

Sustainable Future

Advancing Sustainability for A Better Tomorrow™

As we transition from cigarettes to smokeless products, we are not only addressing the public health impact^{††} of our products but also other material sustainability topics.

Kingsley Wheaton

Chief Strategy & Growth Officer

Dear Stakeholders,

We are pleased to present our 2023 Combined Annual and Sustainability Report, underlining the progress made towards our sustainability commitments.

2023 highlights

We have continued to tackle the environmental and social impact of our value chain, including climate change, biodiversity and underage access of our products. Key achievements include:

- Progressed towards our 2050 Net Zero greenhouse gas (GHG) emissions target and our interim target of a 50% emissions reduction by 2030;
- Achieved a 33.1% reduction in Scope 1 and 2 GHG emissions in 2023, and a 12.48% reduction in Scope 3 GHG emissions in 2022, vs our 2020 baseline. Our Scope 3 performance is reported one year later, due to the complexity of obtaining this data across our global value chain;
- Embedded further our Underage Access Prevention and International Marketing Principles programmes into our Group-wide Standards of Business Conduct (SoBC) employee training and sign-off process; and
- Continued to promote sustainable value in agriculture, with 93.3% of farmers in our Thrive Supply Chain also growing other crops in 2023, and 418,584 farmers and community members engaged in human rights training and awareness programmes.

Delivered ahead of 2025 target:

- Circular economy: Achieved 28.2% reduction in waste generated in our own operations - vs our 2017 baseline - surpassing our 25% reduction target; and
- Water: Achieved a 39.2% reduction in water withdrawn - vs our 2017 baseline - surpassing our 35% reduction target.

Leading in Sustainability – a core component of our corporate strategy

Our strategic purpose is to create A Better Tomorrow™ by Building a Smokeless World.

Over the last 10 years, we have developed and deployed a portfolio of reduced-risk products^{††}, tailored to meet the evolving preferences of adult consumers.

Our Sustainability strategy focuses on four cross-cutting Sustainability Priorities:

- **Responsible Leadership in New Categories;**
- **Create Positive Value in Agriculture;**
- **Deliver Net Zero GHG Emissions Across our Value Chain; and**
- **A Trusted Organisation, Operating with Integrity.**

Through these priorities, we believe we can make a real difference for consumers and other stakeholders across our business and value chain, and for wider society.

Harm Reduction remains key to our Group strategy. Circularity and responsible marketing of New Category products are a focus areas for 2024, as we make progress towards Building a Smokeless World.

As the world around us evolves, so too will our approach to sustainability. We will continue to challenge ourselves to take a forward-looking approach to our products, our governance, our stakeholder engagement, our goals and targets, and our reporting.



Learn more about our four Sustainability Priorities on [pages 66 and 67](#)

Our approach to sustainability reporting

We have established a cross-functional team of experts tasked to ensure we are well prepared to deliver against the disclosure requirements of the EU Corporate Sustainability Reporting Directive (CSRD) in 2026.

Building on the previous year's approach, this year, we updated our Double Materiality Assessment (DMA)[†] with reference to the latest available European Sustainability Reporting Standards (ESRS) at the time of the assessment.



Learn more about our Double Materiality Assessment on [pages 74 to 77](#)



Harm Reduction, followed by Climate Change and Circular Economy, rank as our most material sustainability topics.

Supplier Engagement was identified as a material topic for the first time, reflecting the importance of our proactive engagement with our suppliers (and other value chain partners) to drive progress on sustainability matters.

We are progressing to identify the relevant disclosure requirements and data points for BAT under CSRD and will continue to work towards CSRD compliance in order to align our approach to the latest available standards and guidance.

®Recognising the importance of confidence in our disclosures and transparency, KPMG have conducted limited external assurance of certain key sustainability metrics in this report in accordance with international standards ISAE (UK) 3000 and ISAE 3410. Their independent limited assurance report for these ESG metrics is available on page 120. This is in addition to their audit of the financial statements.®

CSRD requires third-party assurance of sustainability information, including limited assurance from the date of initial reporting with the ambition of moving to reasonable assurance by financial year 2028.

We continue to assess and maintain our control environment to support efficient and effective external assurance of non-financial information, and to enable consistency and connectivity of financial and sustainability information.

As we transition to CSRD compliance, we have continued to report with reference to other applicable frameworks, such as:

- Global Reporting Initiative (GRI);
- Sustainability Accounting Standard Board (SASB);
- Sustainable Finance Disclosure Regulation (SFDR) Principal Adverse Impacts (PAI); and
- Taskforce on Climate-related Financial Disclosures (TCFD) - whose monitoring of climate-related financial disclosures is being taken on by the International Sustainability Standards Board (ISSB) in 2024.

In addition, for the first time, we have outlined our progress in relation to the Taskforce on Nature-related Financial Disclosures (TNFD) reporting.

 Learn more about our ESG reporting frameworks in our ESG Performance Data Book on [bat.com](https://www.bat.com)

Selecting our four Sustainability Priorities

Our four cross-cutting focus areas broadly encompass our material sustainability topics – as defined by our 2023-updated DMA.

They are grounded in our everyday business, and are key elements of how we interact with our consumers, suppliers and value chain partners, employees, investors and other stakeholders.

We will continue to work in partnership with all our stakeholders to deliver against our Sustainability Priorities.

Chief Sustainability Officer

In 2023, we were pleased to appoint Donato Del Vecchio to the role of Chief Sustainability Officer, effective 1 January 2024, reporting to Kingsley Wheaton, Chief Strategy & Growth Officer.

Donato succeeds Mike Nightingale, who retires from BAT after 32 years of service.

Donato joined BAT in 2001 and has held various senior Corporate and Regulatory Affairs roles around the world.

2024 and beyond

We are proud of the progress we have made towards our sustainability commitments.

However, we recognise that there remains much to be done and that appropriate regulation, strong cooperation and effective partnerships are essential to create a truly sustainable business and society.

Nevertheless, we are encouraged by our progress and welcome comments, feedback or new ideas to sustainability@bat.com.

Our refined corporate strategy focuses on four cross-cutting Sustainability Priorities:

Responsible Leadership in New Categories;

Create Positive Value in Agriculture;

Deliver Net Zero GHG Emissions Across our Value Chain; and

Trusted Organisation, Operating with Integrity.

By delivering on these priorities, we believe we can make a real difference for other stakeholders, across our business and value chain, and for wider society.

Donato Del Vecchio

Chief Sustainability Officer



Notes:

- * Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.
- † Our Vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain products, including Velo, Grizzly, Kodiak, and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.
- 1. Although financial materiality has been considered in the development of our Double Materiality Assessment (DMA), our DMA and any conclusions in this document as to the materiality or significance of sustainability or ESG matters do not imply that all topics discussed therein are financially material to our business taken as a whole, and such topics may not significantly alter the total mix of information available about our securities.