



# What Sustainability means at BAT

Overview – April 2024



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In particular, among other statements, certain statements in slides 4, 7, 9-10, 18, 22, 24, 27-29, 31, 34-36, 38-41.

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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 competition from illicit trade; 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 supply chain disruptions; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; the impact of significant increases or structural changes in tobacco, nicotine and New Categories related taxes; translational and transactional foreign exchange rate exposure; changes or differences in domestic or international economic or political conditions; the ability to maintain credit ratings and to fund the business under the current capital structure; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; changes in the market position, businesses, financial condition, results of operations or prospects of the Group; direct or indirect adverse impacts associated with Climate Change and the move towards a Circular Economy; and Cyber Security risks caused by the heightened cyber-threat landscape and the increased digital interactions with consumers, and changes to regulation.

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## Additional Information

Our Vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain oral products including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the US, are subject to the Food and Drug Administration ("FDA") regulation and no reduced-risk claims will be made to these products without agency clearance.

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# Committed to building A Better Tomorrow™



## Our Purpose

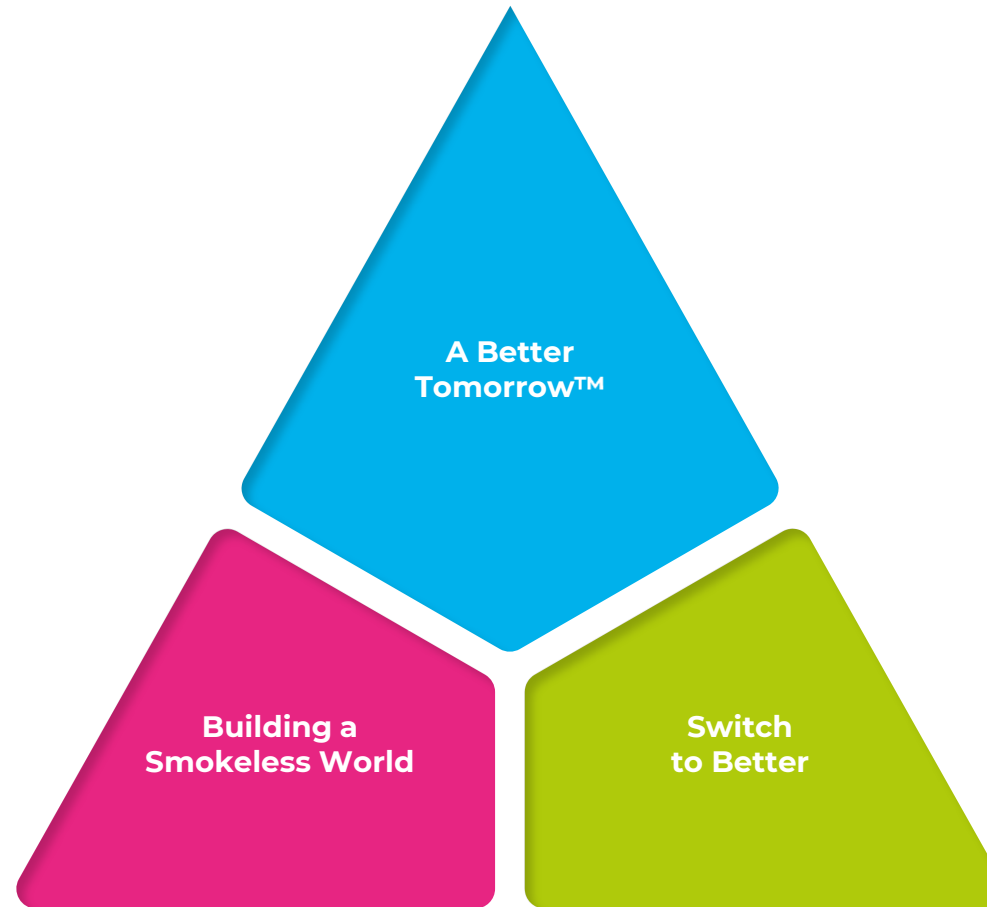
A Better Tomorrow™

## Our Vision

Building a Smokeless World

## Our Mission

To encourage smokers to Switch to Better



**Committed to 50% Smokeless<sup>^</sup> revenue ambition by 2035**

<sup>^</sup> Smokeless - refers to non-combustibles, including Vapour products, Heated Products, Modern Oral pouches and Traditional Oral.

# Refining our strategy with new Strategic Pillars



## *A BETTER* **TOMORROW™**

### Building a Smokeless World

Our refined Group strategy ensures clear lines of sight across the entire organisation.

And is built around the three pillars of 'Quality Growth', 'Dynamic Business' and '**Sustainable Future**'...

# Sustainability overview

1

Working to embed  
**Sustainability**

2

**H**  
Reducing the  
**Health** impact  
of our business

3

**E**  
Excellence in  
**Environmental**  
management

4

**S**  
Delivering a  
positive **Social**  
impact

5

**G**  
Robust  
**Governance**  
management

1

# Working to embed sustainability across BAT:

Creating shared value for all our stakeholders



## Our Sustainability agenda

H

Reducing the **HEALTH** impact of our business

E

Excellence in **ENVIRONMENTAL** management

S

Delivering a positive **SOCIAL** impact

G

Robust corporate **GOVERNANCE**



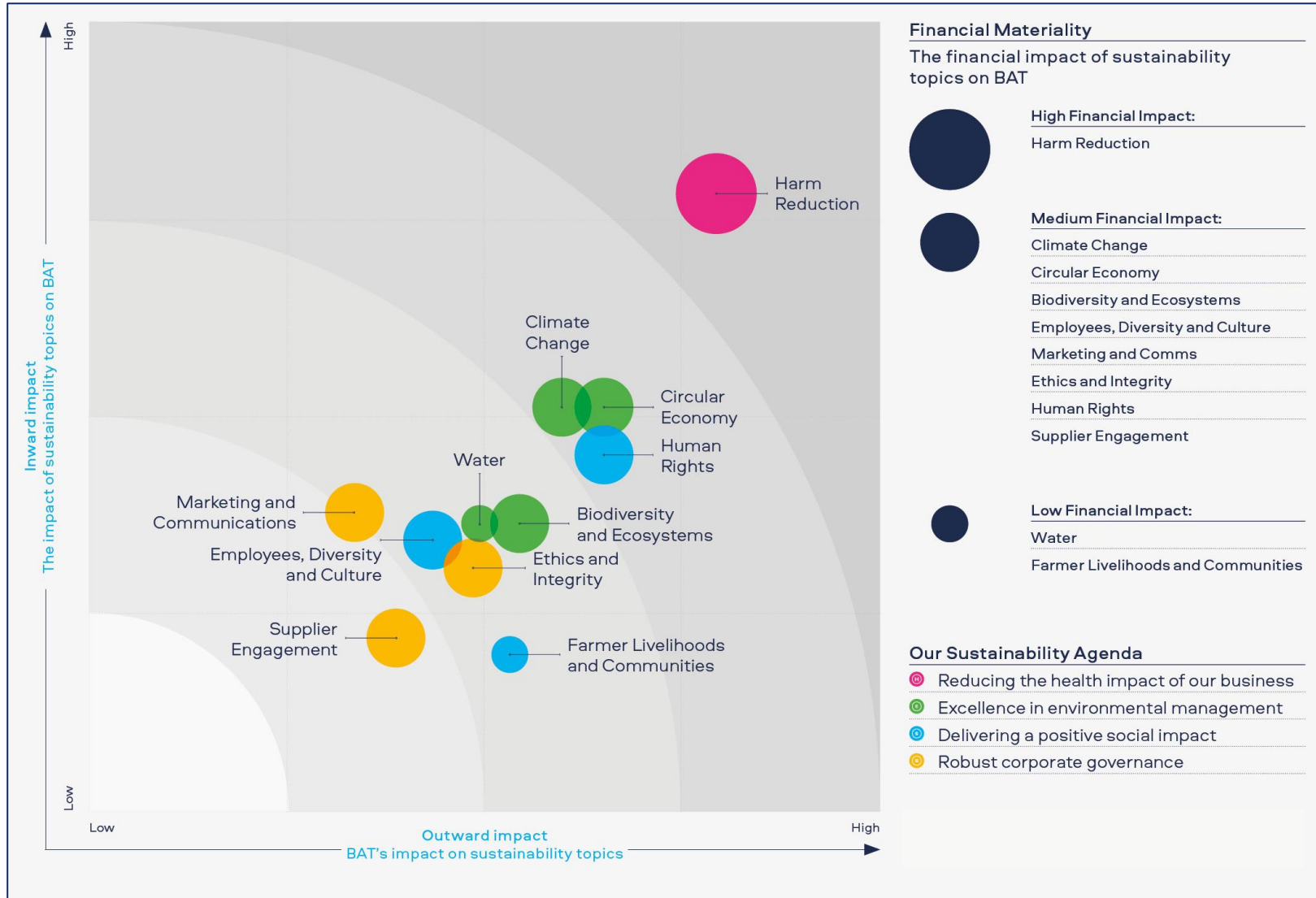
**A BETTER TOMORROW™**  
Building a Smokeless World

# Building a Smokeless\* World

\* Non-combustible and Smokeless definition. See Appendix A10 and A11. Environmental targets: See Appendix A13.

# 1

# Guided by our Double Materiality approach\*



\* Double Materiality Assessment as updated in Q4 2023



# 1

# Materiality led ESG Roadmap, targets & ambitions\*



## H

### HARM REDUCTION

- **£5 billion by 2025** in revenue from New Categories
- **50 million by 2030** of consumers of our Non-Combustible products

## E

### ENVIRONMENTAL

- Climate Change
- Circular Economy
- Biodiversity and Ecosystems
- Water

- **Net Zero GHG** emissions by 2050
- **50% reduction in Scope 1 and 2** GHG emissions by 2030 (vs 2020 baseline)
- **50% reduction in Scope 3** GHG emissions by 2030 (vs 2020 baseline)
- **25% reduction in waste generated** in own operations by 2025 (vs 2017 baseline)
- **100% packaging** to be reusable, recyclable or compostable by 2025
- **Deforestation and Conversion\* free** tobacco supply chain<sup>2</sup> by 2025 (vs 2021 baseline)
- **Deforestation\* free pulp and paper** supply chain by 2025
- **Forest Positive** in our tobacco supply chain<sup>2</sup> by 2025 (vs 2021 baseline)
- **35% less water withdrawn** by 2025 (vs 2017 baseline)
- **100% of operations sites** Alliance for Water Stewardship certified by 2025

## S

### SOCIAL

- Employees, Diversity and Culture
- Human Rights
- Farmer Livelihoods and Communities

- **Increase to 45% by 2025** proportion of women in Management roles\*
- **Increase to 40% by 2025** the proportion of women on Senior Leadership teams\*
- **Zero accidents** Group-wide each year
- **Zero child labour**, aiming for zero child incidents in our tobacco supply chain<sup>2</sup> by 2025
- **Prosperous livelihoods** - we are committed to working to enable prosperous livelihoods for all farmers in our tobacco supply chain<sup>2</sup>

## G

### GOVERNANCE

- Ethics and Integrity
- Marketing and Communications
- Supplier Engagement

- **Full compliance** with marketing regulations
- **100% SoBC compliance** aiming for full adherence to our Standards of Business Conduct (SoBC)
- **100% of product materials and high-risk indirect suppliers** having at least one independent labour audit within a three-year cycle by 2025

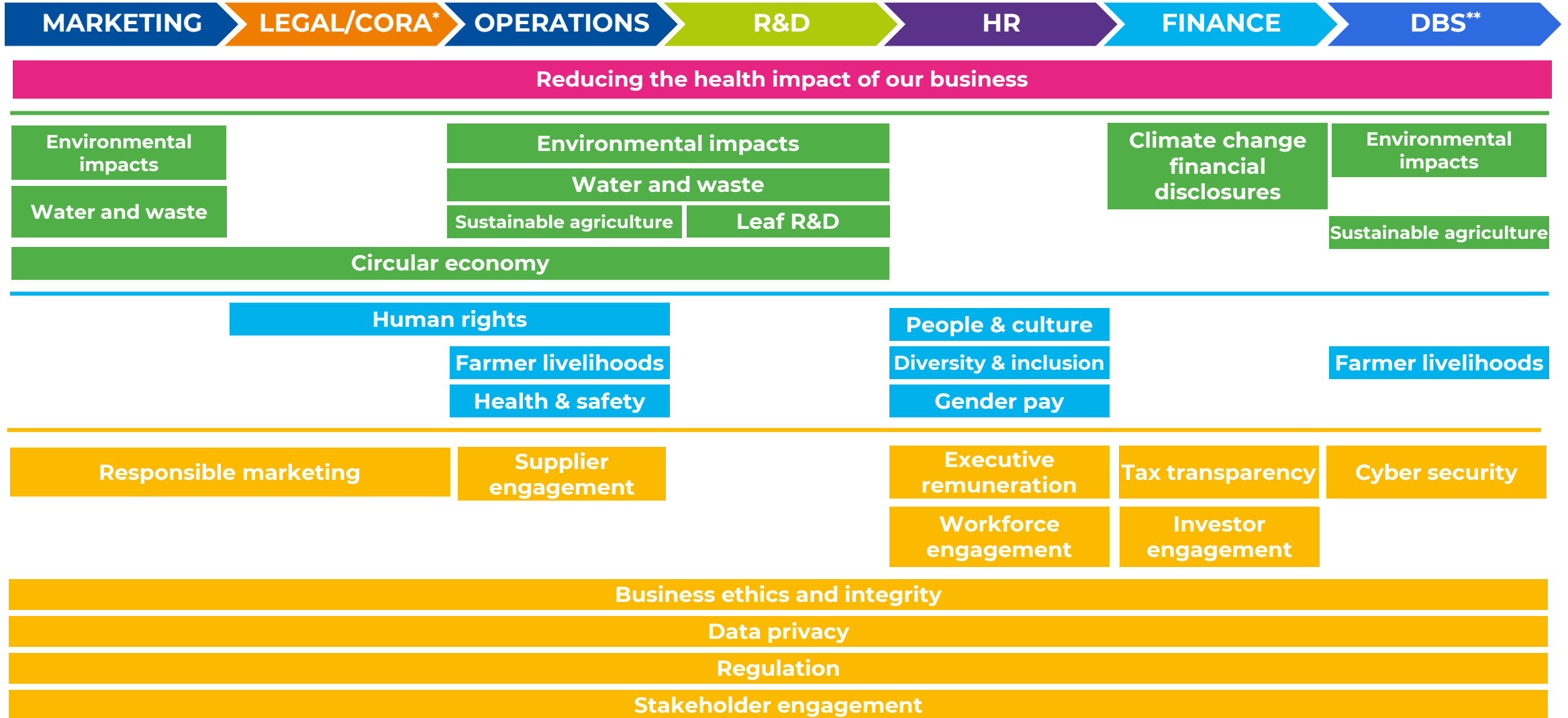
\* For more on our targets & ambitions, see Appendix A13. Scope 3 emissions target includes purchased goods and services, upstream transportation and distribution, use of sold products and end-of life treatment of sold products. 2. Our ambitions cover all tobacco we purchase for our products ('tobacco supply chain'), which is used in our combustibles, Traditional Oral and Tobacco Heated Products. Our metrics, however, derive data from our annual Thrive assessment, which includes our directly contracted farmers and those of our third-party suppliers, which represented over 94% of the tobacco we purchased by volume in 2023 ('Thrive Supply Chain').



# 1 Embedding sustainability in our brands...



# 1 ...and across our business



2

H

# Reducing the HEALTH impact of our business



# Multi-category offers the greatest opportunity to deliver Tobacco Harm Reduction



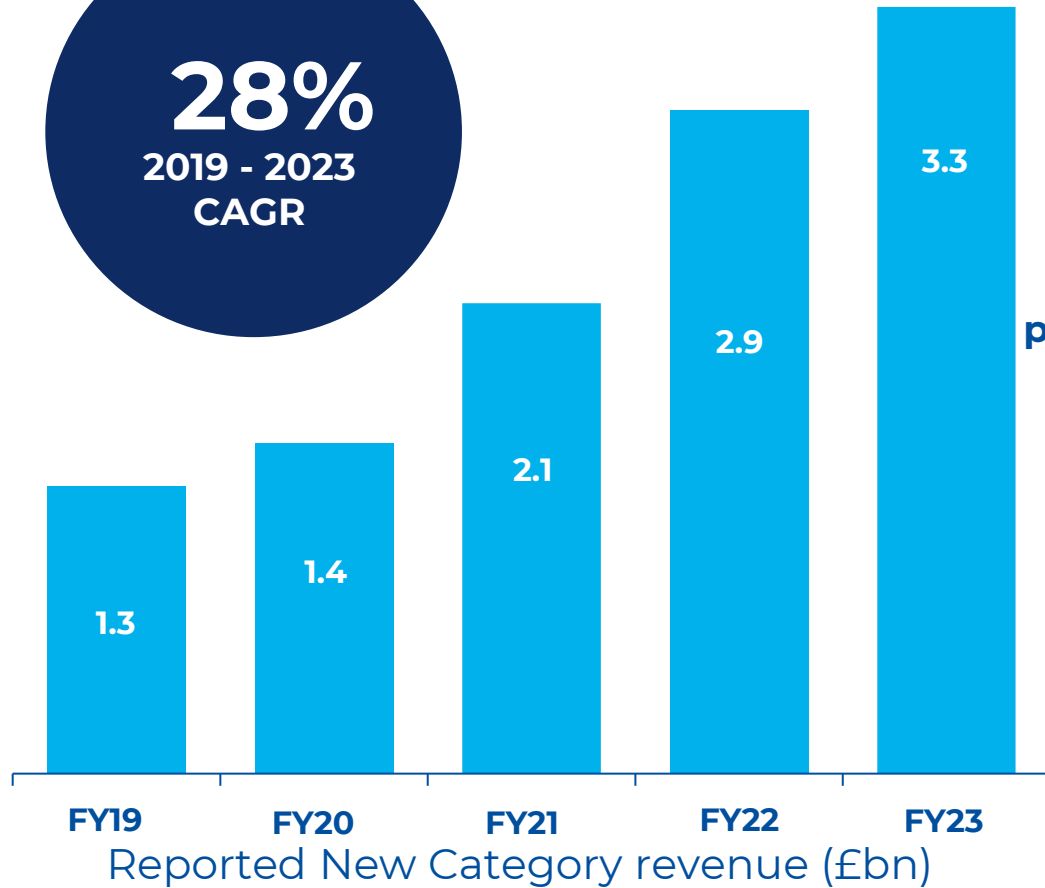
**Maximises ability to switch smokers to New Categories, deliver Tobacco Harm Reduction and create value**

\* 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.

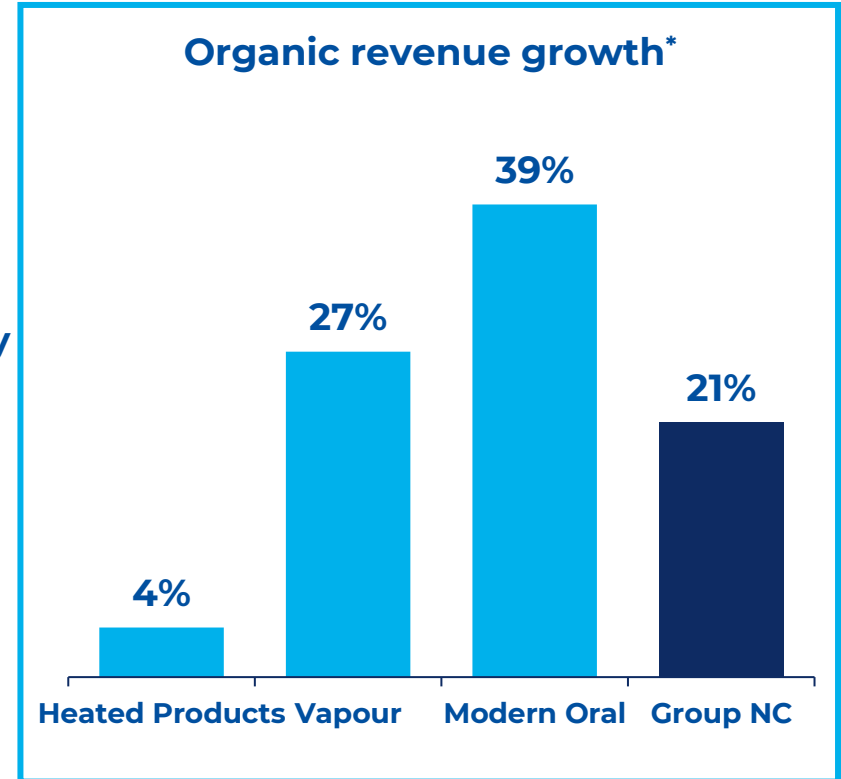


# Strong New Category revenue momentum

**28%**  
2019 - 2023  
CAGR



FY23 vs. FY22  
breakdown by  
product category

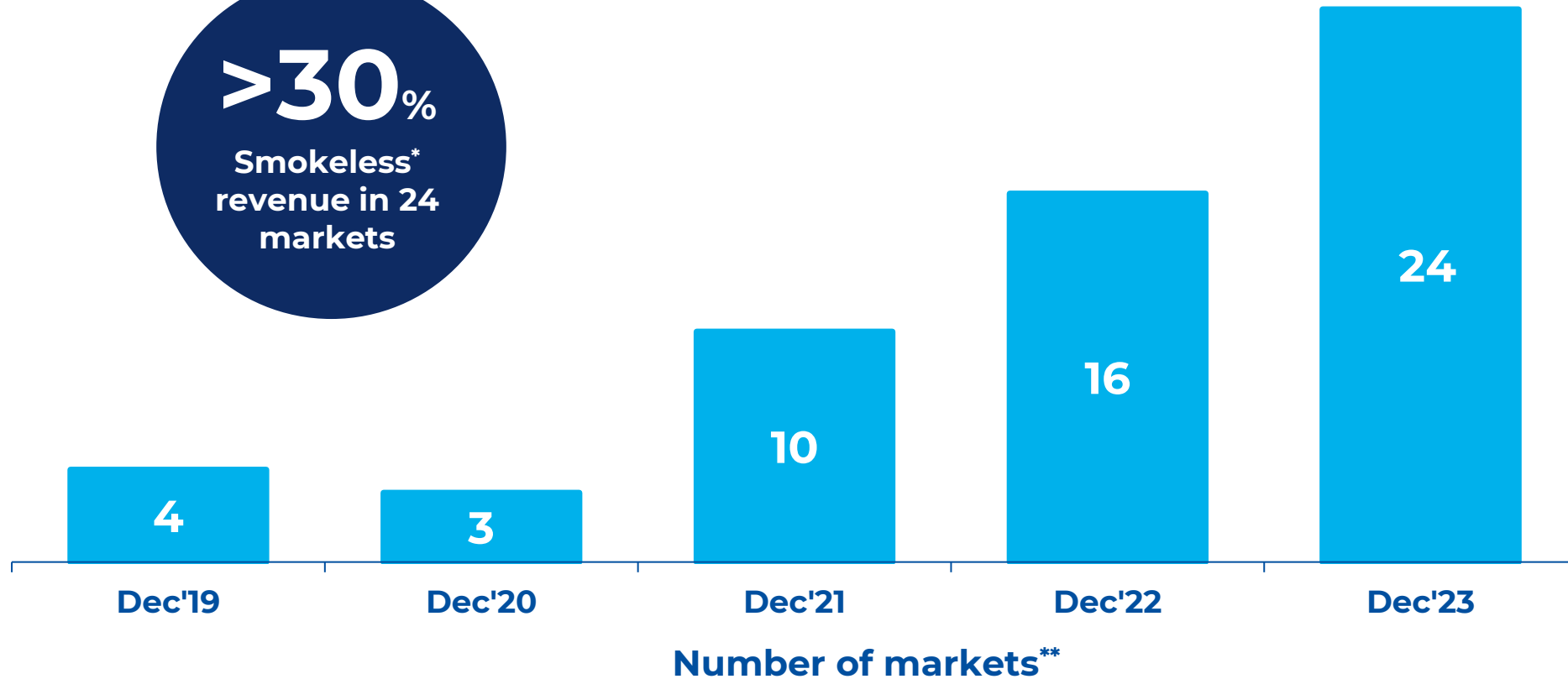


## Driven by Vuse and Velo



# We are transforming rapidly

**>30%**  
Smokeless\*  
revenue in 24  
markets

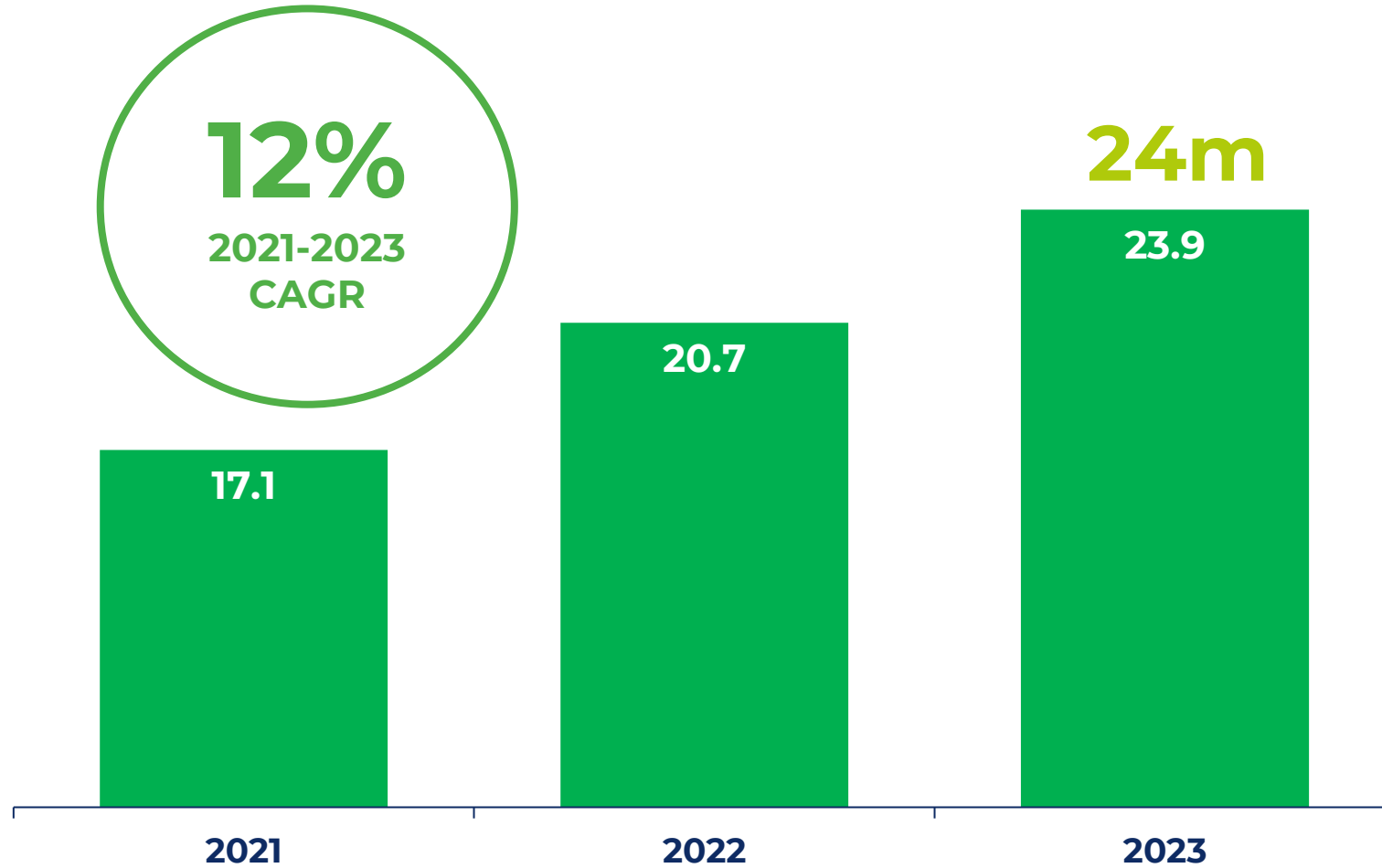


**16.5% Smokeless revenue in FY23 as a % of Group (+170bps vs. FY22)^**

\* See Appendix 11. \*\*Number of markets with over 30% Smokeless revenue as a percentage of total market revenue in FY19 - FY23, respectively. ^ On a reported current rate basis.



# Strong adult consumer acquisition continues



Consumers of Non-Combustible products\*





# Our views of Reduced-Risk\*† Products Regulation



## Clear framework, anchored on four principles

**1**  
**Targeted to  
Adult  
Consumers**

**2**  
**Consumer  
Relevance**

**3**  
**Product  
Quality and  
Safety  
Standards**

**4**  
**Robust  
Enforcement**



# Encouraging progress with regulatory changes



## Continuing development of supportive regulatory frameworks

Increasing recognition of NC's role in achieving Tobacco Harm Reduction in key markets:  
 UK, FRA, CAN, NZ

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**+7 NC markets opened over last 24 months**

## Expanding our reach within regulated markets

2018		2023
<b>27</b>	→	<b>76</b>
markets		markets

## More proactive thought leadership

**You want Britain to be smoke-free by 2030. Surprisingly, so do we.**

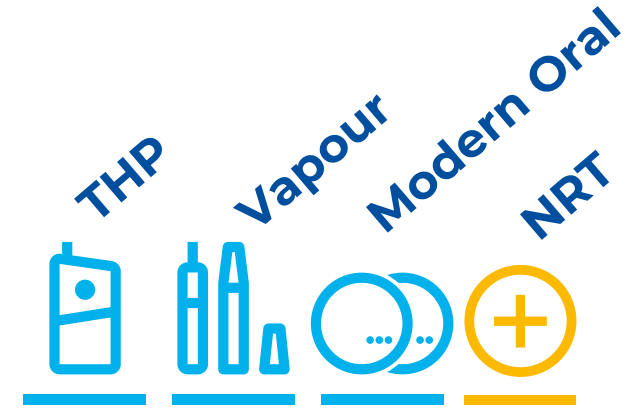
Vaping is the key to unlocking this target.

As the biggest vaping manufacturer based in the UK we want more vaping regulations, not less.

# H A portfolio of Non-Combustible solutions



## Combustibles



**'Most of the harm from tobacco is caused by combustion not nicotine' \*†**

\*As stated by: Dr. Scott Gottlieb, US FDA Commissioner (July 2017), and UK Royal College of Physicians, Nicotine without smoke: Tobacco harm reduction (2016) + Nicotine is an addictive substance. We do not make health claims (express or implied) about our products in the US unless authorized by the FDA to do so.



# Underpinned by world-class capabilities in science and innovation\*



**NEW**

talent to help accelerate our transformation



**1,600+**

R&D specialists



**+£300m**

Invested in New Categories R&D in 2023



**55+**

Nationalities across R&D teams

**7**

Global sites



**NEW**

R&D Centre opened in the UK



For more on Science at BAT see: [BAT Science \(bat-science.com\)](https://bat-science.com)



# Extensive scientific substantiation supports our products as Reduced Risk\*†



**vuse**

**Emissions : - 99%<sup>1</sup>**

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**Toxicology : - 99%<sup>1</sup>**

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**Our data is published in peer-reviewed manuscripts**

**glo**

**Emissions : - 90% to - 95%<sup>2</sup>**

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**Toxicology : - 95%<sup>2</sup>**

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**Our data is published in peer-reviewed manuscripts**

**VELO**

**>30 years of studies show Snus is much less risky<sup>†</sup> than smoking**

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**Toxicology : even less harmful than Snus<sup>3</sup>**

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**We believe Modern Oral products are reduced risk as toxicant levels are lower than in Snus<sup>3</sup>**

\* 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. 1. ePod and ePen3 compared to a reference cigarette. 2. Compared to a reference cigarette. 3. Approximate reduction. Comparison based on an assessment of smoke from a scientific standard reference cigarette (approximately 9mg tar) and components released during use of a commercial Snus pouch and a Velo pouch, in terms of the average of the 9 harmful components the World Health Organization recommends to reduce in cigarette smoke. See Appendix B for further details.



# Transforming into a multi-category consumer company



## From

**Cigarettes**

**And**

**Declining Volume  
Growing Value**

**A BETTER  
TOMORROW™**  
Building a Smokeless World

## To

**Multi-category CPG  
Nicotine & Beyond\***

**And**

**Growing Volume  
& Value**

**Building a Smokeless\*\* World**

\*Beyond refers to Wellbeing & Stimulation Beyond Nicotine. Expected target market for consumer acquisition is existing adult smokers/nicotine/beyond nicotine users. \*\* See Appendix 11.

3

E

# Excellence in ENVIRONMENTAL management

Climate Change | Circular Economy | Biodiversity and Ecosystems | Water





# E Climate Change



## Overview

By addressing climate risks and opportunities across our value chain, we can better support the long-term sustainability of our business, our planet and wider society.

By 2030, we aim to achieve a 50% reduction in our Scope 1 and 2 GHG emissions, and a 50% reduction in Scope 3 GHG emissions and to be Net Zero across our value chain by 2050.

## 2023 highlights and metrics

**33.1%**

Reduction in Scope 1 & 2 CO<sub>2</sub>e emissions (vs 2020 baseline)

**12.5%**

Reduction in Scope 3 CO<sub>2</sub>e emissions in 2022 (vs 2020 baseline)

**38.1%**

Renewable energy use (achieved initial Group target of 30% ahead of 2025)

## Our targets\*

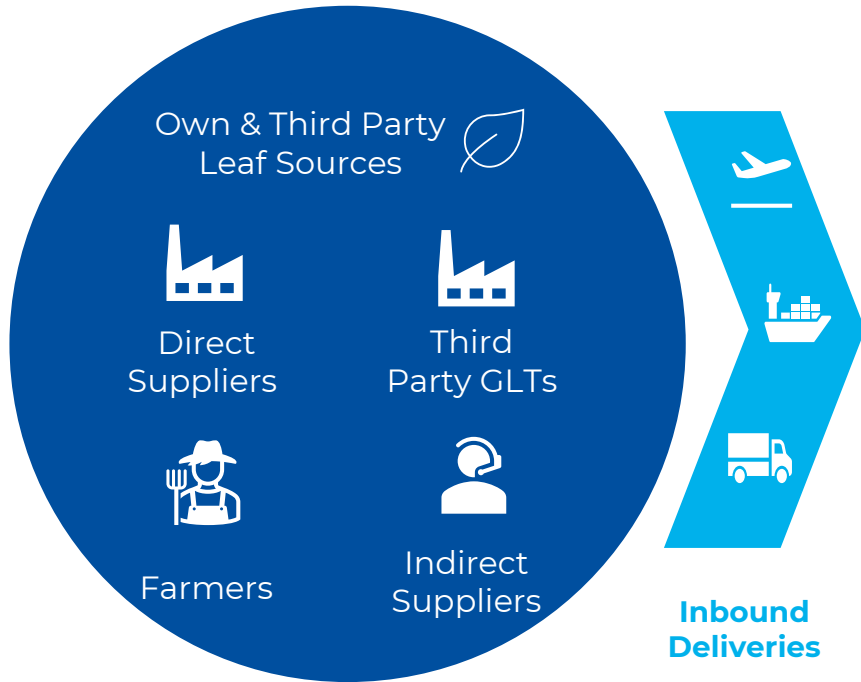


- **Net Zero** by 2050 across our value chain
- **50% reduction in Scope 1 and 2** GHG emissions by 2030 (vs 2020 baseline)
- **50% reduction in Scope 3<sup>1</sup>** GHG emissions by 2030 (vs 2020 baseline)
- **50% renewable** energy use by 2030

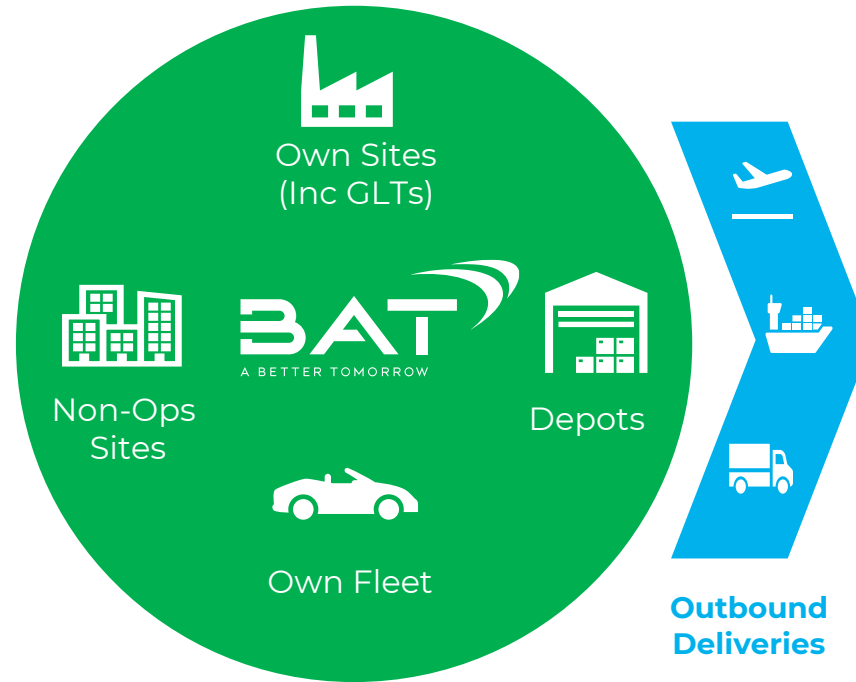
**For more on Climate Change at BAT see:**  
[Climate Change \(bat.com\)](https://www.bat.com/climate-change)

# E Taking an holistic view of our value chain

## 'Upstream' value chain



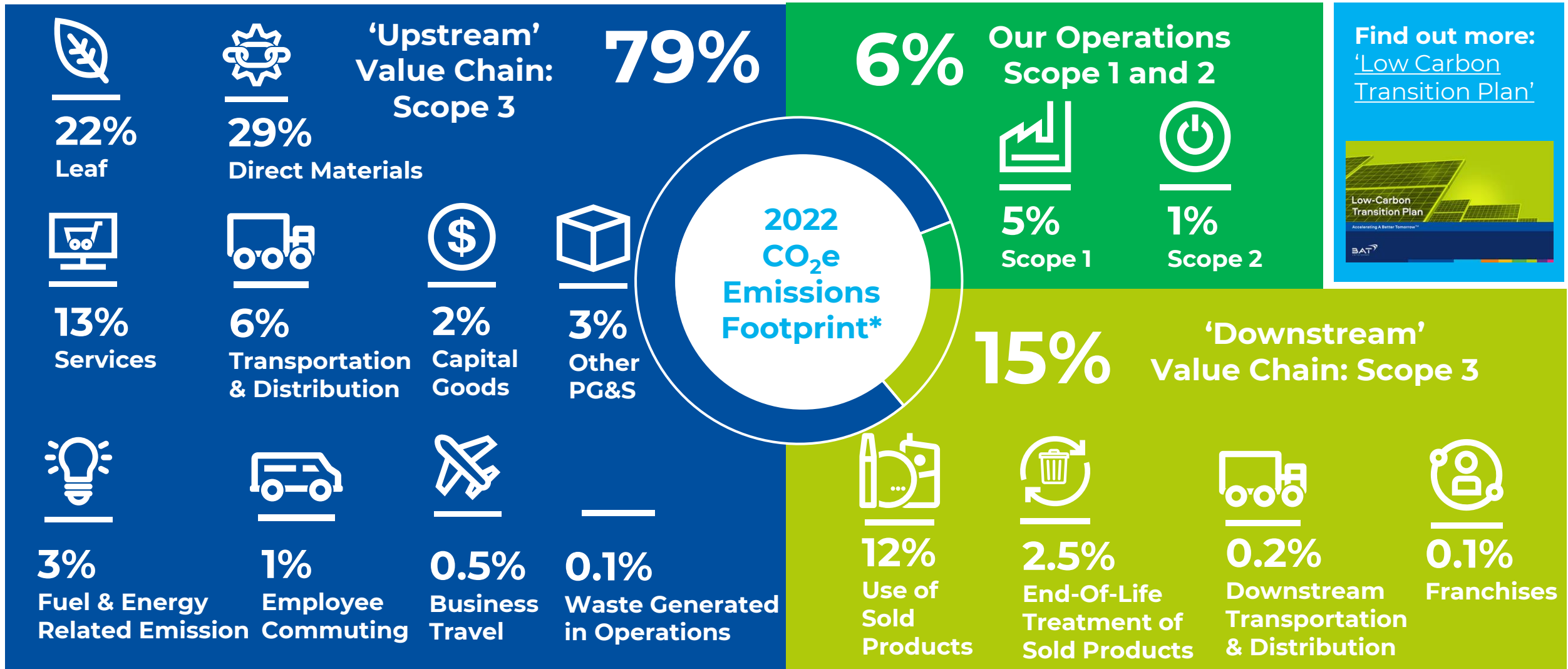
## Own operations



## 'Downstream' value chain



# E Our value chain GHG emissions breakdown\*



**Find out more:**  
['Low Carbon Transition Plan'](#)

Low-Carbon Transition Plan  
 Accelerating A Better Tomorrow™  
 BAT

\* Scope 3 2022 figures – latest available. Limited assurance by KPMG. All numbers subject to rounding up to nearest % point.

# E Circular Economy



## Overview

We seek to mitigate the environmental impact of our current and future portfolio. From minimising operational waste to innovative New Category product designs, we are working to address a growing global concern about plastic and other waste.

By 2025, we aim for 100% of our total packaging to be reusable, recyclable or compostable.

## Our targets\*



- **25%** reduction in waste generated in own operations by 2025 (vs 2017 baseline)
- **100%** packaging to be reusable, recyclable or compostable by 2025
- **30%** average recycled content across all plastic packaging by 2025\*

## 2023 highlights and metrics

**28.2%**

of reduction in waste generated in own operations (target achieved ahead of 2025)

**94%**

of packaging was reusable, recyclable or compostable

**69%**

sites achieving zero waste to landfill in 2023

**For more on Circular Economy at BAT see:**

[Circular Economy \(bat.com\)](https://www.bat.com/circular-economy)

\* For more details on our targets and ambitions, see Appendix A13.

# E Biodiversity and Ecosystems



## Our targets\*



- **Deforestation and Conversion Free\*** tobacco supply chain by 2025 (vs 2021 baseline)
- **Deforestation Free\*** pulp and paper supply chain by 2025
- **Forest Positive\*** in our tobacco supply chain<sup>1</sup> by 2025 (vs 2021 baseline)

## Overview

Sustainable agricultural practices help farming communities thrive and defend against deforestation and other loss of the natural environment.

We aim for Net Zero deforestation of managed natural forests in our tobacco, paper and pulp supply chains by 2025.

## 2023 highlights and metrics

**96.5%**

of wood used in Thrive Supply Chain<sup>1</sup> with Deforestation and Conversion Free (DCF) status

**69.3%**

of pulp & paper materials sourced with low risk of deforestation

**68.8**

hectares of forests planted for conservation and for Forest Positive

**For more on Biodiversity and Ecosystems at BAT see:**  
[Biodiversity and Ecosystems \(bat.com\)](https://www.bat.com/biodiversity-and-ecosystems)





## Our targets\*



- **35%** reduction in water withdrawn by 2025 (vs 2017 baseline)
- **100%** of operation sites Alliance for Water Stewardship certified by 2025
- **30%** of water recycled by 2025

## Overview

As water scarcity risks may increase with a changing climate, we are working to drive water efficiencies in the supply chain. By 2025, we aim to reduce the total amount of water we withdraw for our own operations by 35% (vs a 2017 baseline).

## 2023 highlights and metrics

**39.2%**

reduction in water withdrawn vs 2017 baseline

**68.8%**

of operations sites AWS certified in 2023

**24.4%**

of water recycled in 2023

**81%**

of tobacco hectares in our Thrive Supply Chain<sup>1</sup> have best practice soil and water management plans in place

**10%** potential water savings from Alternative Furrow Irrigation use

**For more on Water at BAT see:**

[Water \(bat.com\)](https://www.bat.com/water)

4

S

# Delivering a positive SOCIAL impact

Human Rights | Farmer Livelihoods | Employees, Diversity and Culture (Health and Safety)





# Human Rights



## Overview

We are committed to respecting the human rights of our employees, the people we work with and the communities in which we operate.

We continue to aim for zero child labour in our tobacco supply chain by 2025.

## 2023 highlights and metrics

**100%**

of farms in our Thrive Supply Chain<sup>1</sup> monitored for child labour

**0.15%**

of farms with incidents of child labour identified (vs 0.38% in 2022)

**100%** incidents of child labour identified and reported as resolved by the end of the growing season

**98.1%**

of farmers received training / capacity building on child labour issues

**+418,000**

attendances via farmer human rights training / capacity building

**10** number of Human Rights Impact Assessments to date completed in 8 tobacco sourcing countries

### Our ambition\*



- **Zero child labour** - aiming for zero incidents in our tobacco supply chain<sup>1</sup> by 2025

**For more on Human Rights at BAT see:**  
[Human Rights and Modern Slavery \(bat.com\)](https://www.bat.com/human-rights-and-modern-slavery)

\* For more detail on our targets and ambitions, see Appendix A13. Our ambitions cover all tobacco we purchase for our products ('tobacco supply chain'), which is used in our combustibles, Traditional Oral and Tobacco Heated Products. Our metrics, however, derive data from our annual Thrive assessment, which includes our directly contracted farmers and those of our third-party suppliers, which represented over 94% of the tobacco we purchased by volume in 2023 ('Thrive Supply Chain').



# Our strategic approach to Human Rights

## Our approach to addressing the root causes of child labour



### Human rights impact assessments (HRIAs)

Conducted in line with UN Guiding Principles for Business and Human Rights (UNGPs) by independent Human Rights experts

Completed in eight of our tobacco sourcing countries - engagement with over 5,000 rights holders

Targeted Actions Plans developed to address specific points identified



### Partnerships and communities

Country specific community-based programmes in areas, such as school attendance, women's empowerment and clean water and sanitation

Industry collaboration via Sustainable Tobacco Programme (STP) and Eliminating Child Labour in Tobacco Foundation (ECLT)



### Enhancing livelihoods

Farmer training and capacity building through agronomy support and crop diversification schemes

**Read more:**  
See our 'Modern Slavery Statement'



# S Our approach to tackling child labour

## Our monitoring and due diligence process to tackle child labour

- 1 Policies and standards
- 2 Risk Mapping
- 3 Farm Visits
- 4 Identification
- 5 Remediation
- 6 Follow-up

**All**  
farmers visited  
monthly<sup>1</sup>

**0.15%**  
incidence<sup>2</sup>

**100%**  
incidents  
Resolved in 2023<sup>3</sup>

Our strategy is aligned to

UNITED NATIONS  
GUIDING PRINCIPLES  
ON BUSINESS  
& HUMAN RIGHTS

# S Farmer Livelihoods and Communities



## Our ambition\*



- **Prosperous Livelihoods** - we are committed to working to enable prosperous livelihoods for all farmers in our tobacco supply chain

## Overview

We invest in farmer and community amenities to seek to enable prosperous livelihoods.

We continue to promote occupational health and safety, as well as fair working practices - including access to grievance mechanisms.

## 2023 highlights and metrics

**+91,000**

people engaged in crop diversification training

**93.3%**

of farmers in our Thrive Supply Chain<sup>1</sup> reported to grow other crops for food or as additional sources of income

**+67,000**

people engaged in women empowerment training

**+78,000**

people engaged via our farm business management training in 2023

**For more on Farmer Livelihoods at BAT see:**  
[Farmer Livelihoods and Sustainable Agriculture \(bat.com\)](https://www.bat.com/ Farmer Livelihoods and Sustainable Agriculture)



# S Employees, Diversity and Culture



## Overview

Attracting and retaining a diverse workforce and providing a welcoming, inclusive working environment are key drivers in BAT's transformation.

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

## Our targets\*



- Increase the proportion of **women in Management roles<sup>1</sup> to 45%** by 2025
- Increase the proportion of **women on Senior Leadership teams<sup>2</sup> to 40%** by 2025
- Achieve at least **50% spread of distinct nationalities** in all Key Leadership teams by 2025\*

## 2023 highlights and metrics

<p><b>42%</b></p> <p>female representation in in Management roles<sup>1</sup> (compared to 41%: 2022)</p>	<p><b>33%</b></p> <p>female representation on Senior Leadership teams<sup>2</sup> (compared to 30%: 2022)</p>	<p><b>100%</b></p> <p>of Key Leadership teams* with at least a 50% spread of distinct nationalities</p>
<p><b>66%</b></p> <p>ethnically diverse groups* in total workforce</p>	<p><b>78%</b></p> <p>'High Performing' Index score in our global Your Voice 2023 employee survey</p>	<p><b>80%</b></p> <p>Employee Engagement Index score in our global Your Voice 2023 employee survey</p>

**For more on Employees, Diversity and Culture at BAT see: [Our People \(bat.com\)](https://bat.com)**

\* For more detail on our targets and ambitions, see Appendix A13.1. Management level employees include all employees at job grade 34 or above, as well as any global graduates. The gender of each employee is typically recorded at the point of hire.  
 2. Senior Leadership teams comprise any employee who is either a direct report of a Management Board member or a direct report of a Management Board's direct report (i.e., MB-1 or MB-2).



# Employees, Diversity and Culture (Health & Safety)



## Our ambitions\*



- **Zero accidents** Group-wide each year
- **100% of farmers and workers** with sufficient Person Protective Equipment (PPE) for agrochemical use and tobacco harvesting

## Overview

We are committed to providing a safe and healthy working environment for our employees, and those in our supply chain. Our ambition is for zero accidents Group-wide and we audit Health & Safety across the higher-risk areas of our supply chain.

## 2023 highlights and metrics

**15%**

reduction in total Group-wide accidents (vs 2022)

**0.17**

Lost Time Incident Rate

**99.7%**

farmers and workers in our Thrive Supply Chain<sup>1</sup> with sufficient PPE for tobacco harvesting

**78**

Lost Time Incidents

**83%**

of our sites with zero accidents in 2023

**99.9%**

farmers and workers in our Thrive Supply Chain<sup>1</sup> with sufficient PPE for agro-chemical use

**For more on Health and Safety at BAT see:**  
[Health and Safety \(bat.com\)](https://www.bat.com/Health-and-Safety)

\* For more detail on our targets and ambitions, see Appendix A131. Our ambitions cover all tobacco we purchase for our products ('tobacco supply chain'), which is used in our combustibles, Traditional Oral and Tobacco Heated Products. Our metrics, however, derive data from our annual Thrive assessment, which includes our directly contracted farmers and those of our third-party suppliers, which represented over 94% of the tobacco we purchased by volume in 2023 ('Thrive Supply Chain').

5

G

# Robust Corporate GOVERNANCE



Marketing and Communications | Ethics and Integrity | Supplier Engagement



# G Marketing and Communications



## Overview

Responsible marketing practices are crucial for ensuring only adult consumers use our tobacco and nicotine products. 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 and our Underage Access Prevention practices across our global operations.

## Our ambition\*



- **Full compliance** – aiming for full compliance with marketing regulations

## 2023 highlights and metrics

**Zero**

Incidents of non-compliance with regulations resulting in a regulatory warning

**3**

Incidents of non-compliance with regulations resulting in a fine or penalty

**For more on Responsible Marketing at BAT see:**  
[Responsible Marketing \(bat.com\)](https://www.bat.com/responsible-marketing)



# Ethics and Integrity



## Overview

We are guided by a robust, global set of principles and policies in everything we do, in all our markets.

Our approach to ethics and integrity is outlined in our Standards of Business Conduct. Our Supplier Code of Conduct defines the minimum standards expected of our suppliers in a number of areas, including compliance, human rights and business integrity.

## Our ambition\*

- **100%** - aiming for full adherence to our Standards of Business Conduct (SoBC)



## 2023 highlights and metrics

**100%**  
of Group employees completed SoBC training and compliance sign-off procedure

**123**  
Number of established SoBC breaches

**79**  
Number of disciplinary actions resulting in people leaving BAT

**For more on Ethics and Integrity at BAT see: [Governance and Ethics \(bat.com\)](https://www.bat.com/governance-and-ethics)**

\* For more detail on our targets and ambitions, see Appendix A13.

# G Supplier Engagement



## Our targets\*



- **100% of product materials and high-risk indirect suppliers** to have undergone at least one independent labour audit within a three-year cycle by 2025
- **20% of suppliers of purchased goods and services** by spend to set Science-Based Targets by 2025

## Overview

Our approach to Supplier Engagement is set out in our Supplier Code of Conduct. It defines the minimum standards we expect from our suppliers in supplying goods or services to BAT and complements our Standards of Business Conduct.

To help meet our sustainability goals, we particularly focus our supplier engagements on human rights and climate change, and we have set targets in these areas.

## 2023 highlights and metrics

**58.8%**

of product materials and high-risk indirect suppliers to have undergone at least one independent labour audit within a three-year cycle

**15%**

of suppliers of purchased goods and services by spend to set Science-Based Targets (SBTs) by 2025

**For more on Supplier Engagement at BAT see:**  
[Supply Chain Management \(bat.com\)](https://www.bat.com)

# Working to embed sustainability across BAT

## Creating value for all our stakeholders

### Our Sustainability agenda

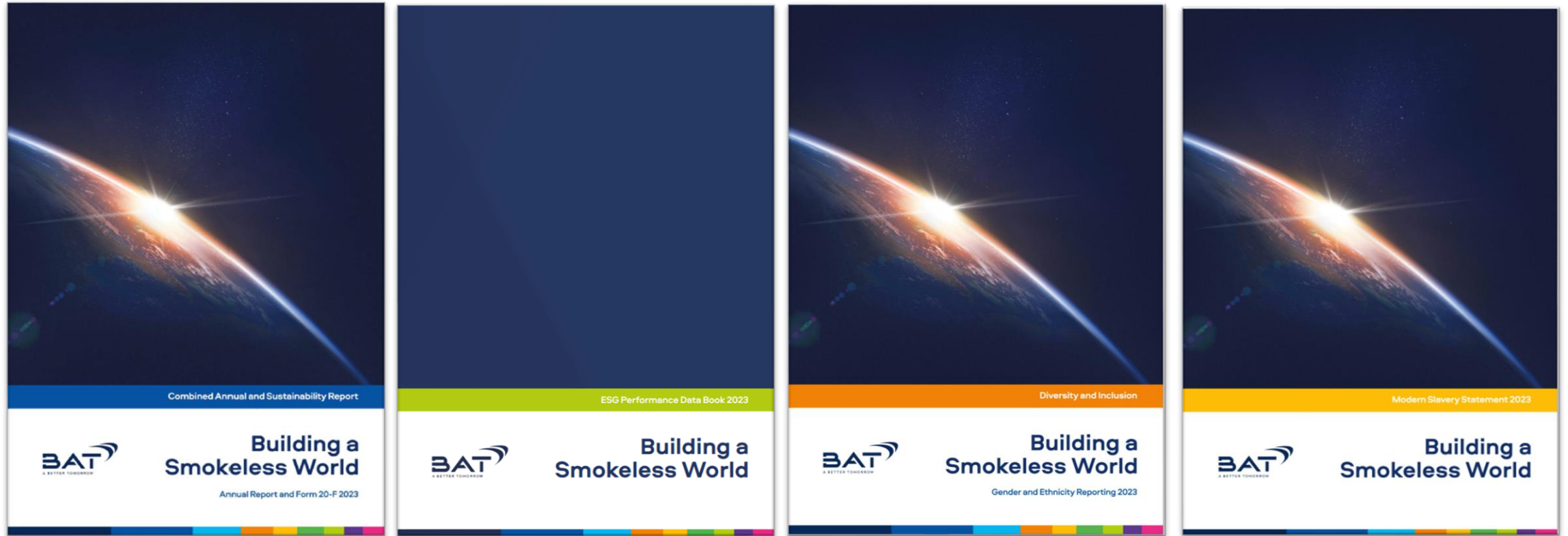


**A BETTER TOMORROW™**  
Building a Smokeless World

**Building a Smokeless\* World**

\* See Appendix A11.

# For more see our Sustainability Reporting Suite



[British American Tobacco - Reporting \(bat.com\)](https://www.bat.com)

# APPENDICES



# Appendix: A



## **A1: Adjusting (Adj.)**

Adjusting items represent certain items which the Group considers distinctive based upon their size, nature or incidence.

## **A2: Constant currency**

Constant currency – measures are calculated based on the prior year's exchange rate, removing the potentially distorting effect of translational foreign exchange on the Group's results. The Group does not adjust for normal transactional gains or losses in profit from operations which are generated by exchange rate movements.

## **A3: Share metrics**

Year to date basis through December 2023. Volume share: The number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total units bought by consumers in the industry, category or other sub-categorisation. Sub-categories include, but are not limited to, the total nicotine category, modern oral, vapour, traditional oral or cigarette. Corporate volume share is the share held by BAT Group. Except when referencing particular markets, volume share is based on our key markets (representing over 80% of the Group's cigarette volume). Value share: The retail value of units bought by consumers of a particular brand or combination of brands, as a proportion of the total retail value of units bought by consumers in the industry, category or other sub-categorisation in discussion.

## **A4: Price/Mix**

Price mix is a term used by management and investors to explain the movement in revenue between periods. Revenue is affected by the volume (how many units are sold) and the value (how much is each unit sold for). Price mix is used to explain the value component of the sales as the Group sells each unit for a value (price) but may also achieve a movement in revenue due to the relative proportions of higher value volume sold compared to lower value volume sold (mix).

## **A5: Free Cash Flow**

Net cash generated from operating activities before the impact of trading loans provided to a third party and after dividends paid to non-controlling interests, net interest paid and net capital expenditure.

## **A6: Operating Cash Conversion**

Net cash generated from operating activities before the impact of adjusting items and dividends from associates and excluding trading loans to third parties, pension short fall funding, taxes paid and net capital expenditure, as a proportion of adjusted profit from operations.

## **A7: Organic**

To supplement the Group's results presented in accordance with International Financial Reporting Standards (IFRS), the Group's Management Board, as the chief operating decision maker, reviews certain of its results, including revenue and adjusted profit from operations, at constant rates of exchange, prior to the impact of businesses sold or held-for-sale. Although the Group does not believe that these measures are a substitute for IFRS measures, the Group does believe that such results excluding the impact of businesses sold or to be held-for-sale provide additional useful information to investors regarding the underlying performance of the business on a comparable basis and in the case of the divestment of the Group's businesses in Russia and Belarus, the impact these businesses have on revenue and profit from operations. Accordingly, the organic financial measures appearing in this document should be read in conjunction with the Group's results as reported under IFRS.

## **A8: Poly-usage**

Refers to a transitional period for smokers towards complete switching to potentially risk reduced nicotine products during which period such smokers reduce cigarette consumption and choose to consume one or more New Category products.

## **A9: Adjusted net debt to adjusted EBITDA**

Net debt, excluding the impact of the revaluation of Reynolds American Inc. acquired debt arising as part of the purchase price allocation process, as a proportion of profit for the year (earnings) before net finance costs (interest), tax, depreciation, amortisation, impairment, associates and adjusting items

## **A10: Consumers of Smokeless Products**

The number of consumers of Smokeless products is defined as the estimated number of Legal Age (minimum 18 years) consumers of the Group's Smokeless products. In markets where regular consumer tracking is in place, this estimate is obtained from adult consumer tracking studies conducted by third parties (including Kantar). In markets where regular consumer tracking is not in place, the number of consumers of Smokeless products is derived from volume sales of consumables, pouches and devices in such markets, using consumption patterns obtained from other similar markets with adult consumer tracking (utilising studies conducted by third parties including Kantar). The number of consumers is adjusted for those identified (as part of the consumer tracking studies undertaken) as using more than one BAT Brand.

The number of consumers of Smokeless products is used by management to assess the number of consumers using the Group's Smokeless products as the increase in Smokeless products is a key pillar of the Group's sustainability ambition and is integral to the sustainability of our business.

## **A11: Smokeless Products**

Refers to Non-Combustibles, including Vapour products, Heated Products, Modern Oral pouches, and Traditional Oral.

## **A12: New Categories**

Refers to Vapour products, Heated Products and Modern Oral pouches.

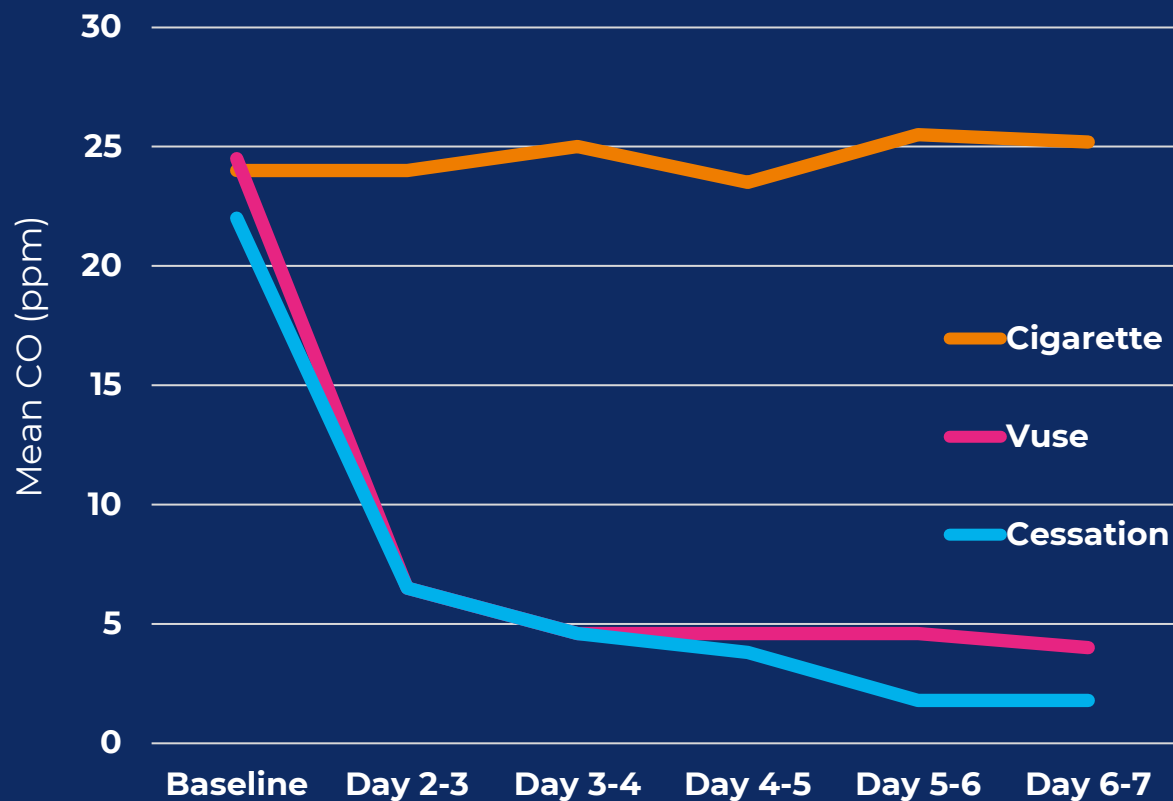
## **A13: Our environmental targets, ambitions and definitions**

Full details are available from the latest 'Combined Annual and Sustainability Report 2023' and 'ESG Performance Data Book 2023' document – which can be found here [British American Tobacco - Sustainability reporting \(bat.com\)](https://www.bat.com/sustainability-reporting)

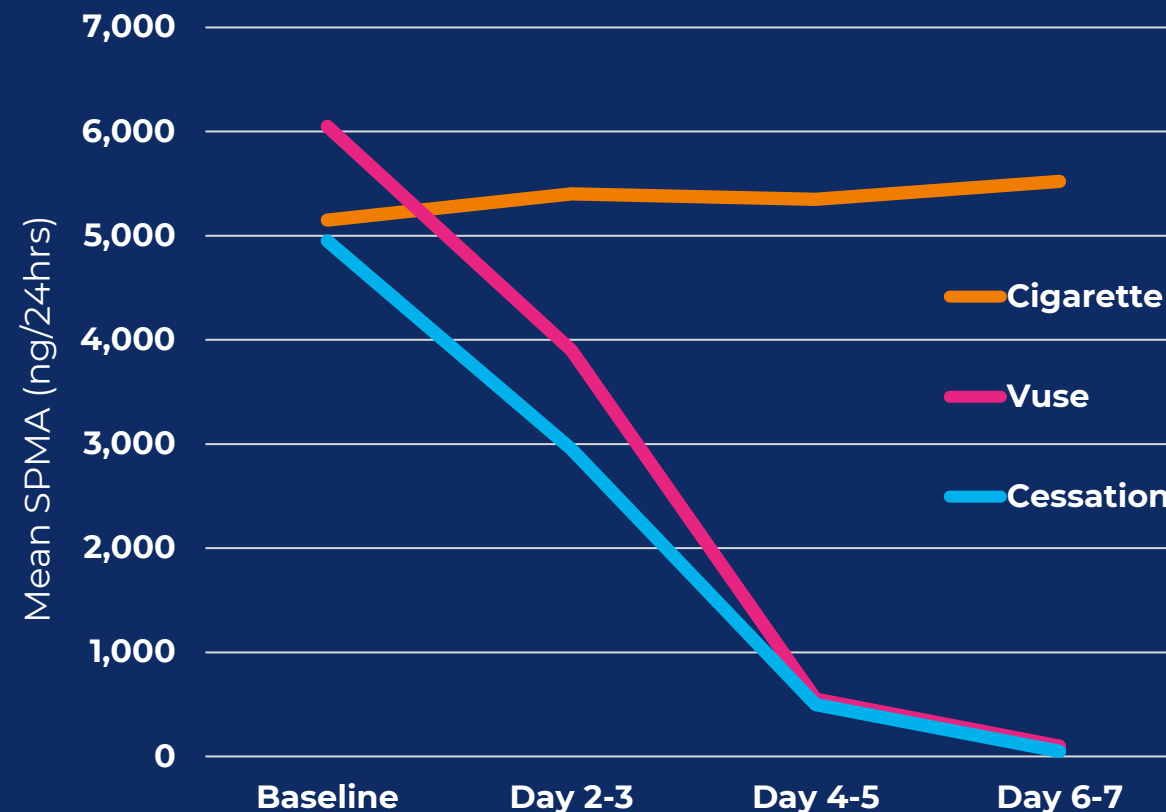


# vuse Appendix B: Reduction in toxicant exposure similar to cessation\*

### Carbon Monoxide



### Benzene



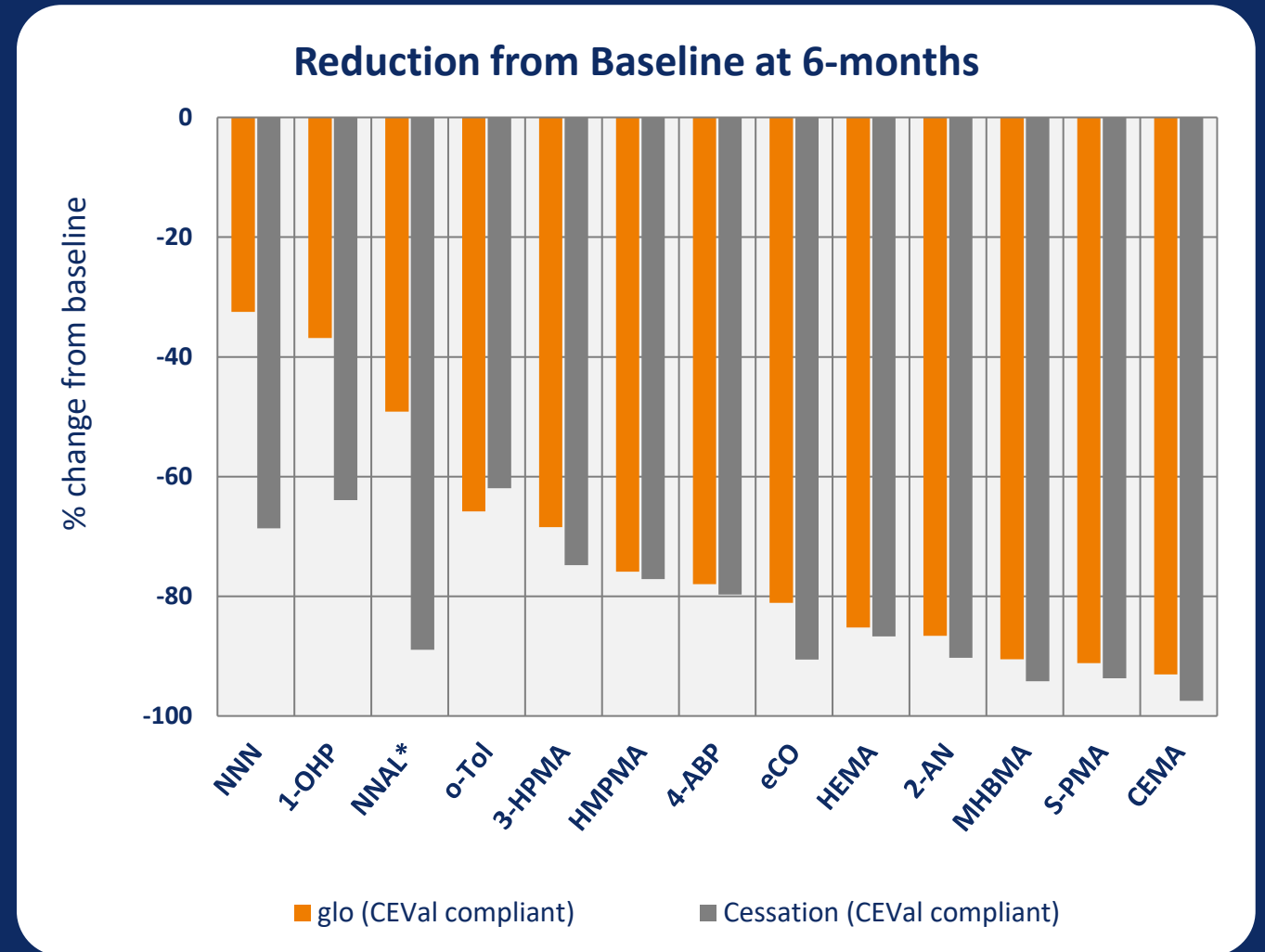
Cooney S. The Science of Potentially Reduced Risk Tobacco and Nicotine Products. Asian College of Neuropsychopharmacology 12 October 2019

\*Vuse/Vtype is not risk-free and contains nicotine, an addictive substance.



# glo Appendix B: Biomarker of exposure responses similar to cessation

- Switching to glo completely resulted in a statistically significant reduction in toxicant exposure compared to continuing to smoking\*
- Most of these markers assessed reached levels similar to complete cessation
- Reductions were rapid and sustained for the 6-month period
- We believe that these data support glo as a reduced-exposure tobacco product\*



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



# Appendix B: Biomarker of potential harm responses similar to cessation

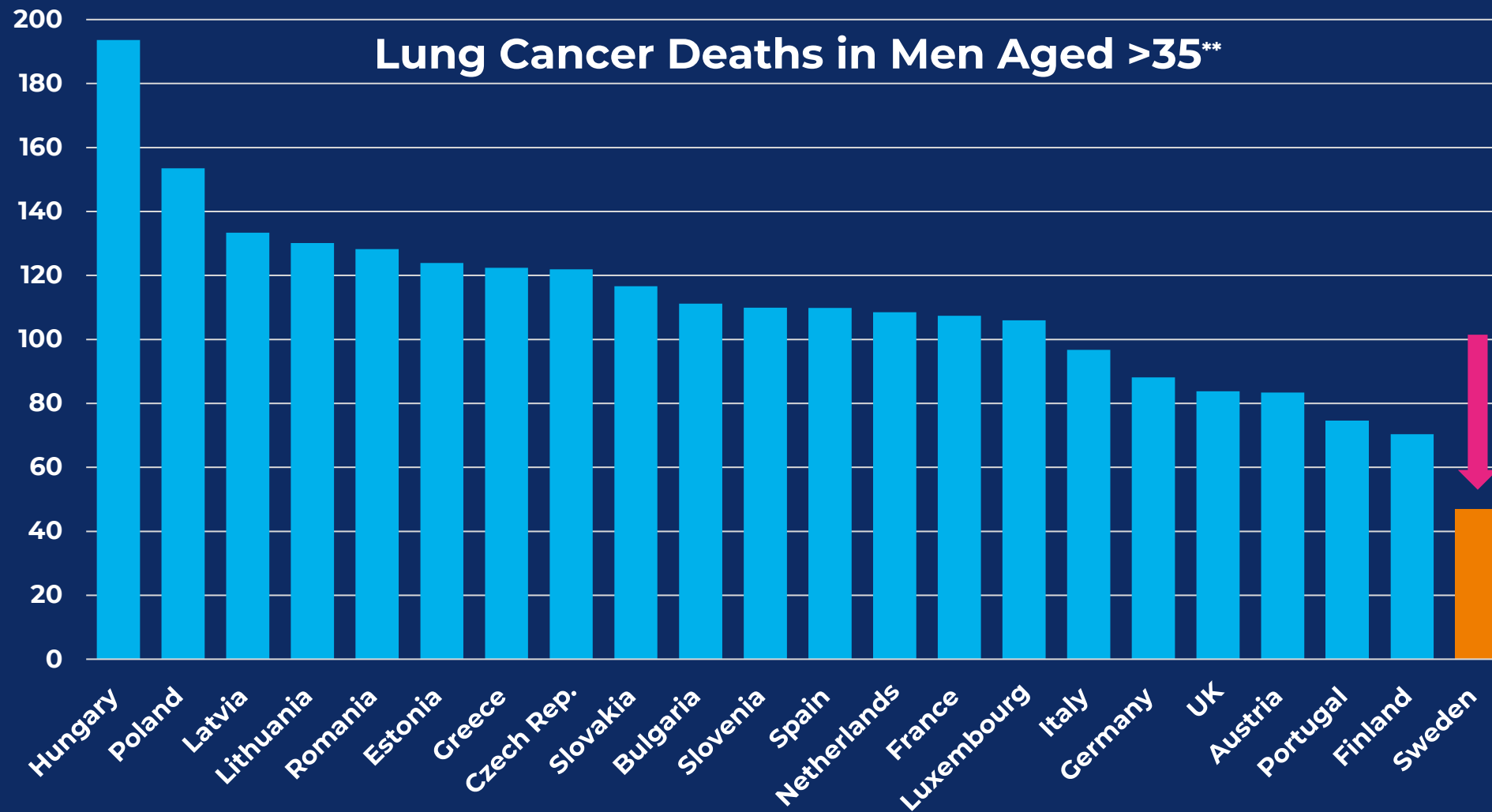
- Switching completely to glo resulted in statistically significant changes in several BoPHs compared to continuing to smoking\*
- For the majority of the markers the effect size was similar to that seen for smoking cessation
- Favorable directional trends in sICAM-1, HDL and FEV1 were also seen in solus glo users, with unfavorable trends in continued smokers

BoPH	Favourable change vs smoking	Change comparable to cessation?
Cardiovascular Disease (CVD) – HDL	✓	✓
CVD, Chronic Obstructive Pulmonary Disease (COPD), cancers – WBC	✓	✓
Respiratory disease – FEV1%pred	✓	✓
Respiratory disease, CVD – FeNO	✓	
CVD – Sicam	✓	✓
CVD – 11-dTx B2	✓	✓
CVD, COPD, cancers – 8-epi-PGF	✓	✓
Lung cancer – NNAL	✓	

**Conclusion** Collectively these data on BoPH and BoE strongly suggest that the negative health impacts of cigarette smoking may be reduced in smokers who completely switch to using glo\*

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

# Appendix B: Snus is much lower risk than smoking\*



\* Use of Swedish Snus is not a risk factor for oral cancer and no association has been established with neck, oesophagus and gastric cancer. \*\*WHO-International Agency for Research on Cancer's World Cancer Mortality Database, Age standardised mortality rate per 100,000, extracted 2013.



## Appendix B: Velo has toxicant levels comparable to Cessation Products (NRT) and lower than Snus\*



**-99%**  
**Toxicants vs.**  
**Cigarettes<sup>1</sup>**

**-76%**  
**Toxicants vs.**  
**Snus<sup>2</sup>**

**Comparable**  
**toxicant profile**  
**to NRT<sup>3</sup>**

1. D.M. Burns et al.; Tob. Control, 17 (2008), pp. 132-141. 2 Approximate reduction. Comparison based on an assessment of smoke from a scientific standard reference cigarette (approximately 9mg tar) and components released during use of a commercial Snus pouch and a Velo pouch, in terms of the average of the 9 harmful components the World Health Organization recommends to reduce in cigarette smoke.

3. Cessation products refer to NRT. Azzopardi D, Liu C, Murphy J. (2021). Chemical characterization of tobacco-free “modern” oral nicotine pouches and their position on the toxicant and risk continuums. Drug and Chemical Toxicology. \* Velo is not risk-free and contains nicotine, an addictive substance. Velo is not a medically licensed cessation device and is not necessarily effective in supporting smoking cessation.