

# Building a Smokeless World

**Sustainable Future**

Kingsley Wheaton,  
Chief Corporate Officer

**Capital  
Markets  
Day**

**2024**



Video – Omni



# The course that we are on

Investing to deliver long-term value and build a **Smokeless World**

# 50m

Consumers of smokeless products **by 2030**

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**26 million today\*** 

# >50%

Revenues from smokeless products **by 2035**

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**c.18% today\*\*** 

\* 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 - which does not necessarily mean these consumers are solus consumers of these products. See appendix 10. \*\* As at HY24 – see [www.bat.com](http://www.bat.com) for details.

# Delivering a sustainable future

“The **external landscape** that our brands and innovations land in will be **just as important** as the brands and innovations themselves”



\* THR: Tobacco Harm Reduction.

# And robust THR science

## That aims to inform a shift in the prevailing policy environment

**FROM**  
A world where regulators only saw



**Quit** or **Die**

as the tobacco control option

**TO**  
A world where...



**THR**

Is the most accepted tobacco control policy thesis

# Our approach is founded on clear principles

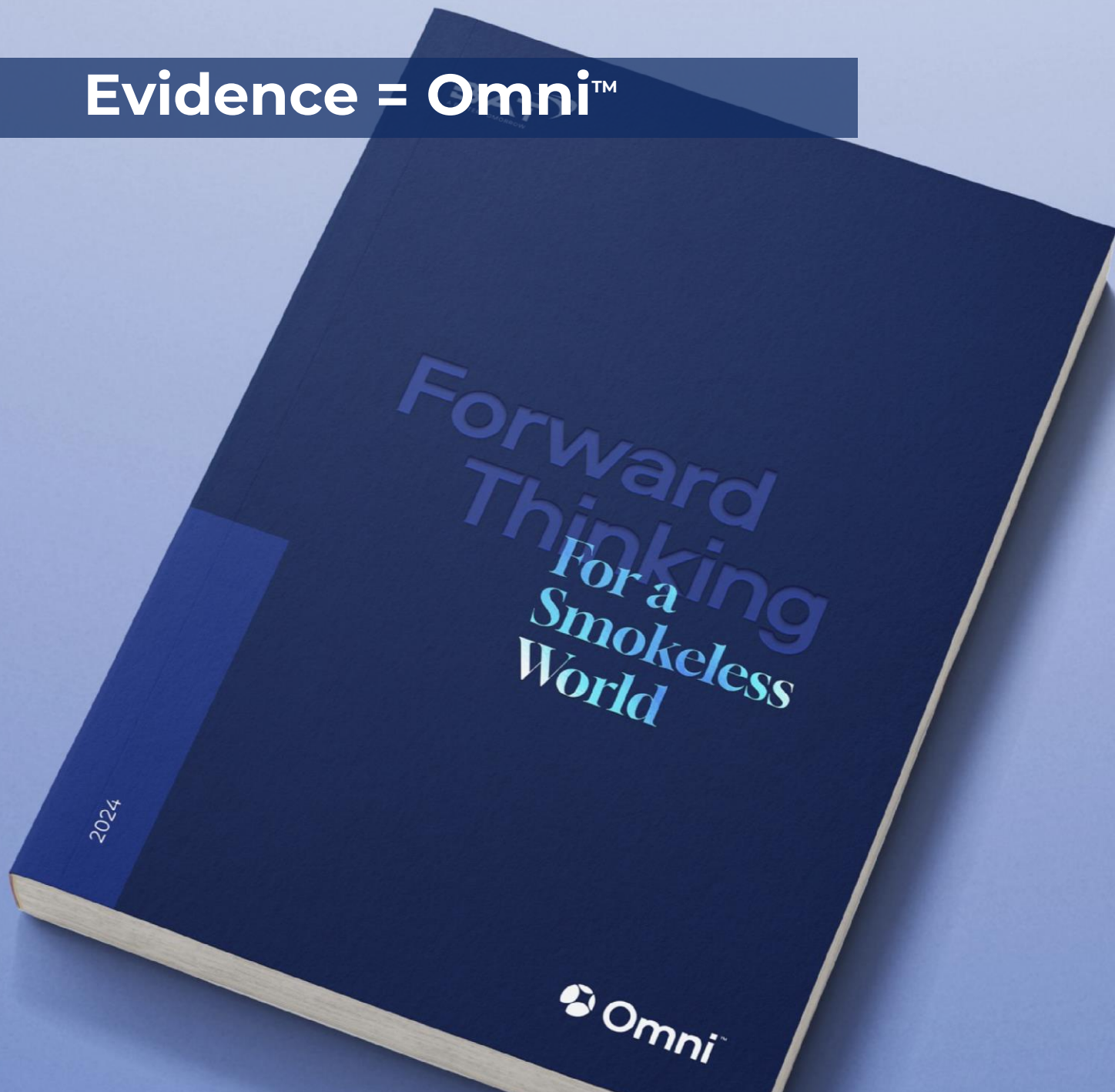
## Smart regulation

- ✓ Based on robust evidence
- ✓ Consultative by nature
- ✓ Delivers on policy goals
- ✓ Avoids unintended consequences

## Regulatory principles

- ✓ Science and evidence-based
- ✓ Product quality & stewardship
- ✓ Adult-only access
- ✓ Effectively enforceable

Evidence = Omni™



The Scientific and  
Real-World Evidence  
of THR in Action

# Building a Smokeless World

**Advancing THR Science**

Dr. James Murphy, Director, Research &  
Science

**Capital  
Markets  
Day**

**2024**



# THR is at the core of our science agenda

## THR

Our vision is underpinned by **Tobacco Harm Reduction (THR)**

## Definition

A product is harm reducing if it **lowers total tobacco-related mortality and morbidity** even though the use of that product may involve continued exposure to tobacco-related toxicants\*

NATIONAL ACADEMIES  
Sciences  
Engineering  
Medicine

## Application

THR = Scientifically substantiated smokeless products

x Smokers completely switching



# Decades of scientific provenance and pedigree

## Group R&D by **capability**



Chemistry



Toxicology



Consumer  
Use Behaviour



Consumer  
Assessment



Clinical  
Research



Disease  
Assessment



Population  
Health Impact



Consumer  
Impact Science



Digital  
Data



Biotechnology



## Group R&D by **numbers**



**1,750**

Scientists, Researchers  
& Engineers



**77**

Nationalities



**265**

THR Publications  
2012 - Present



**8,294**

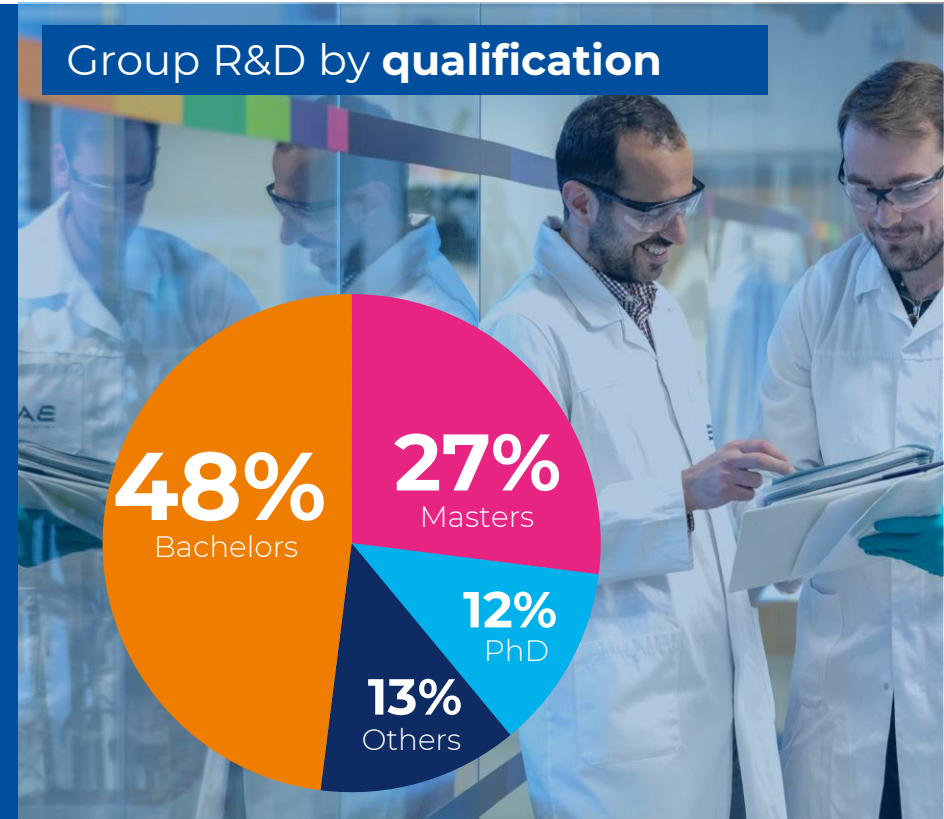
Granted patents  
2012 - Present

# Decades of scientific provenance and pedigree




## Our global science & innovation ecosystem






## Group R&D by qualification



# Comprehensive scientific product stewardship

	 HP	 Vapour	 Oral
Ingredients & materials	✓	✓	✓
Aerosol chemistry	✓	✓	-
Toxicological evaluation	✓	✓	✓



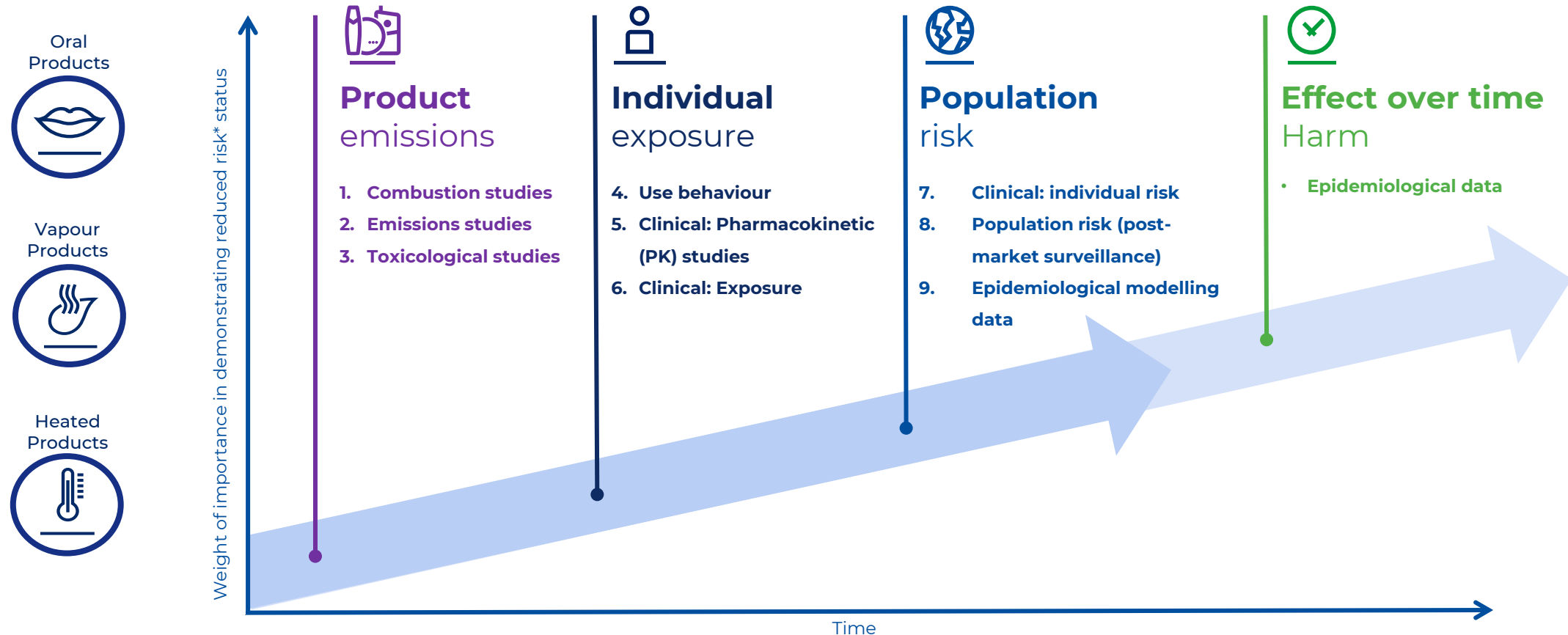

  


Robust product vigilance & Post-market surveillance processes



Ensuring our products are developed and manufactured in a responsible manner and are **legally compliant** for launch throughout their life cycle

# A weight of evidence approach for the scientific assessment of our Smokeless Products\*†






\* 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 U.S., 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.

# Extensive scientific substantiation\*†



	 (Study dates: 2017-2022)	 (Study dates: 2018-2023)	 (Study dates: 2019-2023)
<b>Emissions [HPHCs]</b> vs Cigarette <sup>^</sup>	<b>-90% to -95%</b>	<b>-99%</b>	<b>&gt; -99%</b>
<b>Toxicity</b> vs Cigarette <sup>∞</sup>	<b>-94%</b>	<b>-97%</b>	<b>-99%</b>
<b>Exposure</b> vs Smoking <sup>‡</sup>	<b>-89%</b>	<b>-99%</b>	<b>-99%</b>
	(glo exposure slightly higher than quitting)	(VUSE exposure comparable to quitting)	(VELO exposure comparable to quitting)

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∞ Toxicity reductions are averaged reductions from individual Genotoxicity | Cytotoxicity | Cell Stress assays: (i) glo = -98% | -90% | -95% ; (ii) VUSE = > -99% | -95% | >-98%; Velo = > -99% | -99% | >-98%

^ Comparison with smoke from a standard reference cigarette (approximately 9mg of tar) in terms of the average of the 9 harmful components the World Health Organization recommends to reduce in cigarette smoke.

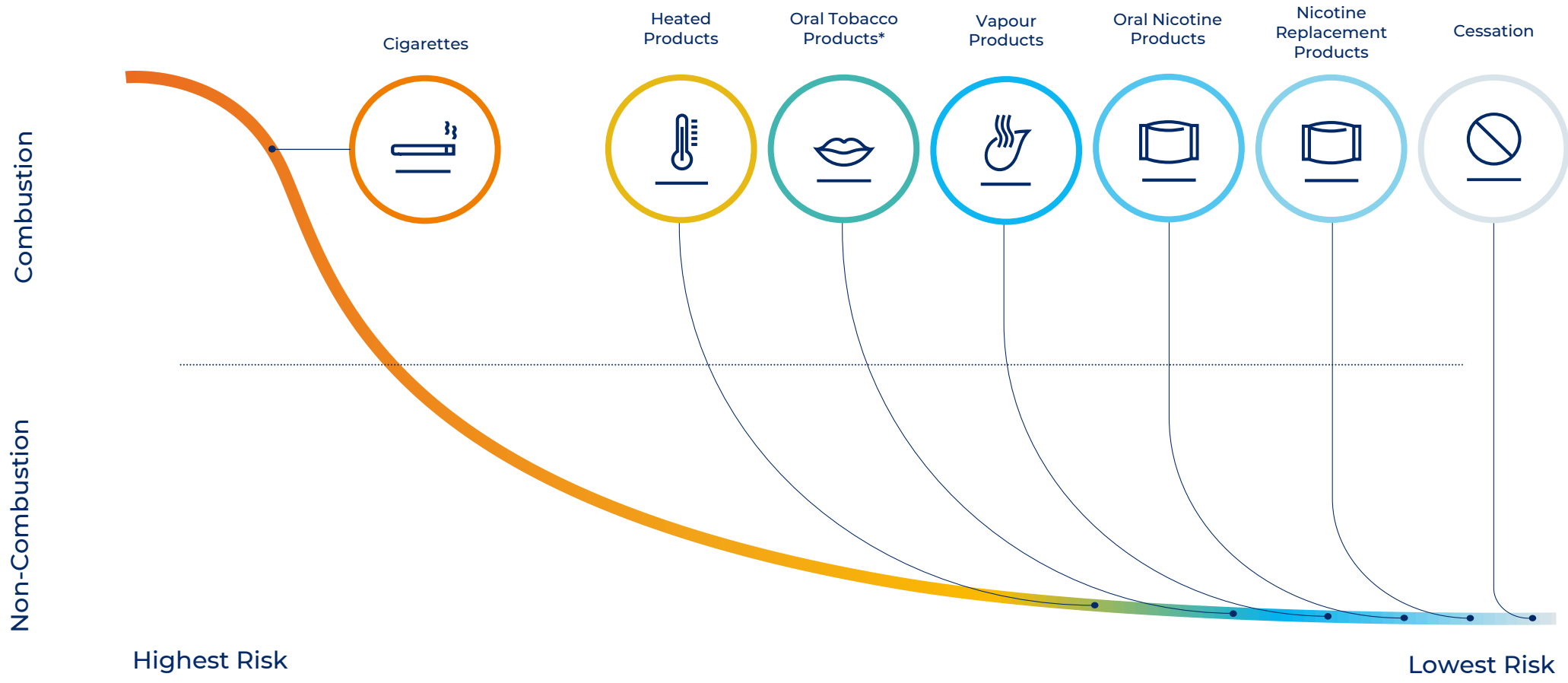
‡ Normalised to results from cessation (glo) or former smokers (Vuse, Velo)

# Clinical assessment of individual risk

Biomarkers of Potential Harm	Physiological process	Disease endpoint	Favourable change vs. smoking
8-epi-prostaglandin F2 $\alpha$ Type III	Oxidative stress/ DNA damage	COPD, CVD & lung cancer	↓
White Blood Cell Count (WBC)	Inflammation	COPD & CVD	↓
Carbon Monoxide	Oxygen delivery	CVD	↓
Soluble Intercellular Adhesion Molecule (sICAM)	Endothelial function	CVD	↓
High-density lipoprotein (HDL) Cholesterol	Lipid metabolism	CVD	↑
Thromboxane (11-dTx-B2)	Clotting	CVD	↓
Total 4-(methylnitrosamino)-1-(3-pyridyl)-1-butanol (NNAL)	Carcinogenicity	Lung cancer	↓
Forced expiratory volume (FEV1)	Lung function	COPD, CVD & lung cancer	↑

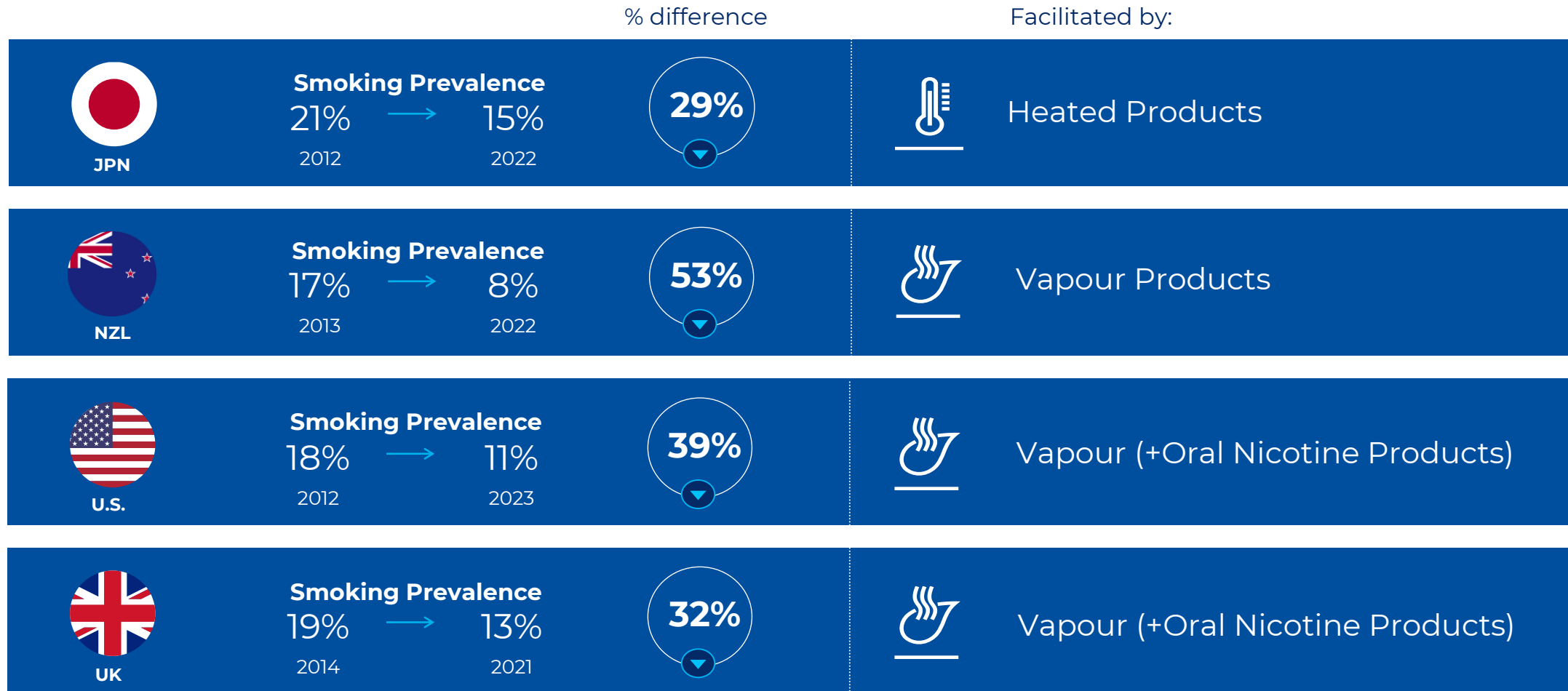
**In each of our clinical studies we observed favourable changes for smokers switching to glo, Vuse or Velo... in a manner comparable to quitting all tobacco product usage**

# Decades of scientific assessment have enabled the placement of Smokeless Products on a model continuum of risk



Source: Nutt, D.J., et al., Estimating the harms of nicotine-containing products using the MCDA approach. Eur Addict Res, 2014, 20(5): p. 218-225. DOI: [10.1159/000360220](https://doi.org/10.1159/000360220)  
 \* Oral Tobacco Products including snus and moist snuff

# And THR is having a significant impact globally



Japan: Ministry of Health, Reiwa 4th National Health and Nutrition Survey 令和4年国民健康・栄養調査 結果公表 | 厚生労働省. Available at: [https://www.mhlw.go.jp/stf/newpage\\_42694.html](https://www.mhlw.go.jp/stf/newpage_42694.html) (Accessed: 1 Oct'24);  
 New Zealand: Smokefree, Smoking & its effects, Facts & figures. Available at: <https://www.smokefree.org.nz/smoking-its-effects/facts-figures> (Accessed: 15 Aug'24); USA: BAT, Omni, Available at: <https://www.asmorelessworld.com> (Accessed 1 Oct'24); UK: Office for National Statistics, Adult smoking habits in Great Britain: 2014, Available at: <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/adultsmokinghabitsingreatbritain/2014> (Accessed: 15 Aug'24)

# The Swedish experience shows the potential of THR



Combustibles prevalence

SWE

15% → 6%  
2012 → 2023

40%

% difference

Facilitated by:

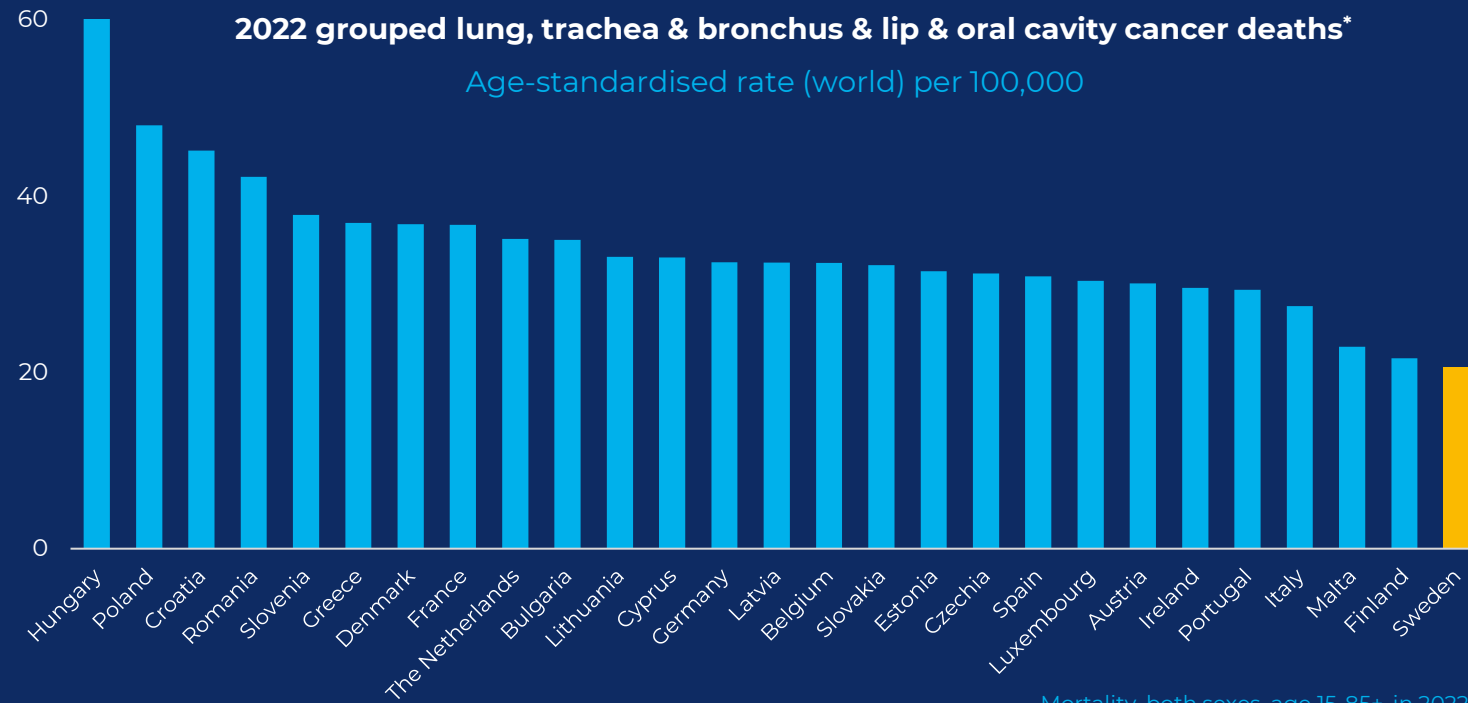


Oral Tobacco Products/  
Oral Nicotine Products

## Public health outcomes

### 2022 grouped lung, trachea & bronchus & lip & oral cavity cancer deaths\*

Age-standardised rate (world) per 100,000



Mortality, both sexes, age 15-85+, in 2022

## As Snus replaced smoking, beneficial health outcomes were realised

Use of Swedish Snus is not a risk factor for oral cancer and no association has been established with neck, oesophagus and gastric cancer. These products are not risk free and are addictive.

\* World Health Organization and International Agency for Research on Cancer, Cancer Today: Data visualization tools for exploring the global cancer burden in 2022. (Selection criteria: Age-Standardized Rate (world) per 100,000, Mortality, Both Sexes, Cancer Type (Grouped: Lip, oral cavity and Lung, trachea and bronchus), European Union (27), age (15-85+)). Available at <https://gco.iarc.who.int/today/en>

# The Swedish experience shows the potential of THR

**“If Swedish tobacco-related mortality rates were replicated in other countries, more than 3.5 million lives could be saved in the EU alone over the next decade” \***

# Encouragingly we see the THR needle moving



“I’m **fully aware of the misperceptions** that are out there and **aren’t consistent with the known science.**”

We do know that **e-cigarettes** – as a general class – have **markedly less risk than a combustible cigarette.**”

Dr Brian King\*

Director, Center for Tobacco Products. FDA

**NHS**



“**Fact:** although **nicotine** is addictive, it is **relatively harmless to health.**”

It is the many other **toxic chemicals contained in tobacco smoke** that **cause almost all the harm** from smoking”

NHS UK †

“Vaping myths and facts”

**THE LANCET**



“**Harm reduction is a successful public health strategy...**”

**Tobacco harm reduction should, therefore, be a central strategy of the WHO Framework Convention on Tobacco Control (FCTC)** in addition to the measures for demand and supply reduction which are necessary, but not sufficient.”

The Lancet ‡

“Harnessing tobacco harm reduction”

\* AP news. Insider Q&A: FDA official on vaping’s “promise or peril”. 2022. Available at: <https://apnews.com/article/science-health-public-tobaccoindustry-regulation-6af0d635d7859bab914cc249ef43b6e2> (Accessed: 17 Jul'24)

† NHS, Vaping myths and the facts. Available at: <https://www.nhs.uk/better-health/quit-smoking/vaping-to-quit-smoking/vaping-myths-and-the-facts/> (Accessed: 15 Jul'24)

‡ Beaglehole, R., and Bonita, R., Harnessing tobacco harm reduction. Lancet, 2024. 403(10426): p. 512-514. DOI: [10.1016/S0140-6736\(24\)00140-5](https://doi.org/10.1016/S0140-6736(24)00140-5)

# But more stakeholder engagement is needed

**Bloomberg UK**  
Nicotine's New Wave: Zyn Shortage | Zyn Imitators Rush In | Pros & Cons | Sweden and Snus | End of Menthol Cigs?  
Markets | Quicktake  
**What's Wrong With Vapes, Snus and Other 'Smoke-Free' Nicotine Products?**

**The future of vaping looks a lot like cigarettes**  
FINANCIAL TIMES

**Banning fruity and menthol vapes could slash teen e-cigarette use by 70%, study finds**  
Daily Mail

**Big Tobacco Heralds a Healthier World While Fighting Its Arrival**  
The New York Times

**Action needed to halt two million smoking-related deaths by 2065**  
Middle East falls behind in bid to curb smoking and switch towards less harmful nicotine alternatives  
The National

**Sir Chris Whitty questions need for flavoured e-cigarettes 'clearly aimed' at children**  
The Telegraph

**Doctors increasingly discourage vaping amid mounting health concerns**  
abc NEWS

**Smoking Declines as Tobacco Control Measures Kick In**  
VOX

**What does vaping do to your body and why is it being banned in Australia?**  
ABC NEWS

**The Overlooked Environmental Impact of Vaping**  
TIME

**FCTC**  
WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL

**Brazil: ANVISA upholds a ban on novel tobacco and nicotine products**

# The global amplification of Omni™



2024年度 アルコール・薬物依存関連学会 合同学術総会  
Japanese Alcohol, Nicotine & Drug Addiction Conference 2024



# Building a Smokeless World

**Shaping the Regulatory  
Landscape**

Flora Okerere, Group Head of Global  
Policy

**Capital  
Markets  
Day**

**2024**

# Our approach is founded on clear principles

## Smart regulation

- ✓ Based on robust evidence
- ✓ Consultative by nature
- ✓ Delivers on policy goals
- ✓ Avoids unintended consequences

## Regulatory principles

- ✓ Science and evidence-based
- ✓ Product quality & stewardship
- ✓ Adult-only access
- ✓ Effectively enforceable

# And world-class regulatory capabilities

1.



## Insights & horizon planning

Understand regulatory trends & drivers

2.



## Defined policies & principles

Maximise THR and address societal concerns

3.



## Evidenced-based positions

Consolidated science and market evidence

4.



## Stakeholder engagement

Tailored approach to regulatory engagement

5.



## Monitoring progress

Monitor global progress on progressive regulations

# Represented in all key regulatory centres

>500 multi-disciplinary specialists across all key jurisdictions



## 5 global core competencies

Scientific  
regulatory  
engagement

Fiscal &  
international  
trade

Regulation

Global policy

Business  
communication

# Delivering ground-breaking external campaigns



A BETTER TOMORROW™

## 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.**

1. We want confectionery, dessert and soft drink flavours banned for vapes.
2. We think there should be harsher penalties for those selling and importing illegal vapes.
3. Like alcohol, we want restrictions on where and how vaping products are sold.
4. We think more resources need to be put into enforcing vaping laws, funded by excise and fines.
5. We think it should be mandatory for single-use vapes to have removable batteries, aiding responsible recycling.

Scan here to find out more

**BAT** 1,696,684 followers

Omni™ is a dynamic, evidence-based resource that makes the case for Tobacco Harm Reduction and its role in creating a Smokeless World. ....more

Omni™ @smokelessworld

At its heart Omni™ is a robust scientific undertaking. It looks in depth at the evidence on Tobacco Harm Reduction, at innovation in our sector, and at the big questions facing our industry.

Download Omni™: [asmokelessworld.com/gb/en?utm\\_sour...](https://asmokelessworld.com/gb/en?utm_sour...)

#SmokelessWorld #ABetterTomorrow

Yashmin Golaup and 409 others

**BAT** 1,696,684 followers

At its heart Omni™ is a robust scientific evidence on Tobacco Harm Reduction, experiences of THR in action, and at the big questions facing our ...more

SWEDEN Soon Europe's First Smoke-Free Country

**BAT calls for regulations, says a smoke-free Kenya is possible**

Says alternatives to cigarettes key to supporting government's public health agenda

**DIRETO AO PONTO | TADEU MARROCO**

**“O ELETRÔNICO É A SOLUÇÃO”**

O presidente mundial da BAT, maior fabricante de cigarros do mundo, diz que o papel menos prejudicial à saúde do que o cigarro tradicional é feito por meio de dispositivos eletrônicos

Investire in Italia **FORTUNE**

**BBC NEWS**

Home | Israel-Gaza war | Cost of Living | War in Ukraine

**Wann wird Deutschland rauchfrei, Frau Hiller?**

Aus Schweden kommen einige Erfindungen, die die Welt verändert haben. Jetzt will es als erstes europäisches Land offiziell rauchfrei werden. BAT Manager Miriam Hiller über Sicherheitsgute und verbreiterungsfreie Nikotinprodukte.

**CITY.A.M.**

WEDNESDAY 27 MARCH 2024 11:10 AM

**Why British American Tobacco is campaigning for higher taxes on vapes**

**Disposable bans will not work, says vape boss**

British American Tobacco boss says bans overseas are not "effective" and the illegal market is large.

- Tobacco firm calls for tougher rules on vapes
- What is the new vaping tax and when will it start?
- Smoking CEO Dave Calcutt to step down by the end of the year

**UK Politics - 6h**

**Minister calls for time in women's pension row**

**UK Politics - 12h**

**Faulty smart meters rise to nearly four million**

**Could AI take the grind out of accountancy?**

**Business - 18min**

**Moves to make it harder to repossess leasehold homes**

**Business - 6h**



In 2020 there was  
**no specific regulation**  
for Modern Oral

by 2024

**13 countries**  
have developed  
Modern Oral  
regulations

**4 countries**  
have developed  
technical product  
standards

**EU countries**  
now under applicable  
Industry code

# Positive regulatory developments – Vapour



Vapour now **legal in 89%** of tracked markets\*  
**75%** with specific regulations



**EU TPD legalised  
vaping across 28  
members  
in 2016**



**Chile & Malaysia  
both legalised &  
regulated Vapour  
in 2023**

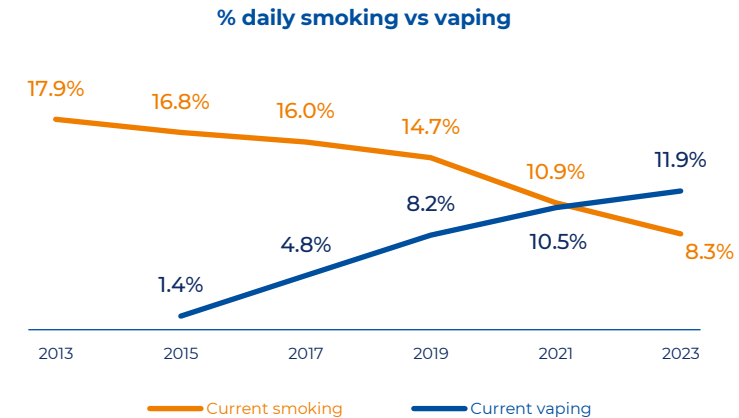
# With tangible population-level outcomes



NZA

## Progressive regulation. Lowest-ever smoking rates.

- ✓ **Progressive vape regulations:**  
Flavours | Communication | Nicotine Limits
- ✓ **Smoking down c.40% since 2019**  
Smoking incidence from 18% to 8%
- ✓ **'Smoke-free' by 2025**  
On-track to 5% smoking incidence

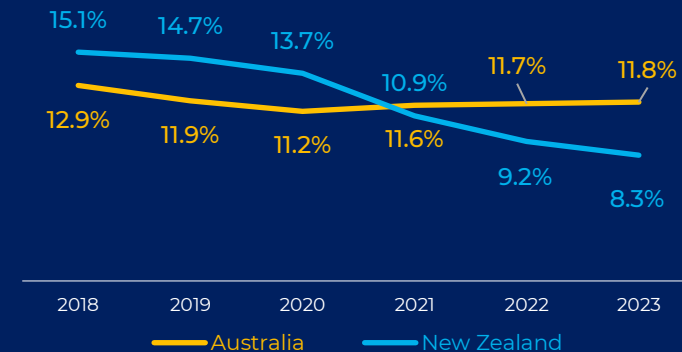




## Prescription-only.

## Stalled smoking decline and thriving illicit market.

- **Smoking decline stalls:**  
12% incidence for last 5 years
- **90% of Australia's vapers buy illegal**  
1.3 million people
- **High administrative burden**  
Extra system costs (c.450,000 prescriptions)



# Yet many millions of smokers do not have access to legal smokeless alternatives

An estimated

**200 million**  
**smokers**

Live in countries where New Category products are either banned or currently unavailable

THR-based regulation is an opportunity for these markets to effectively address smoking rates in a responsible and credible way

# Proactively addressing societal concerns

**Environmental Concerns**

**Underage Access**

**Adult-targeted flavours**

**Accidental access prevention**

**Age-verified connected platforms**

**Irresponsible Products**

**Enforcement & Penalties**

**Rechargeable / removable battery**

**Single-use removable battery**

**Without added sucralose**

**Deploying digital age-verification solutions in-store and on-line**

**Embedding security and environmental features in new innovations:**

- Device lock - secure when not in use
- Removable battery

# Bringing it all together



Accelerating  
THR Acceptance



Science  
Underpinned



Evidence  
Based



**Omni**<sup>TM</sup>

Forward Thinking for a  
Smokeless World

Scientific and  
Real-World Evidence  
of THR  
in Action



Thought  
Leading



Progressive  
Regulation



Sustainable  
Future

A big step forward in our approach



Forward Thinking for a  
Smokeless World

Scientific and  
Real-World Evidence  
of THR  
in Action

# So what is it?



- ✓ A world-first
- ✓ Our go-to authority for Tobacco Harm Reduction
- ✓ World-class objective science, both BAT & 3rd Party
- ✓ Engaging head on with the Big Questions in tobacco and nicotine
- ✓ An open invitation to dialogue
- ✓ Curated in a document and an online resource
- ✓ A living resource that will continue to be updated

Video – Omni launch



# Appendix

## **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**

Through Aug 2024 unless otherwise stated.

Volume share: The estimated number of units bought by consumers of a specific brand or combination of brands, as a proportion of the total estimated 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 cigarettes. Corporate volume share is the share held by BAT Group. Except when referencing particular markets, volume share is based on our top markets.

Value share: The estimated retail value of units bought by consumers of a particular brand or combination of brands, as a proportion of the total estimated 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 had 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. The exits referred to in respect of other markets, including in Africa, are not deemed significant to the users' understanding.

## **A8: Poly-usage**

- **Combustibles Poly-use** – refers to the use by an adult\* consumer of both Combustibles products and potentially reduced risk tobacco and nicotine products which for many smokers is part of a transitional period where those consumers move towards a complete switch to potentially reduced-risk products by reducing the consumption of combustible tobacco products and replacing them with one or more potentially reduced-risk products.

- **New Categories Poly-use ("NC Poly-use")** – refers to the consumption of two or more potentially reduced-risk tobacco or nicotine product categories by adult\* consumers who do not consume any Combustibles products.

- **Total Poly-use** – total number of adult\* consumers consuming two or more tobacco and/or nicotine products, which may or may not include Combustibles products. \* As defined by the relevant local law but shall in no circumstance refer to any person under the age of 18; and shall in no circumstance refer to any person under the age of 21 in the U.S.

## **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 - which does not necessarily mean these users are solus consumers of these 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 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 – referred to as "poly users".

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

## **A11: Smokeless Products**

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