the UK Government's Enhanced Code of Conduct for Executive Search Firms, which acknowledges companies with a strong track record of gender diversity.

The Board appreciates the benefits of diversity in all of its forms, within its own membership and at all levels across our organisation. Our Non-Executive Directors come from a broad range of industry and professional backgrounds, with varied experience and expertise aligned to the Group's strategic agenda.

 The biographies of the Directors and our Board Diversity Policy can be found on pages 92–93 and 109, respectively, of our [2020 Annual Report](#).



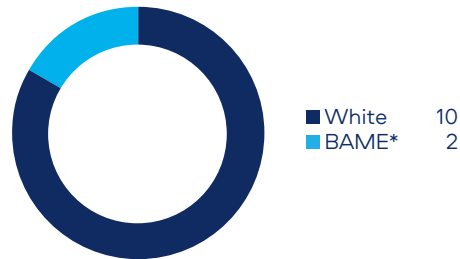
Our 2020 Progress and Performance

33%

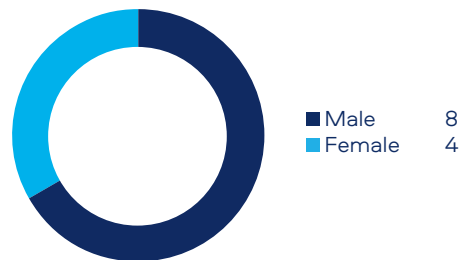
of our Board are women

The Hampton-Alexander Review sets recommendations aimed at increasing the number of women in leadership positions in FTSE 350 companies, including a target of 33% representation of women on FTSE 350 boards by 2020. The Parker Review Committee published its final report on ethnic diversity in UK boards in 2017, recommending there be at least one director from a Black, Asian and minority ethnic (BAME) background on every FTSE 100 company board by 2021. Applying the Parker Review assessment guidelines, we currently have two directors from a BAME background.

Board Directors: ethnicity balance



Board Directors: gender balance



BAME* representation on our Board

2

(Number)

2020	10 non-BAME	2 BAME
2019	10 non-BAME	1 BAME
2018	9 non-BAME	1 BAME

Female representation on our Board

4

(Number)

2020	8 men	4 women
2019	8 men	3 women
2018	7 men	3 women

Find out more about diversity in our Management Board and senior leadership teams on [pages 84–88](#).



* Applying the Parker Report guidelines.

Rewarding Sustainability

Our Approach at a Glance

The link between ESG performance and executive pay is an increasingly important issue for shareholders. Through our Remuneration Policy, we reward high performance that leads to business sustainability, as well as linking incentives for executive directors to ESG performance.

Why Rewarding Sustainability Matters

There is a continued debate on corporate governance and ESG impacts, the emphasis on long-term alignment with shareholder interests and the importance of considering executive compensation in the broader context of a company's employees.

By linking ESG performance to pay, executives are more likely to take responsibility and accountability for the sustainability priorities faced by the Company.

Policies and Accountability

The Remuneration Committee of our Board is responsible for determining the remuneration of the Chairman, Executive Directors, members of the Management Board and the Company Secretary, in line with the **Directors' Remuneration Policy**. The Board sets the remuneration of Non-Executive Directors.

Our Management Approach

Our Directors' Remuneration Policy was approved in April 2019 with significant support from our shareholders. The Remuneration Committee has focused this year on ensuring that the new policy is fully implemented, together with reviewing alignment to the Company's long-term strategy delivery through our incentive schemes. Our focus is to ensure that the Directors' Remuneration Policy enables the Company to:

- Attract and retain top-quality talent in the global marketplace;
- Promote and reward high levels of sustainable long-term performance in both an appropriate and competitive manner to the benefit of shareholders and wider stakeholders;
- Create close long-term links between the Company's senior management and its shareholders; and
- Incorporate best practice policy features into the remuneration strategy while maintaining policy elements which remain appropriate for the Company.


The Committee considers these objectives carefully when reviewing executive and Group-wide remuneration matters, to ensure there is an appropriate balance between market competitiveness, pay for performance, fairness and sustainability.

The Committee looks to ensure that performance metrics for the short- and long-term incentive schemes continue to be aligned to objectives integral to the Company's long-term strategy. Performance measures are reviewed every year to ensure the Company is providing focus, incentivising the right behaviours and creating value.

Our Management Board Directors have overall responsibility for the successful implementation of the Group Strategy. This includes ESG performance metrics related to areas such as environment, health and safety, human rights, sustainable agriculture and farmer livelihoods responsibilities for the Operations Director; talent, reward and diversity responsibilities for the Talent, Culture and Inclusion Director; and SoBC, Anti-illicit trade and *Delivery with Integrity* responsibilities for the Legal and External Affairs Director. Continued delivery towards these and other ESG priorities forms part of individual performance objectives linked to remuneration.

In addition, some important changes were made to the performance metrics for 2021 by the Remuneration Committee. These take into account shareholder feedback and focus on harm reduction as a key area to deliver sustainable growth for the future, and include the introduction of a new metric 'New Categories Revenue', with a 20% weighting attached to it. This metric is aligned with our transformation ambitions and stated targets and will measure future growth in our New Categories business.

Our 2020 Progress and Performance

 Full details, including the Directors' Remuneration Policy, can be found on pages 117–121 of our [2020 Annual Report](#).

 Details of our UK gender pay gap, as defined by UK regulations, can be found in our [2020 Gender Pay Report](#).



Responsible Tax Management

Our Approach at a Glance

As a company with a global presence, we face continual calls from our stakeholders for greater transparency in how and where we pay our taxes. We apply our global tax strategy to all Group companies, including compliance with all applicable laws and regulations, being open and actively engaging with tax authorities when required.

Why Responsible Tax Management Matters

Our global business is an important source of tax income for governments around the world and makes a valuable contribution to local economies.

As multinational companies continue to face increased scrutiny in relation to their tax practices, stakeholders are calling for greater transparency to evaluate companies' exposure to potential earnings, governance, reputational, and broader societal and macroeconomic risks.

Policies and Accountability

Our **global tax strategy** applies to all Group companies and is transparently published in our **2020 Annual Report**. It is regularly reviewed by the Board. The operation of the strategy is managed by the Finance Director and Group Head of Tax, with the Group's tax position reported to the Audit Committee on a regular basis. The Board considers tax risks that may arise as a result of our business operations.

Our Management Approach

Our products are distributed in over 180 markets around the world. Our tax footprint extends beyond corporation tax, including significant payment of employment taxes and other indirect taxes, including customs and import duties.

The Group also collects a wide range of taxes on behalf of governments (including tobacco excise, employee taxes, VAT and other sales taxes). In addition to the major taxes paid, as outlined in the table, there are a host of other taxes the Group bears and collects such as transport taxes, energy and environmental taxes, and banking and insurance taxes.

The Group's global tax strategy applies to all Group companies and includes:

- Complying with all applicable laws and regulations in countries in which we operate;
- Being open and transparent with tax authorities and operating to build mature professional relationships;
- Supporting the business strategy of the Group by undertaking efficient management of our tax affairs in line with the Group's commercial activity;
- Transacting on an arm's-length basis for exchanges of goods and services between companies within the Group; and
- Engaging in proactive discussions with tax authorities on occasions of differing legal interpretation.

Where resolution is not possible, tax disputes may proceed to litigation. The Group seeks to establish strong technical tax positions. Where legislative uncertainty exists, resulting in differing interpretations, the Group seeks to establish that its position would be more likely than not to prevail. Transactions between Group subsidiaries are conducted on arm's-length terms in accordance with appropriate transfer pricing rules and OECD principles.

Pricing and Tax

We operate in a highly regulated industry, and tobacco taxes are an important source of revenue for many governments. Without regulation, consumer demand risks transferring to the black market. The global illegal trade already cheats governments out of around US\$40 billion each year in taxes.

 Find out more in **Anti-Illicit Trade** on [page 89](#).

Our 2020 Progress and Performance

Major taxes paid

£41.1bn

2019: £41.4bn

	2020 £bn	2019 £bn
Tobacco excise (collected)	32.2	32.4
Net VAT and other sales taxes (collected)	5.8	5.8
Corporation tax (borne)	2.1	2.2
Customs and import duties (borne)	0.3	0.3
Taxes paid by employee (collected)	0.5	0.5
Employment taxes (borne)	0.2	0.2
	41.1	41.4



Respecting Privacy and Keeping Data Secure

Our Approach at a Glance

In a data driven world, where consumer preferences and technology are evolving rapidly, we are staying ahead of the curve with our digital hubs and the creation of innovation super centres.

Continuing to digitally transform our business means we are better placed to stay connected to our consumers, employees and wider stakeholders. This also enables us to better meet our consumers' needs.

As we drive digital transformation to unlock commercial value across the entire value chain, we must do this with integrity and transparency.

We continue to strengthen our capabilities to protect personal data belonging to individuals, such as our employees, partners and consumers, as well as commercially sensitive information. We provide our employees with extensive training on data protection awareness and have clear, enforceable requirements for cybersecurity through incident response procedures to help prevent interruptions and cyberattacks.



Why Keeping Data Secure Matters

By staying digitally connected with our consumers, we can be better placed to access new markets, in turn creating innovations to meet consumer needs. But as we embrace this digital transformation, we must make sure that we are handling all personal data securely and with integrity.

As we build our science, innovation and digital information capabilities around the world, operating with honesty, integrity and transparency becomes even more of a business imperative.

We increasingly rely on data and IT systems for our daily business operations, internal communications, controls, reporting and relations with customers and suppliers. We must ensure that we keep our data secure in order to respect the privacy of our employees, consumers and those we do business with.

Any significant disruption of the Group's systems, including those managed by third-party service providers, due to computer viruses, cyber threats, malicious intrusions or unintended or malicious behaviour by employees, contractors or services providers could affect the Group's global communications and operations. It could also compromise the integrity of information and result in the unauthorised disclosure of confidential information (including personal data) or lead to false or misleading statements being made about the Group.

[Find out more about our Group risk factors, including disruption to the Group's data and information technology systems, on page 290 of our 2020 Annual Report.](#)

Policies and Accountability

Through a framework of mandated policies at Group level, we strive to adhere to all applicable laws surrounding data privacy such as the EU General Data Protection Regulation and relevant e-Privacy laws around the globe.

To strengthen our organisational measures, the Data Privacy Policy forms part of the Group **Standards of Business Conduct (SoBC)**, which is applicable across the Group.

[Find out more about our policies on pages 112–119.](#)

Our Digital and Information Director and Legal and External Affairs Director provide representation on the Management Board for these areas.




Our Management Approach

Data privacy

As a global company holding a significant volume of information about individuals, we recognise our responsibility and state our commitment to ensure that we handle personal data responsibly and in accordance with all applicable laws. Respect for data privacy is led through our global compliance programme, *Delivery with Integrity*.

At Group level, we adopt a global minimum standard which governs the measures we adopt to protect all personal data that we deal with on a daily basis. This includes data belonging to our consumers, employees, temporary workforce, and individuals working for and representing our suppliers. Everyone at BAT must comply with these standards and no one is exempt from compliance.

 [Find out more about our *Delivery with Integrity* programme, including tools and guidance available for employees, on page 94.](#)

Our data privacy procedures supplement additional processes addressing other privacy matters such as information security and cybersecurity. Where applicable, each Group company adheres to our Group International Data Processing Agreement and appoints a local representative who is responsible for implementing and monitoring compliance with data privacy procedures. In jurisdictions where data privacy impact assessments are mandated, we adopt a data privacy due diligence process which screens all new initiatives which involve personal data to ensure the activity complies with the law and is documented as such. If the proposed initiative exceeds a certain threshold, we undertake a full data protection impact assessment before proceeding any further with processing the personal data.

Where applicable, we will consult with local regulators for guidance or approval.

Strong internal training and awareness programmes, furnished with online informational resources, forms part of the core set of measures. This enables our organisation to be aware of our data privacy processes and why we must follow them.

To manage risk when we trust third parties to manage our personal data, we screen organisations to ensure that they meet the legal requirements under, for example, EU data privacy laws such as the General Data Protection Regulation. We also work hand in hand with our teams that are responsible for cybersecurity.

Promoting cybersecurity in our operations

Our Cybersecurity Programme improves and strengthens security measures in response to ever-changing cybersecurity threats. The programme helps raise awareness through user training, user-education campaigns and Group-wide phishing simulations quarterly. We also share insights and tips with all employees following these simulations. This includes how to spot, manage and report phishing emails.

The Information and Digital Technology (IDT) Security Assurance & Advisory team provides support to all our employees, to ensure that risks associated with implementation, design and configuration of IT systems are controlled in line with our security policies.

All our employees can easily access a wide range of information that clearly outlines our requirements, as well as in-depth guidance on any escalation processes. The IDT team advises employees to report any incident that feels 'wrong', ensuring that all concerns are responded to directly or passed to a relevant team.

In order to manage the risk of being a target or victim to cybersecurity threats, we have business continuity plans, contingency plans and incident response procedures in place to help us prevent interruptions and cyberattacks, and each is tested at least annually. All of our IT infrastructure is assessed against recognised IT security frameworks, such as ISO 27001, the National Institute of Standards and Technology (NIST) Cybersecurity Framework or equivalent. We also carry out vulnerability analysis, including simulated hacker attacks.

Promoting cybersecurity in our supply chain

Suppliers that process confidential information and personal data must be certified to a recognised international security standard (or equivalent) that covers the full scope of services provided to BAT. If formal certification is not in place, the supplier must demonstrate that it adheres to the principles of a recognised international security standard.

We run a third-party security-assessment programme that assesses and verifies supplier compliance with our IT Security Policy. Beyond these assessments, we use penetration testing widely to ensure IT infrastructure and systems are secure.

Our 2020 Progress and Performance

In 2020, our Board's activities included reviewing the Group's digital strategy, including progress of the Group's digital transformation agenda, risk management and cybersecurity.

Internal audits conducted by our central function covered various markets, Group manufacturing facilities and leaf-buying operations, New Categories, supply network and retail operations, functional transformation programmes, global business services, and IT infrastructure, cybersecurity and data protection.



Direction

Robust Frameworks for A Better Tomorrow™

Operating globally and with a diverse value chain, we must adhere to a clear, consistent set of principles, policies and frameworks. Only through operating responsibly, with integrity and ESG commitments at the heart of our work, can we deliver A Better Tomorrow™.

In this chapter

- 108 ESG Governance
- 109 Stakeholder Engagement
- 111 Materiality
- 112 Key ESG Policies and Programmes
- 120 Our Contribution to the SDGs

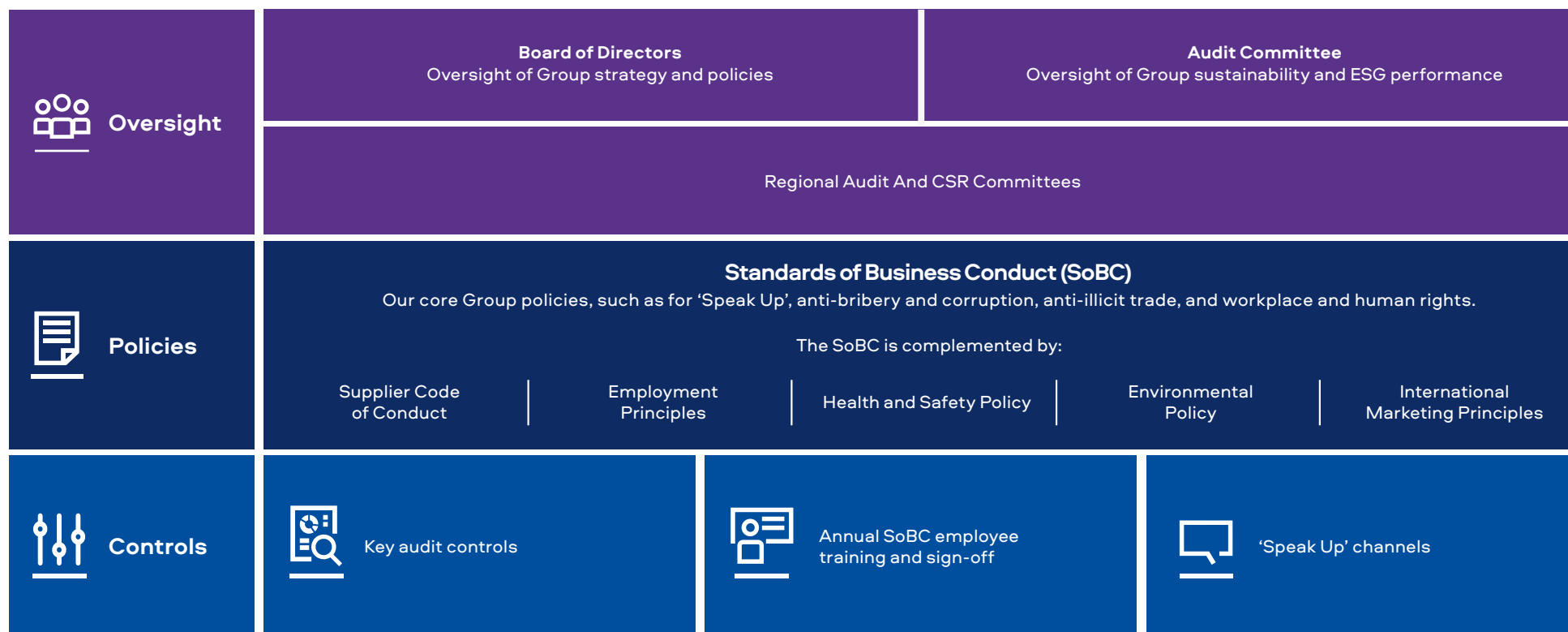
ESG Governance

Our Sustainability Agenda is supported by our Group policies, principles and standards that are endorsed at Board-level and aligned with international standards.

Our Board has overall responsibility for our Sustainability Agenda and focus areas, while the Audit Committee monitors sustainability and ESG performance, risks and adherence to our standards. The Group's Regional Audit and CSR Committee (RACC) framework underpins the Audit Committee and provides a flexible channel for the structured flow of information through the Group.

Our Management Board – chaired by the Chief Executive – has responsibility for overseeing the implementation of Group strategy, policies and controls and for creating the conditions for the successful day-to-day operation of our business.

Our governance framework



Engaging With Stakeholders

Why Engaging With Stakeholders Matters

Stakeholder engagement is crucial to our continuous improvement, and we engage with a wide range of stakeholders at local, regional and global levels on our key ESG focus areas.

Listening to our stakeholders helps us better understand their views and concerns and to respond to them appropriately. It gives us valuable inputs to, and feedback on, our strategic approach to sustainability, as well as our policies, procedures and ways of working.

Policies and Accountability

All engagement with external stakeholders across the Group – including by third parties on our behalf – must be conducted in accordance with our **Standards of Business Conduct (SoBC)**.

[Find out more about our SoBC on page 112.](#)

Our Management Approach

Our governance framework and standards help ensure the effectiveness of our engagement mechanisms by:

- Requiring all Group stakeholder engagement activities to be conducted in a transparent and open manner and in compliance with all applicable laws and regulations;
- Providing a means to objectively identify, categorise and prioritise stakeholders that are most impacted by, or can have the greatest impact upon, our business;

- Ensuring the ways in which we engage across the Group are applied in a consistent way; and
- Defining the appropriate level of management responsibility and oversight for engagement activities.

Engagement with our key stakeholders, and other local stakeholder groups, is conducted at the level and format best suited to the context. This may be locally, regionally or functionally, or by the Board or senior management. Where our Board does not engage directly with stakeholders, it is kept updated so Directors maintain their understanding of what matters to our stakeholders and to inform Board decision-making.

[Find out more about how our Board engages with shareholders and other key stakeholders on pages 97–99 of our 2020 Annual Report.](#)



CASE STUDY

Engaging on Human Rights Impacts

A crucial part of our approach to human rights, as detailed on [page 68](#), is engagement with stakeholders and rights-holders in our supply chain. By listening to their views, we can better understand, and work to address, the human rights issues that impact them most.

Our recent human rights impact assessments in India, Indonesia and Mozambique are great examples of this. They included extensive engagement with over 900 rights-holders in tobacco-growing communities by independent human rights experts from [twentyfifty Ltd.](#)

The engagement used a combination of focus group discussions and one-to-one interviews that encouraged open dialogue, as well as informal interactions and observations during village visits. Importantly, particular care was taken



to engage with typically vulnerable and under-represented groups like women, children, daily labourers and migrant workers.

“We have engaged with farmers and also with the more vulnerable in these communities (women, children and migrant workers) to understand how tobacco cultivation affects them – and whether existing practices are addressing those impacts.”

Luke Wilde
Managing Partner, Founder,
[twentyfifty Ltd](#)

[Find out more in our 2020 Human Rights Report.](#)

Our Key Stakeholders and Engagement in 2020

	 Shareholders/ Bondholders	 Consumers	 Our people	 Suppliers and Farmers	 Customers	 Governments and Wider Society
Why this stakeholder is important to us	The support of our shareholders and bondholders is essential for maintaining access to financial capital in order to implement Group strategy and achieve our business objectives.	As preferences and attitudes change in an evolving industry, understanding the views of our consumers is essential to both a successful product portfolio and business growth.	Our people are key to our success. We understand the value of listening and responding to feedback from our people to maintain a fulfilling, rewarding and responsible workplace.	Effective relationships with our suppliers and farmers are essential for ensuring an efficient, productive and secure supply chain, as well as our ability to meet our ESG obligations.	Engagement with our customers (which include distributors, wholesalers, and retailers) is essential for driving growth by providing competitive advantage while ensuring responsible practices.	We seek to be part of the debate that shapes the regulatory environment in which we operate, and to work collaboratively to co-develop joint solutions to address ESG and sustainable development priorities.
Examples of how we engage	<ul style="list-style-type: none"> Annual General Meeting Annual investor relations programme Meetings and ongoing dialogue Investor roadshows Submissions to investor indices and ratings agencies 	<ul style="list-style-type: none"> Consumer panels, focus groups and interviews Product testing Customer care feedback channels and helplines Responsible marketing Real-time feedback via digital platforms 	<ul style="list-style-type: none"> Director market and site visits Employee town halls and global webcasts 'Your Voice' employee survey every two years Graduate and trainee events 'Speak Up' channels Individual performance reviews 	<ul style="list-style-type: none"> Ongoing farmer support, training and monitoring by our Extension Services Sustainable Tobacco Programme Supplier reviews and audits Ongoing dialogue Strategic partnerships 	<ul style="list-style-type: none"> Ongoing dialogue, negotiations and account management Customer engagement index Audits and performance reviews Sales calls and visits Business-to-business programmes 	<ul style="list-style-type: none"> Face-to-face meetings and ongoing dialogue Presentations and submissions to government Multi-stakeholder collaborations and partnerships External Scientific Panel Sustainability Stakeholder Panel
Examples of what matters to them and the key topics raised	<ul style="list-style-type: none"> Business performance Corporate governance Strength of Group leadership Board succession planning ESG considerations 	<ul style="list-style-type: none"> Product anxiety (addiction, harm, social considerations) Product quality Affordability and price Ingredients and nicotine level Plastics and post-consumption product waste COVID-19 impacts 	<ul style="list-style-type: none"> Reward Career development Diversity and inclusion Workplace culture Health and safety Business ethics COVID-19 impacts 	<ul style="list-style-type: none"> Quality, productivity and costs Contingency planning Crop yields and quality Sustainable agriculture and farmer livelihoods Human rights, health and safety Climate change and environmental impacts COVID-19 impacts 	<ul style="list-style-type: none"> Route-to-market planning Contingency planning Cost, price and quality Availability and stock levels Consumer buying behaviour Youth access prevention COVID-19 impacts 	<ul style="list-style-type: none"> Public health impacts Tax and excise/ illicit trade Business ethics Youth access prevention Human rights Sustainable development Climate change and environmental impacts COVID-19 impacts

Mapping Our Materiality

Our Approach to Materiality Assessment

A key strength of our approach to sustainability is a robust process to identify and understand our most material ESG priorities. Our comprehensive approach to evolving our Sustainability Agenda ensures we keep pace with emerging priorities and stakeholder expectations.


This materiality process also helps us to assess the level of importance of different topics for our stakeholders and our business – those with the highest level of importance form our Sustainability Agenda and are covered in this Report.

Identifying focus areas

Each year, we engage with a wide range of stakeholders to understand the priorities most important to them and complement this with ongoing risk monitoring, research and benchmarking. These external insights are mapped against the focus areas identified as most important to our business, based on strategic plans, risk registers, governance meetings and committees, and Group policies and standards.

Prioritising topics

We group the topics identified under common themes and use a defined scoring methodology to assess their level of importance to our stakeholders and the BAT Group. In 2020, we also conducted a detailed review of leading practices in articulating the link between ESG risks and opportunities and corporate purpose; how leading companies are balancing their ESG ambitions and best practice in setting smart targets. We also sharpened how we position our contribution to the SDGs, in line with our prioritisation of ESG topics.

 Find out more about our contribution to the SDGs and our sharpened reporting against these on [pages 120–122](#).

Final results

The most material topics identified through this process in 2020 are outlined in the adjacent graphic. Given the serious public health impacts of smoking, harm reduction is our principal focus area.

Climate change, the environmental impacts of our operations and the importance of sustainable agriculture to our tobacco supply chain mean these are priorities for us. Growing concerns regarding plastics and post-consumption waste mean that the importance of circular economy principles has also been elevated to a priority area.

Following the assessment in 2020, we have updated our Sustainability Agenda and made three key changes:

- As sustainable agriculture practices extend to mitigating the impact of climate change, reducing water use and protecting biodiversity, we no longer report against sustainable agriculture as a stand-alone issue. Instead, each of our environmental issues has a clear signpost to how we are promoting sustainable agriculture practices.
- We have long had a strong approach to tackling loss of biodiversity, and with our updated reporting structure for sustainable agriculture, we now report on biodiversity and afforestation as a stand-alone issue.
- Given circularity is a key principle across how we manage environmental impact, we now report on waste as a stand-alone issue – from innovating on how we design and manufacture our products to minimising waste to eliminating waste sent to landfill across our operations.

Our priority focus areas – as well as our principal focus area – are outlined in the Sustainability Agenda, as these are at the heart of how we are delivering A Better Tomorrow™ for all.

These include all environmental issues outlined below and social impacts relating to human rights, farmer livelihoods, health and safety, and our people and culture as well as key governance topics relating to business ethics, responsible marketing, regulation and policy engagement.

Given the increasing focus on data privacy and cybersecurity, we have captured this as an ESG focus area this year. We also include a dedicated section on this topic in this Report, outlining our policies, management approach and performance.

Our other key focus areas relate to priorities we continue to address through our ongoing business as usual activities.

We continue to monitor emerging issues, and as the materiality of an issue increases, we will report on it accordingly.

Our ESG focus areas



Key ● Harm reduction ● Environmental ● Social ● Governance

Key ESG Policies and Programmes

Standards of Business Conduct (SoBC)

Scope and coverage

Our SoBC is mandatory for all Group companies and employees, including subsidiaries and joint ventures that BAT controls. It is at the core of how we operate responsibly and puts ESG front and centre of everything we do. The SoBC includes a forward note from our Chief Executive.

We also ask our contractors, secondees, trainees, agents and consultants to act consistently with the SoBC and to apply similar standards within their own organisations. Awareness and understanding are promoted through regular training and communications.

The SoBC covers a range of our material ESG focus areas and includes the following policies:

- Our **'Speak Up' Policy** supports our employees and anyone working with, or for, BAT in speaking up about any actual or suspected wrongdoing at work. It also aims to build trust and confidence in how BAT will treat any concerns reported. Our 'Speak Up' Policy makes it clear no one will suffer any direct or indirect reprisal for speaking up about actual or suspected wrongdoing, even if they are mistaken. Our Whistleblowing Policy was amended earlier in 2019 to become the 'Speak Up' Policy, to remove the negative connotations 'whistleblowing' can have and to reflect the broad range of topics it covers and the different channels through which concerns can be raised.



ESG focus areas covered



Business Ethics



People and Culture



Human Rights



Regulation and Policy Engagement



Farmer Livelihoods



Anti-illicit Trade

- Our **Personal and Business Integrity** suite of policies includes our **Conflicts of Interest, Anti-bribery and Corruption, and Gifts and Entertainment Policies**. It sets out a zero-tolerance approach to unethical conduct and is committed to working against bribery and corruption in all forms. Under this suite of policies, we highlight that it is wholly unacceptable for Group companies, employees or business partners to be involved or implicated in any way in corrupt practices.



This section provides an overview of key ESG policies, programmes and controls that cover more than one ESG topic. Please refer to the 'Policies and Accountability' section under each ESG issue throughout this report to find out more about issue-specific governance elements, such as our International Marketing Principles.

- Our **Workplace and Human Rights Policies** outline our support for the UN Guiding Principles on Business and Human Rights (UNGPs) and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. This includes our commitments to treat all of our colleagues and business partners inclusively, with dignity and with respect, and to always conduct our operations in a way that respects the human rights of our employees, the people we work with and the communities in which we operate. The policies cover topics such as managing human rights risks and impacts; preventing child labour, the exploitation of labour and modern slavery; respecting freedom of association; and preventing discrimination, bullying and harassment in the workplace. They also outline requirements for all Group companies to safeguard employee wellbeing and provide a safe working environment. Our **Workplace and Human Rights Policies** are complemented by our **operational standard on child labour prevention**, as set out on [page 66](#).
- Our **Political Contributions Policy**, contributions are never permitted to be made in order to achieve any improper business or other advantage or to influence any decision by a public official to the advantage of the Group or any Group company. Any political donations must be authorised in advance by the board of the company making them, be fully documented in the company's books and, if required by local law, be placed on the public record. Details must be notified in writing each year to the Group Head of Business Conduct and Compliance and reported annually to the Main Board Audit Committee.
- Our **Lobbying and Engagement Policy** outlines our commitment to conduct all our engagement activities with external stakeholders as a responsible company and with transparency, openness and integrity. While acknowledging we have a legitimate contribution to make to policy-related debate that affects our operations, it sets out requirements for all our employees to engage in accordance with this policy. We also have a number of additional procedures, frameworks and guidelines in place to support specific types of stakeholder engagement, including the **Third-Party Anti-Bribery and Corruption (ABAC) Procedure**.
- Our **Charitable Contributions Policy**, complemented by our Group Corporate Social Investment (CSI) Framework, sets out our Group CSI strategy and the guidelines for how all Group companies should develop, deliver and monitor CSI activities and charitable contributions.
- Our **Corporate Assets and Financial Integrity** suite of policies includes our policies on accurate accounting and record-keeping, protection of corporate assets, prevention of insider dealing and market abuse. This suite also sets out our **Data Privacy, Confidentiality and Information Security Policy**, reiterating our commitment to handling personal data responsibly and in compliance with applicable data privacy laws worldwide. It is complemented by our Group **Data Privacy Policy**.

Standards of Business Conduct (SoBC) (continued)

- Our **National and International Trade** suite of policies addresses a number of issues relating to trading. Notably, our **Competition and Anti-Trust Policy** sets out our requirement for all Group companies to compete fairly and ethically, in line with competition (or 'anti-trust') laws, and provides guidance for employees on how to prevent any non-compliance. Our **Anti-illicit Trade Policy** sets out the controls all Group companies must put in place to prevent our products being diverted into illicit trade channels. It states that Group companies should have the ability to regularly monitor illicit trade in their domestic markets and assess the extent to which our products are sold unlawfully or diverted to other markets.



Our SoBC is fully aligned with the provisions of applicable laws, including the UK Bribery Act, the US Foreign Corrupt Practices Act and the UK Criminal Finances Act.

Our **Supplier Code of Conduct** complements our SoBC, defines the minimum ESG standards expected of our suppliers and is incorporated into our contractual arrangements.

Governance

Information on compliance with our SoBC is gathered at a regional and global level and reported to the Regional Audit and CSR Committees (RACCs), Corporate Audit Committee and to the Audit Committee:

- Our Audit Committee has appointed our Business Integrity Panel to support the Committee in discharging its responsibilities relating to the SoBC. The Panel is made up of our Group Designated Officers, who promote a consistent approach to investigation and remediation of all alleged breaches of the SoBC. Any employee can raise an issue with the Officers via a dedicated email address.
- Our Audit Committee is regularly updated on SoBC allegations. The Committee reports to the Board to enable Board oversight of any behaviour falling short of our standards and the corrective action taken, particularly where relevant to culture and values.

Ensuring effectiveness

We have a robust suite of tools and procedures to help our employees in effectively accessing, understanding and applying the SoBC policies:

- The **SoBC app** is available to download globally, increasing employee accessibility to the SoBC – available in 14 languages via the app – and related procedures and guidance, such as how to 'Speak Up'. The **Third-Party ABAC Procedure** enables us to monitor and mitigate bribery and corruption risks while working with third parties. It mandates a requirement to conduct due diligence of third parties (such as suppliers or agents acting on behalf of BAT) and sets out a consistent methodology for doing so. The Procedure is also designed to identify third parties who have been prosecuted for, or are alleged to have committed, bribery, to ensure we do not work with 'known bribe payers'.

- The **ABAC Risk Assessment Tool** assists our markets to identify, assess and evaluate bribery and corruption risks.
- Our **Mergers and Acquisitions (M&A) Transactions Compliance procedure** outlines our due diligence procedures to be applied to mergers, acquisitions, disposals, joint ventures and other business-development activities in order to ensure compliance risks are appropriately identified, assessed and mitigated.
- Compliance with the SoBC is monitored through the year by our **RACCs** and quarterly by the **Board Audit Committee**.

How we respond to breaches

We investigate all contacts made to our 'Speak Up' channels where there is an actual or alleged breach of the SoBC. Our Business Conduct and Compliance team, and relevant members of our wider compliance-related functions such as the central Legal and External Affairs and Internal Audit functions, have the responsibility to investigate SoBC allegations. To support them in applying a consistent set of principles, we have well-established, standardised procedures as outlined in:

- The **SoBC Assurance Procedure**, which details how SoBC breaches will be dealt with; and
- The **Case Owner Manual**, which gives practical guidance to case owners on their responsibilities and thus helps to ensure SoBC allegations are managed in a timely and consistent way throughout the Group. This was developed and rolled out in early 2020.

ESG focus areas covered



Business Ethics



People and Culture



Human Rights



Regulation and Policy Engagement



Farmer Livelihoods



Anti-illicit Trade

Supplier Code of Conduct

Scope and coverage

Our [Supplier Code of Conduct](#) (the Code) complements our SoBC by defining the minimum standards we expect our suppliers to adhere to. It applies to any supplier to the BAT Group and any Group company and is incorporated into our contractual arrangements.

The Code was first developed in 2015 building on our long-standing commitment to operating to the highest standards of corporate conduct for both our own business operations and our wider supply chain. It also supports our continuing commitment to respect human rights and uphold international standards, including the [UN Guiding Principles on Business and Human Rights](#) and the [OECD Guidelines for Multinational Enterprises](#).

The Code outlines our expectations across key ESG topics, including human rights, environmental sustainability, responsible marketing and business integrity. It is available in local languages and communicated to suppliers through our onboarding processes.

Governance

The Code was endorsed by our Main Board, and our Operations Director owns the policy on behalf of the Management Board.

Suppliers are expected to meet the requirements of the Code in order to supply goods or services to the BAT Group and any Group company (collectively 'the Group'). In addition, suppliers are expected to:

- Take steps to ensure that all their employees and contractors (including permanent, temporary, contract agency workers and migrant workers), suppliers, agents, subcontractors and other relevant third parties understand and adhere to the requirements of the Code, including (where appropriate in terms of the nature of supplier and the goods or services provided) maintaining adequate policies, procedures, due diligence, training and support; and
- Promote adherence to the requirements of the Code and conduct appropriate due diligence within their own supply chain for their own new and existing suppliers (including farmers where relevant).


Ensuring effectiveness

We reserve the right to verify new and existing suppliers' compliance with the requirements of the Code through internal and/or external assessment and audit mechanisms.

As far as possible, our supply chain due diligence procedures enable us to monitor the effectiveness of, and suppliers' compliance with, the provisions of the Code.

We continually review our policies to ensure they remain effective, account for evolving risks and priorities, and align with best practice. For example, the Code was updated in 2018 to include additional human

rights provisions for responsible sourcing of conflict minerals, and minimum standards for wages, benefits and working hours.

 You can read more about our human rights due diligence procedures on [pages 68–69](#).

How we respond to breaches

Suppliers are expected to support the identification, investigation, addressing and reporting of suspected or actual breaches of the requirements of the Code.

As such, suppliers are expected to:

- Have effective procedures in place to enable their employees and contractors, in confidence and without fear of reprisal, to ask questions, raise concerns and/or report suspected or actual breaches of the requirements of the Code – either to the supplier itself or directly to the Group;
- Promptly investigate any credible concerns about suspected or actual breaches of the requirements of the Code and take appropriate action to avoid any potential breaches taking place, and/or minimise the impact of, and stop, any actual breaches; and
- Report any suspected or actual breaches of the requirements of the Code to the Group as soon as they become aware of them either directly or via the Group's confidential, independently managed 'Speak Up' channels.









We recognise that certain suppliers will face legitimate challenges in immediately meeting every facet of the Code. As our ultimate goal is to drive the continuous improvement of standards within our supply chain, we are committed to working with such suppliers over time to help them achieve adherence with the requirements of the Code.

In the event of a non-compliance with any of the requirements of the Code, the Group reserves the right to require the supplier in question to:

- Demonstrate material progress towards compliance with the requirement(s) in question within a defined and reasonable time period; and/or
- Bring itself into full compliance with the requirement(s) in question within a defined and reasonable time period.

In the event of serious, material and/or persistent non-compliance, or where suppliers otherwise demonstrate inadequate commitment, persistent inaction or a lack of improvement, we reserve the right to terminate the business relationship with the supplier in question.

ESG focus areas covered

-  Climate Change
-  Water
-  Biodiversity and Afforestation
-  Waste
-  Human Rights
-  Anti-illicit Trade
-  Business Ethics
-  Responsible Marketing

Leaf Supplier Manual

Scope and coverage

Our Leaf Supplier Manual (LSM) sets out the detailed standards we expect our tobacco suppliers to adhere to. These include a range of criteria relating to standards in agricultural practices and processing.

The LSM covers the areas of: environmental, health and safety; agrochemicals compliance; genetically modified (GM) tobacco compliance; warehousing standards; processing standards; pest and hygiene management; and tobacco sampling requirements.

It also includes our policy for all suppliers to take part in the **Sustainable Tobacco Programme (STP)**, an industry-wide initiative that helps drive standards in agricultural practices, environmental management and key social and human rights areas. As part of the LSM, we ask our suppliers to implement the provisions of our **Supplier Code of Conduct** and other relevant Group policies and standards, including our **operational standard for personal protective equipment (PPE) in tobacco farming**.

Governance

The LSM is communicated to all our tobacco suppliers each year. They must provide formal confirmation of receipt and acknowledge that any changes from previous years have been noted.

Ensuring compliance and effectiveness

Each section of the LSM includes specific standards relevant to the topic to monitor compliance and effectiveness.

For example, the agrochemicals compliance section asks suppliers to submit a risk assessment listing the agrochemicals and formulations to be used on each tobacco crop supplied, and to conduct residue testing on samples of all active ingredients requested by BAT, including the [CORESTA Agrochemical Guidance Residue Levels](#) list. This helps us identify the type and level of agrochemicals used and monitor compliance with our standard to avoid any highly hazardous pesticides (HHPs), following World Health Organization Guidelines.

A similar approach is taken for the GM tobacco section, where we ask suppliers to submit a GM risk assessment and GM testing to monitor compliance to our standard for no usage of any GM organisms in tobacco crops.

These processes help us to identify the level of risk and determine how often a supplier should be reviewed to monitor compliance for each standard.

How we respond to breaches

The LSM includes compulsory standards where failure to comply is not acceptable to BAT.

We expect suppliers to report agrochemical and GM testing results, as well as any exceptions or non-compliances that may occur. In the event of any breaches, we expect suppliers to submit an action plan that should be discussed and agreed with the BAT Leaf Quality team.

Where appropriate, on-site inspections are carried out by the BAT Leaf Quality team and/or Leaf Sourcing Managers to monitor compliance and progress against corrective action plans.

In the event of serious, material and/or persistent non-compliance, or where suppliers otherwise demonstrate inadequate commitment, persistent inaction or a lack of improvement, BAT retains the right to suspend or terminate supply arrangements. Suspended suppliers can be reinstated if they can demonstrate that they have reached or exceed the LSM standards.

ESG focus areas covered



Human Rights



Farmer Livelihoods



Biodiversity and Afforestation



Health and Safety

Sustainable Tobacco Programme (STP)

Scope and coverage

The STP was developed collectively by the tobacco industry in 2015, replacing our previous Social Responsibility in Tobacco Production programme which, from 2000 until 2015, set the standard for all our tobacco suppliers worldwide. The STP is aligned to international standards, including those of the ILO and the UN Guiding Principles, and it is our policy that all of our leaf operations and third-party suppliers participate in the programme.

The programme includes criteria on a range of our ESG focus areas, structured under the key themes of environmental protection, human rights and farmer livelihoods, climate change, natural habitats, soil management, crop protection and development, and governance.

Examples of the human rights criteria include child and forced labour, health and safety, and living income. The environmental criteria include the use of agrochemicals, soil and water management, biodiversity protection and forest management.

Governance

STP is governed by a Steering Committee, formed by industry members including BAT.

The programme has recently undergone a detailed review to evolve and improve it. This included engagement with suppliers and other relevant stakeholders, as well as reviews of external standards and emerging issues.

The updated STP has taken effect from 2021, aligned with the UN Sustainable Development Goals, and has a stronger focus on impact, risk and continuous improvement.

Ensuring effectiveness

It is our policy that all our leaf operations and suppliers participate in STP.

Each year, they complete a comprehensive self-assessment against the STP themes, as well as a review of risk assessments and respective action plans.

Information for the farm-level criteria is gathered by our leaf operations and suppliers through their respective farm-monitoring procedures. For BAT leaf operations, data for STP assessments is collected via our Farmer Sustainability Management (FSM) digital monitoring tool.

[Find out more about our FSM system on page 118.](#)

Our strategic third-party suppliers collect data for STP via their own farm-monitoring systems.

In addition to the self-assessments, an independent third party conducts on-site reviews. In the first three-year cycle, ending in 2018, these on-site reviews were completed for 100% of our leaf operations and suppliers.

During 2019 and 2020, no on-site reviews were conducted while the STP was under review and development. As a result, BAT conducted bespoke human rights impact assessments (HRIAs) in tobacco-growing areas in Indonesia and India in 2019 and in Mozambique in 2020. Two further HRIAs are planned for 2021.

[Find out more about our HRIAs on pages 68–69.](#)

How we respond to breaches

Results of the self-assessments and on-site reviews form the foundation for a dialogue for improvement between the supplier, BAT and, potentially, other relevant stakeholders. This may result in creation of action plans to progress towards improved impacts, particularly where 'red flags' are identified.

The due diligence cycle is subsequently repeated, and action plans are reviewed as part of the process to support continued improvement.

ESG focus areas covered

-  Climate Change
-  Water
-  Biodiversity and Afforestation
-  Human Rights
-  Farmer Livelihoods
-  Health and Safety
-  Waste

Thrive

What it is and who it applies to

While due diligence and assessments, as part of the STP and farm monitoring, are important for ensuring high standards and driving continuous improvement, some of the challenges faced by farming communities are best addressed by a longer-term, collaborative approach. That is where our *Thrive* programme comes in.

The *Thrive* programme is based on the internationally recognised 'Five Capitals' framework, first developed by the UK Department for International Development and then adopted by the Food and

Agriculture Organization (FAO) of the United Nations. To be sustainable, farming communities must be 'in credit' across five types of 'capital': financial, natural, physical, human and social. Strength in all five creates resilience and enables farmers and rural communities to prosper.

Thrive builds on our long history of supporting farmers and rural communities. It was first piloted in 2014 and 2015 and we then used the results to further refine the strategy in consultation with external consultants with expertise in livelihoods programmes. This has included defining a core set of indicators to measure strength in each capital.

Each year, we collect data and review performance against these indicators from our leaf operations and strategic third-party suppliers. Our *Thrive* assessments cover BAT-contracted farmers and farmers contracted by our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2020.

We use the insights to help us to set benchmarks, measure improvements, prioritise our resources, and monitor progress and impact over time.

Governance

Our Board reviews our sustainable agriculture and farmer livelihoods strategy regularly, including details of progress against our global priority areas and *Thrive* indicators.

Ensuring effectiveness

Since implementing *Thrive*, we have continually developed and strengthened the programme, as well as working to address the challenges that inevitably come with gathering accurate and timely data across global tobacco supply chains.

For BAT leaf operations, data for our *Thrive* indicators is collected via our Farmer Sustainability Management (FSM) digital monitoring tool.

[Find out more about our FSM system on page 118.](#)

Our strategic third-party suppliers collect data for *Thrive* via their own farm-monitoring systems. This includes details of any 'red flag' issues, such as relating to child or forced labour, identified in the growing season.

We use the results from the annual assessments to define priority actions for our leaf operations and to focus our efforts on our global priorities and the locally relevant issues identified. This can take multiple forms, including sending field technicians to offer expertise and assistance or implementing local community development programmes.

For example, our *Thrive* assessment in Pakistan identified a greater risk of child labour during the school holidays. Working with NGO The Vision 21 Foundation, we piloted summer schools across four growing areas. In 2019, over 135 children were able to attend. In 2020, COVID-19 led to the postponement of the programme, but in 2021 we hope to run eight schools and enrol over 240 children.

ESG focus areas covered

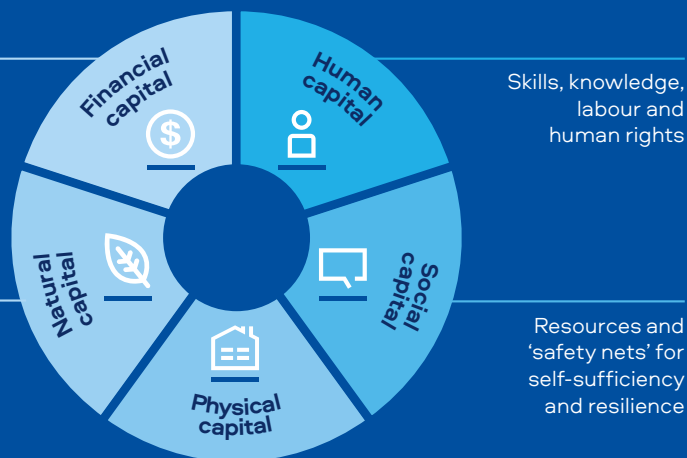
-  Climate Change
-  Water
-  Biodiversity and Afforestation
-  Human Rights
-  Farmer Livelihoods
-  Health and Safety

The 'Five Capitals' farming communities need to thrive

Profitable farms and stable incomes

The natural resources upon which farming and landscapes rely

Basic infrastructure needed for viable places to live and work



Farmer Sustainability Management (FSM)

What it is and who it applies to

FSM is a digital platform that supports the work of our field technicians by enabling a consistent approach to monitoring our contracted farmers and overall sustainability management, with faster and more accurate reporting and remediation of any issues that are identified. FSM is currently used for the monitoring of over 91% of our contracted farmers.

Field technicians work with our contracted farmers, recording data in the FSM system at each individual farm visit. There are unannounced visits and FSM tracks the prompt actions that are needed to remediate

and improve standards. FSM includes 'red flags' for serious issues, such as relating to child labour and forced labour.

Governance


FSM data is tracked and analysed centrally to ensure senior oversight and drive management action.

Ensuring effectiveness

We acknowledge the limitations of our monitoring system. We cannot be present on every farm every day of the growing season, so incidents may be hidden or under-reported. We are committed to continuing to strengthen our monitoring systems and training for field technicians to help better identify issues and spot early warning signs.

ESG focus areas covered

-  Climate Change
-  Water
-  Biodiversity and Afforestation
-  Human Rights
-  Farmer Livelihoods
-  Health and Safety
-  Waste

 [Find details of human rights monitoring and impact assessments on page 69.](#)

Farm-monitoring findings

100%

remediated and resolved in 2020

(% breakdown of a total of 9,821 non-compliance incidents in 2020 (11,855 in 2019) reported via FSM that required prompt actions to remediate)

	2020	2019
Handling, use and storage of agrochemicals	87%	45.6%
Green tobacco sickness	9.1%	2.5%
Recycling or disposal of empty agrochemical containers	2.4%	4.2%
Soil and water management	0.9%	1.9%
Controls for preventing child labour	0.4%	0.7%
Labour standards	0.3%	1.3%
Integrated pest management, on-farm contaminants and seedling production	0.2%	42%
Reuse, recycling and disposal of farm waste (seedling trays, hazardous and non-hazardous waste)	0.1%	1.9%
New farmland	0.02%	0.02%



Group Environmental Policy

Scope and coverage

Our operations are spread across a diverse geography of countries. We are committed to operating responsibly in both the direct operations that we control and throughout the wider supply chain that we influence. We believe that good environmental practice is good business practice.

The **Group Environmental Policy** applies to all Group companies where our shareholding is at least 50%. The Policy outlines our commitment to high standards of environmental protection, adhering to the principles of sustainable development and protecting biodiversity.

Supplementing the Environmental Policy, the **Climate Change and Energy Standard** supports our markets in implementing five-year energy plans that include a growth in renewable energy use. It aims to accelerate our progress by outlining how renewable energy should be incorporated and sets out the requirement for a formal waiver in markets where green power or renewable energy certificates are unavailable or excessively expensive. In these cases, we focus on on-site energy-generation projects.

Our well-established **Environment, Health and Safety (EHS) management system** is based on international standards, including ISO 14001, and supports the implementation of the overarching Environmental Policy. Each Group company has an EHS Steering Committee, with overall responsibility held by the applicable general manager or site manager. EHS is also a standing agenda item for management meetings and governance committees at area, regional and global levels.

Our **Group Biodiversity Statement** sets out the principles we follow to manage our biodiversity footprint across our operations. Endorsed by the Board, the statement is based on a mitigation hierarchy that focuses on taking steps to avoid, minimise, restore or offset biodiversity loss wherever we operate.

Governance

The Policy complies with all legal and regulatory requirements governing environmental management in the countries where we operate. We implement environmental management practices that are often more stringent than local legal requirements and monitor compliance with them.

Our Operations Director oversees the Policy for the Management Board. It sets out our commitment to environmental protection and the principles of sustainable development and protecting biodiversity.

Each Group company has an EHS Steering Committee with environmental responsibility held by the general manager or site manager. EHS is also a standing agenda item at management and governance meetings and committees at all levels, and Group performance is reviewed at least annually by the Board.

All business units self-assess annually to confirm their compliance with the requirements of the Group Environmental Policy and our environmental standards. Our global EHS team also carries out on-site audits, where adherence to minimum requirements in our environmental standards is monitored.

Ensuring effectiveness

We use our established framework of policy, best practice and procedure to manage our environmental performance and collaborate with key stakeholders through open dialogue to better understand emerging issues, regulatory or societal expectations, and technological innovations. We also work with governments, NGOs, academics and other stakeholders to develop effective and sustainable solutions to the environmental challenges that we face.

The Policy is supplemented with a range of new or revised standards outlining the minimum requirements for our operations relating to:

- Climate change and energy;
- Environmental aspects and impacts;
- Water security;
- Downstream waste treatment and reverse logistics; and
- Soil and groundwater protection.

How we respond to breaches

Non-compliances (which can be identified through self-assessments, audits or channels such as 'Speak Up') are addressed through management action and mitigation plans, and significant or material findings are reported to the Corporate Audit Committee.

ESG focus areas covered



Climate Change



Water



Waste



Biodiversity and Afforestation

Our Contribution to the SDGs

UN Sustainable Development Goals (SDGs) bring together governments, civil society and the private sector to create a sustainable future. We have mapped our Sustainability Agenda to the eight SDGs that are most relevant for our business and stakeholders, as described on the following pages.



Strategic

Our corporate purpose is to build A Better Tomorrow™ by reducing the health impact of our business. This will make a significant contribution to SDG 3. Equally, our efforts to combat climate change cut across all aspects of our business.



Priority

Our business activities extend to a number of areas where we can make a significant contribution. The SDGs identified as 'priority' ones also reflect our priority ESG areas.



Localised

These goals align with issues that are important in a local context and that, as a global business with products in 180+ markets, we know need a localised response.



Strategic

Context

Link to BAT's ESG Agenda

3 GOOD HEALTH AND WELL-BEING

**Good Health and Well-Being**

Cigarettes carry serious health risks, but many adults continue to smoke and we have long been committed to tobacco harm reduction.

Today, we have a range of products with reduced-risk potential used regularly by 13.5 million consumers across over 50 markets, and we are launching in more markets as quickly as possible. Most recently, we launched modern oral products in Indonesia.

[Find out more on pages 33–36.](#)



Harm Reduction

13 CLIMATE ACTION

**Climate Action**

We are making steady progress towards our ambitious science-based carbon-neutrality targets for reducing our direct carbon emissions across our operations.

Our global leaf agronomy centre and Extension Services around the world work with our contracted farmers in developing and rolling out more efficient curing technologies and smarter use of fertilisers. These deliver both reductions in carbon emissions and increases in yields that also enhance farmer livelihoods. For example, automated curing barns used by our contracted farmers in five countries use up to 30% less fuel than traditional barns. Mitigating deforestation also delivers positive climate action – in 2020, over 99% of our contracted farmers' wood for curing fuels was from sustainable sources.

[Find out more on pages 41–48 and 58–62.](#)



Climate Change



Water



Biodiversity and Afforestation

Strategic

Context

Link to BAT's ESG Agenda

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

**Industry, Innovation and Infrastructure**

Our innovation-driven New Category products are designed by some of technology's brightest minds. We have over 1,500 scientists researching, developing and testing our New Category products. We also partner with more than 200 organisations, academics and third-party inventors to co-create new-to-world innovation.

[Find out more on pages 26–27.](#)



Harm Reduction



Waste

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

**Peace, Justice and Strong Institutions**

Our strong standards of business conduct help to tackle unethical behaviour such as corruption, money laundering or tax evasion, which can distort markets, especially in developing countries that are vulnerable to economic, social and political impacts.

In an organisation as diverse and multinational as BAT, it is essential that we work to a consistent set of rules and standards of behaviour across the Group. This is particularly relevant in the complex and challenging times we face today, and our *Delivery with Integrity* programme empowers and sets clear guidance to our employees.

[Find out more on pages 93–96.](#)



Business Ethics

Strategic Context Link to BAT's ESG Agenda



Responsible Consumption and Production

Circularity is key to effective use of natural resources. We apply this principle to all our operations – from design of our products and packaging to supporting our consumers by making take-back schemes available for our New Category products. We have extensive targets to eliminate waste and plastics.

Our global approach to responsible marketing across the Group is also at the centre of our commitment to market tobacco and nicotine products to adult-only consumers and ensure they are not designed to appeal to youth. We require all our operations around the world to apply these standards globally and consistently.

[Find out more about our approach to circularity on pages 52–57 and responsible marketing on pages 97–99.](#)



Decent Work and Economic Growth

The farmers we work with are crucial to the success of our business and if they do well, we do well. We support our contracted farmers through farming tools and techniques developed by our global leaf agronomy centre, helping them improve yields, diversify crops and increase farm productivity. We expect our third-party suppliers to adopt a similar approach throughout our tobacco supply chain.

We have a clear commitment to aim for our tobacco supply chain to be free of child labour by 2025 and deliver training and child-labour-prevention programmes in partnership with local stakeholders. In Mexico, for example, our *Florece* programme has helped prevent over 17,000 children since 2001 from being exposed to the risks of child labour.

[Find out more about our approach to farmer livelihoods on pages 76–79 and human rights on pages 66–75.](#)



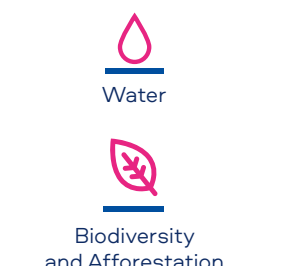
Strategic Context Link to BAT's ESG Agenda



Life on Land

We have a long and proud history of working directly with our contracted farmers around the world to advance sustainable agriculture practices and to protect natural resources in farming communities. This includes a wide range of best practice information and training, and introducing farmers to sustainable practices and technologies developed by our global leaf agronomy centre. For example, drip irrigation technology introduced to our contracted farmers in seven countries, such as Brazil, Mexico and Pakistan, increases water efficiency by up to 90%.

[Find out more on pages 58–62.](#)



Reduced Inequalities

We are committed to promoting equality across our business and value chain. Our diversity and inclusion strategy is embedded across the Group and includes a wide range of programmes and initiatives, such as our B United LGBT+ community, Women in STEM initiative and *IGNITE* returners' programme.

We are also focused on helping to empower rural women in tobacco-growing communities. In 2020, our leaf operations and strategic third-party suppliers ran 2,887 rural women's empowerment training sessions, with 16,658 attendances.

[Find out more about how we empower rural women on page 79 and on our approach to supporting diversity and inclusion on pages 84–88.](#)



Performance

Strengthening Trust in Our Activities Through Robust Data

In this section, we present our sustainability goals and accompanying performance. We also include independent reviews of our sustainability reporting from our Stakeholder Panel and data assurance provider. Through strong assurance, we can give confidence to our stakeholders that we can manage the issues that matter to them, accurately reflecting their needs and rapidly responding to them.

In this chapter

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KPI Data Tables

Harm Reduction

Key: ● Desired trend ◆ Minimal (2% or less) or no change ■ Decline

🔍 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

Topic	Goal	KPI	2020*	2019	2018	Trend	Assured
Harm reduction	Aim to achieve at least £5 billion in New Categories revenues in 2025	Revenue breakdown from New Categories products, by category (£m): Vapour	615 (vs 2019: +53.4%)	401 (vs 2018: +26%)	325	●	
		Revenue breakdown from New Categories products, by category (£m): Tobacco Heating Products	636 (vs 2019: -12.7%)	728 (vs 2018: +29%)	576	■	
		Revenue breakdown from New Categories products, by category (£m): Modern Oral	198 (vs 2019: +57.1%)	126 (vs 2018: +267%)	36	●	
	Aim to increase consumers of non-combustible products to 50 million by 2030	Number of consumers of our non-combustible products (million)	13.5	10.5	8	●	
	Continue to expand the geographical reach of our New Category products	Number of markets with our New Category products available	53	48	29	●	
	Research the risks of our New Category products compared to smoking, and publish and invite independent scrutiny of our science	Total number of peer-reviewed articles and manuscripts published to date	114	78	64	●	

* In constant currency.

Environment

Key: ● Desired trend ◆ Minimal (2% or less) or no change ■ Decline

🔍 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

Topic	Goal	KPI	2020	2019	2018	Trend	Assured
Climate change	Aim to be carbon neutral for Scope 1 and 2 emissions by 2030 Reduce our Scope 1 and Scope 2 CO ₂ e emissions by 50% by 2025, against 2017 baseline	Scope 1 CO ₂ e emissions ('000 tonnes)	342	396	415	●	🔍
		Scope 2 CO ₂ e emissions ('000 tonnes)	199	386	426	●	🔍
		Total Scope 1 and Scope 2 CO ₂ e emissions ('000 tonnes)	541	782	841	●	🔍
	Aim to be carbon neutral for Scope 3 by 2050 Reduce Scope 1, 2 and 3 emissions by 30% by 2030	Scope 3 CO ₂ e emissions ('000 tonnes)	N/A	6,781	6,956	◆	🔍
		Reduce Scope 3 supply chain CO ₂ e emissions from purchased goods and services by 16% by 2030 against 2017 baseline	Scope 3 supply chain CO ₂ e emissions from purchased goods and services	N/A	4,049	4,363	●
	Increase the amount of renewable energy we source to 30% by 2025	Total direct energy use (GWh)	2,568	2,874	3,074	●	🔍
		Renewable energy use (GWh)	688	310	284	●	🔍
		Renewable energy as a % of total direct energy use	26.8%	10.8%	9.3%	●	🔍
	Water	Reduce the total amount of water withdrawn by 35% by 2025, against 2017 baseline	Total water withdrawn (million cubic metres)	4.03	4.51	4.77	●
Increase the amount of water we recycle to 30% by 2025, against 2017 baseline		Percentage (%) of total water recycled	15.3%	13.7%	13.4%	◆	🔍
Support our contracted farmers in implementing best practice soil and water management		% of tobacco hectares reported to have appropriate best practice soil and water management plans implemented	76%	71%	64%	●	🔍
Waste	Reduce the absolute volume of waste generated by 15% by 2025	Waste generated ('000 tonnes)	144	152	155	●	🔍
	100% of operations sites to be zero waste to landfill by 2025	Waste to landfill ('000 tonnes)	12.73	13.95	14.70	●	🔍
	Recycle at least 95% of our total waste generated each year	% of waste recycled	90.7%	90.5%	90.2%	◆	🔍
	Eliminate all unnecessary single use plastics in our packaging by 2025	Total weight of unnecessary single use plastics in our packaging (tonnes)	3,580	–	–	–	🔍
	100% of our plastic packaging to be reusable, recyclable or compostable and 30% average recycled content across all plastic packaging by 2025	% of recycled content in plastic packaging	2%	–	–	–	🔍
	% share of reusable, recyclable or compostable packaging	82%	–	–	–	🔍	
Biodiversity and afforestation	Aim to have 100% of wood used by our contracted farmers for tobacco curing from sustainable sources	% of sources of wood used by our contracted farmers for curing fuels that are from sustainable sources	99%	99%	99%	◆	🔍

Environment (continued)

All data relates to the BAT Group and covers the calendar year, unless otherwise stated. Details of the source and scope for each of our key environmental metrics are provided below.

Topic	Definition	Scope
Climate change	<p>Scope 1 and 2 CO₂e emissions in tonnes ('000); Scope 3 CO₂e emissions in tonnes ('000).</p> <p>We use the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol Corporate Standard to guide our CO₂e reporting methodology, and follow subsequent definitions of Scopes 1, 2 and 3 emissions reporting.</p> <p>Emissions from electricity are calculated using International Energy Agency (IEA) data for standard electrical grid by country (CO₂ emissions from fuel combustion OECD/IEA 2019 Edition).</p> <p>Emissions from fuel use by sites and offices are calculated using a range of factors using UK Department for Business, Energy & Industrial Strategy (BEIS) GHG Conversion Factors for Company Reporting, 2020.</p>	<p>All BAT sites where:</p> <ul style="list-style-type: none"> • We have a shareholding of 50% or greater; and • Nine or more BAT employees work. For non-manufacturing, this only includes sites with a 'materiality threshold' of 5% or more of the Group's consolidated total emissions in our baseline year (2017). <p>GHG emissions reporting approach:</p> <p>We report on the following GHGs as CO₂e emissions: CO₂, CH₄ and N₂O. We do not include data on other GHG emissions (HFCs, PFCs and SF₆) as they are estimated to be insignificant. While we account for the contribution CH₄ and N₂O make to our CO₂e emissions, we do not report CO₂e data on an individual GHG basis.</p> <p>Scope 1 reporting includes: emissions from energy consumed at our factories and offices (coal, natural gas, woodfuel, diesel and LPG), emissions from our dry ice expanded tobacco plants, and fuel consumed by our fleet vehicles. 2019 UK BEIS fuel to energy conversion factors were used in calculations.</p> <p>Scope 2 reporting includes: emissions from electricity purchased and consumed at our factories and offices, purchased steam and hot water.</p> <p>Scope 3 reporting includes: all 15 categories of the GHG Protocol.</p> <p>Since 2018, we have undertaken an independent review of our Scope 3 emissions, to enable us identify where significant carbon emission reduction opportunities lie across our value chain.</p> <p>Consolidation and verification of our 2020 Scope 3 data is ongoing to fully align with the GHG Protocol. 2020 data will be reported in the 2021 ESG Report. 2017 and 2018 data are restated from previously published figures (8,254 and 7,547, respectively), as we improved our data collection systems. This includes a greater accuracy for emissions from our purchased goods and services, and replacing previously used estimates with actuals in a key market. 2017 data is restated as 6,952.</p> <p>Previously Scope 3 emissions included biogenic emissions and excluded biogenic removals. Following an independent review, we've updated our reporting methodology to include both biogenic emissions and removals. In line with SBTi criteria we provide information on biogenic emissions and removals associated with bioenergy, and include these in the target boundary.</p> <p>Biogenic removals in the upstream tobacco production supply chain are calculated based on the data of agricultural production of tobacco and curing process in the countries supplying most of tobacco with further extrapolation. It is assumed that for biomass used during the curing process, a certain amount is sequestered in the soil.</p> <p>As there is no recognised consensus method yet on how to account for biogenic removals, we plan to further improve our calculation of such removals in line with best practice.</p> <p>From 2018 onwards, we report absolute performance for carbon emissions. Normalised carbon emissions against our revenue can be found on our 2020 Annual Report and Accounts.</p>

Environment (continued)

Topic	Definition	Scope
Energy	% of direct energy use from renewable sources	<p>All BAT sites where:</p> <ul style="list-style-type: none"> • We have a shareholding of 50% or greater; and • Nine or more BAT employees work. For non-manufacturing, this only includes sites with a 'materiality threshold' of 5% or more of the Group's consolidated total emissions in our baseline year (2017). <p>Direct energy use metric includes the primary energy used (e.g. natural gas for heating and fuel for our own or leased fleet), electricity and steam consumption by Group companies using the WBCSD GHG Protocol carbon emissions reporting methodology for Scopes 1 and 2.</p> <p>Renewable sources include the primary energy used (e.g. renewable fuel used in boilers for our own or leased fleet), as well as purchased renewable electricity and renewable electricity generated on site (e.g. with photovoltaic installations) consumed by Group companies.</p>
Water	<p>Water withdrawn in million cubic metres</p> <p>% of water we recycle</p> <p>% of tobacco hectares reported to have appropriate best practice soil and water management plans implemented</p>	<p>All BAT sites where:</p> <ul style="list-style-type: none"> • We have a shareholding of 50% or greater; and • Nine or more BAT employees work. For non-manufacturing, this only includes sites with a 'materiality threshold' of 5% or more of the Group's consolidated total emissions in our baseline year (2017). <p>Reported via our <i>Thrive</i> assessments covering BAT contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2020. As tobacco growing seasons vary around the world, we have revised the scope for 2020 to be based on data available for the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year. We will continue to use this methodology for future reporting.</p>
Waste	<p>Waste sent to landfill in tonnes ('000)</p> <p>% of waste recycled</p> <p>Total volume of waste generated in tonnes ('000)</p> <p>Total weight of unnecessary single-use plastics used in our packaging</p> <p>% recycled content in plastic packaging</p> <p>% share of reusable, recycleable or compostable packaging</p>	<p>All BAT sites where:</p> <ul style="list-style-type: none"> • We have a shareholding of 50% or greater; and • Nine or more BAT employees work. For non-manufacturing, this only includes sites with a 'materiality threshold' of 5% or more of the Group's consolidated total emissions in our baseline year (2017). <p>Data also includes construction waste generated in BAT premises from on-site constructions, building modifications or extensions.</p> <p>Waste to landfill and recycling rate metrics do not currently include waste data for a small number of sites where the waste is incinerated on site, without energy recovery, due to recycling and landfill facilities being unavailable. In these areas we continue to engage with local regulators to identify the most effective waste-management solution. However, this portion of waste is accounted for in our total waste generated figure.</p> <p>Data represents all plastic packaging from all our products.</p> <p>Data reported on recyclability rate represents theoretical recycling and is externally assessed. Rates may vary across geographies based on local infrastructure.</p>

Environment (continued)

Topic	Definition	Scope
Biodiversity and afforestation	% of wood used by our contracted farmers for curing fuels from sustainable sources	<p>Data collected from a sample of over 75,000 farmers that are contracted by BAT leaf operations. Of our 84,000+ directly contracted farmers, around 38,000 use wood for curing and the percentage reported represents sustainable wood used by those farmers. In some cases, where our operations have contracted a large number of farmers, farmer samples have been used. This excludes Reynolds American Companies, our US subsidiary, as its directly contracted farmers do not use wood for curing, as well as data from farmers that our third-party suppliers source from.</p> <p>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:</p> <ul style="list-style-type: none"> • Wood sourced from identified invasive exotic species that have not been planted; and • Wood sourced from existing legal plantations. <p>This definition does not include conversion of natural forests to plantations in order to produce wood for tobacco curing.</p>

Social

Key: ● Desired trend ◆ Minimal (2% or less) or no change ■ Decline

🔒 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

Topic	Goal	KPI	2020	2019	2018	Trend	Assured
Human rights	Aim for zero child labour and zero forced labour in our tobacco supply chain by 2025	% of farms monitored for child labour	99.7%	99.6%	–	◆	🔒
		% of farms with incidents of child labour identified	0.50%	0.57%	–	◆	🔒
		Number of child labour incidents identified (proportion reported as resolved)	1,308 (98.5%)	1,812 (100%)	–	●	🔒
		% of farmers that received training/capacity building on child labour issues	87.7%	77%	–	●	🔒
		Number of farmer training sessions on human rights (with attendances)	38,239 (393,038)	5,000+ (350,000+)	–	●	🔒
		Number of incidents of forced labour identified (proportion reported as resolved)	5 (100%)	0	–	■	
		% of farms monitored for grievance mechanisms	59.6%	56%	–	●	
		% of farmers reported as having access to at least one type of grievance mechanism	99.9%	99%	–	◆	
	All our product materials and high-risk indirect service suppliers to have undergone at least one independent labour audit within a three-year cycle by 2025	% of farm labourers reported as having access to at least one type of grievance mechanism	98%	96%	–	●	
		% of product materials suppliers assessed for human rights risks against Verisk Maplecroft indices	100%	100%	100%	●	
		Number of independent supplier labour audits conducted by Intertek	93	94	88	◆	
	100% adherence to our Standards of Business Conduct (SoBC) Workplace and Human Rights Policies	% of supplier corrective actions verified as completed by Intertek by year-end	67%	71%	75%	■	
		% of Group companies assessed for human rights risks against Verisk Maplecroft indices	100%	100%	100%	●	
		% of high-risk Group companies identified that underwent enhanced human rights monitoring and Board reviews (number of countries)	100% (24)	100% (25)	100% (26)	●	
Number of reports of alleged SoBC breaches relating to Workplace and Human Rights policies (number established as SoBC breaches)		141 (54)	152 (51)	–	●		

Social (continued)

Topic	Goal	KPI	2020	2019	2018	Trend	Assured
Farmer livelihoods	Aim for prosperous livelihoods for farmers in our tobacco supply chain	Total Group cash (and in-kind) spend on charitable donations and community investment programmes	£16.6m (£5.1m)	£13.03m (£130,000)	£14.4m (£1.2m)	●	🔒
		% of tobacco farmers reported to grow other crops, such as rice, corn, vegetables, wheat, maize and soy	93%	92%	95%	◆	🔒
		Number of farmer training sessions on farm business management (with attendances)	1,649 (68,928)	2,709 (76,656)	–	■	
		Number of farmer training sessions on women's empowerment (with attendances)	2,887 (16,658)	298 (24,368)	–	■	
People and culture	Increase the proportion of women in senior leadership teams to 40% by 2025	% female representation on senior leadership teams	27%	27%	26%	◆	🔒
	Increase the proportion of women in management roles to 45% by 2025	% female representation in management roles	38%	37%	35%	◆	🔒
	Achieve at least a 50% spread of distinct nationalities within all key leadership teams by 2025	% of key leadership teams with at least a 50% spread of distinct nationalities	92%	83%	55%	●	🔒
	Achieve a more positive employee engagement score in our 'Your Voice' survey than the norm for FMCG companies in our comparator benchmark group	Employee engagement score in our global 'Your Voice' survey (% difference to FMCG comparator group)	–	82% (+7)	83% (+12)	◆	

Social (continued)

Topic	Goal	KPI	2020	2019	2018	Trend	Assured
Health and safety	Aim to achieve zero accidents Group-wide	Number of work-related accidents resulting in injury to employees and to contractors	142	194	236	●	🔒
		Lost workday case incident rate	0.21	0.27	0.29	●	🔒
		Work-related accidents (including assaults) resulting in injury, causing absence of one shift or more	131	186	213	●	🔒
		Occupational illness rate	0.003	0.006	0.003	●	🔒
		Number of serious injuries: Employees	28	26	26	■	🔒
		Number of serious injuries: Contractors	8	11	16	●	🔒
		Number of serious injuries: Total	36	37	42	●	🔒
		Number of fatalities: Employees	0	0	3	●	🔒
		Number of fatalities: Contractors	3	1	9	■	🔒
	Number of fatalities involving BAT vehicles: Members of public	2	8	6	●	🔒	
	100% of farmers and workers with sufficient personal protective equipment (PPE) for agrochemical use and tobacco harvesting, and 100% training to ensure its effectiveness	% of farms reported to have sufficient PPE for agrochemical use	95%	93%	89%	●	🔒
		% of farms reported to have sufficient PPE for tobacco harvesting	99%	97%	96%	●	🔒
		Number of farmer training sessions on agrochemical health and safety (with attendances)	26,247 (191,244)	2,871 (201,374)	–	■	🔒
		Number of farmer training sessions on harvesting health and safety (with attendances)	26,245 (191,245)	2,608 (196,982)	–	■	🔒

Social (continued)

All data relates to the BAT Group and covers the calendar year, unless otherwise stated. Details of the source and scope for each of our key social metrics are provided below.

Topic	Definition	Scope
Human rights	Child labour farm monitoring and training, child labour incidents identified (proportion reported as resolved)	Reported via our <i>Thrive</i> assessments covering BAT-contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2020. As tobacco-growing seasons vary around the world, we have revised the scope for 2020 to be based on data available for the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year. We will continue to use this methodology for future reporting.
	Forced labour incidents identified (proportion reported as resolved)	
	Access to grievance mechanisms for farmers and farm labourers	All child labour data refers to hazardous child labour by anyone under the age of 18 which could be harmful to their health, welfare or development (for example, handling mechanical equipment or agrochemicals). The child labour data has, for the first time, been subject to independent assurance in 2020.
	% of product materials suppliers assessed for human rights risks against Verisk Maplecroft indices	Product materials suppliers include all suppliers of materials used in Group products, other than tobacco leaf, including filters, paper, adhesives, e-liquids, New Category devices, batteries and electronic components. The risk assessment uses nine of Verisk Maplecroft's independent human rights indices and measures inherent risk.
	Number of independent supplier labour audits conducted by Intertek	Supplier labour audits include all audits conducted by our partner, Intertek, against Intertek's workplace conditions assessment (WCA) criteria, which is aligned to international standards, including International Labour Organization (ILO) Conventions. The completion of supplier corrective action plans to address issues identified in the labour audits is independently verified by Intertek in desktop reviews for 'moderate' issues and on-site follow-up audits for 'major' issues.
	% of supplier corrective actions verified as completed by Intertek by year-end	
	% Group companies assessed for human rights risks against Verisk Maplecroft indices	Annual risk assessment of all countries worldwide where a Group company is present, against Verisk Maplecroft human rights indices (such as the Modern Slavery Index). The indices measure inherent risk at a country level.
% of high-risk Group companies identified that underwent enhanced human rights monitoring and Board reviews (number of countries)	Group companies identified as operating in a high-risk country complete a human rights assessment, confirming compliance with Group policies, standards and controls, and providing details of measures in place to enhance human rights management. The process is reviewed by our Board Audit Committee at each stage, including details of action plans for any areas for improvement identified.	
Number of reports of alleged SoBC breaches relating to Workplace and Human Rights policies (number established as SoBC breaches)	All reports of alleged SoBC breaches, against the Workplace and Human Rights Policies only, relating to all BAT Group companies in the calendar year. Not all contacts made via our Speak Up channels and SoBC portal involve SoBC allegations; some contacts relate to questions regarding the SoBC or other matters. Therefore, this data relates to all SoBC contacts that were assessed as SoBC allegations and reported to the Audit Committee, and all those found to be a breach following a detailed investigation.	

Social (continued)

Topic	Definition	Scope
Farmer livelihoods	Total Group cash (and in-kind) spend on charitable donations and community investment programmes	All BAT Group companies reporting cash spend and estimated value of in-kind donations and community investment programmes. This includes all programmes focus on the our two key themes of: empowerment, and sustainable agriculture and rural communities. In addition, 2020 included programmes focused on COVID-19-related support.
	% of tobacco farmers reported to grow other crops such as rice, corn, vegetables, wheat, maize and soy	Reported via our <i>Thrive</i> assessments covering BAT-contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2020. As tobacco-growing seasons vary around the world, we have revised the scope for 2020 to be based on data available for the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year. We will continue to use this methodology for future reporting. This data has, for the first time, been subject to independent assurance in 2020. Crop diversification figures may vary year-on-year, depending on the commercial outlook in the countries where the crops are grown, including the viability of other crops.
	Number of farmer training sessions on farm business management and on women's empowerment (with attendances)	Reported via our <i>Thrive</i> assessments as per the scope described above. The data includes the number of training sessions delivered and the number of attendances. Attendances include farmers who may attend several sessions in the year, as well as farm labourers and local community members. In 2020, due to COVID-19 restrictions, an increased number of training sessions, with fewer people at each session, were held in accordance with social distancing measures. Therefore, performance trends are based on number of attendances, rather than the number of sessions. We began reporting this data in 2019, so 2018 data is not available.
People and culture	% of female representation in management roles and on senior leadership teams	Management roles include all management-grade employees globally from junior up to executive grades. Senior leadership teams account for direct reports of the Management Board Directors globally. This differs from our previously reported KPI of '% female representation in senior management roles' which related to all senior management roles and not just those on leadership teams. This change is to align our reporting with our new 2025 ambition to increase the proportion of women in senior leadership teams to 40% by 2025. Therefore, 2018 and 2019 data has been restated from the previously reported figures of 22% and 23% respectively to align with the revised scope and show a like-for-like performance trend.
	% of key leadership teams with at least a 50% spread of distinct nationalities	Key leadership teams account for direct reports of the Management Board Directors. Spread of distinct nationalities is calculated based on the total number of distinct nationalities within one team, compared to the total number within that team. This differs from our previously reported KPI of '% focus nationalities in senior management' which related to selected focus nationalities in all senior management roles. This change is to align our reporting with our new 2025 ambition to achieve at least a 50% spread of distinct nationalities within all key leadership teams by 2025. Therefore 2018 and 2019 data has been restated from the previously reported figures of 21% and 22% respectively to align with the revised scope and show a like-for-like performance trend.
	Employee engagement score in our global 'Your Voice' survey (% difference to FMCG comparator group)	We conduct our global 'Your Voice' survey every two years, with the most recent held in 2019. Therefore, 2018 data reported related to the 2017 survey. This is to show the performance trend. In 2019, the survey was completed by over 90% of our employees.

Social (continued)

Topic	Definition	Scope
Health and safety	An accident is defined as any work-related incident. A fatality is any work-related loss of life. A serious injury is defined as any work-related accident involving an injury which results in: hospitalisation for more than 36 hours; any amputation; any fracture, other than to bones in fingers, thumbs and toes; loss of vision – whether temporary or permanent; or dislocation – shoulder, hip, knee or spine.	All BAT sites and off-site work-related activities, including business travel and Trade Marketing & Distribution. <ul style="list-style-type: none"> • Data reported for employees only covers those that have an employment relationship with BAT. • Data reported for contractors includes 'contractors that work under our direct supervision'.
Lost Workday Case Incident Rate (LWCIR) Lost workday cases Occupational illness rate		All BAT sites and off-site work-related activities, including business travel and Trade Marketing & Distribution. This includes employees and contractors under our direct control and supervision. Work-related accidents (including assaults) resulting in injury, causing absence of one shift or more. LWCIR is calculated as the number of lost workday cases through injury x 200,000 divided by total hours worked. Occupational illness rate is the number of incidents of occupational illness per 200,000 hours worked.
% of farms reported to have sufficient PPE for agrochemical use and for tobacco harvesting		Reported via our <i>Thrive</i> assessments covering BAT-contracted farmers and farmers contracted to our strategic third-party suppliers, representing more than 80% of our total tobacco leaf purchases in 2020. As tobacco-growing seasons vary around the world, we have revised the scope for 2020 to be based on data available for the most recent crop cycle at the time of reporting, instead of the crop grown in the calendar year. We will continue to use this methodology for future reporting. This 2020 data has, for the first time, been subject to independent assurance in 2020.
Number of farmer training sessions on agrochemical health and safety and on harvesting health and safety (with attendances)		Reported via our <i>Thrive</i> assessments as per the scope described above. This 2020 data has, for the first time, been subject to independent assurance. The data includes the number of training sessions delivered and the number of attendances. Attendances include farmers who may attend several sessions in the year, as well as farm labourers and local community members. In 2020, due to COVID-19 restrictions, an increased number of training sessions, with fewer people at each session, were held in accordance with social distancing measures. Therefore, performance trends are based on number of attendances, rather than the number of sessions.

Governance

Key: ● Desired trend ◆ Minimal (2% or less) or no change ■ Decline

🔒 Indicates independently assured data. Read the full assurance statement in [Independent assurance](#) on page 137.

Topic	Goal	KPI	2020	2019	2018	Trend	Assured
Business ethics	100% adherence to our Standards of Business Conduct (SoBC)	% of employees who completed SoBC formal sign-offs and training	100%	100%	100%	●	
		Number of reports of alleged SoBC breaches	321	359	266	●	
		Number of established SoBC breaches	116	130	126	●	
Responsible marketing	100% adherence to our International Marketing Principles (IMP)	Number of established IMP breaches	3	5	0	●	🔒
		100% adherence to our global Youth Access Prevention (YAP) Guidelines	% of markets aligned with our YAP Guidelines	100%	100%	100%	●

Governance (continued)

All data relates to the BAT Group and covers the calendar year, unless otherwise stated. Details of the source and scope for each of our key governance metrics are provided below.

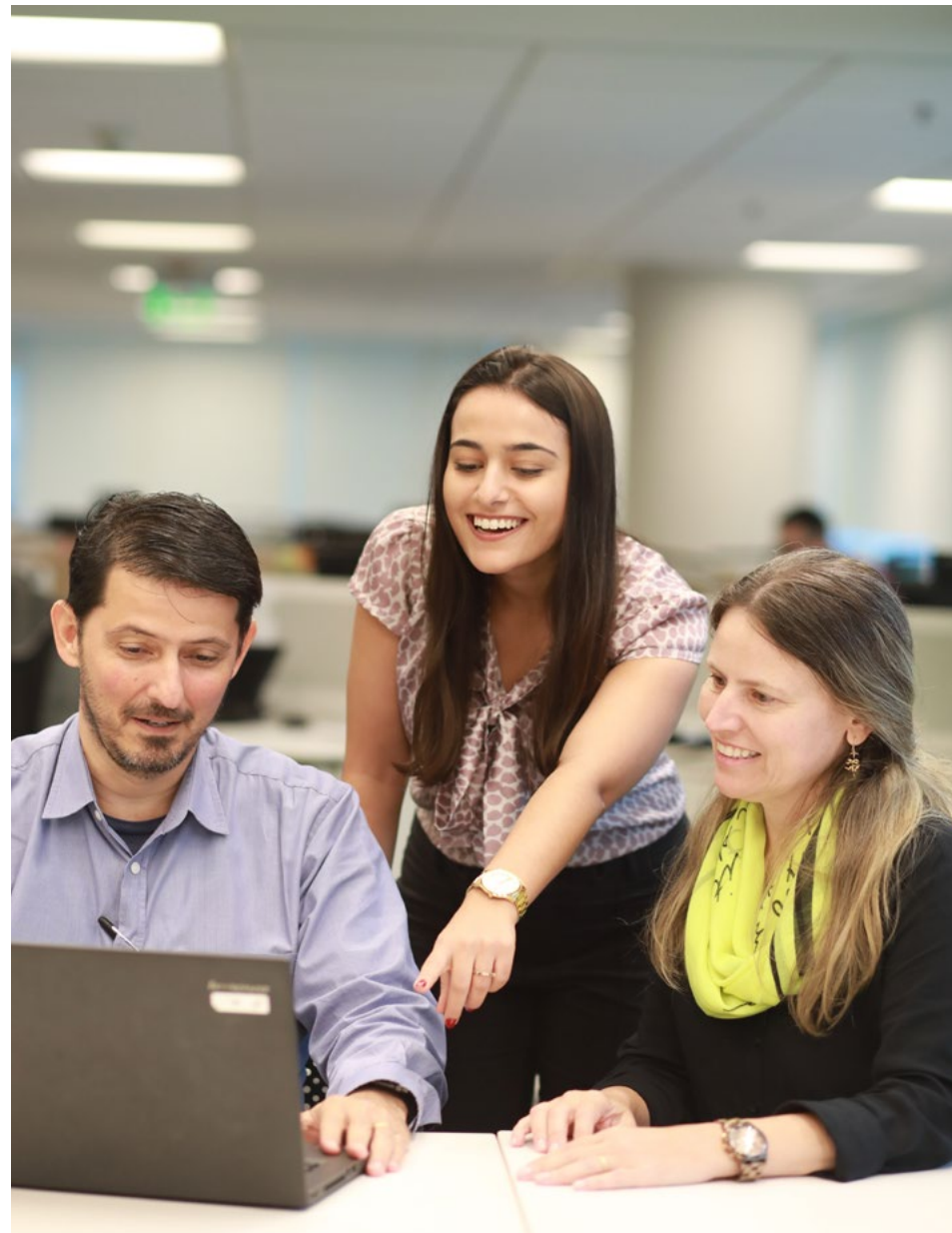
Topic	Definition	Scope
Business ethics	% of employees who completed SoBC formal sign-offs and training	All BAT Group employees worldwide.
	Number of reports of alleged SoBC breaches	All reports of alleged breaches, against all SoBC policies, relating to all BAT Group companies in the calendar year.
	Number of established SoBC breaches	Not all contacts made via our Speak Up channels and SoBC Portal involve SoBC allegations; some contacts relate to questions regarding the SoBC or other matters. Therefore, this data relates to all SoBC contacts that were assessed as SoBC allegations and reported to the Audit Committee, and all those found to be a breach following a detailed investigation.
Responsible marketing	Number of cases of partial or non-adherence to our IMP identified through self-assessments and market audits	All BAT Group markets.
	% of markets aligned with our YAP Guidelines where our cigarette brands are sold	All BAT Group markets.
	% of markets aligned with our YAP Guidelines where our New Category products are sold	The revised global YAP Guidelines, with additional requirements around provision of point-of-sale material with YAP messaging for the sales of all our different product categories (including New Categories), came into effect as of 1 January 2018, and we report adherence to the revised Guidelines from 2018 onwards. We report alignment with YAP Guidelines as those markets conducting activities, or those markets granted an exemption from conducting them, in alignment with the Guidelines. Those markets with exemptions account for less than 6% of our cigarette brands sales volumes, and 2% of vapour products and tobacco heating products device and consumables sales volumes. These include a small number of retrospective exemptions issued for some markets who were unable to conduct YAP activities due to COVID-19 pandemic in 2020.

Independent Assurance

Independent review of our sustainability reporting is crucial to helping stakeholders place trust in our processes and in what we report. It also supports our commitment to openness and transparency.

Our Independent Stakeholder Panel comments on the materiality of our ESG Report and provides a collective opinion on BAT's performance, while we provide a response to their statement as part of our commitment to continuous improvement.

The consultancy Corporate Citizenship also provides limited assurance, in accordance with the ISAE 3000 standard, of selected ESG data in this Report, as indicated by .



Corporate Citizenship's Statement

The nature of the assurance: This is a report by Corporate Citizenship for the management of BAT.

Corporate Citizenship has undertaken a limited assurance of selected environmental and sustainability performance data against DEFRA Environmental Reporting Guidelines, the GHG Protocol Corporate Accounting and Reporting Standard and the GRI Principles for defining report quality, as described below.

Environment

KPI	Data point	Unit	Quantity
Carbon dioxide equivalent (CO₂e) emissions	Scope 1 CO ₂ e emissions	(000's) tCO ₂ e	342
	Scope 2 CO ₂ e emissions, location-based	(000's) tCO ₂ e	418
	Scope 2 CO ₂ e emissions, market-based	(000's) tCO ₂ e	199
	Scope 3 CO ₂ e emissions, 2019 (incl. biogenic emissions and biogenic removals)	(000's) tCO ₂ e	6,781
	Scope 3 CO ₂ e emissions, 2018 restated (incl. biogenic emissions and biogenic removals)	(000's) tCO ₂ e	6,956
	Scope 3 CO ₂ e emissions, 2017 restated (incl. biogenic emissions and biogenic removals)	(000's) tCO ₂ e	6,952
Energy use/ consumption	Direct energy consumption	GWh	2,568
Renewable energy	Renewable energy consumption	GWh	688
	Renewable energy as a % of total direct energy use		26.80%
Water withdrawn	Total water withdrawn	m ³	4,025,801
Water recycled	Water recycled	m ³	726,305
	% of total water recycled		15.3%
Waste	Waste generated	tonnes	143,639
	Waste to landfill	tonnes	12,730
Zero waste to landfill	% of sites reporting zero waste to landfill		27.0%
Recycling	% of waste recycled		90.67%

Health and safety

KPI	Data point	Unit	Quantity
Fatalities	Number of fatalities to employees	#	0
	Number of fatalities to contractors	#	3
	Number of fatalities to members of the public involving BAT vehicles	#	2
Serious injuries	Number of serious injuries to employees	#	28
	Number of serious injuries to contractors	#	8
Lost workday cases	Lost workday cases	#	131
	Lost workday case incident rate (LWCIR)		0.21
Occupational illness rate	Occupational illness cases	#	2
	Occupational illness rate		0.003

Marketing practice

KPI	Data point	Unit	Quantity
YAP compliance	% of markets aligned with YAP Guidelines, where cigarette brands are sold		100.0%
	% of markets aligned with YAP Guidelines, where non-combustible products are sold		100.0%
	% sales volume represented by markets granted a YAP exemption in 2020 – this applies to cigarette brands sales only		5.8%
	% sales volume represented by markets granted a YAP exemption in 2020 – this applies to non-combustible products sales		2.0%

Corporate social investment (CSI)

KPI	Data point	Unit	Quantity
CSI spend	Investment (£) in CSI projects	£	£16,643,904
	Total CSI in-kind spend	£	£5,101,736
IMP Breaches	Number of external reports and allegations	#	3

Employee diversity

KPI	Data point	Unit	Quantity
Gender – % of women	All employees Group-wide		31.4%
	Non-management employees		29.2%
	Management roles		37.9%
	Senior leadership teams		26.7%
	Main Board		33.3%
Focus nationalities	% of key leadership teams with at least 50% spread of nationalities		91.6%

Circular Economy

KPI	Data point	Unit	Quantity
Unnecessary single use plastic (SUP) packaging	Weight of unnecessary single use plastic packaging	tonnes	3,580.35
Share of Reusable, Recyclable or Compostable plastic packaging	% Share of Reusable, Recyclable or Compostable plastic packaging		82.0%
Share of Recycled content in plastic packaging	% of Recycled content in plastic packaging		2%
Devices take back schemes coverage	Number of markets with pilot take-back schemes	#	4

Leaf Data

KPI	Data point	Unit	Quantity
Sustainable wood sources	% of farmers' wood fuel from sustainable sources	tonnes	99.7%
Farmer livelihoods, and health and safety in tobacco supply chain	Tobacco hectares with best practice soil and water management plans		76.0%
	% of tobacco farmers reported to grow other crops such as fruit, vegetables, wheat, maize, cotton and soy		93.4%
	Number of farmer training sessions – GTS and harvesting health and safety	#	26,245
	Number of attendances – GTS and harvesting health and safety	#	191,245
	Number of farmer training sessions – agrochemical health and safety (PPE/CPA)	#	26,247
	Number of attendances – agrochemical health and safety (PPE/CPA)	#	191,244
	Farms reported to have sufficient PPE for agrochemical use		95.2%
	Farms reported to have sufficient PPE for harvesting		99.0%

Human Rights

KPI	Data point	Unit	Quantity
Child Labour	% of child labour incidents reported as resolved		98.5%
	% of farms monitored for child labour		99.70%
	% farms with incidents of child labour identified		0.50%
	Number of child labour incidents identified	#	1,308
	% farmers that receive training/capacity building on child labour		87.70%
	In a small number of cases, where there is persistent non-compliance, the farmer's contract is not renewed for the next growing season – this is the case for six outstanding unresolved incidents. The remaining 13 cases occurred at the very end of the growing season, and had remediation plans implemented that will be verified at the start of the next season	#	13
Training Sessions	Total human rights related training sessions	#	38,239
Training attendees	Total human rights related training attendances	#	393,038

The assurance covers the period from 01/01/2020 to 31/12/2020. The assurance period for the environmental data covers the period 01/12/2019 to 30/11/2020, except for Scope 3 emissions which covers the period 01/12/2018 to 30/11/2019.

BAT is entirely and solely responsible for the production and publication of the data assured, and Corporate Citizenship for its assurance.

The data relates to BAT's owned and leased facilities under its operational control across all geographies.

GHG quantification is subject to inherent uncertainty due to factors such as incomplete scientific knowledge about the global warming potential of different GHGs and uncertainty around the models and parameters used in estimating GHG emissions.

This engagement was performed in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject-matter specific ISAE for GHG data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements).

The carbon emissions data has been prepared using the WRI / WBCSD Greenhouse Gas Protocol, 2015 revised edition, and the appropriate GHG conversion factors for company reporting as published by UK Department for Business, Energy and Industrial Strategy (BEIS) and the International Energy Agency (IEA).

Other data has been reported in accordance with GRI reporting standards, or other internationally recognised standards for data points where GRI does not include guidance (e.g. CDP guidance for water recycling rate).

Corporate Citizenship has complied with the requirements for independence, professional ethics and quality control as stipulated by ISAE 3000.

Assurance work performed

The assurance work was undertaken during December 2020 and January 2021. Detailed records were kept of meetings and correspondence relating to the assurance. A team of five, led by a Senior Environmental Consultant, undertook the assurance and commentary process. A Director acted as adviser to the project.

Corporate Citizenship's work has involved, but not been limited to, the following elements:

1. In-depth management interviews with key persons at BAT in order to understand BAT's processes for management, reporting and performance improvement in each of the assured areas;
2. Management interviews with site and regional owners of specific data points;
3. A review of the activity data for energy (process, building and company vehicles), travel, water and waste;
4. A review of the tools, methodologies and estimations techniques behind the calculation of the Scope 3 footprint, including alignment to the GHG Protocol Scope 3 guidance;
5. A review of year-on-year performance trends to identify any significant changes in operational eco-efficiency and investigate the reasons behind these trends;
6. A review of GHG calculations for accuracy and consistency with best practice guidelines;
7. A review of the calculation methodologies behind BAT's market-based Scope 2 emissions, including evidence of renewable electricity purchases;
8. A review of the data collation tools for Health and Safety, Diversity, Marketing Practices, Corporate Social Investment and Sustainable Wood Sourcing;
9. A review of underlying data sources and substantiating evidence to support this year's reporting, to assess robustness of monitoring and reporting systems;
10. A review of year-on-year performance trends to identify any significant changes and investigate the reasons behind these trends; and
11. A review of group-wide data consolidation and reporting to check for errors or omissions in data analysis, consistency with underlying data sets and reasonableness of reporting.

Our experience and independence

Corporate Citizenship is a specialist management consultancy, advising corporations that seek to improve their economic, social and environmental performance around the world and is a leading assessor of corporate responsibility and sustainability reports.

We have worked with BAT on its sustainability issues since 2019 and have provided assurance since the same year. During the 2020 reporting period, our work with BAT focused exclusively on assurance.

Conclusion

Based on the scope of work and assurance procedures performed, nothing has come to our attention that causes us to believe that BAT's sustainability data described above is not prepared, in all material respects, in accordance with the Environmental Reporting Guidelines, the GHG Protocol Corporate Accounting and Reporting Standard and the GRI Principles for defining report quality.

Corporate Citizenship Limited

London
23rd February 2021

Commentary From Our Stakeholder Panel

The Panel's aim is to understand the context BAT's business operates within, identify how it is meeting the various ESG challenges and offer comment on the materiality of this Report and a collective opinion on reporting performance.

Panel Members

Philippa Foster Back CBE (Panel chair), Member of the Institute of Business Ethics International Advisory Council – Philippa is a long-standing advocate for high standards of business behaviour based on ethical values.

Scott Ballin, Health Policy Adviser – Scott has spent more than 40 years involved in issues related to tobacco and health and is a key opinion leader on tobacco harm reduction.

Prof John Boardman, Emeritus Fellow, Environmental Change Institute, University of Oxford – John has published over 150 papers primarily focused on soil management and land degradation.

Peder Michael Pruzan-Jorgensen, Founder and Director at ORCA & Co. ApS – a strategy advisory firm committed to working with companies and capital owners to maximise business value and societal impact by placing ESG at the heart of decision-making.

Process

This is the fifth year of the Panel's existence. The Panel is independent of BAT and the comments which follow are based on the professional expertise and experiences of its members.

In this reporting cycle, the Panel held two meetings with BAT.

The first, in November 2020, involved a presentation from BAT on key business developments over the preceding 12 months; how corporate approaches to sustainability were evolving to meet various ESG challenges; and the proposed format for this ESG Report. In addition to the Panel, participants included BAT's chairman, two other non-executive Directors and members of BAT's senior leadership team.

The second meeting, in February 2021, involved only the panel and facilitation from Carnstone Partners Limited, and centred on a detailed scrutiny of a draft of this ESG Report, which had been supplied in advance. Where data in the draft reviewed by the Panel had yet to be finalised this was clearly highlighted. The Panel was subsequently able to review a later version containing the finalised data to ensure this had no effect on the comments that follow.

Due to COVID-19 restrictions both meetings took place remotely.

Throughout the process, the Panel appreciated BAT's willingness to share strategic and operational information. BAT responded openly and constructively to questions and suggestions.

The Panel's comments on the Report, together with recommendations as to how future reports could be improved, are summarised below with sections covering BAT's reporting approach and materiality, harm reduction, environment, social and governance.

BAT's Approach to ESG Reporting

This is the second year BAT has produced a separate ESG Report, in addition to a shorter summary. In its last commentary, the Panel welcomed this addition to BAT's reporting resources and recognised how it complemented the information available elsewhere. The Panel also set out its expectations as to the content and structure of future reports, and it is gratifying that many of these points have been adopted this year.

Overall, we believe the Report is greatly improved. Specifically, the Report provides greater detail on BAT's approach to harm reduction, contains, 'hard targets' and performance indicators for a wide variety of issues, and is structured to ensure that information on the four priority areas (harm reduction, environment, social and governance) is readily accessible.

The level of detail provided in the Report is testimony to BAT's commitment to transparency and gives its target audience comprehensive and direct insights into how the company is transforming its business model, the challenges this presents and the progress it is making.

Going forward, the Panel suggests that BAT clarifies whether the section dealing with Corporate Purpose is intended to provide context for the four priority areas or is a summary of its approach and performance in each of them. If the former, then we would suggest there should be a much more explicit link to both the corporate strategy and how this manifests itself in financial results and operational outcomes; if the latter, it needs to contain more information on actual performance or include clear signposting to where this can be found.

Materiality

The Panel has previously expressed its positive view of BAT's approach to identifying its sustainability/ESG focus areas. The methodology used by BAT combines a systematic review of current and potential issues with a rigorous analysis of their importance to stakeholders and the organisation.

This ensures that the ensuing list of focus areas is credible both in terms of scope and prioritisation. The inclusion of new focus areas – such as data privacy and cybersecurity – demonstrates the dynamic nature of the process.

Consequently, the Panel would like to reiterate their opinion that the focus areas covered in the Report are material to BAT's Sustainability Agenda.

Harm Reduction

This remains the key challenge for BAT and is central to its goals and objectives. Consequently, this section of the Report needs to incorporate several different elements – for example, the health and other consequences of combustible tobacco products, the opportunities and risk presented by New Category products and the progress BAT is making in transitioning from the first to the second.

It also needs to place BAT's efforts in a wider context – how the tobacco sector is adapting to a changing world – and, crucially, the role that other stakeholders, such as governments, regulators and, of course, consumers, play in the process.

The Panel applauds BAT's commitment to science and transparency as evidenced by the content of this Report. It also recognises the increasing resources BAT is devoting to this transformation and the growing importance of New Category products to its business.

The inclusion of information on the contribution BAT is making to research and the development of vaccine candidates, which may in the future deliver significant benefits to people around the world, is a further demonstration of how the Group's business model is changing. And, by bringing these efforts to the attention of the public, policymakers and investors, it may be seen as a significant new and legitimate approach in 'transforming tobacco'.

However, it is important to acknowledge that for the foreseeable future BAT's business will rely on the revenues generated by combustible tobacco products, which

will continue to have serious implications for the health of millions of its current and future consumers.

Thus, while the Report provides relevant information on the growth and availability of BAT's New Category products, there is much less on how it is persuading traditional cigarette users to switch to them.

Likewise, the Report is silent on the extent to which BAT's transition is dependent on existing customers moving wholesale to its New Category products, or whether the growth in the latter is driven by attracting consumers of other brands or those who have not previously used combustible tobacco products. In view of the growth markets for cigarettes, the Panel, as mentioned in previous years' statements, would welcome more disclosure on how BAT intends to make a variety of non-combustible products available in low-income markets.

In future reports, the Panel urges BAT to provide a more nuanced and detailed view of the relative and absolute importance of New Category and combustible products to the business currently and over the medium and long terms.

Another essential aspect of harm reduction relates to preventing youth access to, and use of, tobacco and nicotine products. BAT will be well aware of the numerous initiatives and campaigns underway globally that focus on this issue.

The Report includes some information on what BAT is doing in this area but, given the interest in the topic, we recommend future reports devote more space to it and emphasise that this is less about responsible marketing and more about minimising – if not eradicating – the harm arising from adolescents' consumption of these products.

Finally, the Panel returns to a point it has raised before: namely, the contribution that BAT can make to the development and implementation of effective regulatory frameworks for tobacco and nicotine use. The Panel appreciates this is a complex subject involving a wide range of stakeholders, many of whom will have conflicting priorities, across multiple jurisdictions.

The Report outlines BAT's preferred regulatory framework and the elements within it. The Panel accept this is a valuable starting point but believes there needs to provide more publicly available details about the application of a visionary conceptual framework to both domestic and global markets.

Environment

This Report implements many of the suggestions the Panel has made previously.

The Environment section is a case in point, containing, as it does, amplification and clarification of BAT's targets in relation to climate change and other environmental issues, together with details of how the business is adapting in response.

With regard to climate change, the Report sets out a clear direction of travel and we trust that BAT will continue to provide regular updates on the pace at which it is translating what are at present aspirations into reality.

Likewise, the Report contains details of various initiatives that have been undertaken to identify and mitigate the risks associated with climate change across BAT's tobacco and non-tobacco supply chains. The use of scenarios to determine the scale of impact

is particularly noteworthy, as is the detailed explanation of how the company has aligned its reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). There remains, however, a need to state clearly the risk (or not) to tobacco producing small farmers in those regions likely to be impacted by climate change.

The inclusion of information on BAT's work around water stewardship, promoting biodiversity and afforestation, and its efforts to embed the concept of the circular economy into its operations and thereby minimise waste underline the progress the company has made over recent years.

That being said, the Panel would recommend that future reports include more detail on the targets BAT has set in relation to biodiversity and afforestation.

Social

Given the very broad agenda covered within this section, it is to BAT's credit that the information is well structured and comprehensive.

BAT's global supply chains for tobacco, other product materials and indirect goods and services are clearly described along with the policies and processes that underpin their operation. A possible enhancement would be the addition of information on supplier classification – what criteria are used and the breakdown across the different categories.

The inclusion of data captured by *Thrive* is a positive development. The Panel looks forward to this expanding in future reports, particularly in relation to targets that attach to each of the five capitals.

The scale, nature and location of BAT's own operations and its supply chain expose the Group to human rights issues. The Report clearly outlines the policies, systems and processes in place to prevent, minimise and rectify these challenges. It also provides information on how BAT is performing.

The Panel recommends that this be supplemented in future reports by an explanation of how BAT views the relationship between human rights and the health risks of its products and makes explicit the part it has to play in reducing the latter.

The Panel recognises the improvement made in the coverage of diversity and inclusion. The Report now contains extensive material describing the robust policies and measures BAT has developed across this broad agenda which are supported by meaningful, time-specific objectives. To provide context, it would be helpful if future reports clarified the absolute numbers of employees in the different job levels.

Finally, and in keeping with the rest of this section, the approach and performance in relation to health and safety is well covered across BAT's own operations and wider value chain.

Governance

The Report clearly explains governance arrangements both in general and specifically for ESG issues. The link between executive remuneration and the latter, reflecting disclosures in BAT's Annual Report, is strong evidence of the extent to which ESG has become embedded in the business.

Similarly, the emphasis on the importance of business ethics – 'standards before profits' – is a powerful message that carries with it a heightened expectation from stakeholders that performance in this area is exemplary. In particular, increased scrutiny of lobbying activities and any apparent discrepancy between the public and private utterances of the company make it imperative that BAT's practice aligns exactly with its stated policy.

Consequently, the Panel recommend that future reports be more explicit in setting out what the Group will lobby for and against, especially regarding the development and implementation of regulatory frameworks for its products.

Concluding Remarks

This year has witnessed a growing maturity in BAT's ESG reporting. The Report is, in the Panel's opinion, better structured and more comprehensive, and greatly benefits from the inclusion of clear targets.

The Panel is grateful for the cooperation of BAT's Group ESG team and the involvement of Board members and senior management.

Stakeholder Panel members

February 2021

Acting on the Panel's Feedback

We welcome the Panel's valuable feedback and recommendations for where improvements can be made. We are committed to acting on these insights and continuing to drive a step change in our approach to accelerate progress towards achieving our corporate purpose and ESG ambitions.

ESG Reporting and Materiality

This year, we expanded the scope of the Panel's remit, from previously covering the shorter Sustainability Strategy Report to now including this full ESG Report. This change has proved invaluable and we would like to thank the Panel for their thorough review of such a comprehensive document.

We are grateful for the Panel's recognition of the many improvements we have made in increasing the level of detail and transparency, as well as setting further targets and KPIs to track progress. We also appreciate the Panel's observation regarding the robustness of our materiality process for identifying our ESG priorities. Overall, this ESG Report has benefited greatly from the Panel's input and we were able to apply many of their recommendations prior to publication. In particular, we were able to act on the Panel's suggestion to provide more clarity on the explicit link between our corporate strategy and Sustainability Agenda through the inclusion of a new section on our ESG Strategy (see [pages 7–12](#)).

Harm Reduction

Reducing the health impact of our business is central to our corporate purpose and business transformation. As the Panel notes, this is a complex topic covering many different elements and so we

are pleased for their recognition of our continued commitment and transparency. We recognise the Panel's desire to see more information on how we are encouraging existing smokers to switch to less risky alternatives, and whether our growth ambitions are dependent on existing consumers transitioning. We have endeavoured to address this by continuing to be clear in this Report, and in our other corporate communications, that combustible cigarettes pose serious health risks, and the only way to avoid these risks is not to start or to quit. We encourage those who would otherwise continue to smoke to switch completely to scientifically substantiated, reduced-risk alternatives.

We do this through our unique, consumer-centric, multi-category strategy, which is activated on a global scale, leveraging our insights on consumer satisfaction, innovation, emerging needs and taste preferences.

We are also building a portfolio of strong and recognised brands of the future, specifically positioned in each target consumer segment. For example, affordability and other factors (like having no batteries) mean our modern oral products may be more suitable for consumers in low-income markets. As detailed on [page 36](#), of the 50+ markets where our New Category products are currently available, 19 are

among the top 50 countries with the highest smoking prevalence globally. We have also made clear our aim to increasingly transition our revenues from cigarettes to New Category products over time and the significant investments we're making to achieve this. We hope this will help address the Panel's recommendation to demonstrate the relative importance of these products to our business. In response to the Panel's suggestions, in future reports we will look to include further information on our long-standing approach to youth access prevention and our engagement around regulatory frameworks for New Category products.

ESG Focus Areas

We are grateful for the Panel's recognition of the enhancements we have made to our reporting against our ESG focus areas this year, including acting on many of the recommendations the Panel made in their statement last year. In particular, we have strengthened and provided more detailed information on climate change and alignment with TCFD, as well as our approach to water stewardship, biodiversity and afforestation, and embedding circular economy principles across the business. We were also pleased the inclusion of additional *Thrive* performance data has helped to strengthen disclosures for our environmental and social priorities in our tobacco supply chain. We note the Panel's recommendation to include an explanation regarding the relationship between human rights and the health risks of our products. In our recent Human Rights Report, published in December 2020, we provide detailed

information on our saliency assessment to identify and prioritise our most important human rights impacts. These include human rights issues that are closely interrelated with our other priority areas, including harm reduction, farmer livelihoods, diversity and inclusion, and health and safety. In response to the Panel's feedback, we have included additional information on these interrelated human rights impacts, including harm reduction, on [page 66](#), as well as clearer signposting on [page 67](#) to the saliency assessment in our Human Rights Report. We are carefully considering the Panel's other recommendations for future reports.

Concluding Remarks

Over the last five years, the Panel's insights, challenges and constructive feedback have been invaluable in helping our reporting to continue to meet the evolving needs of our stakeholders. This ESG Report delivers a major evolution in our reporting, with more comprehensive and detailed disclosures across a broader set of issues.

We are delighted the Panel recognises the growing maturity in our reporting. Their input and recommendations have helped greatly in finding the right balance for our diverse audiences. With this approach, we trust our stakeholders will have a clearer understanding of our strategy and commitment, and the significant progress we are making. We would like to thank the Panel for their time and thorough review of our Report and the open and constructive dialogue this brings.

BAT Management
March 2021

Further Information

Forward-Looking Statements

This is a report by British American Tobacco p.l.c.; associate companies are excluded.

References to 'British American Tobacco', 'BAT', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. (the Company, and together with its subsidiaries, the 'Group'), and when denoting tobacco business activity refer to Group operating companies, collectively or individually as the case may be.

This report contains certain forward-looking statements, including "forward-looking" statements made within the meaning of the US Private Securities Litigation Reform Act of 1995. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook," "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations reflecting knowledge and information available at the time of preparation, and concerning our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Company operates, including the projected future financial and operating impacts of the COVID-19 pandemic.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this report are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of adverse domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's

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

The forward-looking statements reflect knowledge and information available at the date of preparation of these materials, and the Company undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

The material in this report is provided for the purpose of giving information about the Company to stakeholders only and is not intended for general consumers. The Company, its directors, officers, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The material in this Report is not provided for product advertising, promotional or marketing purposes. This material does not constitute and should not be construed as constituting an offer to sell, or a solicitation of an offer to buy, any of our products. Our products are sold only in compliance with the laws of the particular jurisdictions in which they are sold.

Additional information concerning these and other factors can be found in BAT's filings with the US Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov>.

Our Reporting Suite

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



Annual Report 2020

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

↓ bat.com/annualreport



ESG Summary Report

Our ESG Summary Report provides insights on how we are building A Better Tomorrow™ for all our stakeholders. It includes our ambitions and progress towards key targets.

↓ bat.com/sustainabilityreport



Focus Reports

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

↓ bat.com/sustainabilityfocus



Modern Slavery Statement

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

↓ bat.com/MSA



Gender Pay Report

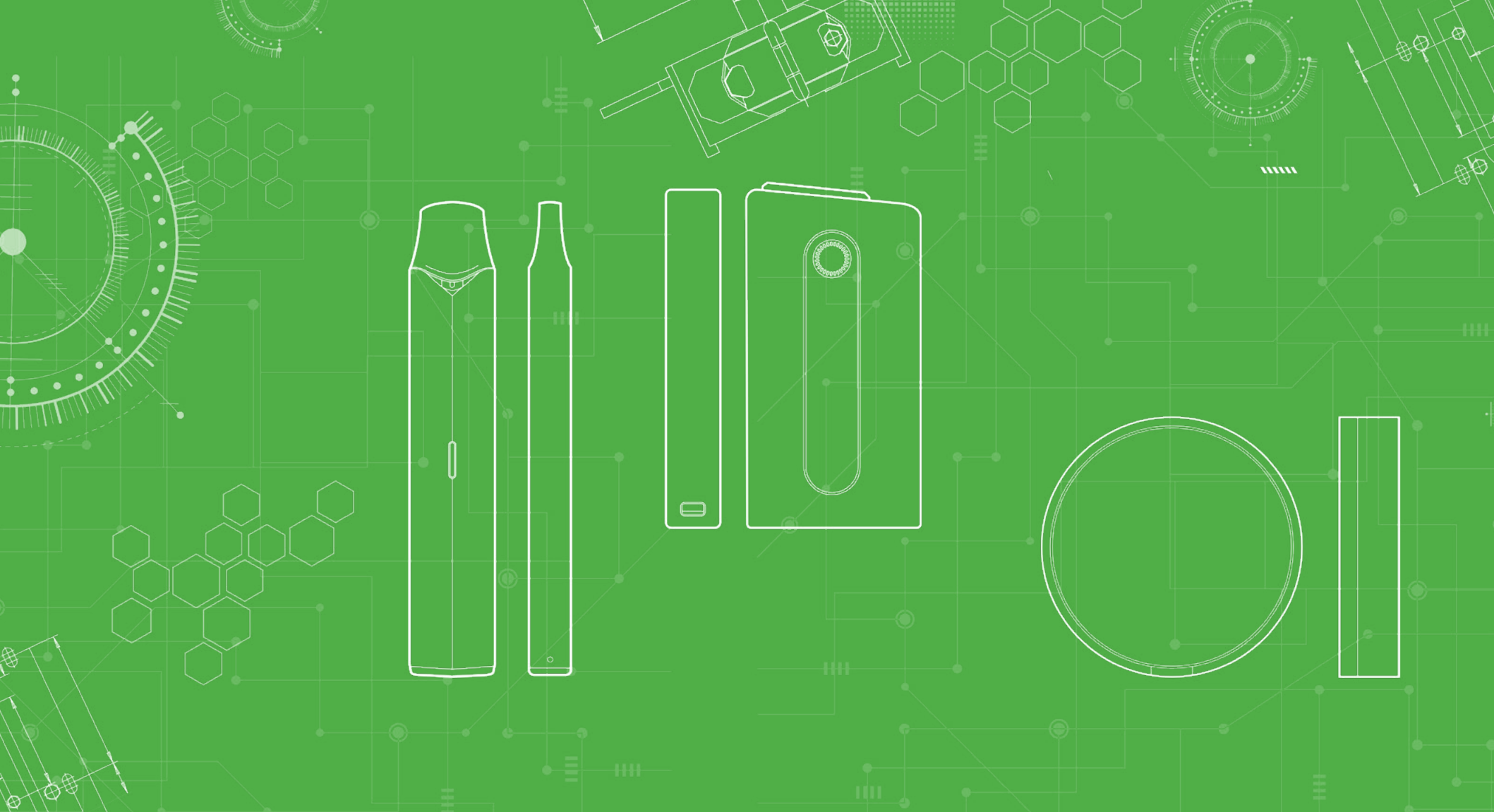
We publish our Gender Pay Report each year with our statutory gender pay gap reporting for our UK employees, as well as our commitment to promoting gender diversity and to increase female representation across all senior leadership positions in the Group.

↓ bat.com/genderpayreport

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

Disclaimer Regarding Photography

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



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